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AEE Comments on Proposed DSGS Program Guidelines

Additional submitted attachment is included below.

July 29, 2022

California Energy Commission
1516 Ninth Street
Sacramento, California 95814

Re: Docket 22-RENEW-01 – Demand Side Grid Support Program Guidelines

Dear Vice Chair Gunda, Commissioners, and California Energy Commission Staff:

Advanced Energy Economy (AEE) appreciates the opportunity to provide feedback on the Demand Side Grid Support (DSGS) Program Guidelines. AEE is a national business association representing over 100 companies across the advanced energy sector, including distributed energy resource (DER) space, including but not limited to distributed solar and energy storage developers, microgrid developers, energy efficiency and demand response providers, electric vehicle charging hardware and software providers, DER aggregators, and other technology solution providers at the grid edge. AEE commends the California Energy Commission's (CEC) leadership on advancing demand response (DR); as the state accelerates the deployment of variable renewable energy technologies and contends with extreme weather driven by climate change, DR will become increasingly important for enhancing grid reliability and reducing costs for all customers. Through this lens, AEE provides the following comments and recommendations to strengthen the DSGS Program.

i. Customer Eligibility

Assembly Bill (AB) 205 states that funding for the DSGS Program will be allocated "to develop a new statewide program that provides incentives to reduce customer net load during extreme weather events with upfront capacity commitments and for per-unit reductions in net load."[1] Regrettably, the eligibility requirements in AB 205 limit this "statewide program" to customers that are not eligible to participate in DR programs approved by the California Public Utility Commission (CPUC).[2] The DSGS Program could provide customers with greater options to deliver net load reductions statewide through low friction enrollment frameworks if the program focused on recruiting customers not already *enrolled in* an existing DR program. There are hundreds of megawatts of flexible load resources in California homes and businesses today that are not enrolled in an existing DR program due to cumbersome enrollment processes that exist for those programs.[3] The CEC has demonstrated leadership on encouraging low friction

[1] AB 205 (Ting), Chapter 8.9, Article 3, https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=202120220AB205
[2] *Id.*
[3] See p. 33 https://www.cpuc.ca.gov/-/media/cpuc-website/files/legacyfiles/d/6442460092-dram-evaluation-final-report-public-01-4-19-final.pdf "A report by the California Public Utility Commission's Energy Division described

enrollment frameworks through its Load Management Standards proceeding,[4] and AEE encourages the CEC to extend that leadership to the implementation of the DSGS program as well. Grid reliability is a statewide issue that requires scalable statewide solutions; expanding customer eligibility to investor-owned utility (IOU) and community choice aggregator (CCA) customers – provided that these customers are not actively enrolled in an existing, competing DR program – would align with the program's objective to prioritize dispatch DR resources, increase the megawatts of demand reduction achieved by the program, and reduce cost shift concerns between CPUC-jurisdictional customers and non-CPUC-jurisdictional customers. **AEE encourages the CEC to seek clarification from the Legislature on customer eligibility provisions of the DSGS Program to expand the number of eligible customers and reduce enrollment friction in the DSGS Program and other DR programs.**

ii. Incentive Structure Options

AEE strongly supports the inclusion of three incentive structure options to compensate customers for incremental load reduction (ILR).[5] In particular, AEE appreciates the inclusion of Option 3, which allows for monthly capacity payments to customers that enroll non-combustion load reduction resources. This option, critically, provides greater revenue certainty for customers and aggregators that can reliably dispatch resources to meet grid needs and could lead to improved program performance.

