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Tesla Comments on DSGS Jan 23 Workshop and Potential Modifications

Additional submitted attachment is included below.

February 5, 2023

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

Re: Docket No. 22-RENEW-01—Comments on DSGS Potential Modifications

California Energy Commissioners and Staff:

Tesla greatly appreciates the opportunity to comment on the Potential Modifications to the Program Guidelines of the Demand Side Grid Support (DSGS) Program presented by staff at the January 23 workshop.

I. Introduction

DSGS is an innovative program that provides an opportunity to remedy policy barriers that have prevented California's growing fleet of behind-the-meter (BTM) batteries from being dynamically dispatched for maximum grid benefit through Virtual Power Plants (VPPs). These barriers have included inability to receive credit for energy exported to the grid, cumbersome customer enrollment processes, byzantine capacity crediting methodologies, and dual participation rules that cause significant customer disqualifications after they have gone through the enrollment process.

The DSGS Program – and particularly Option 3 – is thoughtfully designed to solve these problems while improving upon existing VPP programs like the Emergency Load Reduction Program (ELRP) by dispatching the battery fleet on a more frequent basis for grid benefit beyond emergency response. Tesla appreciates Staff's efforts to improve to the program – particularly the changes to verification of customer eligibility – and urges the Commission to approve modified program guidelines expeditiously in order to maximize customer enrollment for Summer 2024.

II. Verification of Eligibility

Currently, the DSGS program rules require that participants are not enrolled in a CAISO Proxy Demand Resource (PDR) or Reliability Demand Response Resource (RDRR) program. Verification that DSGS participants are not enrolled in these programs is done after the customer has enrolled and participated in the program. This leads to a situation where DSGS participants could be disqualified after they've already engaged in significant program activity.

At the February 23 workshop, Staff Proposed a change to ELRP Option 3 whereby customer eligibility would be verified through a two-step process at the time of customer enrollment. First, the participant would acknowledge the prohibition on dual enrollment and agree that they will not participate in conflicting programs. Second, the aggregator would attest that they control the participant's battery and have no awareness that the customer is enrolled in a conflicting program.

<u>Tesla strongly supports this proposed change</u>. Dual participation rules have created significant friction in the enrollment process for Demand Response programs, and they can lead to a frustrating situation for customers where the customer takes the time and effort to enroll in a program (and possibly participate) only to find out later they are disqualified. In some instances, a customer might not be aware they are enrolled in a competing program, because they enrolled years ago or their household was enrolled by a spouse or other family member.

Requiring program participants to attest they are not dual enrolled in a competing program is a smart solution that can reduce enrollment friction and negative customer experience. Requiring such attestations will motivate customers to check whether they are already enrolled in a competing program, and it puts the responsibility on participants to ensure they are eligible. At the same time, responsibility is placed on aggregators to attest to factors of eligibility that are under their control – ensuring they have control over the customers' battery and that they are not aware of the customer being enrolled in a competing program. Aggregators could also attest that they are not aware that any other entity has control over the participant's battery during the months of the DSGS program season.

III. Incentive Levels

DSGS Option 3 offers varying incentive levels depending on whether the aggregator commits to 2-hour, 3-hour or 4-hour dispatch. The incentives vary by month, but the total payment per

kW for six months of participation is $82.80/kW for a 4-hour dispatch commitment, $74.52 for 3-hour dispatch and $62.10 for 2-hour dispatch.
These incentive levels are low compared to similar programs in other parts of the country. For example, the Connected Solutions battery program in New England offers $275/kW for a 3-hour dispatch commitment over three months of participation – nearly 4 times the incentive offered in DSGS.[1]

The incentives are also low compared with the value of Resource Adequacy in the "Avoided Cost Calculator" (ACC) used by the CPUC to quantify the value of grid services from behind-the-meter resources. For 2025, the ACC values capacity from 4-hour Lithium-Ion batteries at $242/kW-year in nominal dollars. This equates to an average of about $20/kW-month, compared with an average incentive of around $14/kW-month for 4-hour batteries in DSGS.[2]

While the DSGS Program Guidelines do not provide the source of the incentive amounts, it appears they may be related to prices from the CPUC's Resource Adequacy (RA) Program. If so, we'd like to point out that the CPUC's RA program only contracts for existing resources that have been rolled off of their initial long-term contracts and in many cases have been fully depreciated. New generating capacity resources are contracted through the Integrated Resource Planning (IRP) program, and command higher prices, which is why capacity values in the ACC are higher than prices typically seen in the RA program.

Until Tesla starts trying to enroll customers into the program, we will not know whether the value offered by DSGS will be sufficient to attract significant customer interest. However, given the low prices currently offered, <u>Tesla recommends that the CEC at a minimum extend the 30% incentive adder for an additional year through 2025</u>. The adder was intended to apply to the first two years of the program, but since DSGS Option 3 wasn't approved via the Program Guidelines until late July of last year, 2024 is effectively the first year of DSGS Option 3. To maintain the original intent of the incentive adder, and to attract new customers into the program, the bonus should be extended through 2025.

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[1] https://www.eversource.com/content/residential/save-money-energy/energy-efficiency-programs/demand-response/battery-storage-demand-response

[2] *2022 Distributed Energy Resources Avoided Cost Calculator Documentation*, prepared for the CPUC by Environment and Energy Economics (E3), Sept. 15, 2022, p. 46.

IV. Participant Information

Under the existing program guidelines for Option 3, the aggregator submits all participant contact information, including name, service account address, phone number and any other information necessary to verify participant eligibility. The proposed program modifications would modify this to better protect customer confidentiality such that the aggregator would submit only the Service Account ID (SAID) "and/or" service address.

Tesla supports this proposed changed, so long as aggregators are allowed to submit either the SAID or the service address, but are not required to submit both.

V. Deadline to Submit Incentive Claims

In the "Questions for Consideration" section of the workshop, staff asks, "What is a reasonable deadline for submitting incentive claims to ensure timely reporting of performance while providing sufficient time to providers and participants to gather the necessary data?"

Tesla proposes that 60 days from the end of the DSGS Program Season would be a reasonable deadline for submitting incentive claims. Since the season ends on Oct. 31, this would put the deadline for submitting claims at January 1 of the following year. This should give aggregators sufficient time to gather and format data for submittal the Energy Commission when considering the winter holidays.

VI. Conclusion

Tesla greatly appreciates the opportunity to comment on the potential modification to the DSGS Guidelines presented at the January 23 workshop, and we reiterate our thanks for the careful and intelligent program design exhibited by Energy Commission staff.

Sincerely,

/s/ Damon Franz

Damon Franz
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Tesla