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CALSSA Comments on Draft DSGS Guidelines, Third Ed

Additional submitted attachment is included below.

March 22, 2024

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

Re: Docket No. 22-RENEW-01—Comments on Draft DSGS Guidelines, Third Edition

California Energy Commissioners and Staff:

On March 6, 2024, the CEC released a draft of modified guidelines for the Demand Side Grid Support (DSGS) program (Draft Guidelines) for public comment. This follows a prior workshop on January 23 and a prior public comment opportunity. The California Solar & Storage Association (CALSSA) submitted comments at that time,[1] and appreciates the CEC's consideration of those comments, as well as the opportunity to provide these comments in response to the Draft Guidelines and the workshop held on March 12.

1. Adding EEA event triggers to Option 3

The Draft Guidelines include a change to the event triggers for DSGS Option 3 behind-the-meter (BTM) battery storage virtual power plants, to include EEA events (including EEA Watch) beginning with the 2025 program year. In the January 23 workshop, CEC staff said they were considering adding both EEA and Flex Alert events to Option 3 beginning in 2024. CALSSA's February 2024 Comments raised several concerns about that modification. We appreciate that the current Draft Guidelines omit Flex Alerts and that the change to add EEA events has been deferred for one year. However, the addition of EEA events is still problematic and should be reconsidered.

DSGS Option 3 offers an innovative, market-aware approach to providing reliability service for California's grid, using locational marginal prices (LMPs) as an indicator of grid stress. This program offering is an opportunity to generate learnings that can inform the design of other grid service programs in California. It was launched in the middle of the 2023 season, and has not yet performed for a full season. It is premature to make decisions about the dispatch design at this time.

It would be preferable to maintain this design for the duration of the DSGS program so that conclusions about its usefulness can be compared from year to year. Some years have more

[1] CALSSA Comments on Potential Modifications to DSGS Guidelines, submitted February 5, 2024 (CALSSA February 2024 Comments), TN # 254332.

extreme events than others, and it would be worthwhile to have multiple years with a stable program design for comparison purposes.

Moreover, adding EEA events to DSGS Option 3 will make it more similar to other emergency program designs that use EEA alerts, including Option 1 and the Emergency Load Reduction Program (ELRP). There are good reasons to preserve diverse program designs. There is no single best program design for all resources and customers. Diverse programs can engage different kinds of customers and broaden participation.

Additionally, maintaining DSGS Option 3's price-based approach allows for comparisons between different program designs to better understand each design's value and usefulness. Eliding the differences between program designs will impede the ability to make comparisons and draw conclusions.

For all these reasons, it is best to maintain the diversity of program options and DSGS Option 3's unique features by not adding EEA event triggers, which are already used in other program pathways.

Another important consideration is that while adding EEA events adds complexity to program participation—because providers and participants must track another set of triggers and be prepared to dispatch in response, even on a same-day basis—it offers only minimal additional reliability value to the grid. The LMP-based triggers in Option 3 are highly effective at identifying stressed grid conditions, and Option 3 will already dispatch resources during virtually all EEA events.[2]

The risk of missing an infrequent EEA event not already captured by the price trigger is too small to justify the additional complexity that comes with including EEA events up to 3 pm on the event day. The increased complexity creates multiple additional challenges for DSGS providers and customers, including to incorporate needed software and operational infrastructure to respond to potential same-day events, and to accommodate those events given that it is much more challenging to ensure sufficient state of charge without a day's notice.

The near-complete overlap between EEA events and Option 3 price triggers demonstrates that the Option 3 market-informed design provides highly effective on-call emergency capacity based on prices, supporting the state's electrical grid during extreme events as directed in AB 205 (Public Resources Code section 25792(b)).

[2] Between 2020 and 2023, the DSGS Option 3 price trigger would have signaled an event during every EEA event called by CAISO that would trigger a DSGS event under the proposed guidelines change, except on one day in 2023 when an EEA Watch was issued at 12:20. This would have triggered a single additional Option 3 event in two CAISO zones; there was already a price-based event in the SP 15 territory.

The additional complexity creates another risk that is greater than the risk of missing a very occasional EEA event: This change in the design will likely depress participation and reduce the capacity enrolled in the program. DSGS Option 3 may not be able to meet its potential as a reliability resource, with decreased program success.

If EEA events are added, the level of incentives would need to be increased to compensate for the added costs and complexities. Otherwise, the value proposition would be reduced, which would also make the program less attractive and make it even harder to enlist participants and capacity.

