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ON THE STAFF WORKSHOP ON THE DEMAND SIDE GRID SUPPORT PROGRAM

Additional submitted attachment is included below.

STATE OF CALIFORNIA
STATE ENERGY RESOURCES
CONSERVATION AND DEVELOPMENT COMMISSION

IN THE MATTER OF:	DOCKET NO. 22-RENEW-01
Reliability Reserve Incentive Programs	RE: Demand Side Grid Support Program

CALIFORNIA COMMUNITY CHOICE ASSOCIATION'S COMMENTS ON THE STAFF WORKSHOP ON THE DEMAND SIDE GRID SUPPORT PROGRAM

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CALIFORNIA COMMUNITY CHOICE ASSOCIATION'S COMMENTS ON THE STAFF WORKSHOP ON THE DEMAND SIDE GRID SUPPORT PROGRAM

The California Community Choice Association[1] (CalCCA) submits these Comments pursuant to the *Notice of Staff Workshop on the Demand Side Grid Support Program* (the "Workshop").

I. INTRODUCTION

CalCCA appreciates the opportunity to comment on the proposed Second Edition of the Demand Side Grid Support (DSGS) Program Guidelines (Proposed DSGS Guidelines).[2] As noted in CalCCA's Comments in response to the January 27, 2023 Workshop on DSGS and the Distributed Electricity Backup Assets Program (DEBA), community choice aggregators (CCAs) have heretofore been unable to receive funding for offering their customers emergency load reduction programs.[3] While CCA customers may get enrolled in the Emergency Load Reduction

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[1] California Community Choice Association represents the interests of 24 community choice electricity providers in California: Apple Valley Choice Energy, Central Coast Community Energy, Clean Energy Alliance, Clean Power Alliance, CleanPowerSF, Desert Community Energy, East Bay Community Energy, Energy For Palmdale's Independent Choice, Lancaster Choice Energy, Marin Clean Energy, Orange County Power Authority, Peninsula Clean Energy, Pico Rivera Innovative Municipal Energy, Pioneer Community Energy, Pomona Choice Energy, Rancho Mirage Energy Authority, Redwood Coast Energy Authority, San Diego Community Power, San Jacinto Power, San José Clean Energy, Santa Barbara Clean Energy, Silicon Valley Clean Energy, Sonoma Clean Power, and Valley Clean Energy.

[2] 22-RENEW-01, 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.

[3] 22-RENEW-01, *California Community Choice Association's Comments on the January 27, 2023 Workshop on the Demand Side Grid Support Program and Distributed Electricity Backup Assets Program* (Feb. 17, 2023) (CalCCA January Workshop Comments), at 1-6.

Program (ELRP) through the investor-owned utility (IOU) that provides that customer transmission and distribution services, CCAs themselves are not able to enroll customers in ELRP or administer and receive funding for ELRP. As a result, significant untapped incremental load and potential emergency supply likely exists with CCA customers not otherwise enrolled in ELRP.

Recognizing the potential for additional incremental emergency capacity, the Legislature passed Assembly Bill (AB) 209 (2022) revising the DSGS enabling legislation (AB 205 (2022)) to all California customers to enroll in DSGS, so long as the customer is not already enrolled in a CPUC jurisdictional demand response (DR) program.[4] While the Proposed DSGS Guidelines do allow CCA customers to participate in DSGS, there are limitations that can and should be removed while still safeguarding the ELRP through the prohibition of dual enrollment.

CalCCA provides the following recommendations for modifications to the Proposed DSGS Guidelines to ensure all untapped incremental capacity for emergency reliability events is effectively enrolled in an emergency demand response program:

- Allow all customers of CCAs, not only water agencies or customers participating with backup generators (BUGs), to receive incentives through Option 1 to increase the possibility of CCA participation as DSGS providers;
- In addition to requiring aggregators of customers offering a DSGS program to seek permission from CCAs of an aggregator's intent to enroll customers in a CCA's territory, require aggregators to provide the CCA with information necessary for the CCA to accurately forecast customer load;
- Involve CCAs in discussions between the California Energy Commission (CEC), the IOUs and aggregators on data sharing to prevent dual enrollment between all DR programs offered to customers;
- Provide clarification on the compatibility of Option 3 with virtual power plants (VPPs) operating with consistent load modification;
- Adjust incentive Option 3 to better align with the periods of highest need;
- Clarify how and when actual performance information after an emergency event will be published for stakeholder review; and

[4] Public Resources Code (PRC) § 25792(a) (creating DSGS) (as amended by AB 209).

- Clarify whether the allowance of $5 million per year of administrative costs applies in aggregate or to each DSGS provider.

