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Sunrun Inc. Comments on
Modified Draft Demand Side Grid Support Program Guidelines, Second Edition
Docket No. 22-RENEW-01

Sunrun Inc. (Sunrun) respectfully submits these comments on the Modified Proposed Draft Program Guidelines, Demand Side Grid Support (DSGS) Program Guidelines, Second Edition.[1] Sunrun appreciates the California Energy Commission's (CEC) efforts to update, expand, and refine its DSGS program for the upcoming summer seasons. Many of these revisions, including the creation of a new Program Option 3, have the potential to significantly expand participation—and therefore, overall impact—of the program.

These comments focus on the need for modifications in three key areas to ensure smooth implementation and adequate participation in Program Option 3: (1) increases to compensation levels to ensure they reflect current market conditions and align with other successful grid services programs in California and across the country, (2) clarifications to participant enrollment requirements, and (3) removal of any upfront interconnection agreement submission requirement. All of these program design elements are essential to facilitate participation by third-party aggregators like Sunrun. Most notably, without modifications to the proposed compensation levels for Program Option 3, the long-term sustainability of the program will be in jeopardy, as the current levels do not offer adequate compensation to account for DSGS provider costs or the value of the grid services that will be provided.

I. Program Option 3 Compensation Levels Should Reflect Current Market Conditions And Align With Other Successful Grid Services Programs in California and Across the Country.

As Sunrun has reiterated in its comments throughout this docket,[2] capacity payment amounts at the levels laid out in the Guidelines for Program Option 3[3] do not accurately capture current and expected future market conditions, and are out of step with compensation levels provided through similar programs across the country. Sunrun continues to recommend increases to these levels in line with Table 1 below. Further, given the delay in the implementation of Program Option 3 for summer 2023, Sunrun urges the CEC to extend the Program Option 3 thirty percent compensation bonus through 2025.

[1] Docket No. 22-RENEW-01, *Modified Proposed Draft Program Guidelines, Demand Side Grid Support (DSGS) Program Guidelines, Second Edition*, CEC (June 30, 2023) (DSGS Guidelines).
[2] Docket No. 22-RENEW-01, *Sunrun and Leap Revised Proposal – DER Program Design*, pp. 16-18 (March 17, 2023) (Joint Parties Revised Proposal); Docket No. 22-RENEW-01, *Sunrun Inc. and Leap Comments on Draft Demand Side Grid Support Program Guidelines, Second Edition*, pp. 3-7 (May 11, 2023) (Joint Parties May Comments).
[3] *See* DSGS Guidelines, p. 22.

Table 1. Sunrun's Proposed Pricing Structure for Program Option 3

Month	2-hour*	3-hour	4-hour
June	$13.71/kW	$16.28/kW	$18/kW
July	$15.23/kW	$18.09/kW	$20/kW
August	$35.03/kW	$41.61/kW	$46/kW
September	$38.08/kW	$45.22/kW	$50/kW
October	$19.80/kW	$23.52/kW	$26/kW

The DSGS program compensation levels should be designed to be sufficient to incentivize both immediate participation and long-term investment by companies in the program. To do so, the program must compensate participants at levels that reflect current and expected future market conditions. Sunrun has recommended that capacity payments be set at $122 per kilowatt (kW) per season for 2-hour resources, $145 per kW per season for 3-hour resources, and $160 per kW per season for 4-hour resources, as shown in the table above.[4] These payments accurately reflect the costs—and therefore the value—associated with bringing on incremental system capacity, based on prevailing resource adequacy (RA) capacity market pricing between 2023 and 2025 and expectations of increasing system peak.[5] As Sunrun has demonstrated in comments throughout this docket, the CEC's use of the RA report for calendar year 2021 as a reference, even with the adopted multiplier, is not at all indicative of the current RA market, and therefore will not be sufficient to drive participation.[6]

