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*Comment Received From: Nicole Looney  
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**SMUD Comments Re Draft Demand Side Grid Support Program Guidelines, Second Edition**

SMUD Comments Re: Draft Demand Side Grid Support Program Guidelines, Second Edition - LEG 2023-0082

*Additional submitted attachment is included below.*

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

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| In the matter of:  | ) | Docket No. 22-RENEW-01  |
|  | ) |   |
| <i>Draft Demand Side Grid Support<br/>Program Guidelines, Second<br/>Edition</i> | ) | SMUD Comments Re: Draft Demand<br>Side Grid Support Program<br>Guidelines, Second Edition |
|  | ) |   |
|  | ) | July 10, 2023   |
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**Comments of SACRAMENTO MUNICIPAL UTILITY DISTRICT on July 2023 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) July 2023 draft of the Demand Side Grid Support Program Guidelines, Second Edition (Revised DSGS Guidelines). SMUD appreciates CEC staff’s willingness to work with stakeholders and supports many of the changes reflected in this updated draft. However, we remain concerned that DSGS could affect existing and planned load flexibility initiatives, and we request that the CEC carefully assess the potential impacts of all DSGS participation options. We also identify several areas in the Revised DSGS Guidelines where additional revisions or clarification are needed and offer the following feedback for the CEC’s consideration:

**The CEC report should evaluate impacts and cost-effectiveness of all DSGS participation options.**

SMUD appreciates the CEC’s intent to grow load flexibility resources to support grid reliability. However, as detailed in prior comments,<sup>1</sup> we believe the CEC should seek to harmonize DSGS with existing programs and we remain concerned that DSGS could inadvertently create incentives to leave or pass over those programs in favor of shorter-term “emergency” programs for statewide backup power. We believe the proposed changes to Chapter 2, Section B, that allow POU’s in balancing authority (BA) areas other than that overseen by the California Independent System Operator Corporation (ISO) to customize the dispatch and incentive structures for some participation options partly respond to this concern but do not fully address it.

To that end, we recommend the CEC’s proposed report assessing the performance and cost-effectiveness of the new Option 2 (Incremental Market-Integrated Demand Response Capacity) and Option 3 (Market-Aware Behind-the-Meter Battery Storage), should also evaluate impacts associated with participation in Option 1 (Energy and Standby Payment Only). As part of the analysis, we recommend the CEC evaluate

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<sup>1</sup> Refer to SMUD’s [May 11, 2023 comment letter](#) and [February 17, 2023 comment letter](#).

whether resources participating in any of the three options could be served by existing programs.

**SMUD supports the proposal allowing POUs not enrolled as DSGS providers to be reimbursed for incremental costs.**

SMUD supports the proposed changes in Chapter 6, Section B, that provide for reimbursement of POUs' incremental DSGS costs. Based on the current program design, POUs will incur costs associated with facilitating DSGS participation, even if they do not serve as the DSGS provider. Such costs may include, for example, staff resources to schedule transfers across interties to support a neighboring BA experiencing an energy emergency alert (EEA), coordinate with other BAs during an EEA, work with the CEC and/or authorized third parties to verify customer eligibility and develop a data-sharing agreement with the CEC and/or authorized third-parties to enable such verifications. It is appropriate for POUs to be reimbursed for actual incremental costs incurred as a result of DSGS program participation in their service area.

**The Revised DSGS Guidelines should clarify that responding to events in other BAs must involve consultation with the host POU and host BA.**

Chapter 3, Section C specifies that DSGS participants may respond to an EEA issued by any California BA "at the discretion of the DSGS provider, or for direct participants, at the discretion of the CEC in coordination with the balancing authority issuing the EEA." The Revised DSGS Guidelines should clarify that response to events in other BAs must also involve coordination with the host POU and host BA. Load reductions within the host BA will not be seen by, or benefit, the BA issuing the EEA unless the load reduction is scheduled across the intertie to the issuing BA. In addition, the Revised DSGS Guidelines should identify that consultation with the host POU, and host BA is necessary any time the DSGS provider is not the host POU, including direct enrollments with the CEC and participation through a third-party aggregator.

SMUD recommends the following update to reflect these changes:

"Participants may respond to an EEA issued by any California balancing authority at the discretion of the DSGS provider and with the agreement of the host POU and host BA. ~~for direct~~ Direct participants may respond at the discretion of the CEC in coordination with the balancing authority issuing the EEA and the host POU and host BA."

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

SMUD understands that it is the CEC's intent to allow customers enrolled in POU programs to incrementally participate in Option 1, provided load reductions are counted only once. This approach proved successful for several SMUD customers last summer. To avoid any ambiguity, SMUD requests the Revised DSGS Guidelines clarify that POU customers are eligible to incrementally participate in Option 1, such as by responding to DSGS events during non-overlapping program hours or by reducing load in excess of specified utility program commitments.

