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Olivine Comments on Proposed DSGS Guidelines

Additional submitted attachment is included below.

July 29, 2022

California Energy Commission 715 P Street Sacramento, CA 95814

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

Dear Energy Commission Staff

Olivine appreciates the opportunity to comment on the California Energy Commission's draft standards for the Demand Side Grid Support program to be administered by the CEC in implementing SB 205. As the program administrator for the current Emergency Load Reduction Program (ELRP) and the 2021 California State Energy Program (CSEP), Olivine has experience with similar emergency reliability programs and we look forward to remaining engaged with this initiative. Olivine has comments on several elements and useful additions to the draft guidelines:

Eligibility

The CEC's draft DSGS guidelines envision the program only being offered to Publicly Owned Utilities (POUs) and not to any IOU customers. The relevant legislative text states "Eligible recipients shall include all energy customers in the state, except those that are eligible to participate in demand response or emergency load reduction programs offered by entities under the jurisdiction of the Public Utilities Commission." We understand that there is an effort to clarify this text or to extend the program to customers in CPUC-jurisdictional territory. As written, the legislation implies that DSGS is open to customers who are not eligible for Demand Response or Emergency Load Reduction Programs regardless of their utility or retail energy provider. The proposed CEC guidelines are not entirely consistent in that they explicitly exclude customers that are in Community Choice Aggregations but not Energy Service Providers.

We recommend that the CEC explicitly state which customers or classes of customers are eligible, including any POU programs or retail rates that would be. We also recommend that in order to minimize the implementation cost and customer support cost, eligibility be limited to nonresidential POU customers in 2022 but leave open the possibility of expanded eligibility starting in 2023. This would allow for a smoother and faster rollout of the program. We do not have a specific recommendation for a minimum customer load in the current year, but we believe that this should be evaluated in consultation with DSGS Providers. Marketing should be targeted to larger customers in 2022 in order to support the rapid program implementation while maximizing participation, with further development towards including small commercial and residential customers in subsequent years.

We suggest the following revisions to the draft guidelines, noting that these recommendations are only for the 2022 program year:

1. Eligible DSGS Provider

A retail supplier as defined in Public Utilities Code (PUC) Section 398.2, except for an investor-owned utility, energy service provider, or community choice aggregator. Eligibility may be expanded to additional retail suppliers in future years.

2. Eligible Participants

Customers or aggregators of a DSGS provider are eligible to receive incentives under the DSGS program if they are not:

a. Eligible to participate in demand response, net energy metering, or emergency load reduction programs offered by entities under the jurisdiction of the California Public Utilities Commission.

b. Receiving payment or accounting for the same reduction in use of electricity through any other utility or state program. A list of programs that disqualify participation should be provided by each DSGS Provider.

c. Cogeneration facilities with a power purchase agreement.

Customers must have interval metering with minimum hourly granularity to participate.

For ease of implementation we'd suggest participation in 2022 should be limited to directly enrolled nonresidential customers. Further guidelines will be developed prior to the 2023 program season outlining eligibility criteria and enrollment process for residential customers and aggregators representing multiple customers.

The CEC, in consultation with eligible DSGS providers, should also explore participation and counting of grid exports for customers with export-eligible generation or storage, including Vehicle-to-Grid technologies. The CEC should also determine whether there should be program-wide minimum capacity requirements for customers or aggregators in future years. Further workshops can be implemented to determine guidelines and requirements for enrollment of residential customers and both residential and nonresidential aggregations.

Data Access and Metering

Customers in CPUC-jurisdictional territories have access to interval meter data and other customer information and can grant access to third parties via Rule 24/32 or through Green Button Connect outside of Rule 24/32. There is no similar standardized data sharing system of customer data for POUs. Additionally, not all POU customers are interval-metered, presenting a barrier to measuring any load drop. These issues present barriers to aggregators that may wish to participate, particularly in program options that include a capacity or reservation payment with a committed performance. While outside the direct scope of this program, the CEC may consider leading development of a data sharing platform that public utilities may participate in that would allow third parties to view customer data.

