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**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

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

R.19-11-009

**CALIFORNIA COMMUNITY CHOICE ASSOCIATION'S
COMMENTS ON ADMINISTRATIVE LAW JUDGE'S RULING ON
ENERGY DIVISION'S DEMAND RESPONSE PROPOSAL AND
SEEKING COMMENTS ON THE PROPOSAL**

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TABLE OF CONTENTS

I.	INTRODUCTION	1
II.	THE FIVE (5) PERCENT REDUCTION IN NET QUALIFYING CAPACITY DUE TO DIFFERENCES IN ELCC AND LIP HAS NOT BEEN DEMONSTRATED.....	2
III.	THE ADDER FOR LOAD FORECAST ERROR IS APPROPRIATE.....	3
IV.	CONCLUSION.....	5

SUMMARY OF RECOMMENDATIONS

- A generic reduction of five (5) percent for the investor-owned utility (IOU) Demand Response (DR) programs designed to account for differences in a Load Impact Protocol (LIP) and an Effective Load Carrying Capacity (ELCC) valuation should not be adopted.
 - The Planning Reserve Margin (PRM) adder related to load forecast error should not be removed from the calculation of DR Resource Adequacy (RA) qualifying capacity.
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California Community Choice Association¹ (CalCCA) submit these Comments in response to the *Administrative Law Judge's Ruling on Energy Division's Demand Response Proposal and Seeking Comments on The Proposal* (Ruling), issued on April 19, 2021.

I. INTRODUCTION

The Public Utilities Commission of the State of California (Commission) seeks comments on Energy Division (ED) Staff's proposal related to the capacity value of DR. The RA program relies on capacity value for all resources that provide reliability to the grid. For some resources, this value is relatively straightforward to derive (*e.g.*, a non-use limited resource with access to fuel in all hours) while for others, including DR, determination of the capacity value inherently relies less on engineering and more on estimation tied to historical performance.

¹ California Community Choice Association represents the interests of 24 community choice electricity providers in California: Apple Valley Choice Energy, Baldwin Park Resident Owned Utility District, Central Coast Community Energy, Clean Energy Alliance, Clean Power Alliance, CleanPowerSF, Desert Community Energy, East Bay Community Energy, Lancaster Choice Energy, Marin Clean Energy, Peninsula Clean Energy, Pico Rivera Innovative Municipal Energy, Pioneer Community Energy, Pomona Choice Energy, Rancho Mirage Energy Authority, Redwood Coast Energy Authority, San Diego Community Power, San Jacinto Power, San José Clean Energy, Silicon Valley Clean Energy, Solana Energy Alliance, Sonoma Clean Power, Valley Clean Energy, and Western Community Energy.

In addition, the DR calculation is complex because a reduction of load is not the same as an increase of generation; load reduction avoids the use of transmission and distribution facilities along with other planning and PRM benefits.

For these reasons, the ED Staff proposal should be reconsidered and modified in two respects. First, before adopting any derate of DR programs, it should gather more evidence that an administratively set five (5) percent derate of DR programs is necessary or warranted to enhance the accuracy of DR's reliability value. Second, Staff should not remove the adder for load forecast error because the load forecast error is reduced when dispatched and is not needed to meet the fifteen (15) percent PRM in many hours where dispatch is not expected obviating the California Independent System Operator (CAISO's) concern that the resource would need to be constantly dispatched.

II. THE FIVE (5) PERCENT REDUCTION IN NET QUALIFYING CAPACITY DUE TO DIFFERENCES IN ELCC AND LIP HAS NOT BEEN DEMONSTRATED

While a dispute has arisen on whether the LIP appropriately values the RA capacity associated with DR resources, there is not sufficient evidence to simply reduce the RA counting value by five (5) percent at this time. Track 3B.2 is examining a more comprehensive review of RA. Within that proceeding, CalCCA and Southern California Edison Company (SCE) jointly submitted a proposal that would look not only at the capacity contribution of a resource but would also use a net load to evaluate capacity needs and would add a measure of energy that resources can provide. The CAISO expressed concern that the DR resources cannot provide their peak capacity in all hours. A fact that does not appear to be in dispute but is also true of any number of use-limited resources that may not be capable of operating during all hours of the day.

