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Refinements to the Third-Party Demand Response Qualifying Capacity Methodology

CPUC Resource Adequacy Track 3 Workshop

March 12 – 13, 2019

Current state of QC for DR

- Qualifying Capacity (QC) for Demand Response(DR) is determined by Load Impact Protocols (LIP), and incorporates historical performance data
- Certain third-party programs (e.g. DRAM) may not have sufficient performance history to apply the LIP, and have been allowed by the CPUC to use the contract capacity (design parameter) to set QC
- The accuracy of QC and supply plans is important to reliability, especially if the third-party programs are expected to grow
- To support adoption of new demand response technologies and techniques, SCE proposes that the CPUC explore improvements to determining QC
  - SCE lays out two paths forward on the next slide

Potential Solutions

- Method #1 – Load Impact Protocols
  - When possible, preferred approach to establish QC is the Load Impact Protocols (LIP)
  - Certain third-party programs (e.g. DRAM) may not have sufficient performance history to apply the LIP
  - The CPUC could establish a generic LIP where a generic factor associated with the customer type in a certain weather region determines the QC (e.g. 1 residential customer in weather region A contributes X kW towards the claimed QC)
  - The commission could set this generic LIP as an option for a specified start-up period, after which the performance history would be used to apply LIP
- Method #2 – Seller Determined Qualifying Capacity Paired with Back-End Controls
  - SCE is open to exploring approaches that would give the third-party providers more leeway in determining their QC, if it is paired with more appropriate back-end controls and financial consequences to ensure and incentivize a realistic capacity forecast
  - One way to accomplish this is:
    - For new contract, sellers can claim a reasonable MW capacity, subject to demonstration of capacity in the market (test or dispatch), with financial consequences for demonstrating less than the QC (i.e. supply plan quantity)
    - Demonstration would be based on MW delivered to CAISO per applicable baseline methodology, based on coincident load reduction for a single PDR/RDRR resource
    - A tolerance band could be appropriate for certain DR resources (e.g. weather sensitive)
    - Concerns with respect to Service Account shuffling between PDR/RDRR resources should be addressed