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CALSSA 2023-07-10 DSGS Comments

Additional submitted attachment is included below.

CALIFORNIA SOLAR + STORAGE ASSOCIATION
smart local energy

July 10, 2023

California Energy Commission
Docket Unit, MS-4
715 P Street
Sacramento, CA 95814

Re: Docket No. 22-RENEW-01—Comments on Modified Draft DSGS Guidelines

California Energy Commissioners and Staff:

Under the leadership of the California Energy Commission (CEC), the Demand Side Grid Support (DSGS) Program promises a significant additional resource to provide clean, reliable energy for California during extreme events and grid emergencies. The California Solar & Storage Association (CALSSA) appreciates the opportunity to give input into the development of the DSGS Program Guidelines. This set of comments addresses the Modified Proposed Draft DSGS Program Guidelines issued on June 30, 2023 (Modified Draft Guidelines).

I. General Comments on DSGS Program Development

Created as a way to bring more demand-side resources to bear to serve our state's reliability needs, DSGS can show the value of these resources as an integral element of California's clean energy future. CALSSA applauds the work done by the CEC in designing DSGS and developing the program guidelines to implement that goal.

The current Modified Draft Guidelines are the product of a careful balancing of many considerations and input from numerous entities. CALSSA views the resulting program design as a significant opportunity for distributed resources to demonstrate their usefulness in serving grid reliability needs. We particularly appreciate the inclusion of Incentive Option 3, which creates a pathway for behind-the-meter (BTM) battery storage resources to serve the grid, by addressing a number of obstacles that have hindered their ability to participate in other existing grid services programs. DSGS opens the possibility to tap these resources that currently largely sit on the sidelines, bringing new megawatts of capacity to help avoid grid emergencies and blackouts.

BTM batteries are dispatchable, they can serve the grid while also providing resilience for customers and communities, and because they can either serve onsite load or export to the grid, they can be relied on to provide energy when needed, regardless of the load on premises.

We encourage the CEC to finalize and adopt the DSGS Guidelines this month, so that the program can launch and begin to fulfill its promise during the 2023 program season. While approving the DSGS Guidelines halfway through the program season is not optimal and may lead to less participation than an earlier launch would have, our members are committed to deliver as much reliability capacity as they can this season, and to providing feedback that can inform future program refinements for the following years.

To that end, we recommend that the CEC consider ways to streamline processes to enable resources to be brought online quickly this year. The following comments address some complexities and potential impediments to broad participation, with the goal of making DSGS successful and useful this summer.

II. Comments on Modified Draft Guidelines

1. Incentives for Option 3

In comments on the prior version of the Draft Guidelines issued in April, CALSSA explained that the proposed Option 3 incentive level is not appropriate and should be increased.[1] The current incentive levels are set substantially lower than current values in the California capacity market, which is the appropriate measure of the incentive level for Option 3's capacity-based approach.

The Modified Draft Guidelines provide for a bonus of 30% above the proposed incentive level for resources participating in 2023 or 2024 (or in both). The resulting incentive level is still lower than CALSSA recommended in the program proposal we submitted in this docket,[2] but is a significant improvement over the base level in the Modified Draft Guidelines. We support the increased compensation provided through the bonus.

Because this higher level of compensation is more in line with the value of the capacity resources and better captures the avoided costs of power outages that these reliability resources are designed to avert, we recommend that the CEC adopt the higher incentive level as the base level for DSGS incentives rather than treating it as a temporary bonus.

If the CEC wishes to maintain the bonus structure, we recommend that the 30% bonus be provided through 2025. With adoption of the DSGS Guidelines possible no sooner than July 26, virtual power plant (VPP) aggregators will not be able to participate in DSGS Option 3 until August at the very soonest—aggregators will need to first obtain a written statement from, or provide notice to, an LSE; enroll and be approved for DSGS participation; and enlist customers to join a VPP. With less than half of a full season's compensation, the ability to enroll customers will be hampered.

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[1] CALSSA Comments on DSGS Guidelines and April 26 Workshop, submitted May 11, 2023, TN # 250129 (CALSSA May 11 Comments).

