

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Oversee the
Resource Adequacy Program, Consider
Program Reforms and Refinements, and
Establish Forward Resource Adequacy
Procurement Obligations.

Rulemaking 21-10-002
(Filed October 7, 2021)

**OPENING COMMENTS OF
THE CALIFORNIA EFFICIENCY + DEMAND MANAGEMENT COUNCIL
ON ADMINISTRATIVE LAW JUDGE'S RULING SEEKING COMMENTS ON THE
FUTURE OF RESOURCE ADEQUACY WORKING GROUP REPORT AND THE
LOCAL CAPACITY REQUIREMENT WORKING GROUP REPORT**

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Greg Wikler
Executive Director
California Efficiency + Demand
Management Council
1111 Broadway, Suite 300
Oakland, CA 94607
Telephone: (925) 286-1710
E-mail: policy@cedmc.org

Luke Tougas
Consultant for
California Efficiency + Demand
Management Council
1111 Broadway, Suite 300
Oakland, CA 94607
Telephone: (510) 326-1931
E-mail: l.tougas@cleanenergyregresearch.com

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I. INTRODUCTION

The California Efficiency + Demand Management Council (“the Council”)¹ appreciates this opportunity to submit its Opening Comments on the Administrative Law Judge’s Seeking Comments on the Future of Resource Adequacy Report and the Local Capacity Requirement Working Group Report, issued in this resource adequacy (“RA”) proceeding on March 4, 2022 (“ALJ Ruling”). These Opening Comments have been timely filed and served pursuant to the Commission’s Rules of Practice and Procedure and the instructions contained in the ALJ Ruling. The Council’s comments are limited to the Future of Resource Adequacy Working Group Report (“Working Group Report”).

II. SUMMARY

The Council greatly appreciates the effort put in by all of the facilitators and participants to create the environment for many excellent discussions that have to a great extent led to a significant narrowing of positions on several key issues, including two Slice-of-Day proposals. More work remains before either of the two proposals can be implemented but if the Commission moves quickly following approval of one of the proposals, these outstanding details can be addressed in time for 2024 RA Year deployment.

¹ The views expressed by the California Efficiency + Demand Management Council are not necessarily those of its individual members.

The Council makes the following recommendations:

- The Commission should adopt Southern California Edison’s (“SCE’s”) 24-Hourly Slice proposal without the four-hour minimum availability requirement.
- There should be no cap on demand response (“DR”) resources.
- A load transactability element should be adopted for future development.
- DR resources should not be subject to a full-capability Must-Offer Obligation (“MOO”).
- The DR counting methodology under the Slice-of-Day framework should be decided in the California Energy Commission (“CEC”) working group.

III. THE COMMISSION SHOULD ADOPT SCE’S 24-HOURLY SLICE PROPOSAL WITH MODIFICATIONS.

The Council believes that the SCE proposal best addresses the principles laid out by the Commission for the reasons provided by SCE in the Working Group Report.² However, there are a few elements the Council would like to reinforce as well as a few areas for improvement that specifically relate to DR resources.

A. The DR Cap Should Be Eliminated.

SCE proposes that the Maximum Cumulative Capacity (“MCC”) Buckets be eliminated should its proposal be adopted by the Commission. As SCE states, “The granularity of this approach eliminates the need for both the Flexible RA requirement and the maximum cumulative capacity (MCC) buckets by directly accounting for resource capabilities and use limitations.”³ The Council fully agrees. Like SCE, Pacific Gas and Electric Company (“PG&E”) advocates in its proposal for eliminating the MCC Buckets but, unlike SCE, recommends retaining the DR cap. PG&E states,

Should the new framework not have a cap on DR and if DR were to expand significantly, system reliability issues could develop during multi-day reliability events, either due to program call limitations or customer fatigue. Maintaining a cap on DR would ensure the system does not rely too much on DR to meet needs during prolonged reliability events.⁴

² Working Group Report, at pp. 24-25.

³ *Id.*, at p. 12.

⁴ *Id.*, at p. 31.

