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CMUA Comments on the Demand Side Grid Support Program Draft Guidelines and July 25, 2022, Staff Workshop

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 CALIFORNIA MUNICIPAL UTILITIES ASSOCIATION ON THE DEMAND SIDE GRID SUPPORT PROGRAM DRAFT GUIDELINES AND JULY 25, 2022, STAFF WORKSHOP

The California Municipal Utilities Association (CMUA) respectfully provides the following comments to the California Energy Resources Conservation and Development Commission (Energy Commission) regarding the Demand Side Grid Support (DSGS) Program Draft Guidelines (Draft Guidelines), dated July 21, 2022, and the July 25, 2022, Staff Workshop.[1]

CMUA is a statewide organization of local public agencies in California that provide essential public services including electricity, water, and wastewater service throughout California. CMUA membership includes publicly-owned electric utilities (POUs) that operate electric distribution and transmission systems that serve approximately 25 percent of the electric load in California, and public water and wastewater agencies that serve approximately 75% of California's water customers. California's POUs and public water and wastewater agencies are committed to, and have a strong track record of, providing safe, reliable, affordable, and sustainable electric, water, and wastewater service.

I. INTRODUCTION

CMUA members appreciate the opportunity to collaborate with Energy Commission staff during the planning process for the DSGS program. California's POUs and public water and wastewater agencies stand ready to help maintain reliable, affordable, and sustainable electric service when the California grid is stressed. In order to develop a program that works to maintain a reliable electric grid, CMUA encourages the Energy Commission to keep all options open and

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

look toward a ‘no regrets’ strategy to make as many resources available as possible to address potential grid stress over the summer months. To that end:

- The DSGS Program Must Appropriately Compensate Electricity Customers.
- The DSGS Program Must Work in Coordination with Existing Demand Response Programs.
- The Energy Commission Must Clarify Participation Requirements
- The Energy Commission Must Clarify Processes for Program Transfers Between Balancing Areas.
- The Energy Commission Must Clearly Identify Costs Eligible for Administrative Cost Reimbursement.
- The Energy Commission Should Establish Boundaries to Protect Confidential Customer Information

We elaborate on these points in the comment section below.

II. COMMENTS

- **The DSGS Program Must Appropriately Compensate Electricity Customers.**

CMUA is concerned that the $2,000 per megawatt hour (MWh) compensation proposed under Option 1 and the total of $2,000 per MWh under Option 2 will not be sufficient to cover the costs of reducing net demand during called events. CMUA understands that this value was drawn from the Emergency Load Reduction Program (ELRP) initiated by the California Public Utilities Commission (CPUC) in 2021.[2] However, many CMUA members found that the $2,000 per MWh payment was either insufficient or barely sufficient to cover their costs in 2021. Since 2021, many costs have risen significantly. For example, as reported by the U.S. Energy Information Administration, California ultra-low sulfur diesel prices increased by 68 percent between June of 2021 and June of 2022.[3] Other cost inputs such as labor costs also have risen. It is not reasonable to expect electricity consumers to provide additional generation services or demand response if they are forced to incur costs higher than program payment being offered.

In order to achieve the program participation needed to support the DSGS program, CMUA encourages the Energy Commission to reconsider the proposed payment levels under

[2] See https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/electric-costs/demand-response-dr/emergency-load-reduction-program#:~:text=The%20ELRP%20is%20a%205,periods%20of%20electrical%20grid%20emergencies.

[3] In June 2021 California diesel prices averaged $4.095, compared to $6.874 in June 2022. Source: https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=EMD_EPD2DXL0_PTE_SCA_DPG&f=M

Options 1 and 2. At minimum, CMUA recommends the Energy Commission include an alternative to the proposed payment levels that allows DSGS participants to recover any demonstrated costs exceeding the incentive amounts.

- **The DSGS Program Must Work in Coordination with Existing Demand Response Programs.**

CMUA agrees with the Draft Guidelines prohibiting electricity consumers from receiving compensation under the DSGS program if they receive payment for the same net reduction in electricity demand through any other utility or state program. However, the Draft Guidelines state that customers are ineligible to participate in the DSGS program if they are eligible to participate in existing demand response programs. For example, the Energy Commission has suggested that customers enrolled in a POU demand response program are ineligible to participate unless the DSGS results in a new incremental feature of the program. CMUA believes that making dispatchable load reduction available to the State during grid emergencies, under the specific terms of the DSGS program, is an incremental feature as long as it does not result in a duplicate payment for the same load reduction. Moreover, CMUA observes that many POUs may already be seeking to identify load reduction potential to benefit their own service areas, which could limit the ability of DSGS to secure load reduction potential available for the State.

