

California Efficiency + Demand Management Council

Bid Normalized Load impact (BNLI) Proposal – Supply Side DR Qualifying Capacity Working Group

August 17, 2023

Introduction

This proposal is a conceptual straw proposal that is meant to be viewed in aggregate, i.e., the elements are intended to work together to achieve a level of rigor the Council believes would be effective in incentivizing dispatches while reflecting the need for DR providers and IOUs to manage their DR participants' opportunity costs. The Council is open to discuss adding or subtracting elements, and to modifying their level of rigor based on stakeholder feedback.

Proposal Elements

- **Minimum Dispatch Percentage:** Support minimum 20% of bid quantity must be dispatched to count; otherwise, the BNLI of the dispatch is zero.
Explanation: The percentage should be high enough to discourage avoiding dispatches but low enough to accommodate the possibility of a partial dispatch in the CAISO market. If the percentage is too high then a lower-percentage partial dispatch would not count as an eligible dispatch.
- **Per-event BNLI Cap:** Deliveries that exceed the total bid quantity may count up to 120%.
Explanation: A DR provider should benefit when it can deliver a greater amount of energy in a given dispatch than the total bid. This would apply during partial dispatches as well. For example, a 10 MW DR resource is bid into the CAISO market but only 6 MW are scheduled. The DR resource delivers an hourly average of 12 MW during this dispatch which equates to 120% of the bid quantity which results in a BNLI of 1.2. If the DR resource delivered an hourly average of 13 MW, the BNLI for the event would be capped at 1.2. This approach would motivate better and more consistent performance across resources.
- **Day-Ahead Market (DAM) vs. Real-Time Market (RTM):** The BNLI should be based on DAM performance only.
Explanation: Long-start DR resources are exempt from bidding into the RTM. As a result, only the DAM reflects a full DR portfolio.
- **Treatment of DR Outages:** Fatigue outages should not be counted when assessing the overall BNLI of a DR portfolio.
Explanation: The CAISO allows Proxy Demand Resources (PDR) and Reliability Demand Response Resources (RDRR) to take a one-day outage when it has dispatched for three consecutive days, and an outage for the balance of a month once it reaches 24 dispatch hours.
- **Baselines:** Support August 10 proposed reframing with the following addition: Require the ex post evaluation baseline method to be used in CAISO settlement, unless it is not

possible or practical to use that method for purposes of settlement, *or if another method is found to be preferable.*

Explanation: This allows for the possibility for future universal control groups or other approaches without relying on the CAISO to modify its settlement baselines.

- **Minimum Utilization Targets:** Establish a summer-only target percentage dispatch rate (defined as dispatch/bid) measured at the portfolio-level for DR providers and at the PDR-portfolio level (i.e., portfolio level for all programs bid in as PDRs) for IOUs.

Explanation: The Council strongly opposes a price cap and minimum energy requirement. However, this approach would achieve the same goal by ensuring a minimum number of dispatches within the summer period. By measuring at the portfolio (DR providers) and PDR-portfolio level (IOUs), it would allow IOUs and DR providers to manage their customers' individual dispatch preferences while. Applying it during the summer in conjunction will incentivize more and larger dispatches during the hottest months when DR capabilities are greatest.