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## on Draft Program Guidelines for Demand Side Grid Support Program

*Additional submitted attachment is included below.*

July 29, 2022

California Energy Commission
715 P Street
Sacramento, CA 95814

Submitted via email to docket@energy.ca.gov

**Re: Energy Commission's Draft Program Guidelines for Demand Side Grid Support Program (22-RENEW-01)**

Dear Energy Commission Staff,

The California Efficiency + Demand Management Council (Council) writes in response to the California Energy Commission's (CEC) Draft Program Guidelines for the Demand Side Grid Support Program (Program) as created in Assembly Bill (AB) 205 (Ting, Chapter 61, Statutes of 2022) and under CEC Docket 22-RENEW-01. The Council appreciates the opportunity to provide our feedback on this important issue. We also appreciate the CEC's efforts to connect on and draft thoughtful Program guidelines in a short time frame to meet the urgent need to implement the Program.

The Council is a trade association representing a wide range of companies that provide energy efficiency (EE) and demand response (DR) services and products in California, although our organization does not include utilities. We represent companies that design, implement, maintain and evaluate EE and DR and employ thousands of people who play an important role in California's economy.

In this letter, the Council responds to many of the CEC's questions put forward in the Draft Program Guideline presentation[1] (July 25, 2022) as well as raises concerns regarding the Program's apparent severe limitations on eligibility. The Council believes there is an argument to be made that existing language in AB 205 may open the door for Community Choice Aggregator (CCA) eligibility and participation. It is worth noting the Council's concern regarding limited eligibility could also be addressed by the Legislature. Regardless, the Council believes this concern is highly relevant and impactful to the CEC's draft Program guidelines.

**APPARENT LIMITATIONS TO PROGRAM ELIGIBILITY POSE SIGNIFICANT BARRIERS TO PROGRAM SUCCESS**

The Council is pleased the Governor's Office and Legislature underscored the continuing and growing value of demand-side resources in the budget and AB 205. The Council believes the Demand Side Grid Support Program, principally, highlights DR's value to ensuring the State's electric reliability and affordability as well as the State's ability to advance its decarbonization goals. Unfortunately, there is an interpretation of the language in AB 205 which excludes customers of Community Choice Aggregators (CCAs) and Investor-Owned Utilities (IOUs) from being eligible to participate in the Program. If this interpretation is accurate it would significantly hinder customer accessibility, posing additional and unnecessary barriers to the Program's effectiveness and dampening the option to expand the pool of participating DR/Distributed Energy Resource (DER) loads to those that are not persuaded of the value of an energy-only product (i.e. Option 1) and that is offered by the Public Utilities Commission sponsored Emergency Load Reduction Program (ELRP) .

[1] Presentation - DSGS Staff Workshop: https://efiling.energy.ca.gov/GetDocument.aspx?tn=244197&DocumentContentId=78121

The Council believes there is an argument to be made that language passed in AB 205 may include CCAs as eligible to participate in the Program so long as they are not participating in DR programs and have opted-out of the ELRP. The Council also believes Program eligibility can (and should) include customers in the CCA and IOU service areas (in addition to Publicly-Owned Utilities (POUs)). This inclusion would further improve taxpayer equity, customer optionality, and grid stability while preserving pre-existing DR programs. Inclusive Program eligibility can and would preserve pre-existing programs' benefits and avoid double-counting issues while providing capacity that might not otherwise be available and expanding customer options and benefits.

**GENERAL SUPPORT FOR THE CEC's DRAFT PROGRAM GUIDELINES**

The Council supports the Program's intent to: "provide incentives to reduce customer net energy load during extreme events with upfront capacity commitments and per-unit reductions in net load." Beyond the Council's stated concerns above, we generally support the CEC's draft Program guidelines which outline a thoughtful and reasonable approach towards implementing the Program. The Council suggests some minor revisions in the answers below.

**COUNCIL FEEDBACK TO CEC QUESTIONS RAISED IN JULY 25 PRESENTATION, SLIDES 36-37**

<u>Do the proposed DSGS eligibility requirements ensure the program does not negatively impact pre-existing demand response programs?</u>

As stated earlier in this letter, there are proper safeguards for pre-existing DR programs even without limiting Demand Side Grid Support (DSGS) Program eligibility to only POUs. Limiting exclusion of <u>active</u> participants under pre-existing DR programs and ELRP from Program eligibility (rather than entities who are "<u>eligible</u> to participate", emphasis added) would preserve the assurance that there is no double counting of benefits, pre-existing programs remain whole, the Program would be incremental to pre-existing DR programs, and would ensure the Program provides optionality and further cost and energy savings to customers.

The Council believes the DSGS eligibility requirements (as interpreted by the CEC) are overly burdensome to Program accessibility and effectiveness and are unnecessary to avoiding harming pre-existing DR programs, and ELRP. As previously stated, there is an argument to be made that Program participation may be open to eligible CCAs. This interpretation, as alluded to, would still provide the proper protections for pre-existing demand response programs and ELRP.

<u>Are the incentive structures and values effective for participation? What modifications should be considered?</u>

The Council applauds the CEC's proposed incentive structure for properly valuing demand side resources through the Incentive Structure Options. The Council would like to underscore the value added in Incentive Structure Option 2 particularly in regards to the balance struck between standby payments, energy payments, and non-performance penalty.

The Option 1 and Option 2 energy payments are appropriately consistent with the Emergency Load Reduction Program (ELRP) which provides $2,000/MWh energy payments. The Option 3 capacity payments appear to be appropriate as well.

<u>Are there scenarios in which a non-performance penalty would prevent participation?</u>

To operate effectively, the Program needs to balance standby payments (to provide participants assurances there will be benefits for their participation as enrolled) with securing capacity services as agreed to by participants under energy payments. The non-performance penalty under Option 3 will likely pose challenges because it is often difficult to deliver a precise amount of DR when it is dependent on the onsite customer load, which is inherently variable. The absence of any sort of tolerance band makes it highly likely a participant will be penalized in spite of its best efforts. To address this concern, the Council recommends a tolerance band be added to this proposal that reflects this load variability.

The Council looks forward to any ongoing discussions further building out Option 3.

<u>What's the most efficient method for DSGS providers to keep the CEC informed under the program as they communicate with the balancing authorities and their customers?</u>

The Council recommends the CEC create an easily usable web-based portal through which each DSGS provider will be able to submit initial applications, and easily maintain their information.

<u>Are the reporting and reimbursement timeframes reasonable?</u>

Yes, the Council believes the reporting and reimbursement timeframes, as proposed by the CEC, are reasonable.

<u>Do any of the proposed terms and conditions create a barrier to participation?</u>

The Council does not generally have concerns with the terms and conditions proposed by the CEC. The Council does, however, believe that Option 3 will particularly require additional work to implement and urges the CEC to continue efforts to fully develop program and participation parameters by the end of the year to best set up the program options for success in 2023. Many of the POUs are not within the CAISO balancing authority and thus market integration will likely be challenging, if it is even possible. The Council recommends creating details that would create a market informed bid/dispatch mechanism that would allow customers behind all POUs to participate as we find this option the most intriguing for customer participation. Additionally, the Council urges the CEC to develop mechanisms that would properly calculate contribution from customers who have solar, creating an exporting baseline calculation more like a virtual power plant model.

The Council appreciates the opportunity to provide comment and looks forward to continuing engaging with the CEC and stakeholders on these important issues.

Sincerely,

Joseph Desmond

Joseph Desmond
Executive Director
California Efficiency + Demand Management Council