**The Revised DSGS Guidelines should clarify the requirements for POU statements regarding aggregator enrollments.**

Chapter 2, Section A specifies that, prior to enrolling customers, aggregators must obtain a written statement from the host POU that it does not object to customer participation, will provide the aggregator the necessary data to administer the DSGS program, and understands it can be reimbursed for DSGS, prior to enrolling the POU's customers in DSGS. SMUD appreciates this additional specificity but believes several further updates are needed for clarity.

First, SMUD recommends clarifying the scope and conditions of data sharing to which POU's are asked to agree in the written statement. As noted in prior comments, SMUD is required to maintain the confidentiality of customer data and would be unable to agree to open-ended data sharing or sharing with an authorized third party. To that end we recommend the following revision to the second bullet in Section A.1.c.i:

“[The POU agrees to] provide the aggregator the data deemed necessary by the POU and aggregator for the aggregator to administer the DSGS Program, subject to the aggregator receiving authorization from participating customers and, as may be required, entering into a data sharing agreement with the POU.”

Second, we recommend that the written statement also address whether the POU agrees to facilitate cross-BA energy transfers on behalf of the DSGS provider. Facilitating cross-BA transfers would require the POU to take on additional responsibilities and develop new protocols beyond what would be needed to support responses to DSGS events within its own BA. Absent this agreement, response would be possible only to DSGS events within the BA.

Third, we recommend that, as part of this process, aggregators should provide the host POU with details of their proposed DSGS program, including participation options, desired resource type(s) and customer segment(s), and how the aggregator plans to communicate and coordinate with the host POU around program events. This information is necessary for the POU to evaluate any technical or practical impacts that could affect the aggregator's participation and facilitation of transfers to neighboring BAs.

Finally, we recommend clarifying that permission may be revoked if an aggregator fails to abide by any conditions that are part of the POU's agreement, such as communications regarding customer participation and expected load reductions. We also suggest it may be more efficient for aggregators to obtain permission from the host POU prior to submitting a DSGS provider application to the CEC, as it would provide an upfront opportunity to address any technical or practical barriers prior to enrollment.

**The Revised DSGS Guidelines should clarify the availability of Options 2 and 3 in non-ISO BAs.**

SMUD appreciates the addition in Chapter 2, Section B, that POU's in non-ISO BAs may develop alternative dispatch requirements, performance measurement criteria, and incentive structures for Options 2 and 3, subject to CEC approval, that are suitable for the operations of and contribute to reliability within their host BA. This change is necessary because the “default” version of Options 2 and 3, as described in Chapters 4

and 5 of the Revised DSGS Guidelines, are tailored for ISO operations and are not suitable for the operations of other BAs.

However, some of the language in the Revised DSGS Guidelines is ambiguous. Section B uses “POUs outside the California ISO” and “non-California ISO DSGS provider” interchangeably; however, entities other than POUs may apply to serve as DSGS providers. The Revised DSGS Guidelines should clarify that non-ISO POUs are responsible for developing custom proposals or, at minimum, that any proposals submitted to the CEC must have agreement from the host POU and the host BA.

In addition, SMUD requests that the Revised DSGS Guidelines expressly clarify that Options 2 and 3, as described in Chapters 4 and 5, are available only to DSGS participants within the ISO. DSGS participants in non-ISO POUs may participate only in the alternative programs that contribute to the reliability of their host BA.

**SMUD supports allowing DSGS providers to propose alternatives to the new default load reduction verification methodology for Option 1.**

SMUD appreciates the proposed changes in Chapter 3, Section B, that continue to allow DSGS providers to propose alternative methodologies for calculating verified incremental load reduction. For example, a DSGS provider may seek to use an alternative in order to address incremental participation by customers that respond to DSGS events outside of their participation in a utility program. Similarly, a DSGS provider may propose an alternative to ensure alignment with the methodology used to verify load reduction in their other programs. In addition, in some cases, a day-of adjustment may not be necessary for customers whose load reduction is not temperature dependent (e.g., those that shut down production or operate backup generators to reduce net load).

**The CEC should clarify whether costs associated with federal waivers are considered reimbursable administrative costs.**

SMUD appreciates the proposed changes requiring participants to identify whether a federal waiver would be needed to enable their participation, as well as the clarification that DSGS participation does not waive any air or operating permit requirements. SMUD strongly believes that DSGS should avoid incentivizing the use of backup generators except as a measure of last resort. However, we recognize it is important to identify which resources may require a federal waiver to operate in order to better assess the availability of the resource and understand the time, costs, and impacts associated with participation. SMUD also requests clarification as to whether costs associated with obtaining or satisfying the conditions of such a waiver are eligible for reimbursement, particularly if the resource is dispatched to respond to emergencies in other BAs.

/s/

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cc: Corporate Files 2023-0082