[2] CALSSA DEBA/DSGS revised proposal, submitted March 24, 2023, TN # 249422 (CALSSA Revised Proposal), p. 8. CALSSA proposed the following compensation levels for a June-October program year: \$123/kW for 4-hour resources, \$111/kW for 3-hour resources, and \$92.50/kW for 2-hour resources. CALSSA continues to believe that those values are more appropriate DSGS incentive levels.

Accordingly, while aggregators will work diligently and as quickly as possible to join DSGS and build aggregations, the reality is that participation will likely be limited in 2023, and the first 2 full years of program participation will be 2024 and 2025. Having the certainty of 2 years of higher incentive levels will help substantially in bringing customers on board and building aggregations that can provide significant resources for the program.

2. Reducing Barriers to Customer Participation

Making it easy and attractive for customers to participate in DSGS is crucial to program success. This is particularly true for individual customers that may participate through a VPP. Every program component that introduces friction in the customer onboarding process reduces uptake and inhibits the size of the potential reliability resource. We encourage the CEC to consider these suggestions to simplify the customer experience to the greatest extent possible. This is particularly important for 2023, because of the challenges of bringing resources into DSGS on the shortened time frame this year.

a. Participant obligations for VPP aggregators and customers in Option 3

DSGS Option 3 is designed for and only available for VPP aggregations (p. 20). A VPP aggregator—either a third-party battery provider, a POU, or a CCA—will develop and manage each VPP, including interfacing with customers and being responsible for those customers' performance in the program. Accordingly, individual customers that participate in a VPP should not be required to enroll as DSGS participants or be held responsible for a participant's obligations under the DSGS Guidelines. Several of these obligations would impose a burden on individual customers that would be impractical and would greatly hamper participation.

Instead, the VPP aggregator—whether it serves as a DSGS provider or participant—should be the party that assumes the responsibilities set forth for participants in the DSGS Guidelines. For example, the VPP aggregator should be required to provide information for each customer participating in a VPP it develops, rather than customers being required to enroll as participants. Similarly, individual customers should not be required to make attestations when they are part of an aggregation; the VPP aggregator can make necessary attestations. Nor should customers be subject to the requirement to provide the CEC with access to documents to verify load reduction activities and to confirm that funding is being used to reimburse eligible incentive payments (Chapter 7, Section B, p. 30) or the requirement to keep an accounting of costs involved in participating in the program and being subject to audits (Chapter 7, Section D, p. 31).

Accordingly, the description of eligible participants in Chapter 2, Section A.2.a (p. 3), should be modified to provide that aggregators of customers participating through Option 3 are eligible participants, rather than customers participating through Option 3, and the requirements for participant enrollment in Chapter 5, Section B (p. 21), should be modified to apply to VPP aggregators rather than to participants that may be individual customers.

b. Attestations under penalty of perjury

The Modified Draft Guidelines contain several requirements for DSGS providers and participants to make attestations under penalty of perjury. As currently provided, some of these require attestations under penalty of perjury by individual customers, including residential customers.[3]

The penalty of perjury requirement will have a substantial chilling effect on customer participation. At a minimum, the requirement should be removed in all cases where it would apply to residential customers or individual customers in a VPP aggregation.

Furthermore, the requirement to attest under penalty of perjury is unnecessary. The Modified Draft Guidelines already provide that the CEC may enforce its rights and the program requirements through various actions including termination of enrollment and recovery of funds in the event of noncompliance with the Guidelines.[4]

Even without the penalty of perjury language, attestations at the individual customer level should be avoided wherever possible. If, however, the CEC concludes that any attestations or similar requirement should be imposed on individual customers, the DSGS Guidelines should allow these requirements to be fulfilled through as simple and frictionless a method as possible, such as through a simple sign-up process as discussed below.

c. One-click customer sign-up

Allowing for easy, simplified customer enrollment is by far the single most important element that facilitates increased customer uptake in VPPs and grid services programs. Many utility customers are more than happy to participate in a grid support program, but only if the enrollment process is streamlined and simple.

