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California Efficiency + Demand Management Council Response to 12723 DSGS and DEBA Presentation Questions_21723

Additional submitted attachment is included below.

CALIFORNIA
Efficiency + Demand Management
COUNCIL

February 17, 2023

California Energy Commission
Docket No. 22-RENEW-01

715 P Street
Sacramento, California 95814

Re: Response to January 27 Presentation Questions - Demand Side Grid Support Program and Distributed Electricity Backup Assets Program

The California Efficiency + Demand Management Council ("Council") appreciates the opportunity to respond to the California Energy Commission's ("Energy Commission") questions posed in the presentation[1] at the January 27, 2023 Lead Commissioner Workshop: Demand Side Grid Support Program ("DSGS") and Distributed Electricity Backup Assets Program ("DEBA").

The Council is a statewide trade association of non-utility businesses that provide energy efficiency ("EE"), demand response ("DR"), and data analytics services and products in California. Our member companies include EE, DR, and distributed energy resources ("DER") service providers, implementation and evaluation experts, energy service companies, engineering and architecture firms, contractors, financing experts, workforce training entities, and EE product manufacturers.

The Council appreciates how quickly and thoughtfully the Energy Commission has undertaken the effort to stand up the DSGS. The Energy Commission swiftly convened stakeholders and developed the initial DSGS guidelines[2] in time for some DSGS resources to be deployed during the September 2022 heat event. The Energy Commission is again working at a rapid pace to revise those guidelines so the program can be operational in time to mitigate grid stress in the summer of 2023.

In this response, the Council addresses concerns regarding potential significant limitations to customer eligibility in the updated DSGS guidelines, the urgency in updating guidelines in time for summer 2023, and the benefits of clarifying third party program participation. The Council then responds to the questions regarding the DSGS posed by the Energy Commission on slide 30 of the Workshop's presentation. At this time, the Council does not offer responses to questions regarding DEBA.

Sincerely

Joseph Desmond; Executive Director

Clark McIsaac; Director, Policy & Strategy

California Efficiency + Demand Management Council

[1] California Energy Commission. "Demand Side Grid Support Program and Distributed Electricity Backup Assets Program." 27 January 2023. https://efiling.energy.ca.gov/GetDocument.aspx?tn=248608&DocumentContentId=83087
[2] https://www.energy.ca.gov/publications/2022/demand-side-grid-support-dsgs-program-first-edition

The DSGS Must Follow Legislative Language

The January 27 Energy Commission presentation raises doubts about the fundamental issue of customer eligibility. The Council would like to state in no uncertain terms that it supports the clear legislative language of AB 209 which expands eligibility to **all** energy customers in the state, **except** those enrolled in demand response ("DR") or emergency load reduction ("ELR") programs offered by entities under the jurisdiction of the Public Utilities Commission ("PUC"). We urge the Energy Commission to clarify that it will follow the Legislature's actions and plain language of the bill by making all energy customers in the state eligible for DSGS, except those enrolled in DR or ELR programs offered by entities operating under the jurisdiction of the PUC.

The Legislature Deliberately Expanded Customer Eligibility in AB 209

The Energy Commission appears to be considering significant limitations to customer eligibility as demonstrated throughout the presentation and particularly in slide 24. Under "Potential Modifications" to customer eligibility, the Energy Commission states that it is "exploring expansion to **certain** IOU customers (AB 209)

- Customers using backup generators
- Water agencies (e.g., water utilities, wastewater facilities, irrigation)
- Demand response incremental to CPUC programs" [emphasis added]

That language, and the language used by Energy Commission staff during the Workshop, indicate there is doubt about the eligibility of customers in Investor-Owned Utility ("IOU") territories to participate in the DSGS. As the Energy Commission staff is certainly aware, a significant effort was undertaken by the Council and a broad coalition of stakeholders to educate and persuade the Legislature and the Governor's Administration to amend statutory language regarding the DSGS in AB 209.[3]

Specifically, the Council and its allies successfully urged the Legislature to expand customer eligibility for DSGS beyond what was established in AB 205.[4] AB 205 effectively limited customer eligibility to only publicly-owned utility ("POU") customers, or ~11% of the state population, by barring "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" [emphasis added] from participating in the program. AB 209 clearly expands customer eligibility to **all** energy customers in the state and, in a clear departure from AB 205, makes "**only** those customers **enrolled** in… demand response or emergency load reduction programs ineligible for the program" [emphasis added].

Additional Participation Requirements or Limitations

The Council acknowledges that the Legislature provided the Energy Commission additional authority in the same provision that it expanded customer eligibility: "The bill would authorize the Energy Commission, in consultation with the PUC, to adopt additional participation

[3] https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202120220AB209
[4] https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202120220AB205

requirements or limitations." The Council interprets the spirit of this provision to provide the Energy Commission with the clear authority to build proper program guidelines and establish reasonable program limitations. That authority does not conflict with the Council's perspectives discussed throughout this response nor does it justify the potential and apparent limitation of customer eligibility as addressed by the Energy Commission in its January 27 Workshop presentation. The Council believes that were the Energy Commission to limit customer eligibility, that limitation must be supported by substantial policy justification. However, the Energy Commission has not put forward a specific or adequate rationale for why customer eligibility should be limited.

