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July 10, 2023

California Energy Commission
Docket Unit, MS-4
715 P Street
Sacramento, CA
*Via docket submission*

**Re: Docket No. 22-RENEW-01 - Reliability Reserve Incentive Programs - Comments on Proposed Draft Demand Side Grid Support (DSGS) Program Guidelines, Second Edition on the DSGS Program**

Dear Vice-Chair Gunda and Commission Staff,

Generac appreciates the significant amount of work and creativity that CEC staff has put into this matter and the thoughtful incorporation of stakeholder feedback as reflected in the latest version of proposed DSGS guidelines ("Revised Proposed Guidelines"). California will be in a stronger position in future grid emergencies because of the steps taken here to unlock distributed energy resources as a key emergency response solution. We offer limited feedback in these comments to help further ensure that the program is designed as effectively as possible for the benefit of all Californians.

Resilience is core to what Generac does as a company. As an American manufacturer providing distributed energy resources to customers for over 60 years, we understand that the reliability and resilience are a basic need of every household. Generac is a leading energy technology solutions company providing distributed energy resources and software solutions to address the rapidly evolving needs of communities, energy consumers, and utilities. Generac has a long history of providing resilience and energy management products across a variety of applications and maintains a leading position in the power equipment market in North America, with an expanding presence internationally.

Aggregating demand-side capacity through demand response, virtual power plants, DERMS and other automation technology like smart thermostats and control systems has been highlighted as a key demand flexibility resource that the Commission, Legislature and CAISO have called out to help accomplish the CEC's ambitious 7 GW load shift goal per AB 846 (2022). We are pleased to support the DSGS program in meeting this demand-focused future, and propose the following guideline revisions:

1. **Comments on Option 1 – Ramp Time and Expansion of Eligibility**

<u>Generator Controls and Resource Ramp Time for Small Generators Expanded to 15 minutes</u>

Water agencies were a key resource that supported the grid during the September 6, 2022 event. The revised "Option 1" inclusion of connectivity solutions for generator resources is thoughtfully designed to judiciously and responsively call upon these resources to prevent blackouts. Generac appreciates the carefully considered bonus payment for connectivity solutions in the short term and is poised to work with these statewide assets to support the program goals. Option 1 provides that assets must be able to fully ramp within 10 minutes; that is sufficient in our experience for larger generators with cellular communications systems. For generators that are 26kW or lower, Generac recommends the ramp time be increased to 15 minutes to allow for smaller communication systems that are Wi-Fi-supported to connect with the asset and bring it online. Adding these extra five minutes will allow events to be dispatched with more confidence in the response, since more enrolled devices can answer within the anticipated period.

<u>Customer Eligibility Expansion to Include All IOU Customers</u>

The revised guidelines will still exclude most investor owned utility (IOU) customers from Option 1. Therefore, Generac renews its call for the CEC to expand Option 1 customer eligibility to include all IOU customers and distributed technologies not currently enrolled in a demand response program as provided in AB209.[1] In prior comments, Generac shared our estimate that almost 100 MW of capacity would be available for the grid in 2024 and beyond via smart thermostats, water heaters, and other smart home controls if Option 1 were expanded. This expansion would open an opportunity for Generac alone to bring ten times more smart thermostat capacity in an emergency when compared to the capacity available with the current draft guidelines. The ability to fully leverage these and other distributed assets will reduce the need for older peaker plants to remain online and will reduce the need for purchases of imported energy.

2. **Comments on Option 2 -- Greater Ability to Predict Revenue Given High Cost and Complexity**

As stated in prior comments[2], Generac is concerned about the complexity of participating in Option 2 and the related inability to predict expected revenue reliably. We believe this will impact program participation. We welcome the opportunity to continue to work with Commission staff on developing an accessible program for residential thermostat customers and aggregators after the initial results of the Option 2 pilot are known in the fall of 2023.

3. **Comments on Options 2 and 3 -- 30% Bonus to Include Program Year 2025**

The proposed 30% bonus for Options 2 and 3 for program years 2023 and 2024 is a welcome addition to the proposed guidelines that will incentivize and facilitate new capacity under those options. Generac asks the CEC to confirm that the proposed bonus can be applied for by an aggregator for projects installed in both 2023 and 2024. Additionally, given that the 2023 season is well under way, we note that many participants may not have time to make the required investments to get the bonus this year, which will limit the effectiveness of the incentive. Generac joins the California Solar and Storage

[1] See May 11, 2023 Generac Comments on Proposed DSGS Guidelines, available here; see also February 17, 2023 Generac Comments on DSGS and DEBA Workshop, available here; see also February 7, 2023 DEBA DSGS Program Design Proposal, available here.
[2] See May 11, 2023 Generac Comments on Proposed DSGS Guidelines, available here

Association's (CALSSA) in recommending that the Commission extend the availability of the bonus through 2025.