Even the ED proposal states that the IOUs have refuted the difference in capacity value between the CAISO proposed ELCC and the current LIP methodology stating:

From discussions with the IOUs, Staff's understanding is that the IOUs believe the above disparity between LIP-based QC and ELCC output in 2019 would reduce to less than 5% based on an "apples to apples" comparison.²

Rather than settle for a reduction with unknown need and impact, the Commission should instead evaluate how to best resolve the need for both capacity and energy from resources. Barring that important investigation, the Commission should maintain the current RA value without an administratively determined and unsubstantiated derate and begin a public process to improve the accuracy of determining the capacity value for DR.

III. THE ADDER FOR LOAD FORECAST ERROR IS APPROPRIATE

The ED Staff proposal states:

CAISO in its reply comments seeks to rebut SCE's claims regarding the remaining 9% adder. Firstly, CAISO suggests that SCE's argument is based on a flawed premise that conflates two different forecast errors in the operational and planning space. Namely, in CAISO's view, the "PRM forecast error element addresses deviation between real-time load and the planning forecast, i.e. the 1-in-2 monthly load forecast; [whereas SCE's DR] program performance, whether fixed or not, does not reduce load forecast error in this planning context." In order for this to be a viable argument, CAISO contends that DR would need to be called upon "constantly."³

The CAISO conclusion that DR would need to be called upon constantly ignores that the fifteen (15) percent PRM is only as low as fifteen (15) percent during the highest load hour of the month. While it is true that the DR program will not eliminate load forecast error in all hours (because it is not dispatched in all hours), it will do so during the times of highest need when DR

² *Energy Division Demand Response Proposals for Proceeding R.19-11-009*, Apr. 19, 2021, Appendix A at 5.

³ *Id* at 9. (emphasis added).

is dispatched. During hours where load is below the levels that DR would become available, the amount of remaining capacity in total is above a fifteen (15) percent reserve due to actual served load being lower than the forecast peak.

A simple illustration is very informative. Using August of 2020, suppose the RA load forecast predicted the actual CAISO peak load of 46,930 MW.⁴ To attain a fifteen (15) percent PRM, the RA requirement would be 53,970 MW. Suppose that load-serving entities (LSEs) showed 2,000 MW of DR and 51,970 MW of non-DR to meet the requirement. In this case, any time the load was below 45,191 MW ($51,970 \text{ MW} / 1.15 = 45,191 \text{ MW}$), the PRM even without the DR is still fifteen (15) percent. Reviewing the Open Access Same-time Information System (OASIS) data for the month of August, the actual peak load was above 45,191 MW for eleven (11) hours. In those hours, DR could have been dispatched and in any hour outside of those eleven (11) hours, even without DR, the remaining RA fleet provided for a fifteen (15) percent PRM. Thus, the DR fleet did not need to be called upon “constantly” in the most stressed hours of 2020 to maintain a fifteen (15) percent PRM.

In fact, this issue is already acknowledged and accounted for in the existing RA program. Maximum cumulative capacity (MCC) buckets allow LSEs to shape capacity to meet the varying needs throughout the day. A four (4) -hour per day resource is not available in all 720 hours of the month yet the RA program still recognizes that resource as meeting the load and PRM need. The Commission already limits the amount of short duration resources (including DR) that can be counted toward meeting an RA requirement for this very reason.

⁴ OASIS data from the CAISO <http://oasismap.caiso.com/mrioasis/logon.do>.

IV. CONCLUSION

For all the foregoing reasons, CalCCA respectfully requests the Commission retain the adder for the load forecast error and reject the proposed discount of the DR program by an unsubstantiated five (5) percent. CalCCA looks forward to an ongoing dialogue with the Commission and stakeholders.

Respectfully submitted,



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