The DSGS is Additive to Preexisting DR and ELR Programs

The Legislature ultimately incorporated the Council's and our coalition's proposed language to expand customer eligibility to all energy customers across the state except those already enrolled in DR or ELR programs offered by entities under the jurisdiction of the PUC. The Council and the coalition ensured that our proposed language expanded the DSGS while maintaining it as an additive program and protecting against potential double counting of benefits.

The DSGS is separate and distinct from existing DR and ELR programs in options and incentives. It is also complementary to those existing programs as another option to deliver additional untapped resources in an emergency, and meet unique energy customer needs, circumstances, and abilities.

The DSGS Must Mitigate Against the Double Counting of Benefits

As noted before, the statutory language establishing the DSGS makes customers already enrolled in a DR or ELR program ineligible for DSGS participation. However, the Council also appreciates that guarding against dual participation between DSGS and other programs can be challenging. Visibility into program participation to ensure taxpayer funds are spent responsibly and effectively is critical to ensuring the success and longevity of the DSGS program.

Importantly, mechanisms already exist to prevent much of the anticipated dual-participation. It is important to note that manufacturers of Wifi-enabled devices (e.g. smart thermostats or grid-enabled water heaters) dispatch events using back-end technology which do not allow devices to enroll concurrently in utility demand response and DSGS programs.

Dual participation between DSGS Option 3 and other market-integrated DR programs would also be automatically averted. Because Option 3 requires a customer's registration in CAISO's Demand Response Registration System ("DRRS"), participation in a conflicting program will be flagged as part of standard IOU and Load Serving Entity ("LSE") review process. In the intermediate and longer term, a more robust approach may be needed, especially if the DSGS remains available beyond its initial three-year duration.

The Council is dedicated to continue refining the DSGS into and after summer 2023. For example, the Energy Commission could install the dual participation protection methods discussed above and effectively audit customer participation through an ex post review. If a dual participant is identified, the Council suggests the Energy Commission establish guidelines that limit the customer's payment to either the first or last program in which they are enrolled. There are other solutions to prevent dual participation prior to enrollment that can be explored by the Energy Commission.

Limitations on Eligibility Hinder Policy Goals and Considerations
The Energy Commission listed ten policy goals and considerations for the DSGS in their Workshop:

- "Ensure Resource Adequacy and CAISO wholesale market participation over emergency programs
- Maximize incremental capacity and load reduction from demand-side resources
- Ensure high performance under peak & critical conditions
- Promote regular & active participation of clean resources in wholesale energy markets
- Provide alternative pathway for non-ISO customers and customers facing integration barriers
- Grow DR and DER markets
- Provide incentive parity between resource types
- Simplify administration during and after emergencies
- Reduce ratepayer impacts
- Minimize combustion resource use outside of emergency conditions"

The Council is concerned that limited customer eligibility beyond the eligibility language in AB 209 contradicts the Energy Commission's policy goals and considerations for the DSGS as addressed by the Energy Commission in its January 27 Workshop presentation slide 24.

Updates Must Prepare DSGS for Success in Summer 2023

The Council recognizes the time-urgent challenge of revising the DSGS guidelines and launching the program in time to help the state avoid or mitigate grid outages in summer 2023. The reality is that the program guidelines must be updated quickly. Accordingly, the Council urges the Energy Commission to adopt guidelines for summer 2023 that build on current market rules, measurement and verification procedures, and enrollment pathways. The updated guidelines should also allow for flexibility to develop pilots and alternative approaches that can be implemented for the end of summer, 2023, in the fall of 2023 and beyond.

Complete Option 3 Implementation by Summer 2023 and Continue Work Into Fall and Beyond
As discussed on slide 37 of the Energy Commission's January 27 presentation, the Council understands an important component of updating DSGS guidelines is for the Energy Commission to build upon Resource Adequacy procurement, develop and grow the Strategic Reliability Reserve, and unlock untapped DR/other stranded resources. Updating and implementing DSGS guidelines in time for summer 2023 is an important step in helping improve the state's energy reliability across both the short- and long-term time horizons. The Council therefore urges the Energy Commission to prioritize solutions that can be incorporated into the updated DSGS guidelines in time for summer 2023 reliability needs while exploring recent stakeholder proposals (as further addressed below) into and after summer 2023 in addition to appropriately expanding customer eligibility according AB 209.

