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**COMMENTS OF THE CALIFORNIA MUNICIPAL UTILITIES
ASSOCIATION ON THE APRIL 26, 2023, STAFF WORKSHOP ON
THE DSGS DRAFT GUIDELINES**

Additional submitted attachment is included below.

STATE OF CALIFORNIA ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION

In the Matter of:

Reliability Reserve Incentive Programs

Docket No. 22-RENEW-01

**COMMENTS OF THE CALIFORNIA MUNICIPAL UTILITIES ASSOCIATION
ON THE APRIL 26, 2023, STAFF WORKSHOP ON THE DEMAND SIDE GRID
SUPPORT PROGRAM AND PROPOSED DRAFT PROGRAM GUIDELINES**

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 Guidelines, Second Edition¹ (Draft Guidelines), and the April 26, 2023, Staff Workshop on the DSGS Program (Workshop)².

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. During the September 2022 grid emergency, California's POUs and public water and wastewater agencies provided approximately 400 megawatts (MW) of net load reduction. CMUA members stand ready to help maintain reliable, affordable, and sustainable electric service to help moderate the grid impacts of future heat emergencies.

¹ Emery, Ashley and Erik Lyon, April 2023. *Demand Side Grid Support Program: Proposed Draft Guidelines Second Edition*, California Energy Commission. Publication Number: CEC-300-2023-003-D.

² Energy Commission Docket #22-RENEW-01, Document #249832, <https://efiling.energy.ca.gov/GetDocument.aspx?tn=249832&DocumentContentId=84492>

I. INTRODUCTION

CMUA members appreciate the opportunity to collaborate with Energy Commission staff on potential modifications to the Demand Side Grid Support (DSGS) program. We offer the following comments on potential modifications to the DSGS program, including key issues to be addressed related to emergency dispatch of backup generating resources and Resource Adequacy (RA) eligibility.

On July 29, 2022, CMUA submitted comments on the DSGS Program Draft Guidelines.³ On February 23, 2023, CMUA submitted comments on the DSGS Program and Distributed Energy Backup Assets Program (DEBA) development.⁴ CMUA submits the following comments on the Draft Guidelines:

- CMUA supports the eligibility language in the Draft Guidelines requiring aggregators to receive written consent from the host POU.
- CMUA agrees that net load reductions created under the DSGS program should prioritize host balancing area authority (BAA) needs.
- Publicly owned water and wastewater agencies should be eligible for the DSGS program so long as they are not participants in a demand response (DR) program administered by their electricity distribution utility.
- The Energy Commission should clarify that clean distributed resources committed under Options 2 and 3 can be eligible for utility programs or RA under specified circumstances.

³ Energy Commission Docket #22-RENEW-01, Document #244148, <https://efiling.energy.ca.gov/GetDocument.aspx?tn=244263&DocumentContentId=78195>.

⁴ Energy Commission Docket #22-RENEW-01, Document #248929, <https://efiling.energy.ca.gov/GetDocument.aspx?tn=248929&DocumentContentId=83479>.

II. COMMENTS ON DSGS Draft Guidelines

CMUA supports the eligibility language in the Draft Guidelines requiring aggregators to receive written consent from the host POU.

The Draft Guidelines establish that a DSGS program aggregator must receive written approval from a local POU in order to serve as a DSGS program administrator for the local POU's customers. Such a requirement is key to ensure that:

- Potential aggregator customers are not already enrolled in a POU DR program,
- Net load reductions do not exceed the POU's load reduction capacity,
- Transfers across BAAs are appropriately managed, and
- Local POU's do not incur costs of addressing net load reductions and BAA transfers.

Visibility into the location and the potential and actual amounts of load reduction capacity is essential for the host utility's management of its own system and to manage potential transfers across balancing area authorities. Requiring written agreement between the host POU and the potential aggregator will help assure that the POU has the opportunity to evaluate the potential impacts of the program reductions and protect POU customers from potentially paying additional costs incurred by the POU as a result of a third-party program aggregator.

CMUA agrees that any net load reductions created under the DSGS program should prioritize host BAA needs.

The Draft Guidelines for Option 1 establish trigger rules to call a DSGS event based on a California Balancing Area Authority (BAA) declaration of an Energy Emergency Alert (EEA) Watch, or EEA levels 1, 2, or 3. The Draft Guidelines 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 would be prioritized for that BAA. Such an approach can act to increase customer participation while ensuring that local load reduction can serve local BAA needs in the event that multiple BAAs issue EEAs.

Publicly owned water and wastewater agencies should be eligible for the DSGS program so long as they are not participants in a DR program administered by their local electric utility.

The Draft Guidelines establish DSGS program eligibility for any IOU electricity customers so long as they are not participating in a DR program administered by an organization subject to California Public Utilities Commission regulatory jurisdiction. CMUA supports this direction. By formalizing this approach, which was initially established during the heat emergency of 2022, the Energy Commission can increase the number of potential DSGS participants, and help California maintain electric system reliability during grid emergencies, such as that experienced in September 2022.

The Energy Commission should clarify that clean distributed resources committed under Options 2 and 3 can be eligible for utility programs or RA under specified circumstances.

CMUA encourages the Energy Commission to take a broad approach to DSGS program development and allow for enrolled resources to participate in a utility program or serve as RA resources, if allowed by the applicable RA program and provided that the enrolled resource was not previously participating in a utility load reduction program.

For example, the newly proposed Options 2 and 3 would provide monthly capacity payments that are completely separate from any EEA status or grid emergency. However, the load reduction capacity in these options would be dedicated for the Strategic Reliability Reserve and precluded from contributing toward RA or participating in a utility load flexibility program. As a result, Options 2 and 3 may not optimize the contributions of storage and DR resources and could inadvertently create incentives for resources to pass over or even leave RA programs or utility DR programs, where available, in favor of a shorter-term emergency program. CMUA encourages the Energy Commission to support a more holistic view of incremental participation and allow resources enrolled in Options 2 and 3 to also contribute to RA or other utility programs, such as DR, if otherwise allowed by the applicable program requirements and provided the resources were not previously enrolled in a utility program. This could help harmonize the new DSGS incentive options with utility load flexibility initiatives and encourage the optimal use of behind-the-meter storage and DR resources.

III. CONCLUSION

CMUA appreciates the opportunity to offer these comments on the Draft Guidelines. The changes established in the Draft Guidelines improve the ability of the DSGS program to serve as an important tool to maintain grid reliability throughout the state during heat emergencies, such as that experienced in September of 2022. CMUA welcomes the opportunity to continue to collaborate with the Energy Commission and other stakeholders as the DSGS program is further developed and refined.

Dated: May 11, 2023.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Frank Harris".

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