

January 17, 2025



California Public  
Utilities Commission



CALIFORNIA  
ENERGY COMMISSION  
**FILED**

01/21/25

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R2310011

## Status Update on the Joint Staff Qualifying Capacity Proposal for R.23-10-011

In D.23-06-029, the CPUC considered the recommendations proposed in the CEC report, *The Qualifying Capacity of Supply-Side Demand Response Working Group Final Report* (the Report),<sup>1</sup> and determined that further refinements were needed before the proposal could be adopted. The CPUC requested that CPUC and CEC jointly lead a new Working Group to refine the proposal further and initiate a testing process using actual data. A schedule was adopted that required a draft joint report summarizing ex-post results for 2023 based on the test results.

The Working Group kicked off on July 27, 2023, and met approximately every two weeks through November 16, 2023. In all, nine meetings were held. The working group meetings were open and generally attended by representatives of the IOUs, third-party demand response providers, the California Independent System Operator, consumer advocates, and trade groups. The focus of the meetings was further examination of the Bid-Normalized Load Impact (BNLI) methodology recommended in the Report. This involved examining the BNLI calculations, the Capacity Shortfall Penalty (CSP), and penalty enforcement. Participants in the working group provided feedback and written comments throughout the process. The Working Groups also provided an opportunity to discuss alternative proposals. A methodology developed by Demand Side Analytics (DSA)<sup>2</sup>, the Bid Alignment Metric-Performance Alignment Metric (BAM-PAM), was presented as an alternative to the BNLI.

After the Working Group meetings concluded, the Joint Staff started a testing period with a Study Workplan Discussion meeting on December 14, 2023. The final study plan was sent out on February 7, 2024. During the testing period, IOUs and 3<sup>rd</sup> party DRPs provided data on their capability profiles, and the CAISO provided market data for 2022 and 2023. In 2023 there were only a few DR events so the 2022 data was mainly used for the purposes of testing. After examining the available data received in February and March of 2024, it became clear that the BNLI methodology would not provide viable results due to the post-processing of the data and methodology providing too few observations. The Joint Staff shifted to studying a version of the proposed BAM-PAM instead.

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<sup>1</sup> [The Qualifying Capacity of Supply-Side Demand Response Working Group Final Report](#), California Energy Commission

<sup>2</sup> Demand Side Analytics (DSA) is a consulting firm that works with DRPs to assess demand response performance and capabilities.

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The Joint Staff requested data from all IOUs and third-party DR providers that wished to participate in testing the BAM-PAM proposal. The Joint Staff received data from all IOUs and three third-party DR providers (Leap, Renew Home [formerly OhmConnect], and Voltus). There was considerable back-and-forth with several of the parties to provide the needed data in standardized formats. The data submissions are considered confidential, and the specific results were shared with each participant.

An interim report outlining the testing results and lessons learned, *Interim Report on the Incentive-Based Qualifying Capacity Solution for the Supply-side Demand Response Study Period*,<sup>3</sup> was sent to the Working Group distribution list on August 28, 2024. A revised report correcting minor errors was sent out on August 30, 2024. A public meeting to discuss the report was held on September 5, 2024.

Joint Staff have been working on a final proposal that was initially planned for a Dec. 31, 2024 release. The release was expected to be available by January 17, 2025. Staff have encountered new technical and policy challenges that necessitate further examination and collaboration with the stakeholders. Consequently, the release of the Joint Staff Proposal will be postponed to allow for a more comprehensive and informed assessment of these issues. This additional time will ensure that the proposal reflects a thorough evaluation of the complexities involved.

(END ATTACHMENT B)

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<sup>3</sup> [Interim Report - SSDR QC WG\\_Final.pdf](#)