For this reason, the CEC should limit requirements for customer information to only what is necessary for program administration. To the extent that customer consent and signatures are needed, paper forms and e-signatures should not be required. Instead, the aggregator should be allowed to represent that it has obtained agreement from the customer in an app or an online form, and the CEC should clarify that LSEs serving as DSGS providers cannot require additional information or more complicated processes for customers to sign up with a DSGS VPP aggregation. The DSGS Guidelines should support the use of a one-click sign-up process (inclusive of any attestations if the CEC determines they are necessary).

3. Interconnection Agreements

For Option 3, the Modified Draft Guidelines require a VPP aggregator to verify, provide, and comply with the interconnection agreement for each customer participating in the VPP that will

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[3] See Chapter 3, Section A (p. 8); Chapter 4, Section B (p. 13); Chapter 5, Section B (p. 21).

[4] See Chapter 7, Section C (pp. 30-31.).

export energy under DSGS (p. 20). This requirement will pose a significant barrier to participation in Option 3 by both aggregators and customers, and should be modified.

In many cases, VPP aggregators will not have access to a customer's interconnection agreement, including if the aggregator did not sell the battery system to the customer. While the customer will have been provided the interconnection agreement, most will not be able to locate it easily to provide it to the aggregator, and being asked to do so will discourage many customers from participating.

For these reasons, we recommend that rather than requiring a VPP aggregator to provide the interconnection agreement, the DSGS Guidelines should require the VPP aggregator to verify with the customer's LSE whether the customer's interconnection agreement allows export from the customer site, and should require the VPP aggregator to operate the battery in compliance with the interconnection agreement, without being required to provide the interconnection agreement to the CEC.

4. Option 3 battery system size limitation

The Modified Draft Guidelines provide that to be eligible to participate in a VPP aggregation, the battery system at each customer site can be capable of discharging no more than 1,000 kW over 2 hours (p. 20). This limitation is problematic because it will make many battery systems at non-residential customer sites ineligible for participation.

Many commercial and industrial battery systems exceed that maximum size limitation. It would be counterproductive for DSGS to exclude these systems, which are capable of providing substantial capacity during grid emergencies.

The rationale for this exclusion is unclear. If the concern is that a larger battery system will export too much energy, a more prudent approach would be to limit the single-site capacity that can be exported during a DSGS event. Even that approach, however, would run contrary to the program's goal of providing on-call emergency supply and load reduction during extreme events.

Accordingly, this size limitation should be eliminated. If it is retained, it should be increased to 5 MW, a level that would still exclude larger commercial battery systems but that would not render a large portion of the non-residential customer base ineligible for participation in DSGS, and it should be changed to a limitation on capacity provided in the program rather than a limit on the battery system's installed discharge capability.

5. Aggregator Requirements with Respect to LSEs

The Modified Draft Guidelines require that before enrolling customers in a VPP, aggregators of customers participating as DSGS providers must obtain a written statement from the applicable POU or provide notice to the applicable IOU or CCA (p. 2).

This is a change from the prior version of the Draft Guidelines, which required aggregators to receive permission to participate in DSGS from the applicable POU or CCA. In comments on the prior Draft Guidelines, CALSSA explained that the requirement to receive permission could create obstacles to participation, and recommended using a notification requirement for all LSEs.[5]

CALSSA appreciates the change in the Modified Draft Guidelines. The new approach for POUs may still lead to delay or hinder participation if a POU objects to the aggregator enrolling its customers or to providing the necessary data, but provides clearer guidance and a less burdensome approach. CALSSA member companies believe that they will be able to work with POUs to develop useful DSGS aggregations. CALSSA also supports the change to a notice approach for CCAs, and member companies similarly aim to work collaboratively with CCAs to achieve the DSGS program goals.

III. Conclusion

In creating DSGS, the Legislature recognized the value of demand-side resources as an element of California's clean energy system. CALSSA commends the CEC for developing a program design that will enable these resources to demonstrate their usefulness, and appreciates the substantial thought and effort that has gone into the development of the DSGS Guidelines. We urge the CEC to adopt these guidelines and enable program participants to begin enrolling and bringing resources online quickly. CALSSA and our member companies look forward to working with the CEC and with LSE partners, and to contributing to the program's success.

Sincerely,

/s/ Kate Unger

Kate Unger
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California Solar & Storage Association

[5] CALSSA May 11 Comments, p. 2.