

**California Efficiency + Demand Management Council (Council), CPower, Enel X North America, Inc., Leapfrog Power, and OhmConnect, Inc. (DR Coalition) Comments on DR Performance Assessment Proposals**

**Supply Side DR Qualifying Capacity Working Group**

**September 1, 2023**

**I. Introduction**

The DR Coalition appreciate this opportunity to comment on the California Energy Commission (CEC) Staff and Demand Side Analytics (DSA) DR performance assessment proposals in the Supply Side DR Qualifying Capacity (QC) Working Group (Working Group). As a preface, the DR Coalition notes that the Council has withdrawn its proposals for the Per-Event BNLI Cap, Baselines, and Minimum Utilization Target. The Per-Event BNLI Cap is likely incompatible with the CAISO market's aim to minimize deviations from market schedules. As discussed below, the CEC's proposed Baselines language aligns with the DR Coalition's priority. The DR Coalition now no longer opposes a BNLI Bid Price Cap rather than favoring a Minimum Utilization Target for reasons described below.

**II. DR Coalition Comments on CEC Bid Normalized Load Impact (BNLI) Proposal**

**a. Minimum dispatch percentage**

The DR Coalition supports the requirement that a DR resource must dispatch a minimum of 20 percent of the bid amount to qualify for a BNLI score. This threshold strikes a balance by ensuring that most partial dispatches will qualify for a BNLI score without being overly restrictive, making it the DR Coalition's preferred "guardrail" solution out of the options proposed.

**b. BNLI bid price cap**

The DR Coalition is withdrawing its opposition to the use of a \$600/MWh BNLI Bid Price Cap in recognition of the Energy Division's and CEC Staff's priority to ensure a minimum number of dispatches by DR resources. Although the application details need clarification, the Bid Price Cap would be the maximum bid price at which a DR dispatch qualifies for a BNLI score. Despite the DR Coalition's continued concerns that it could suppress bids below some customers' opportunity costs, this Bid Price Cap is superior to a Minimum Energy Requirement

(MER) because it avoids forcing unnecessary DR resource dispatch. It is important to note the BNLI Bid Price Cap would not preclude DR providers from placing bids greater than the cap.

**c. Baselines**

The DR Coalition also supports the CEC’s proposed “reframing” of the baseline guidelines for the BNLI with the caveat that it must allow for the use of universal control groups, if available. As the DR Coalition understands the CEC proposal, the ex-post baseline used as the basis for regression analysis to calculate performance relative to the QC value should align with CAISO tariff requirements. This prevents selective advantageous baseline choices that favor a specific entity. This “reframing” should allow universal control groups, which the CAISO has already determined is permitted by its tariff, once they become available.

**d. Real-time market (RTM) vs. day-ahead market (DAM)**

The DR Coalition does not support the CEC Staff proposal that the BNLI score must be based on RTM bids. Many DR resources cannot dispatch quickly enough for RTM participation, the same reason the CAISO does not require DR resources that are “long-start” to bid into the RTM.<sup>1</sup> If only dispatches based on RTM bids qualify for a BNLI score, then all long-start DR will be effectively eliminated from participating in any Resource Adequacy-qualifying DR program or contract. In addition, DR providers’ Must Offer Obligation and RA contracts require bids to be placed in the DAM; it is appropriate that the requirements of the BNLI be aligned with these pre-established contractual obligations.

To allow broader consideration of bids for calculating BNLI, IOUs and DR providers should be given the option to use either DAM or RTM bids. Generally speaking, it is reasonable to expect that RTM-capable DR would be more successful in meeting its dispatch schedule than DAM-only (i.e., long-start) DR because the actual customer loads and prevailing weather conditions at the time of dispatch will be easier to predict. This should create a motivation to bid DR into the RTM to the greatest extent practicable, but an allowance is needed for DAM-only DR.

**e. Additional clarity is needed on how the BNLI will be applied**

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<sup>1</sup> See CAISO Reliability Requirements Business Practice Manual, at p. 89; and CAISO Tariff Section 40.6.4.4.b.

Key elements in assessing and applying the BNLI score remain uncertain. The first element is the appropriate period of time during which a BNLI score is assessed. In the CEC Staff's proposal, it left open the possibility of combining multiple months into "seasons" to allow IOUs and DR providers the opportunity to develop a wide range of data points to inform a robust regression.<sup>2</sup> To ensure consistency, it would be appropriate to align the grouping of one or more months for the purpose of performing regression analyses with the periods during which BNLI scores are calculated.

In addition, once the Energy Division and CEC Staff coalesce around a tentative BNLI approach, it would be helpful to document exactly how it would be applied to ensure that all parties have the same understanding. This exercise would also be helpful by highlighting gaps in the process that would need to be addressed.

### **III. DR Coalition Comments on DSA Proposal**

The DR Coalition appreciates DSA's comprehensive new DR Qualifying Capacity (QC) counting proposal. However, given the advanced stage of the working group process and two years of proposal discussion, introducing new approaches is untimely. If DSA's proposal is considered by Energy Division and CEC Staff, then more time is needed for parties to understand it.

With this said, the DR Coalition believes that the Step 4 of the DSA proposal, which proposes to use a combination of a Performance Alignment Metric (PAM) and Bid Alignment Metric (BAM) in lieu of the CEC's BNLI approach, may have merit but there is little information to assess it. However, it may be easy for the Energy Division and CEC Staff to test this approach during the test period in parallel with the BNLI scoring approach. The DR Coalition recommends using a PAM and BAM of 0.50 and perhaps other combinations, depending on whether the Energy Division and CEC Staff place a greater emphasis on performance relative to bids or bids relative to QC values. The DR Coalition notes though, that if DR is to be treated as a variable energy resource, the BAM may be of less importance because DR capabilities will often be weather-dependent.

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<sup>2</sup> *Hourly Regression Counting Methodology for Supply-Side Demand Response Implementation Guide*, at p. 18, January 2023.

#### **IV. Conclusion**

The DR Coalition appreciates the opportunity to submit comments on the DR performance assessment proposals and looks forward to continuing this working group process.