Sunrun has also illustrated how the compensation levels in the DSGS Guidelines are out of step with the vast majority of aggregated distributed energy resource (DER), virtual power plant (VPP), and bring-your-own-device (BYOD) programs in California and across the country.[7] The table below, included in Sunrun's previously submitted comments,[8] demonstrates that the Guidelines' proposed capacity payments do not reflect the current program landscape customers are seeing in similar types of programs. Generally, all of these programs are performance-based programs that provide capacity payments at significantly higher levels than those proposed for DSGS Program Option 3. In the case of California's Emergency Load Reduction Program (ELRP), the program provides a performance-based *energy* payment that, when translated to a comparable capacity payment, is significantly higher than the proposed Program Option 3 compensation levels. Further, many of these programs across the country provide compensation rates that are locked in for a definite time period, which further strengthens the customer incentive to participate.

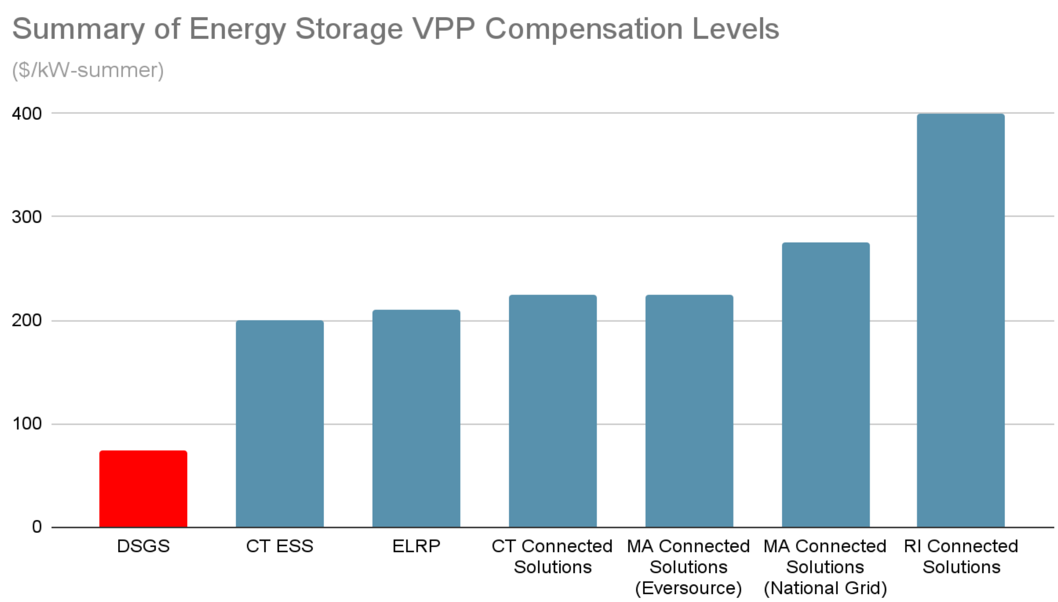
[4] Joint Parties Revised Proposal, pp. 16-17.
[5] Form 1.5b Total STATEWIDE Coincident Peak, *available at* CED 2022 LSE and BA Planning Forecast Tables - corrected 3-30-2023.
[6] *See* Joint Parties Revised Proposal, pp. 16-18; Joint Parties May Comments, p. 3.
[7] Joint Parties May Comments, pp. 3-7.
[8] *Id.*, pp. 5-6.