II. THE PROPOSED DSGS GUIDELINES SHOULD BE REVISED TO ALLOW ALL CCA CUSTOMERS TO RECEIVE INCENTIVES FOR OPTION 1

Option 1 of the Proposed DSGS Guidelines should be modified to allow all CCA customers, and not only water agencies or customers participating with BUGs, to be eligible to receive the incentives for participation in Option 1. While CalCCA understands the need to prevent cannibalization of customers from ELRP, the practical reality is that there may be customers in CCA service territories that are not enrolled in ELRP but can contribute capacity or load reduction during emergency events. CCAs have unique connections to their local communities and can create programs through Option 1 of DSGS to unlock untapped capacity and load reduction from customers not otherwise enrolled in ELRP. The examples provided in the CalCCA January Workshop Comments of CCAs operating demand response programs in their service territories demonstrate the innovative and community-focused programs CCAs already provide to their customers.[5]

To the extent a customer is enrolled in ELRP, the eligibility verification protections will immediately flag that customer as unable to participate in the CCA's program, and therefore dual enrollment will be prevented. Option 1 should be modified to allow CCAs to offer DSGS incentives to all its customers, and not just water agencies and customers operating BUGs.

III. AGGREGATORS SHOULD BE REQUIRED TO PROVIDE DEFINED CUSTOMER DATA TO ALLOW CCAS TO ACCURATELY FORECAST LOAD AND ENSURE RELIABILITY

Customer load reductions can be a critical tool to relieve grid strain during extreme weather events. To allow all DR providers and customers to meet the needs of this "all-hands-on-

[5] CalCCA January Workshop Comments at 5-7.

deck" moment, CalCCA supports a variety of providers engaging with customers to encourage their participation in a DR program that works for each customer. However, there must be guardrails established to ensure that all DR providers engage in a coordinated and streamlined fashion and that load serving entities (LSEs), IOUs and the California Independent System Operator (CAISO) have visibility into the load in their respective service areas for accurate load forecasting.

Hence, CalCCA supports the provisions in the Proposed Guidelines requiring aggregators of customers to obtain written permission from each applicable CCA to participate in the DSGS Program.[6] As recognized by CEC Staff during the Workshop, visibility from the CCA as the LSE is necessary to ensure CCAs have adequate information for accurate load forecasting. Without such information, the risk of "uninformed" or incorrect scheduling can significantly impact reliability during an emergency event.

For example, in reports on both the August 2020 and September 2022 heat waves, the CAISO noted the challenges faced by LSEs in scheduling their load and the impact on reliability. In the 2020 Report, the CAISO noted that "[u]nder-scheduled load by scheduling coordinators limited the ability of the day-ahead market to secure sufficient supply to meet actual demand."[7] Challenges reported by scheduling coordinators in accurately forecasting demand included poor

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[6] *See* Revised DSGS Guidelines at 2, Ch. 2, § A.1.c. (requiring that aggregators receive written permission from the CCA prior to the aggregator enrolling customers in the CCA's territory). CalCCA notes that the section in the Proposed Guidelines entitled "What's New in These Guidelines?" omits CCAs from its description of who aggregators of customers must get written permission from (only listing the publicly-owned utilities (POUs)), but the actual Guidelines do require aggregators to obtain written permission from <u>both</u> POUs <u>and</u> CCAs. *See* Proposed Guidelines, at v. (omitting CCAs in error), and at 2, Ch. 2, § A.1.c. (requiring aggregators to receive written permission from each applicable POU and CCA).

[7] *Final Root Cause Analysis – Mid-August 2020 Extreme Heat Wave,* prepared by CAISO, CPUC, and CEC (Jan. 13, 2021) at 61, located at: http://www.caiso.com/Documents/Final-Root-Cause-Analysis-Mid-August-2020-Extreme-Heat-Wave.pdf.

data quality and availability.[8] The September 2022 heat wave report discusses similar challenges, finding that "[LSEs] continue to experience challenges in coming to the market with accurate load forecast to construct their bid-in demand."[9]

Given the challenges in past extreme weather events, it is crucial that aggregators of customers under DSGS share adequate data with CCAs to enable accurate load forecasting. Specifically, CalCCA recommends that the CEC require aggregators to share the following program participation data with the LSE:

- Customer identifiers: customer name, service account ID (SAID), service account address;
- Program information: program name, DSGS participation pathway (i.e., Option 1, 2 or 3), aggregator name; and
- Load information: resource type, expected aggregated load reduction amount for all customers participating in the aggregator's portfolio.

It is CalCCA's understanding that the aggregator shares all this information with the CEC at the time of program enrollment so it should not be burdensome to also share this information with the respective CCA. CCAs have grown to serve approximately one-third of load in CA and are the default electricity provider in their areas, tending to serve 85% or more of the customers in their member jurisdictions. More accurate forecasting of demand response participation by customers helps LSEs optimize how much energy to buy and reduces costs for ratepayers. As a result, CCAs have a material and growing interest in the load forecasting impacts of programs serving their customers.

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8 *Id.* at 62.

9 *Summer Market Performance Report, Sept. 2022,* prepared by CAISO (Nov.2, 2022), at 50, located at: http://www.caiso.com/Documents/SummerMarketPerformanceReportforSeptember2022.pdf.

