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**SMUD Comments Re Draft Demand Side Grid Support Program  
Guidelines, Second Edition - 22-RENEW-01**

SMUD Comments Re: Draft Demand Side Grid Support Program Guidelines, Second  
Edition - 22-RENEW-01

*Additional submitted attachment is included below.*

**STATE OF CALIFORNIA  
BEFORE THE CALIFORNIA ENERGY COMMISSION**

<b>In the matter of:</b>	)	Docket No. 22-RENEW-01
	)	
<b><i>Draft Demand Side Grid Support Program Guidelines, Second Edition</i></b>	)	SMUD Comments Re: Draft Demand Side Grid Support Program Guidelines, Second Edition
	)	
	)	May 11, 2023
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**Comments of SACRAMENTO MUNICIPAL UTILITY DISTRICT on Draft Demand  
Side Grid Support Program Guidelines, Second Edition**

The Sacramento Municipal Utility District (SMUD) appreciates the opportunity to comment on the California Energy Commission’s (CEC’s) Draft Demand Side Grid Support Program Guidelines, Second Edition (Revised DSGS Guidelines), as presented at the April 26, 2023, CEC workshop. SMUD appreciates CEC staff’s willingness to constructively engage stakeholders and consider creative solutions to reduce the risk of grid emergencies during extreme conditions. We also recognize the CEC’s efforts to balance multiple policy goals, including ensuring resource adequacy (RA) and encouraging market participation over emergency programs while maximizing incremental capacity, growing the demand response (DR) and distributed energy resource (DER) markets, and reducing ratepayer impacts.

In some circumstances, however, SMUD believes the proposed expansion of DSGS from a true emergency program to monthly capacity programs that are separate from RA may inadvertently undermine some of those goals. This may be a particular challenge for publicly owned electric utilities (POUs) that are part of balancing authority (BA) areas other than the area overseen by the California Independent System Operator (ISO), given that the new incentive options were designed with the ISO market in mind. In recognition of the different operations, needs, and characteristics of individual POUs and their BAs, SMUD recommends the CEC incorporate flexibility in the Revised DSGS Guidelines and offers the following specific feedback for the CEC’s consideration:

- The Revised DSGS Guidelines should expressly clarify that, as currently designed, the Incremental Market-Integrated Demand Response Capacity (Option 2) and Market-Aware Behind-the-Meter Battery Storage (Option 3) will be available only within the ISO, but POUs in other BAs may develop custom proposals suitable for the operations of the individual utility and host BA.
- The CEC should consider allowing new resources enrolling in Option 2 or Option 3 to count toward RA or other utility programs under specific circumstances.
- The Revised DSGS Guidelines should explicitly clarify that POU customers may incrementally participate in Option 1.

- The Revised DSGS Guidelines appropriately require third parties to obtain written permission from the host POU prior to enrolling as a DSGS provider.
- The Revised DSGS Guidelines reasonably allow customers to enroll directly with the CEC in Option 2 only if no DSGS provider is available.
- The CEC should specify a mechanism to track and communicate projected remaining funds available.
- The Revised DSGS Guidelines appropriately remove the net incentive payment requirement and maintain the prioritization of the host BA needs during emergency events.

**The Revised DSGS Guidelines should expressly clarify that Option 2 and Option 3, as currently designed, will be available only within the ISO, but POUs may develop custom proposals suitable to the operations of the individual utility and their BA.**

The Revised DSGS Guidelines propose two new DSGS incentive options – Incremental Market-Integrated Demand Response Capacity (Option 2) and Market-Aware Behind-the-Meter Battery Storage (Option 3) – both of which are designed for utility customers within the ISO. While the specific requirements differ, both incentive options would provide monthly payments for capacity that is available to incrementally participate in the ISO market or respond to day-ahead ISO price signals.

SMUD understands it is the CEC’s intent to make available Options 2 and 3, as designed in the Revised DSGS Guidelines, only within the ISO, and to allow POUs in other BAs to develop and propose alternatives suitable for the operations and tariffs of the individual utility and their host BA. SMUD believes this is a reasonable proposal and is consistent with CEC’s approach to prioritizing the needs of the host BA.

SMUD is a member of the Balancing Authority of Northern California (BANC), which operates differently from the ISO. Currently, there is no mechanism for behind-the-meter resources in SMUD’s service area to participate directly in the ISO market. In addition, the ISO’s day-ahead locational marginal prices (LMP) may not represent the conditions in BANC, which is not an LMP market. Accordingly, ISO market prices would not be appropriate indicators of the needs of the host BA. Moreover, supplying DSGS energy to the ISO under non-emergent circumstances would require SMUD to evaluate our Open Access Transmission Tariff (OATT) with respect to transmission service and the Energy Imbalance Market to ensure the OATT adequately addresses the potential for market based DSGS program participation.

SMUD believes it will take time to fully assess and determine which, if any, comparable dispatch requirements are suitable for SMUD and BANC. For these reasons, we request the Revised DSGS Guidelines expressly specify that Options 2 and 3 will not be available outside the ISO unless POUs and their host BAs develop a framework suitable for their operations and tariffs.

**The CEC should consider allowing new resources enrolled in DSGS Options 2 and 3 to count toward RA or other utility programs.**

The newly proposed Options 2 and 3 represent a significant shift from DSGS as an emergency program. Both options, as noted above, would provide monthly capacity payments that are completely separate from any Energy Emergency Alert (EEA) status or grid emergency. However, the load reduction capacity in these options would be dedicated to the Strategic Reliability Reserve and precluded from contributing toward RA or participating in a utility load flexibility program.

