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Docket Number:	22-RENEW-01
Project Title:	Reliability Reserve Incentive Programs
TN #:	248879
Document Title:	Olivine, Inc. Comments - Olivine Comments on January 27 CEC DEBA and DSGS Workshop
Description:	N/A
Filer:	System
Organization:	Olivine, Inc.
Submitter Role:	Public
Submission Date:	2/17/2023 4:40:11 PM
Docketed Date:	2/17/2023

Comment Received From: Olivine, Inc.
Submitted On: 2/17/2023
Docket Number: 22-RENEW-01

Olivine Comments on January 27 CEC DEBA and DSGS Workshop

Additional submitted attachment is included below.

February 17, 2023

The Honorable Siva Gunda, Vice Chair
California Energy Commission
1516 Ninth Street
Sacramento, CA 95814

Re: Docket Number 22-RENEW-01, Demand Side Grid Support and Distributed Backup Assets Program

Dear Vice Chair Gunda:

Olivine appreciates the opportunity to comment on the California Energy Commission's workshop on the Demand Side Grid Support (DSGS) and Distributed Energy Backup Assets (DEBA) programs. Olivine commends the CEC staff for their efforts to help California keep the lights on during the August and September heat wave and for rapidly launching the program in the midst of a grid crisis. We appreciate the CEC's delicate task of implementing a new program with uncertainty around some of the program rules, and Olivine commends the CEC for attempting to balance the emergency nature of the DSGS and the broader goals of the state in promoting a clean, affordable, and reliable electric grid. Olivine offers the following comments in response to CEC's questions and the January 23rd workshop:

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 respond to extreme events?

Olivine believes that emergency programs can be critical resources that support reliable operations of the electric grid under extreme conditions. Ultimately, we hope that these emergency programs will stand up to reduce the need to procure expensive emergency backstop generation, imports, and/or rely more on polluting diesel backup generators. If the role of fossil fuel-based resources is to be reduced in emergency reliability events, the state will ultimately need to support a glide path for DSGS to be incorporated into future resource planning rather than existing entirely outside of the Resource Adequacy framework. If the state is to meet its climate and clean energy goals at reasonable cost, demand-side resources are critical to an optimal solution.

We suggest that throughout the duration of the DSGS pilot, CEC and CPUC staff along with interested POUs collaborate on a glide path to moving successful aggregators and customers towards a longer-term participation commitment that is accounted for in medium and long-term planning forecasts for Integrated Resource Planning and Resource Adequacy. The DSGS provides an opportunity to test dispatch and participation options in the coming years that better align with meeting grid needs during stressed conditions. In future years, the CEC may consider expanding the DSGS pilot to include the winter season as well, especially if increased vehicle and home electrification create additional challenges in maintaining grid reliability in cold weather. The CEC should conduct an annual review of DSGS performance starting in 2024 to assess its usefulness in meeting reliability challenges and establish a clear pathway in the coming years to ensure the program has lasting benefits as a reliable capacity resource.

How best can the Program unlock untapped DR or other stranded resources under its statutory constraints?

AB 209 opened up DSGS to a broad array of potential aggregators and customers throughout the state. However, the difficulty of standing up a whole new program and enrollment process for millions of customers necessitates prioritizing realistic goals in terms of program support and outreach. We agree with the presentation from CEC staff that suggests focusing on customers who are not well-positioned to participate in existing CPUC-jurisdictional Demand Response programs.

We do not believe that it would be prudent for the CEC to provide additional payments to aggregators or customers already participating in a Demand Response program. There is substantial difficulty in assessing incrementality and proper payment structures for additional performance. The ELRP, for example, already allows aggregators to enroll market-integrated resources, making them eligible for additional ELRP payments for overperformance in response to emergency events. Adding a third layer of compensation for both energy and capacity payments would make the DR market even more complicated without necessarily significantly increasing available capacity. Olivine understands concerns that aggregators have over increasing participation requirements for DR without guarantee of additional compensation. However, we do not think that there should be immediate priority in additional revenue going towards existing capacity that is already counted on to meet reliability needs. We believe the CEC would be better off streamlining program enrollment and settlement processes to reduce the administrative burden.