Table 2. Examples of Aggregated DER, VPP, and BYOD Program Compensation Levels

State	Utility	Program	Compensation
California	Pacific Gas & Electric, Southern CA Edison, San Diego Gas & Electric	Emergency Load Reduction Program	$2/kWh for every kWh of electricity consumption the customer reduces voluntarily during an ELRP event. As explained above, this compensation level is in line with a $140/kW capacity payment.
Connecticut	Eversource	Connected Solutions – Targeted Seasonal	$225/kW-summer (avg. per peak event), locked in for five years.
Connecticut	Eversource UI	Energy Storage Solutions (ESS) Program for Homes	<u>Upfront Incentive</u>: $200/kWh (Standard), $300/kWh (Underserved), $400/kWh (Low-Income) for 10-year commitment. <u>Performance Payment</u>: $200/kW (summer), $25/kW (winter), based on average kW-AC contribution during the season, determined by actual system performance during called events.
Connecticut	Eversource UI	Energy Storage Solutions (ESS) Program for Businesses	<u>Upfront Incentive</u>: $200/kWh (Small Commercial), $175/kWh (Medium Commercial), $100/kWh (Large Commercial) for 10-year commitment. <u>Performance Payment</u>: $200/kW (summer), $25/kW (winter), based on average kW-AC contribution during the season, determined by actual system performance during called events.
Massachusetts	National Grid, Cape Light Compact	Connected Solutions – Residential	$275/kW-summer, locked in for five years.
Massachusetts	Eversource	Connected Solutions – Residential	$225/kW-summer, locked in for five years.

State	Utility	Program	Compensation
Massachusetts	Eversource, Cape Light Compact	Connected Solutions – Daily Dispatch (Commercial)	$200/kW for dispatch on a daily basis (summer only), locked in for five years.
Rhode Island	Rhode Island Energy	Connected Solutions – Residential	$400/kW-summer season (avg. per peak event), locked in for five years.

Figure 1. Chart of Aggregated DER, VPP, and BYOD Program Compensation Levels[9]



The DSGS program compensation structure should be designed consistent with these other California grid services efforts as well as those successfully inducing participation across the country. Sunrun is concerned that if payment levels are not increased for the DSGS program, there will not be sufficient incentive for meaningful customer participation, and it will be difficult for aggregators like Sunrun to participate in the program in 2023.

Finally, in light of the program implementation delay for summer 2023, Sunrun recommends that the CEC extend the 30 percent compensation bonus for early participation in the program through

[9] Compensation levels shown reflect 3-hour resources for all programs. ELRP calculation: if the ELRP program was also dispatched 35 times a year, the equivalent capacity rate for a 3-hour, 10 kWh resource would be $210/kW/yr (35 * 10kWh * $2/kWh / 3.33kW).

2025.[10] For program year 2023, given the likely timeline for implementation at this point, customers will not be able to capture value for June or July. Sunrun is concerned that the remaining capacity values for summer 2023 will not be sufficient to incentivize significant enrollment for this summer 2023 season. Extending the bonus through 2025 would provide two full summer seasons worth of incentives for early participation, in line with the CEC's original intent for the bonus.

II. Participant Enrollment Requirements For Program Option 3 Must Be Clarified To Ensure An Efficient And Streamlined Process.

Enrollment procedures should be designed to easily facilitate participation for informed and interested customers. As written, the participant enrollment requirements for Program Option 3 put onerous burdens on customers that will significantly delay—and potentially even discourage—participation. Sunrun proposes that the CEC revise these requirements to shift burdens from the customer to the DSGS provider, and to ensure that the guidelines account for the nature of many VPP aggregators' existing customer agreements regarding grid services programs.

VPP aggregators like Sunrun often have upfront customer agreements in place that include terms to facilitate customer participation in grid services programs. These terms may allow the aggregator discretion to enroll the customer in grid services programs of their choice after providing notice, education, and opt-out opportunities to the customer. The CEC should aim to leverage these existing agreements to facilitate participation, rather than create a duplicative and burdensome process for customer enrollment.