## 4. Comments on Options 2 and 3 -- Recommendation for Customer Enrollment Experience Simplification

The proposed program guidelines for Options 2 and 3 require a substantial list of required data that a potential participant must provide to enroll. Two items are particularly problematic for customer enrollment: the customer identification number, and the category of "any other information" deemed necessary.

Generac offers its ecobee smart thermostats in 90+ utility demand response programs nationwide, and its experience has shown definitively that ease of customer enrollment is critical to achieving program scale. This means stripping as much friction out of the process as possible by enabling a customer to complete an enrollment flow in as little as one click. In related proceedings, the Commission is implementing the Load Management Standards (which explicitly require the minimization of customer enrollment barriers), the Market Informed Demand Automation Server (MIDAS), and associated single statewide tool (which will facilitate third-party service providers' ability to act as customer agents to locate customer identification numbers on their behalf) to eliminate the need to provide a rate identification number, utility account number, or any other piece of data that a customer does not have memorized. It is well-known that otherwise-willing participants in demand flexibility or demand response programs will fail to enroll in a program simply because they do not know an answer required to complete enrollment without interruption on the first attempt.

Generac recommends that the customer seeking to enroll be required to input only a phone number and/or premise address associated with the account. This is the only information required on the utility side to confirm an account securely and verifiably. Upon the completion of MIDAS, the database will make the additional proposed account information duplicative and unnecessarily burdensome. Generac recommends removing at a minimum the identification number and the overly broad category of “any other information” item from the list of required enrollment information.

Furthermore, Generac echoes CALSSA and agrees that the threatened penalty of perjury is unnecessary and promises to further impede enrollment and frighten customers from participating in the program.

5. **Comments on Option 3 -- Aggregator Value Add Addition and Amended Aggregation for Certain Customers.**

While the revised proposed guidelines wisely include aggregators as authorized DSGS providers and/or participants, the guidelines do not specifically recognize or value the additional benefits that aggregation services will bring to the grid. To provide these benefits, aggregators must invest significantly in software, analytics, customer acquisition and education, and more. Generac recommends that the proposed guidelines be revised to allow explicitly for aggregators to submit for administrative cost recovery of aggregation platform costs.

Generac is supportive of the change to Option 3 whereby the minimum capacity has been adjusted downward to 100-kW for customer sites aggregated in POU or CCA service territories.

<u>Option 3 – Information to Use in Lieu of Interconnection Agreements</u>

As a manufacturer and service provider, Generac does not have the same visibility into installation and interconnection data for its batteries that an entirely vertically integrated company would. Upon installation of a battery, the installer works directly with the relevant load-serving entity (LSE) to ensure the device’s inverter settings conform to the terms of the interconnection agreement (e.g., not allowing the device to export power). Generac Power Systems is not a party to the agreement and its remote management of the battery does not override the interconnection compliance settings. Accordingly, Generac cannot share or verify interconnection agreement details. Generac recommends that the CEC amend the guidelines so that they look to the LSE for this information, as each maintains copies of its own interconnection agreements and will be able to share information about where and how distributed resources are connected within its service territory.

Option 3 -- NEM 3.0 Bill Impacts and Export Credit

Generac continues to be concerned that customers will have to choose between maximizing NEM 3 credits and participating in DSGS. There can be a substantial opportunity cost of not capturing limited high NEM 3.0 Avoided Cost Calculator (ACC) export values in the process of responding to DSGS events. Relatedly, we are concerned about potential bill impacts to customers from participating in DSGS where export compensation is below the retail rate and/or dispatch results in demand charge impacts.

Generac appreciates that the bonus payment will work to address this uncertainty in the short term. Going into future program years, we continue to believe that additional "true-up" or supplemental energy payments may be justified to address the differences between ACC and retail rates and to compensate for lost NEM 3.0 ACC export revenue.

Generac appreciates the chance to submit these comments, and we look forward to continued engagement with the CEC and staff to expand distributed energy resources supporting California's energy system. Please do not hesitate to contact me at Anne.Hoskins@generac.com if you have any questions.

Respectfully submitted,

Anne E. Hoskins

Anne Hoskins
Senior Vice President, Policy and Market Development
Generac Power Systems, Inc.