The CEC should focus DSGS enrollment efforts on customers who are either not in an IOU territory or are not well-served by existing IOU programs, third-party aggregations, or CCA opt-out opportunities. The CEC highlighted water agencies and wastewater treatment facilities as prime examples of customers with flexible load who are reluctant to participate in ELRP due to the potential increase in demand charges they would face from shifting operations away from peak hours in emergencies. DSGS provides options for customers to respond to emergencies without triggering a potentially significant increase in utility bill demand charges.

Olivine supports efforts by aggregators or device manufacturers to increase DR participation via DSGS by enrolling customers who are not already in a utility or load serving entity (LSE) DR program. However, it is not clear by what mechanism an aggregator could ensure they are not enrolling a customer already participating in either as behavioral customers or enrolled via a different aggregator. The CEC would need to work with IOUs and potentially CCAs and other program administrators to either proactively restrict DSGS enrollment or to revise incentive payments and coordinate load impact calculations after the fact to prevent double compensation. There is not a mechanism for utilities to be able to provide customer enrollment data to potential DSGS aggregators that do not have authorized access to customer meter and program data.

We believe that DSGS enrollment, especially for residential customers, must come with clear information on what data aggregators will be able to access (such as meter data and program participation information) even if there is a possibility of streamlined enrollment that is not tied to IOU Rule 24/32 authorization processes for market-integrated DR. Additionally, we firmly support customer choice and think it's important that residential customers have the ability to choose which program or aggregator they want to enroll with and to have the ability to revisit and change that choice in the future. Our concern is that automatically opting customers into DSGS through third parties without validation from the customer may obfuscate this and create the potential for slamming. There could be ways to streamline the enrollment process and validate the customer's intent without automatically opting customers into the program based solely on the device manufacturer or aggregator's direction, addressing the issue while maintaining consumer protection and data privacy requirements. This will need to include clear and timely disenrollment processes, and a process to address double compensation issues including those associated with customers who have more than one controllable device in their home.

Olivine also agrees with other parties that the CEC should strive to test DSGS Option 3 by Summer 2023 if possible. We have had customer interest in Option 3 in the near term, and potential interest from customers who are installing new DERs and automated controls over the coming years. Participation Option 3 is clearly distinct from the ELRP incentive structure while potentially offering customers a less burdensome application and enrollment process compared to IOU aggregator programs. We support a working group effort to establish additional guidelines governing Participation Option 3 for this summer.

As aggregators and others participate in DSGS directly:

1. **What is the most effective approach for host utilities to have visibility?**
2. **What would be an effective method to ensure customers are not participating in multiple programs?**

As program administrator in the Emergency Load Reduction Program, Olivine has worked with utilities and the CAISO to develop a standardized reporting process for communicating information from the IOUs. This is a robust process that helps the grid operator understand what may be available and adjust load forecasts accordingly. Given that there are other Balancing Authorities (BA) eligible for DSGS, it also makes sense for the operational process to include coordination across BAs, especially, BANC and LADWP. It is possible that emergency conditions are not entirely consistent across BAs but there could still be need for coordination. Emergency Dispatch will need to be coordinated. We suggest that the nomination/capacity reporting process also be standardized such that an aggregator or DSGS Provider can easily submit estimated capacity values to the CEC, with clear deadlines on when nominations would be accepted for DSGS Participation Option 2.

Ensuring there is no dual participation may be difficult to operationalize in the short term without new regulations governing customer data access. An IOU would not necessarily know if a customer were enrolled in DSGS, and an aggregator may not always know if a customer is already enrolled in an IOU program. If customers or aggregators choose to participate in a direct market participation model under Option 3, IOUs already will have visibility if customers are enrolling in a market integrated program. Under Options 1 and 2, there are not currently systems in place. Additionally, if aggregators enroll customers directly, POUs may not have full visibility on customer enrollments or commitment.