Customers with on-site DERs, both storage and generation, may have separate non-utility metering that is needed for reporting or compliance purposes. It is likely not feasible to implement standards for non-utility metering or sub-metering in 2022, but this should be examined for the 2023 program season. These guidelines could mirror the CPUC and IOU sub-metering protocols developed in proceedings and in the Emergency Load Reduction Program.

Dispatch Strategy

The draft guidelines mirror CSEP in allowing for a reservation payment for being "on-call" for a DSGS event, but only actually called on to curtail load if there is a Stage 2 or 3 Emergency. This does strictly keep in line with limiting the program to emergency conditions, but it is impractical to deploy all resources within potentially a moment's notice when a Stage 2 or 3 Emergency is declared. There is also a strong possibility that there will not be an EEA 2 or EEA 3 event, or that an EEA 2 or EEA 3 event can be avoided with sufficient participation. Allowing for a less rigorous trigger would increase the probability of an event and will be easier for customers to respond to.

We suggest the following guidelines for the 2022 program year:

- A DSGS Event may be called if there is any statewide Energy Emergency Alert notice issued prior to 8:45 PM.
- A DSGS Event should be triggered in the day-ahead timeframe if there is a Flex Alert or EEA Watch issued. A Day-Ahead triggered DSGS event should not be shortened but may be extended if it is not in effect for all hours between 4 PM and 9 PM and there is a more critical EEA 1, 2, or 3 notice issued the following day within those hours.
- A DSGS Event should be triggered for the current day if there has been no day-ahead event called and a Flex Alert, EEA Watch, EEA 2, or EEA 3 is issued for the current day.

- Fossil-fuel powered generation, including both diesel and natural gas backup generation, should only be used to reduce customer load in a DSGS Event if there has been an emergency proclamation by the governor. Customers will be notified if and when usage of fossil fuel backup generation is permitted.

Incentive Structure

Olivine has no objections to the energy-only incentive, which mirrors the energy payment for direct-enrolled ELRP customers. This is simple to implement and to understand, and does not require significant process or program development.

We understand that Option 2 offers a potentially useful "reservation payment", particularly for interested customers who have backup generation or other load that requires day-ahead notification to prepare for an emergency event. However, requiring 100% performance to receive payment may lead to customers missing out even if they are very close to their committed capacity. Given the imperfection in measuring performance against any counterfactual baseline, there should be some allowance to give customers the benefit of the doubt. For example, under a strict penalty structure, a customer meeting 99% of their capacity commitment will only be paid $1749/MWh during an event while a customer meeting 100% will be paid $2000/MWh. While we understand that some customers may benefit from this reservation option, we believe that additional consideration is necessary and that a single-payment structure for 2022 is the easiest path to maximizing immediate enrollment.

Option 3 is a market-integrated or pseudo-market integrated program that requires POUs to register in CAISO Demand Response systems, including approval of customer locations, securing resource IDs, Scheduling Coordinator IDs, and other measures. For non-CAISO participating POUs, including SMUD and LADWP, a quasi-CAISO participation model will need to be developed to trigger DSGS events based on market conditions. It is our position that this will require more of a lead time to define, and may be unrealistic for 2022. We suggest deferring design of Option 3 to later so the rest of the program can be launched as soon as practical.

Performance Measurement

We believe that a simple, scalable performance evaluation method would be appropriate, at least for 2022. While we understand that conventional Day Matching DR baselines are not always accurate, they are widely used. A uniform process for performance measurement would simplify implementation and provide a familiar framework for participants that have familiarity with IOU Demand Response programs including ELRP, specifically the CAISO 10 in 10 baseline for enrolled customers.

Conclusion

Olivine appreciates the Commission's effort to implement the legislature's Demand Side Grid Support Program. We look forward to continued participation in this initiative and to advance Demand Response and reliability programs throughout the state.