The proposed DSGS Program Guidelines state that for resources under Option 3 "[t]o be eligible for payment, the DSGS provider must bid into the ISO day-ahead market in 4 consecutive hours between 4:00 p.m. – 9:00 p.m. PT"[6]. At the same time, the proposed guidelines require non-CAISO balancing authorities to develop "comparable dispatch requirements suitable to the operations of the applicable balancing authority that contribute to reliability within the balancing authority area."[7] **To ensure that resources participating under Option 3 are eligible to receive compensation for program participation, AEE encourages CEC to clarify it will pursue a "market-informed" pathway that does not tie resource compensation to direct DSGS provider participation in CAISO markets.** This approach could encourage greater program uptake by POUs and align Option 3 with ELRP, which is triggered by CAISO notices but not integrated in CAISO markets. In the alternative, to hew to

an analysis by demand response provider EnergyHub finding that: requiring customers to provide utility account numbers to enroll in DR programs − not required in programs in Texas − resulted in an 84% drop-off in customer enrollments. In addition, requiring customers to complete CISR forms resulted in a 39% decrease in customer enrollment applications, according to EnergyHub. These obstacles led EnergyHub to enroll just 3% of eligible California customers it targeted for DRAM, as compared with over 40% in Texas."

[4] The proposed regulatory language for the CEC's Load Management Standards includes a requirement to "minimize enrollment barriers". See p. 12 of proposed regulation language at (F) Minimize enrollment barriers. https://www.energy.ca.gov/proceedings/energy-commission-proceedings/load-management-rulemaking

[5] DSGS Program Guidelines at 7.

[6] *Id.*

[7] *Id.* at 8

AB 205 guidance regarding a "relevant reference energy price," the CEC could dispatch resources informed by the day-ahead or real-time market clearing price at the CAISO DLAP achieving certain thresholds, such as $500/MWh, while not requiring DSGS Providers to stand up a new market integrated resource. AEE supports further refinement of this pathway to ensure more resources can participate in this DSGS Program option by 2023.

iii. Resource Exports, Eligibility, and ILR

The DSGS Guidelines do not explicitly state whether net exports from eligible resources, such as customer-sited battery storage, are eligible for compensation. **AEE recommends that the CEC clarify that net exports from clean energy resources are eligible for compensation under all three incentive structure options.** This approach would squarely align with the DSGS Program's objective to reduce customer net load during periods of high demand, ensure that zero-emission resources that can deliver grid exports are fully compensated for the grid services they are capable of providing, and align with ELRP provisions that allow for export compensation.[8] Conversely, limiting resource compensation up to the site host load would fail to tap the full potential that DERs can provide to the grid and unduly hinder California's ability to manage reliability during extreme weather events.

Additionally, AEE seeks clarification on whether resources like electric vehicles and biomethane-fueled microgrids are eligible for participation in the DSGS Program. AEE supports the inclusion of these DERs and contends that they could be placed above conventional diesel and gas generators in the dispatch loading order.

Relatedly, the DSGS Guidelines provide DSGS providers with discretion on how to measure ILR for the purposes of settlement and compensation.[9] **AEE strongly encourages the CEC to explicitly enable DSGS providers to measure ILR via sub-meter and/or device meter data where applicable.** This approach would help streamline DSGS provider and participant enrollment processes by enabling more direct resource performance measurement.[10] In addition, ELRP already allows for the use of sub-meter and device meter data for purposes of settlement and ILR measurement – a practice that can readily be adopted in the DSGS Program.[11] In the instance where POUs have not widely deployed advanced metering infrastructure capable of performing ILR measurement, this approach provides a viable alternative to assess resources' load reduction during grid events and reduces potential enrollment friction.

[8] https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M428/K821/428821668.PDF
[9] DSGS Program Guidelines at 3.
[10] AEE suggests that the meter generator output (MGO) methodology adopted by CAISO for demand response could be used for this purpose, provided that the methodology is adjusted to not zero out storage charging and count exports to the grid.
[11] https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M428/K821/428821668.PDF

AEE strongly supports the goals of the DSGS Program and respectfully requests the CEC consider the recommendations above to strengthen program enrollment and performance. We look forward to continued engagement on this critical topic and future CEC demand-side programs, including the Distributed Electricity Backup Assets Program.

Respectfully submitted,

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