With these considerations in mind, Sunrun proposes that the CEC revise Chapter 5.B of the Guidelines as follows:[11]

> DSGS providers may enroll eligible participants under Incentive Option 3 by submitting the following information to the CEC:
>
> - Legal name of the participant.
> - Participant contact's name, title, email address, and phone number.
> - If enrolling with an aggregator, customer identification number, utility account number, and any other information necessary to verify participant eligibility with the load-serving entity, as appropriate.
> - Specific instructions for how the participant can disenroll or opt-out, and confirmation that such instructions have been provided to the program participant.
> - Confirmation of receipt of authorization from the participant for the use of their device or site electric load data or both for purposes of grid services program participation. This authorization can be either specifically for participation in the DSGS program, or more generally for participation in a grid services program of the DSGS provider's choice.
> - Attestations from the DSGS provider that:

[10] DSGS Guidelines, p. 22.
[11] *Id.*, p. 21.

    - The participant meets the eligibility requirements of the DSGS Guidelines to the best of their knowledge.
    - The DSGS provider will allow the CEC access to all relevant documentation in their possession to verify compliance with the program.
    - The information submitted is accurate and complete.
    - The DSGS provider agrees to the terms and conditions of the program.
    - The DSGS provider has disclosed the terms and conditions of the program to the program participant.
- If claiming a baseline of zero (see Chapter 5.E), documentation of permission to operate date and attestation that the resource has not received and is not applying for SGIP incentives.
- Any other information the DSGS provider deems necessary.

This list of enrollment requirements maintains most of the items included in the DSGS Guidelines' Chapter 5.B list, but shifts the burdens of enrollment and attestations to the DSGS provider rather than the customer.

This list does remove one requirement that was included in Chapter 5.B: the requirement to provide information on the incentive amount at the time of enrollment. Sunrun anticipates that the incentive amount will primarily be determined based on actual performance during DSGS events—it generally will not be a predetermined value known prior to program launch. As such, while DSGS providers should be effectively communicating information regarding the compensation methodology to participants during the enrollment process, they should not be required to determine and disclose the precise incentive amount to the CEC at the time of enrollment.

Finally, this revised list also removes the requirement that attestations be provided "under penalty of perjury." This language is unnecessary, as the DSGS Guidelines provide the CEC with various ways of enforcing program requirements,[12] and it has the potential to significantly discourage participation. This is an especially burdensome standard to apply to individual customers, who may be less sophisticated and experienced in the grid services program space. In the event that the CEC retains its requirement that the individual customer participant submit attestations, contrary to Sunrun's recommendation, at the very least it should remove this "penalty of perjury" language for all customer attestations.

III. Any Upfront Interconnection Agreement Submission Requirement Should Be Eliminated.

Sunrun agrees that, to be eligible to serve as a DSGS provider under Program Option 3, VPP aggregators should be required to verify and comply with participants' interconnection agreements if the participant plans to export under the DSGS program.[13] However, to the extent that the DSGS Guidelines intend to impose a requirement that DSGS providers submit customers' interconnection

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[12] *Id.*, pp. 30-31.
[13] *Id.*, p. 20.

agreements to the CEC during the enrollment period, this eligibility condition is overly burdensome and should be eliminated.[14]

During the enrollment period, it would be impractical for DSGS providers to submit thousands of interconnection agreements to the CEC, and for the CEC to meaningfully review these agreements. A more streamlined enrollment approach would be to require the DSGS providers to verify the interconnection agreements of each enrolled system and confirm that systems with non-export interconnection agreements will not export electricity to the grid during any DSGS events. If at any point the CEC determines there is a need for it to review a particular interconnection agreement, DSGS providers should be required to provide the agreements and fully cooperate with the CEC during any interconnection agreement audit.

IV. Conclusion

Sunrun appreciates the CEC's consideration of these comments. Sunrun urges the CEC to adopt the recommendations herein to ensure the DSGS program's compensation levels and structure will effectively incentivize DSGS participation in the near- and long-term. Most importantly, Sunrun is concerned that if compensation levels are not increased for the DSGS program, there will not be sufficient incentive for meaningful customer participation, and it will be difficult for aggregators like Sunrun to participate in the program in 2023.

Respectfully submitted,

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[14] *Id.*