The Council acknowledges there is interest among stakeholders in completing modifications and implementation of Option 3: Capacity Payment and Bid Structure. DSGS Option 3: Capacity Payment and Bid Structure was not completed in time for summer 2022 and it has stirred industry interest. The Council believes that the Energy Commission can complete building and implementing Option 3 in time for summer 2023 through a deliberate and rapid process. In particular, the Council suggests the Energy Commission stand up an agency and stakeholder working group to rapidly address Option 3 challenges and opportunities.

A completed Option 3 could help serve energy reliability needs by summer 2023 and act as the basis for further addressing stakeholder proposals and various measurement and verification models. Additionally, the Energy Commission, California Independent System Operator, and PUC are currently examining different counting methodologies for DR, including methodologies which would better capture the variable nature of DR availability.[5] The Energy Commission would gain valuable insight with implementation of a Capacity Payment and Bid Structure for summer 2023 that could be applied to other DR programs.

Leverage Existing Processes to Accelerate Updating Guidelines
Again, the Council urges the Energy Commission to incorporate existing processes that could resolve potential DSGS challenges in time to update the program guidelines for Summer 2023 in addition to appropriately expanding customer eligibility according to AB 209.

A Successful Program Requires Sufficient Staffing and Resources
The Council acknowledges that implementing and administering a program as expansive as the DSGS where all energy customers in the state are eligible to participate in the DSGS, except those enrolled in DR or ELR programs offered by entities operating under the jurisdiction of the PUC, requires sufficient staffing and resources. The need for sufficient staffing and resources is further magnified when considering the limited amount of time the State and stakeholders have to put appropriate and improved program guidelines in place in time for likely summer 2023

[5] CEC Docket Number 21-DR-01: https://efiling.energy.ca.gov/Lists/DocketLog.aspx?docketnumber=21-DR-01

reliability needs. The Council is therefore supportive of ensuring the Energy Commission has the appropriate staff and resources it needs to administer the program by this summer.

Clarify Third Party Participation to Benefit Participants

The Council understands the existing DSGS guidelines, as adopted on August 10, 2022, establish a clear pathway for third party aggregators of customers located in California of a DSGS provider to be eligible to receive incentives under the program. However, there exist ongoing challenges and uncertainties with how third party aggregators would effectively participate in this capacity. The Council urges the Energy Commission to engage stakeholders to clarify how third-party aggregators can actively participate in the DSGS and receive incentives under the DSGS to maximize customer participation.

Energy Commission DSGS Questions for Consideration

1) **What structure or provisions would best support cost-effective Resource Adequacy procurement while also enabling the development and growth of the Strategic Reliability Reserve to responds to extreme events?**
   First, the Council urges the Commission to prioritize any and all efforts that enable the Energy Commission to properly update DSGS guidelines in time for potential summer 2023 reliability needs. The Council reiterates the suggestion earlier in this response that the Energy Commission could complete implementation of Option 3 through a deliberate and rapid stakeholder process, particularly through an agency and stakeholder working group.

   Second, the Council urges that the Commission's prioritization efforts to complete DSGS guideline updates do not hinder its full consideration of stakeholder program design proposals. In particular, the Council recommends the Energy Commission consider Generac's, Sunrun and Leap's, and OhmConnect's program design proposals, respectively. Each program design proposal could offer substantial benefits to customers and the grid. It is highly unlikely the Energy Commission and engaged stakeholders can thoroughly analyze each program design proposal and implement one, or multiple, proposals by Summer 2023. However, there is value in ensuring any of the Energy Commission's efforts to prioritize timely guideline updates do not interfere with or hinder its consideration of those proposals. The Council recommends the Energy Commission analyze those proposals while ensuring the DSGS guidelines are appropriately updated in a timely manner for summer 2023.

2) **How best can the Program unlock untapped DR or other stranded resources under its statutory constraints?**
   Ensuring third parties have a streamlined ability to enroll customers in the DSGS will allow the broadest possible pool of entities to engage in outreach to customers, engage their interest, and prepare them with strategies to respond to any grid events.

The Energy Commission should work towards expanding the reach of the DSGS by addressing existing barriers to DR and ELR program platforms. It is well-known that even straightforward expectations, such as requiring a customer to provide a utility account number, prove to be burdensome for the enrollee. To ensure equitable access to all consumers, there needs to be simple, electronic, automatic, web- and mobile-based methods for securely sharing their energy data and/or pairing devices with their meter with the minimum number of steps. Absent that ease of enrollment, there is significant drop-off in customer enrollments.

3) **As aggregators and others participate in DSGS directly:**
   - **What is the most effective approach for host utilities to have visibility? …**
   - **What would be an effective method to ensure customers are not participating in multiple programs?**

   The Council addresses these questions in detail on page 3 under the subsection: The DSGS Must Mitigate Against the Double Counting of Benefits.

4) **Should DSGS be provided to other use-cases in IOU territories? If so, what use-cases and how?**
   The Council does not have a response to this question at this time.

5) **What other program modifications should be considered?**
   At this time, he Council does not have additional information to provide regarding this question beyond what has been provided throughout this response.