CMUA encourages the Energy Commission to reconsider these exclusions. In order to maintain as many options as possible to support a reliable electric grid, the Energy Commission should not prohibit participation solely because a customer is eligible to participate in another demand response program. The Energy Commission should develop a method to confirm that DSGS participants do not receive two payments for the same net demand reduction, but potential participants should not be excluded simply because they are eligible to participate in another demand response program. In such a scenario, potential participants should have the option to participate in the program that best allows them to support the grid.

- **CMUA Encourages the Energy Commission to Clarify Participation Eligibility of California's Public Water and Wastewater Agencies.**

As a result of the July 30, 2021, Emergency Proclamation established by Governor Newsom[4], many of California's public water and wastewater agencies provided emergency load reductions to help maintain the reliability of California's electric grid during the summer of 2021. Additionally, early in the process of developing the Draft Guidelines, many California public water and wastewater agencies collaborated with the Energy Commission to provide input on potential DSGS design parameters based on their experiences in 2021. However, as proposed in the Draft Guidelines, many of California's public water and wastewater agencies are ineligible to participate in the DSGS. The Energy Commission should clarify program eligibility to ensure that California's public water and wastewater agencies may participate in the DSGS program.

- **The Energy Commission Must Clarify Processes for Program Transfers Between Balancing Areas.**

The Draft Guidelines establish trigger rules to call a DSGS event based on a California Balancing Area Authority (BAA) declaration of an Energy Emergency Alert (EEA) 2 or EEA 3. The Energy Commission should clarify how the DSGS program will address circumstances wherein EEAs may be issued in some BAAs but not in others. Additionally, the Draft Guidelines should clarify how the DSGS program will address circumstances wherein multiple BAAs issue alerts. The Draft Guidelines should clarify that DSGS participants are able to provide net load reduction to aid a different BAA, while also assuring that in the event of EEAs being issued by multiple BAAs, net load reduction in a specific BAA be prioritized for that BAA.

For example, and as discussed in the July 25th Workshop, it is possible, even probable, that one BAA may issue an EEA 2 or EEA 3 while other BAAs in California issue no such alerts during the same time period. In such circumstances, to facilitate the greatest possible net demand reduction opportunities, the Energy Commission should establish a process whereby DSGS participants in a BAA that does not issue an EEA 2 or EEA 3 may still provide net load reduction for the benefit of another BAA that does issue an EEA 2 or EEA 3. For example, it is possible that the California Independent System Operator (CAISO) would issue an EEA 2 or

[4] See https://www.gov.ca.gov/wp-content/uploads/2021/07/Energy-Emergency-Proc-7-30-21.pdf.

EEA 3 when the Balancing Area of Northern California (BANC) issues no alert. However, to help address potential grid needs, a DSGS provider in BANC could provide net load reduction that could then be used to address the EEA issued in the CAISO.

Alternatively, it is possible that multiple BAAs may issue alerts. In such a circumstance, the Energy Commission should clarify in the Draft Guidelines that, should multiple BAAs issue EEAs for the same timeframe, DSGS load reduction would be prioritized for the native BAA of the DSGS participant. This is key to ensuring that one BAA is not expected to jeopardize its own reliability to facilitate support to another BAA.

- **The Energy Commission Must Clearly Identify Costs Eligible for Administrative Cost Reimbursement.**

CMUA supports the eligibility of reimbursing DSGS participants for the administrative costs incurred as a result of participating in the DSGS program as it will help to encourage additional participation in the DSGS program and therefore help maintain California grid reliability. While the $5 million annual limit may be sufficient, in the event that circumstances are such that the DSGS program needs to be called more than anticipated, the $5 million limit may prove binding and result in lower participation than needed to support the state's grid. The Energy Commission should establish a process to address these costs in the event of the $5 million limit becomes a binding restriction discouraging DSGS participation.

Additionally, about it is not clear what may be covered under administrative costs. For example, some CMUA members have shifted load to support grid needs only to find that doing so caused them to incur higher demand charges as a result. In order to draw the greatest possible level of participation in the DSGS program, CMUA encourages the Energy Commission to clearly establish that higher demand charges incurred as a result of program participation, as well as other administrative costs, will be reimbursed.

Finally, CMUA suggests that the Draft Guidelines provide a process for the Energy Commission to notify DSGS program providers and participants when remaining funding drops below a specified level. This transparency will allow DSGS providers to have reasonable expectations for future reimbursement.

- **The Energy Commission Should Establish Boundaries to Protect Confidential Customer Information**

The Draft Guidelines include reporting requirements that include addresses of resources being deployed pursuant to the DSGS program as well as names and complete contact information for each DSGS participant. CMUA is concerned about protecting confidential customer information and requests that the Energy Commission clearly establish how such confidential information will be protected.

III. CONCLUSION

CMUA appreciates the opportunity to offer these comments on the Draft Guidelines and the July 25, 2022, Staff Workshop and welcomes the opportunity to continue to collaborate with the Energy Commission and other stakeholders as the DSGS program is further developed and refined.

Dated: July 29, 2022.

Respectfully submitted,

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