



**FILED**

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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 Reforms  
and Refinements, and Establish  
Forward Resource Adequacy  
Procurement Obligations.

Rulemaking 21-10-002

**ADMINISTRATIVE LAW JUDGE'S RULING ON ENERGY DIVISION'S  
PHASE 2 PROPOSALS AND LOSS OF LOAD EXPECTATION STUDY**

The assigned Commissioner's Scoping Memo and Ruling (Scoping Memo), issued on December 2, 2021, set forth the scope of Phase 2 of the Implementation Track.<sup>1</sup> Scoped issues include:

1. Modifications to the Planning Reserve Margin (PRM).  
Consider modifications to the PRM, including Energy Division's loss of load expectation study and proposal to be submitted into this proceeding.
2. Energy Division's biennial update to the Effective Load Carrying Capability (ELCC) values for wind and solar resources.

Energy Division's loss of load expectation (LOLE) study and proposal are delayed. The LOLE study and proposal shall be issued via a separate ruling by February 1, 2022. The February 4, 2022 workshop discussing Phase 2 proposals will include discussion of the LOLE study and proposal.

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<sup>1</sup> Scoping Memo at 5.

Attached to this ruling is Energy Division's Phase 2 Implementation Track proposal, other than the forthcoming LOLE study and proposal.

**IT IS RULED** that:

1. Energy Division's loss of load expectation study and proposal shall be filed via a separate ruling by February 1, 2022.
2. Energy Division's Phase 2 proposal is attached to this ruling as Appendix A.

Dated January 21, 2022, at San Francisco, California.

/s/ DEBBIE CHIV  
Debbie Chiv  
Administrative Law Judge

## **APPENDIX A**



# **California Public Utilities Commission**

**January 21, 2021**

## **Energy Division Phase 2 Proposal for Proceeding R.21-10-002**

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## **Proposal: Third-Party Demand Response Resources Testing Requirements**

### **I. Background**

In 2020 the Commission established testing requirements for third-party demand response (DR) resources, procured by non-investor-owned utility (IOU) load-serving entities (LSEs). Energy Division (ED) staff is proposing clarifications and modifications to the testing requirements set in D.20-06-031 (the Decision).

### **II. Proposal**

#### **a. Standard Testing Requirements across LSEs**

The Decision established testing requirements for third-party DR resources procured by Non-IOU LSEs. To achieve consistency in the testing requirements regardless of the buyer of the third-party DR resource, Energy Division proposes expanding the testing requirement to third-party DR resource procured by *any* LSE. This would maintain a level playing field in the resource adequacy (RA) market between the IOUs and Non-IOU LSEs.

#### **b. Timing of the per Quarter Test**

The Decision required that the third-party DRP conduct one test per quarter such that all resource IDs within the same sub-LAP must be dispatched concurrently. The month chosen for the test in a quarter was unspecified. It is often the case that the monthly Qualifying Capacity (QC) values aggregated across the resource IDs in a sub-LAP are different month to month within the same quarter. For such instances, staff proposes to clarify that the third-party DRP must conduct the test in the month with the highest aggregate QC for each SubLAP. Conducting the test in the month with the highest aggregate QC will alleviate the need for conducting testing for different months with varying QCs.

#### **a. Hourly Test Results**

The Decision required that all resources must be dispatched for four consecutive hours during the Resource Adequacy measurement hours. In addition, while the Decision required the performance to be averaged over the four consecutive hours for each day, we propose to clarify that the results must be submitted to ED in hourly format.

Proposed redlines to Decision 20-06-031 Ordering Paragraphs 13 and 14 are provided below:

13. Third-party demand response (DR) resources, procured by ~~non-investor-owned-utility~~ all load-serving entities, shall be subject to the following testing requirements:

(a) The procured DR resource must dispatch for four consecutive hours during the Resource Adequacy measurement hours in every quarter of the delivery year.

(b) The test must be done at the resource ID level and all resources within the same sub-Load Aggregation Point must be dispatched concurrently. ~~If Qualifying Capacity values vary by month, within each quarter, then the test should be done in the month with the highest QC for each SubLAP.~~

14. The results of test dispatches required of third-party demand response (DR) resources, procured by ~~non-investor-owned-utility~~ load-serving entities, shall be submitted as follows:

(a) The scheduling coordinator shall submit the ~~hourly~~ test results to the DR buyer, DR provider, Energy Division, and the California Independent System Operator by the end of the quarter following the quarter in which the test dispatch occurs.