Similarly, Gridwell Consulting (“Gridwell”) proposes to retain the DR cap until an Effective Load Carrying Capability (“ELCC”)-based DR counting methodology is approved by the Commission.⁵

Neither PG&E nor Gridwell have adequately explained or demonstrated why a DR cap is needed under a Slice-of-Day framework. PG&E’s rationale to retain the DR cap is inconsistent in principle with its proposal to eliminate the MCC Buckets. The purpose of the MCC Buckets is to limit IOU and LSE procurement of too many use-limited resources such that they cannot meet their respective energy requirements. If PG&E believes that the use limitations of resources that would otherwise reside in Buckets 2-4 would be addressed through a 24-hourly slice framework, then there is no logical reason to treat DR differently, especially considering that Bucket 4 resources are limited to 40 hours per month of availability, which is not so much greater than the 24-hour monthly requirement for DR. With regard to multiple-day dispatches, the Commission’s current DR availability rules already require that DR resources must be capable of dispatching for three consecutive days, so P&E’s concern that they would not be available during extended heat events is unfounded. These monthly minimum availability requirements, which the Council supports, should be retained under a 24-Hourly Slice framework.

B. The Commission Should Add a Load Transactability Element to SCE’s Proposal.

The Commission appreciates SCE keeping the door open to a friendly amendment for a load transactability element.⁶ In its February 7 informal comments, the California Energy Storage Alliance (“CESA”) stressed the need to provide load-serving entities (“LSEs”) tools to shape RA portfolio profiles to their load shapes as an essential element of market efficiency.⁷ This is especially necessary for comparatively smaller LSEs who will find it more difficult to procure resource portfolios that closely matches their hourly load curve. Out of the three options proposed by CESA, the Council recommends the Commission adopt either Option 1 or Option 2 which entail either shifting obligations from one LSE to another or allowing LSEs to procure hourly capacity.⁸ It is not clear whether there is sufficient time for Option 1 to be implemented

⁵ Working Group Report, p. 39.

⁶ *Id.*, at p. 9.

⁷ *Id.*, at p. 214.

⁸ *Id.*, at p. 214.

in time for the 2024 RA Year due to the many questions surrounding the transacting of obligations, but Option 2 appears to be simpler to implement because once approved by the Commission, so it could likely be addressed through the compliance reporting template.

C. The Minimum 4-Hour Availability Requirement Should Not Be Retained Under a 24-Hour Slice Framework.

SCE recommends that use-limited resources continue to be subject to a minimum four-hour daily availability requirement, as they are today.⁹ It is not clear why that would be necessary under a 24-slice approach because each resource would be required to have a 24-hour profile showing its capabilities for each hour of the day. If it happens that some resources are only available for two or three hours each day, LSEs should still be able to contract for them if the resources can meet a need within one or more specific hours.

D. DR Resources Should Not Be Subject to a Full-Capability MOO.

SCE recommends that an RA resource's MOO should be consistent with its full RA value.¹⁰ The Council understands the logic behind this but in this instance, the unique nature of DR should be taken into consideration and exempted from this requirement. For baseload resources, the motivation will likely be to show their full capability in order to maximize energy revenues even for uncontracted capacity. However, DR resources, for which customers often incur a significant opportunity cost when dispatching, making their full capability available even if uncontracted would be impractical and could lead to unnecessary customer attrition. For example, a DR resource with the capability to dispatch for four hours contracts with an LSE for two consecutive hourly slices. This would leave two additional hours of capability that the DR resource should not be required to show because it is not receiving a capacity payment for those two hours of availability. DR resources should have the option to reflect their contracted capacity quantity instead of their capability because the two may not always be equal. Without an RA contract, DR providers should not be required to bid their uncompensated customers' load curtailment into the CAISO market.

⁹ Working Group Report, at p. 10.

¹⁰ *Id.*, at p. 13.

E. The DR Counting Methodology Under the Slice-of-Day Framework Should Be Decided in the CEC Working Group.

PG&E and Gridwell support deferring the DR Qualifying Capacity (“QC”) methodology for the Slice-of-Day framework to the CEC Supply Side DR QC Working Group, assuming the Commission approves its continuation. The Council fully agrees and recommends the Commission approve this course of action.¹¹

IV. CONCLUSION

The Council appreciates the opportunity to provide these Opening Comments and recommends the Commission approve the SCE proposal with the modifications described above.

Dated: March 24, 2022

Respectfully submitted,

/s/ GREG WIKLER
GREG WIKLER
Executive Director
California Efficiency + Demand
Management Council
1111 Broadway, Suite 300
Oakland, CA 94607
Telephone: 925-286-1710
E-mail: policy@cedmc.org

¹¹ Working Group Report, at pp. 30 and 39.