IV. CCAS SHOULD BE INVOLVED IN DISCUSSIONS BETWEEN THE CEC, THE IOUS, AND AGGREGATORS OF CUSTOMERS REGARDING METHODS TO PREVENT DUAL ENROLLMENT

Any discussions between the CEC, the IOUs and aggregators of customers regarding methods and data to prevent dual enrollment between DSGS and other DR programs should also include the CCAs. Question 1 from the Workshop presentation includes the following question: "[f]or utilities, do the guidelines include appropriate data to enable eligibility verification and dual enrollment checks?"[10] Given that CCA customers could already be enrolled in a CCA DR program, CCAs should be part of the discussion regarding the development of dual enrollment prevention processes (i.e., how and when is program participation data exchanged between IOUs, CCAs and aggregators, which entity completes the dual enrollment check, etc.?). While the enrollment and eligibility requirements set forth in the Proposed DSGS Guidelines appear to require enough information to ensure the prevention of dual enrollment, the CCAs would like to join any further discussions of developing the <u>processes</u> to prevent dual enrollment.

V. THE CEC SHOULD CLARIFY WHETHER INCENTIVE OPTION 3 IS COMPATIBLE WITH VIRTUAL POWER PLANTS OPERATING WITH CONSISTENT LOAD MODIFICATION

The CEC has made it clear that the DSGS program should only fund incremental and emergency load reductions.[11] CalCCA understands this to mean that DSGS funding should not be utilized for: (1) reductions that already receive funding through other DR programs; (2) reductions already being counted for Resource Adequacy (RA); or (3) reductions that occur regularly as a result of load modifying activities or programs. That said, the CEC should clarify

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[10] 22-RENEW-01, *Presentation – April 26, 2023 DSGS Program Staff Workshop* (Apr. 26, 2023), at 36.

[11] *Id.* at 4 (summarizing policy goals and considerations of the DSGS program, including "[m]aximiz[ing] incremental capacity and load reduction from demand-side resources").

that a VPP capable of producing incremental reductions on top of regularly scheduled load modification is eligible to participate in DSGS. Specifically, CalCCA requests confirmation that:

- If a CCA's VPP can dispatch incremental resources during a DSGS event (above and beyond the load shifting it regularly produces), the incremental load reduction is eligible for DSGS incentives;
- As DSGS is meant to be incremental to existing load modification and RA, the incremental reductions the VPP produces during those event hours should not be included as load reduction in a CCA's year-ahead RA load forecast with the CEC; and
- Any other regularly scheduled reductions in load produced by the CCA's VPP on event days or non-event days should still inform load reduction in a CCA's year-ahead RA load forecast with the CEC.

CalCCA looks forward to further collaboration on this topic as the CEC and parties determine how to establish the baseline to distinguish the incremental load reduction produced for the DSGS program from regularly scheduled load reduction.

VI. THE INCENTIVE VALUES IN OPTION 3 SHOULD BE ADJUSTED TO INCENTIVIZE DSGS PARTICIPATION DURING PERIODS OF PEAK DEMAND

CalCCA recommends the following adjustments to Incentive Option 3:

- Reducing incentive values by $2/kW in May; and
- Increasing incentives by $2/kW in July, August, and September.

These adjustments will more effectively spur incremental load reduction while maximizing the value of the strategic reliability reserve. In addition, the increased incentive values for July, August and September will further incentivize participation under Option 3 during those periods of peak system demand.

VII. THE CEC SHOULD CLARIFY HOW AND WHEN ACTUAL LOAD REDUCTIONS ACHIEVED WILL BE REPORTED FOR STAKEHOLDER REVIEW

The Proposed DSGS Guidelines require DSGS Providers to provide information to the CEC in conjunction with their claim for administrative costs and incentive payments, allowing the CEC to determine the actual load reduction during an emergency event.[12] The CEC should also, however, provide stakeholders, including CCAs in whose territories aggregators operate under DSGS, aggregate data regarding actual load reduction after an event has occurred. This aggregate data will provide information useful for load forecasting for future emergency events.

VIII. THE CEC SHOULD CLARIFY WHETHER THE $5 MILLION PER YEAR ALLOWANCE FOR ADMINISTRATIVE COSTS APPLIES IN AGGREGATE OR TO EACH DSGS PROVIDER

The Proposed DSGS Guidelines should be revised to clarify the $5 million per year allowance for administrative costs. Chapter 6 regarding program payments states that "the CEC shall reimburse DSGS providers for up to $5 million per year in administrative costs based on the administrative cost structure identified in the initial application."[13] Clarity should be provided regarding whether the $5 million per year allowance applies to reimbursements for administrative costs in aggregate, or whether each DSGS provider is allocated $5 million per year for administrative costs.

IX. CONCLUSION

CalCCA looks forward to further collaboration with the CEC on this topic.

Respectfully submitted,

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May 11, 2023

[12] *See* Proposed DSGS Guidelines at 19-22, Ch. 6.
[13] Proposed DSGS Guidelines at 19, Ch. 6, § A.