(b) Third-party DR providers shall submit the ~~hourly~~ test results in their Load Impact Protocol analysis and reports submitted to the Commission.

## Proposal: Energy Division & CEC Collaboration on the Load Impact Protocol Process

### I. Background

The Load Impact Protocols (LIPs) were adopted by D.08-04-050.<sup>1</sup> The decision adopted a total of 27 protocols which prescribed a set of guidelines for estimating the impact on load (or load change) resulting from Demand Response (DR) activities. These guidelines established a consistent method for measuring program performance across DR resources (ex-post analysis) and for forecasting anticipated performance (ex-ante projections). The resulting estimates are used to analyze the cost-effectiveness of DR resources and for other CPUC activities such as the Resource Adequacy (RA) framework and long-term Integrated Resource Planning.

D.10-04-006 modified filing requirements by requiring parties to submit all LIP-associated filings to Energy Division and to serve them to parties of specified service lists.<sup>2</sup> In 2016, via D.16-06-045, the CPUC granted a temporary exemption from the LIPs for all market-integrated third-party DR resources that were being bid into the market by the DRP for the 2017-2019 RA compliance years. During that period, contract capacity was used in lieu of LIPs, to establish RA eligible Qualifying Capacity (QC) values for these resources. In D.19-06-026, the CPUC recognized the expiration of this exemption and noted that LIPs were once again required for determination of QC values for all market-integrated DR resources, whether third-party Demand Response Provider (DRP) or Load Serving Entity (LSE)-managed, except for resources participating in the Demand Response Auction Mechanism (DRAM) pilot in 2020-2023, where an alternative counting method is in place.<sup>3</sup>

In D.20-06-031,<sup>4</sup> the CPUC adopted a process to update the QC of market-integrated DR resources up to two times a year to reflect changes in customer enrollments during the RA compliance year, provided that the requested changes vary by more than 20 percent, or 10 MW, whichever is greater. The CPUC also directed a re-formation of the Supply Side Working Group (SSWG) to “(1) define the details of the biannual process; (2) further study the LIPs and potential enhancements to improve the accuracy,

<sup>1</sup> “Decision Adopting Protocols for Estimating Demand Response Load Impacts,” in R. 13-09-011

<sup>2</sup> “Decision Modifying Demand Response Load Impact Report Annual Filing Requirements,” in R. 07-01-041

<sup>3</sup> D. 19-06-26 at 41-42

<sup>4</sup> “Decision Adopting Local Capacity Obligations for 2021-2023, Adopting Flexible Capacity Obligations for 2021, and Refining the Resource Adequacy Program,” in R. 19-11-009

transparency, and applicability of the methodology; and (3) re-evaluate the QC update threshold (20 percent, 10 MWs) for potential future updates.”<sup>5</sup> The Decision directed the SSWG to submit its recommendation for items (2) and (3) into Track 4 of R. 19-11-009.

## II. Challenges

The LIP process requires extensive and intensive effort by ED staff to review the various LIP related filings and conduct detailed quantitative analysis. Each year IOUs and third-party DRPs submit LIP reports, typically over 100-pages each consisting of detailed statistical analysis and explanatory narratives in support of their ex-post and ex-ante estimates. ED staff spend a considerable amount of effort in the determination of RA-eligible QC based on ex-post results and ex ante projections from these LIP reports annually. In addition to the annual LIP reports and RA QC designations, all DRPs have the opportunity to update their enrollment and concomitant QC awards twice a year with additional filings, requiring a separate, parallel effort by ED staff to validate such QC updates.

## III. Proposal

The California Energy Commission (CEC) has been a long-standing member of the Demand Response Measurement and Evaluation Committee (DRMEC) and has historically collaborated with CPUC and ED staff on various RA and DR issues including the valuation of Load Modifying DR and its consideration in the load forecast and planning proceedings. CEC is also currently facilitating the Supply Side DR QC working group within the RA proceeding. ED Staff proposes to establish a similar collaborative effort with CEC Staff on Supply Side DR measurement & evaluation. This partnership is proposed to enhance the quality of the LIP review process, outcomes, and transparency of the determination of RA-eligible QC values in consideration of CAISO system reliability and compliance with CPUC programs and policies. Consistent with existing practice, Energy Division will continue to make the final determination of RA-eligible QCs for DR resources.

(END OF APPENDIX A)

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<sup>5</sup> D. 20-06-031, OP 16 at 93-94