INFORMAL COMMENTS OF THE ALLIANCE FOR RETAIL ENERGY MARKETS ON DRAFT STAFF PROPOSAL ON METHODOLOGIES FOR CALCULATING RESOURCE ADEQUACY QUALIFYING CAPACITY FOR ENERGY STORAGE AND SUPPLY-SIDE DEMAND RESPONSE IN RULEMAKING 11-10-023

In accordance with the Phase 3 Scoping Memo,[1] the Alliance for Retail Energy Markets[2] submits these informal comments on the Draft Staff Proposal, issued September 13, 2013, *Qualifying Capacity and Effective Flexible Capacity Calculation Methodologies for Energy Storage and Supply-Side Demand Response Resources*.

In the report, the Staff describes alternative approaches to establish Resource Adequacy ("RA") capacity for energy storage and supply-side demand response ("DR") resources. The Staff recommends that RA Qualifying Capacity ("QC") and Effective Flexible Capacity ("EFC") be based on probabilistic modeling.[3] If such modeling is postponed or not adopted by the Commission, the Staff suggests that energy storage resources obtain RA capacity by testing at the CAISO, but DR resources obtain RA capacity "in the same manner as existing Retail DR."[4] Therefore, supply-side DR resources would apparently be subject to having RA capacity established through the Load Impact Protocols.

AReM strongly endorses, as it has in the past, simple, straightforward rules that *encourage* participation by resources, particularly DR. Requiring complex probabilistic modeling to obtain RA capacity is unduly burdensome and creates barriers to entry. Other organized markets successfully set qualifying capacity for DR through testing by the system operators. No explanation has been given to justify why such testing should not be the *preferred* approach for both energy storage and DR in California. Testing by the CAISO would be simple, understandable, and straightforward for those endeavoring to bring new resources on-line, thereby *encouraging* them to participate in California's energy markets.

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[1] *Phase 3 Scoping Memo and Ruling of the Assigned Commissioner and Administrative Law Judge*, R.11-10-023, August 2, 2013, p. 6.

[2] AReM is a California non-profit mutual benefit corporation formed by electric service providers that are active in the California's direct access market. This filing represents the position of AReM, but not necessarily that of a particular member or any affiliates of its members with respect to the issues addressed herein.

[3] Draft Staff Report, p. 4.

[4] Draft Staff Report, p. 5.

Setting RA capacity for supply-side DR resources through testing at the CAISO was previously debated in R.09-10-032, where the CAISO and others expressed concerns that the Load Impact Protocols are unduly complex and create barriers to entry.[5] The Commission decided at that time to continue with the Load Impact Protocols because of a lack of information, but noted that it "did not wish to impose such barriers."[6]

Third parties attempting to bring innovation and new resources to California should not be subject to such potential barriers nor burdened by complex, non-transparent, and time-consuming protocols. The process of setting RA capacity through testing at the CAISO has been well established for years for most resources. Likewise, eastern markets have a track record for setting capacity for DR resources through testing. AReM therefore recommends that the Commission's preferred approach should be to establish RA capacity through testing at the CAISO and that the proposal for probabilistic modeling be withdrawn.

Submitted on Behalf of AReM by:

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[5] D.11-10-003, pp. 18, 19 and 21.
[6] D.11-10-003, p. 21.