We understand that it is critical for utilities to understand what is going on in customer enrollment in DSGS, which may be difficult if the utility is not the DSGS Provider. We suggest that the CEC develop a customer interest/enrollment form that states that customers will only be enrolled if they are not already in an existing Demand Response Program. Aggregators may submit a list of customers that are interested in participating in the program. However, the enrollment form should make clear that customers will only be enrolled in DSGS if not already in an existing Demand Response program. Aggregators or customers would need to submit a verification check prior to being enrolled in the program. We believe that if developed with collaboration between CEC, CPUC, and IOUs, a solution could be in place in time for the summer 2024 delivery year.

What other program modifications should be considered?

Olivine supports efforts to streamline the enrollment process and clarify program rules to make administration easier and participation requirements clearer.

The standby payment structure in "Option 2" as opposed to the energy-only payments is helpful for customers with backup generators and customers able to prepare to drop load in emergency situations. This option could provide a mechanism to unlock additional DR if implemented well. There needs to be a clear reporting process and deadlines to qualify for Option 2 to minimize administrative burden and maximize participation.

- The "standby" period should be clearly distinct from the dispatch period, otherwise it is just an additional energy incentive.
- We suggest that the standby capacities should be reported in advance. For example, the CEC may specify that nomination quantities are due by 10 AM day-ahead in order to qualify for standby payments.
- The "standby" payments should not be applied to actual energy dispatch hours. They should merely serve as a floor for payments during any EEA period.
- The CEC should consider making Flex Alert hours eligible for standby payments for non-combustion resources, especially if it allows them to be paid for performance in response to an EEA Watch going

forward.

There should be a standard performance/settlement methodology prescribed for DSGS while allowing for Aggregators or DSGS providers to propose alternative performance and baseline evaluation methodologies as part of their initial application, subject to approval by CEC staff. A 10-in-10 baseline used for many customers, or a 5-in-10 baseline for residential-only aggregations would be simple to administer at a customer or aggregator level.

We do not oppose the CEC's proposal to settle customer performance at an event level rather than hourly. We understand that customers should not simply be shifting load from one emergency hour to a different one that may be of equal or even greater criticality. However, for prolonged emergency situations, we suggest that customers should be able to provide their availability hours and have dispatch be prioritized towards hours of greatest need. Some customers may not be able to reduce load for a full 5-7 hours as was requested in 2022, and they should not be significantly penalized for lack of full delivery, especially given that any performance evaluation methodology may be subject to significant uncertainty in accuracy in measuring performance during extreme events.

There should be a standard process dealing with EEA cancellations and their impact on settlement. An example of a concern we had participation in DSGS on September 9th of last year was confusion as to how to notify customers of program hour eligibility when the EEA was canceled early. We suggest that revised program guidelines include language on DSGS event periods in cases of extension, modification, or cancellation of eligible EEA Alerts.

DEBA Comments

Olivine is excited about the potential for DEBA to significantly increase the availability of controllable load and cleaner dispatchable distributed generation to respond to grid emergencies. We believe that the CEC is on the right track in its initial framework proposed. Given that there are hundreds of millions of taxpayer dollars to be spent on DEBA, we believe it is important that payments under DEBA are contingent upon customers committing to participation during emergencies. We suggest that the CEC require DEBA funding recipients to enroll in a DR program with a capacity commitment, including options of DSGS Option 2 and 3. Participants unable to meet their committed capacity on average throughout a program year should then be subject to forfeiture of DEBA incentive payments.

Conclusion

Olivine was proud to be able to participate in DSGS in 2022. Having participated in urgent program rollouts we understand many of the challenges involved and appreciate the CEC for all its efforts in swiftly implementing the DSGS and DEBA programs. We look forward to continued collaboration and success in the coming years.

/s/
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