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Silicon Valley Power Comments on Draft Proposed DSGS Program Guidelines

Additional submitted attachment is included below.

STATE OF CALIFORNIA ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION

In the Matter of: Demand Side Grid Support Program Draft Guidelines	Docket No. 22-RENEW-01

COMMENTS OF THE CITY OF SANTA CLARA/SILICON VALLEY POWER ON THE DEMAND SIDE GRID SUPPORT PROGRAM DRAFT GUIDELINES AND JULY 25, 2022, STAFF WORKSHOP

Silicon Valley Power (SVP), the City of Santa Clara's municipal electric utility, respectfully provides the following comments to the California State Energy Resources Conservation and Development Commission (California Energy Commission or CEC) regarding the Demand Side Grid Support (DSGS) Program Draft Guidelines and July 25, 2022, Staff Workshop.[1]

I. INTRODUCTION

SVP appreciates the opportunity to collaborate with CEC staff during the planning process for the DSGS program. SVP's industrial customers are mainly large data centers with large diesel backup generator units that are typically permitted through the CEC Small Power Plant Exemption process. In 2020, several data centers, at the request of the CEC and the California Independent Systems Operator (CAISO), voluntarily reduced their grid load by switching to their diesel backup generators. Use of the diesel backup generators by the data center customers requires the customers to bring in additional staffing support and creates additional unanticipated fuel use. In 2021, SVP was heavily engaged in the development of the California State Emergency Program (CSEP), which is being used as a model for the DSGS program, that provided similar types of incentives to customer participants who were able to provide load reduction during an emergency event. SVP has engaged in discussions with our industrial customers on DSGS and provides the following comments on the proposed DSGS

[1] Energy Commission Docket #22-RENEW-01, Document #244148, https://efiling.energy.ca.gov/GetDocument.aspx?tn=244148&DocumentContentId=78056.

program design and execution. SVP and our customers want to be active participants in providing a short-term energy solution to help alleviate the California grid when stressed. To that end:

- The DSGS Program Must Appropriately Compensate Participants
- SVP Encourages the CEC to Address Customer Participation Concerns That Can Cause Future Issues with Project and Permitting Applications.

We elaborate on these points in the comment section below.

II. COMMENTS

- **The DSGS Program Must Appropriately Compensate Participants.**

SVP's customers, the likely Participants, have expressed support for Option 2 which is similar to the operational and compensation model of the CSEP and where a customer may receive a payment for standby if advance warning is given and a separate payment for actual dispatch. Advanced warning allows the customer to prepare their operational staff, perform pre-cutover checks, and allows for notification of their internal customers that there is a forthcoming emergency.

However, SVP proposes the following clarifications and adjustments.

(1) The payment model outlined in Chapter 3, Option 2 should follow the payment model in the CSEP. A Participant should only receive the "standby payment" in the event a warning has been issued the day before an event day but no dispatch is actually called on the event day. The standby payment would be based on proposed MWH commitment. A Participant would receive an "Energy Payment" if an event occurred on an event day and the payment would be based on the actual incremental load reduction provided during the dispatch period. This model would alleviate the problem if there was a difference between the amount of load reduction committed in the standby period versus the actual incremental load reduction provided during the dispatch period. It would also alleviate the problem if there was a difference in the amount of time in the Standby period versus the actual length of the dispatch event. If the CEC moves forward with the combined payment for both Standby and Energy Payment of the $250/$1,750MWh, there needs to be additional clarification outlining the payment parameters under each of these scenarios:

- Standby MWhs commitment is greater than delivered MWhs
- Delivered MWhs is greater that Standby MWhs commitment.
- Standby hours are greater than actual dispatch hours.
- Dispatch hours are greater than Standby hours

(2) The compensation amounts outlined in Chapter 3, Option 2 needs to be increased with what was proposed in last year's CSEP payment structure. The Standby payment should be set at $750 per MWh and the Energy Payment should be set at $2,000/MWh. This compensation level would more closely align with the cost of additional staffing to prepare for a cutover during an emergency as well as reimburse participant for the fuel cost.

- **SVP Encourages the CEC to Address Customer Participation Concerns That Can Cause Future Issues with Project and Permitting Applications.**

SVP's data center customers want to be active participants in helping the City of Santa Clara and State of California maintain grid reliability. The main concern voiced by our data center customers is how their participation in DSGS would be viewed by the Bay Area Air Quality Management District (BAAQMD) and how their participation will impact their future permit application proceedings at the CEC, especially as the data center customers are considering new projects or expanding existing facilities. For example, the data center provide their backup generator emission modeling based on typical operation and maintenance as part of the new project approval process. The CEC and BAAQMD have indicated in recent proceedings that the data centers should also include the hours of participation in voluntary emergency load reduction program in their emission modeling. This creates an issue where voluntary participation has a substantial impact on the use that the generators are truly intended for. The Guidelines should clarify that voluntary participation in DSGS is intended to be used on an emergency basis at the direction of the CAISO and that the CEC/Governor's Office, BAAQMD, the California Air Resources Board (CARB)and other stakeholders/agencies, through a Governor's Emergency Proclamation, should exempt the requirements to model emissions

related to DSGS in future permitting and/or project approvals and potentially creating any other undue burdens enacted solely because of a customer's participation in this program.

III. CONCLUSION

SVP appreciates the opportunity to offer these comments on the DSGS Program Draft Guidelines and July 25, 2022, Staff Workshop and welcomes the opportunity to continue to collaborate with the CEC as it develops and refines the DSGS program.

Dated: July 29, 2022.

Respectfully submitted,

KEVIN KOLNOWSKI