SMUD remains concerned that Options 2 and 3, as currently proposed, may not optimize the contributions of storage and demand response resources, and could inadvertently create incentives for resources to pass over or even leave RA programs or utility demand response programs, where available, in favor of a shorter-term emergency program. SMUD has an ambitious goal to achieve zero carbon emissions in our power supply by 2030 and load flexibility is expected to play a key role in helping customers manage energy usage as well contributing to our capacity reserves and reserve margin needs. SMUD offers several load flexibility programs already – including a recently launched virtual power plant, developed in partnership with an aggregator, for residential storage customers – and we plan to continue expanding our offerings.

SMUD believes that one way to address this policy tension is to take 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 demand response, 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.

**The Revised DSGS Guidelines should explicitly clarify that POU customers may incrementally participate in DSGS Option 1.**

SMUD appreciates the April 26<sup>th</sup> workshop clarification that POU customers enrolled in a utility load flexibility program are eligible to incrementally participate in DSGS Option 1, provided that they do not claim the same load reduction for both programs. This approach proved successful during the summer 2022 heat wave, as several of SMUD's large customers enrolled in DSGS and responded to DSGS events during non-overlapping hours. To avoid any ambiguity, SMUD requests the CEC expressly clarify this incremental participation option for POU customers in the Revised DSGS Guidelines.

**The Revised DSGS Guidelines appropriately require third parties to obtain written permission from the host POU or CCA prior to enrolling as a DSGS provider.**

SMUD appreciates the proposal in the Revised DSGS Guidelines that requires aggregators to obtain written permission from the host POU or CCA prior to enrolling as a DSGS provider. SMUD believes this proposal is both practical and necessary to effectively manage resource dispatch and minimize the risk of double counting load

reductions. For example, SMUD is required to maintain the confidentiality of customer data, so confirming that aggregator-enrolled customers are not already enrolled in a utility program would require, at minimum, both authorization and a data-sharing agreement with authorized third parties. Similarly, given that SMUD, rather than any third party, would be responsible for energy transfers to support another BA during an EEA, specific information may be necessary.

Because individual POUs and CCAs will vary in their specific operations and informational needs, as will the DSGS programs proposed by individual aggregators, SMUD cautions against a single, standardized approval form. However, SMUD believes that minimum informational requirements for all DSGS incentive options should include:

- Name, address, and load reduction technology for each prospective customer.
- Forecasted load reduction capability and location(s) in advance of any DSGS events for all incentive options.
- The amount of load reduction (and location) that is committed or expected for a dispatch period, as well as any ramping time to fully reduce the load.
- Any real-time deviations from the committed load reduction quantities and time.

**The Revised DSGS Guidelines should clarify that the CEC will notify the host POU if any customer directly enrolls in DSGS.**

SMUD believes the new proposal allowing customers to enroll directly with the CEC for DSGS Option 1 if there are no other DSGS providers available is reasonable, with the clarification that the CEC must notify the host POU prior to accepting enrollment. While, in general, SMUD believes that customers should enroll in a utility load flexibility program or an emergency program offered by a DSGS provider, this proposal provides reasonable flexibility in the event that the host POU is unable to offer participation in DSGS Option 1. For example, during the 2022 program season, the short lead time precluded SMUD from enrolling as a DSGS provider, but we worked collaboratively with the CEC to facilitate meaningful, direct participation from several customers. However, to ensure the host POU can facilitate a specific customer's participation in DSGS, SMUD requests the CEC provide reasonable advance notification to the host POU before accepting participation by a customer. In addition, because SMUD would be responsible for coordinating any cross-BA energy transfers during an EEA, SMUD may require coordination and specific load reduction information as a condition of responding to DSGS events in other BAs.

**The CEC should specify a process to track and communicate projections of remaining funding to DSGS providers and participants.**

Under the current DSGS program, incentive payments and administrative costs are available on a first-come, first-served basis. SMUD recommends that the CEC develop a process to notify DSGS providers and participants as program funding is depleted. This information is important to help all parties assess the likelihood of future reimbursement.

**The Revised DSGS Guidelines appropriately remove the net incentive payment provisions.**

SMUD supports the proposal to remove the net incentive payment provisions for DSGS Option 1. This will result in equal treatment for all DSGS providers and avoid unnecessary complexity.

**The Revised DSGS Guidelines appropriately maintain the prioritization of the needs of the host BA in Option 1.**

SMUD supports the continuation of DSGS Option 1 in the Revised DSGS Guidelines as a mechanism that serves to free up capacity during grid emergencies, but not specifically requiring cross-BA transfers outside of existing protocols. SMUD also supports the continued prioritization of load reduction for the host BA when one or more BAs issue, or anticipate issuing, an EEA.

**The Revised DSGS Guidelines appropriately include flexibility to align with Executive Orders.**

SMUD supports the proposed changes to align program events for DSGS Option 1 with any Executive Orders that may be issued. This change provides greater clarity and operational flexibility for grid emergencies during which such an Order has been issued.

**Conclusion**

SMUD looks forward to continued partnership with the CEC on efforts to support grid reliability and the expansion of DR and DER resources.

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