Even if the CEC wishes to consider adding EEA events to Option 3 in the future, CALSSA recommends not including the modification in the Third Edition of the DSGS Guidelines. it is not necessary for the guidelines slated for approval in May 2024 to adopt a program change that will not be implemented in the 2024 program year. Rather than the new guidelines saying that the EEA triggers will be added in 2025, the most the guidelines should say is that the CEC will initiate a process to decide whether to add EEA triggers in future years, and if so, how.

This modification should be treated as the major change that it is, and should be implemented only if warranted after providing for a robust stakeholder process to consider concerns and weigh the pros and cons of implementing the change. Otherwise, the CEC would cement in the guidelines a decision about program design that should not be made before a process to inform that decision.

Stakeholder input is also needed to best determine how to incorporate new EEA-based events if the CEC chooses to go forward with the modification. There are complexities in how the addition of EEA events would affect the program design and implementation, and a dedicated workshop would be useful to allow for better understanding about this possible change. Here are some of the issues that should be considered through a stakeholder process:[3]

- What changes to the compensation design are needed to account for EEA-based events, including day-of events? For example, there would need to be assurance that adding these triggers would not dilute the performance payments for responding to the day-ahead LMP-based triggers, such as by omitting these events from the performance calculation, or weighting them differently.
- Should day-of events be optional?
- How would DSGS address situations where a battery resource's state of charge was insufficient for a day-of event because of a lack of notice in time to charge it?
- Should EEA events be counted toward the 35-event maximum, and should there be a separate or an additional maximum number of EEA-triggered events?

[3] These are only examples of issues that should be addressed and that require further input, and are not intended as suggestions for further changes to the Draft Guidelines to be approved in May.

Additionally, 2025 may be too soon to implement this change, because it would be better to have the benefit of a full program year of data using the current LMP-based approach before attempting to draw conclusions about the wisdom and value of making this change. Once the 2024 data are available, there will need to be time to get input and make decisions about how to implement any changes, and then allow time for providers and participants to prepare for any changes to program dispatch rules far enough in advance of the next program season to avoid the pitfalls of a late change. CALSSA's February 2024 Comments discussed some concerns about a late change, such as the need to develop customer-facing materials and engage new customers based on them, the need to re-engage already enrolled customers about the changes in battery behavior, the need to change software and battery operation plans, and so forth.[4]

2. Incentive levels

The Draft Guidelines would extend the 30% bonus for Options 2 and 3 to 2025. CALSSA previously commented that the DSGS incentive levels are lower than is needed to compensate participants at the full value of the resource and at the level needed to spur robust participation, and has urged the CEC to adopt higher incentive levels.[5] CALSSA appreciates the extension of the 30% bonus through 2025, as the base incentive level without the bonus is unsustainably low. For the reasons given in our past comments, the CEC should increase the incentive level through 2027. This will provide greater certainty and better encourage participation.

CALSSA remains concerned that if the incentive levels are not increased, it will be difficult to recruit and retain participants, and the program's performance will not meet its potential. DSGS can serve as a demonstration of how successfully demand-side resources can contribute to our grid's reliability. Weak participation resulting from insufficient incentives risks being misinterpreted as a fault of the program design. We urge the CEC to consider further increasing incentives for Options 2 and 3 for these reasons.

3. Option 3 test events

For Option 3, the Draft Guidelines would require a full-duration event in every program month, regardless of the grid need. If there are only shorter-duration events in a given month, the guidelines would now require a separate test event or the extension of a shorter-duration program event to the resource's nominated duration.

[4] CALSSA February 2024 Comments, p. 3.

[5] CALSSA February 2024 Comments, pp. 4-7, CALSSA Comments on DSGS Guidelines and April 26, 2023, Workshop, submitted May 11, 2023 (CALSSA May 2023 Comments), TN # 250129, pp. 3-6; CALSSA DEBA/DSGS revised proposal, submitted March 24, 2023, TN # 249422 (CALSSA Revised Proposal), p. 8.

As noted in our February 2024 Comments, we are concerned about increasing the burden on customers when grid needs do not call for battery discharge. We would like DSGS participation to be customer friendly and urge the CEC to minimize additional requirements for discharges when grid conditions do not require them.[6]

Additionally, the final guidelines should clarify that test events count toward the 35-event maximum, such as by adding text to the end of the language setting out the maximum: "Thirty-five events per program year (May–October), *including test events needed to establish a demonstrated capacity value in a month without a full-duration program event or without any program events*."

4. Minimum aggregation size

At the March 12 workshop, CEC staff sought public comment about the minimum size of an Option 3 aggregation. CALSSA agrees that the DSGS Guidelines should aim to reduce barriers to participation where reasonable, and we support the two modifications proposed in the workshop.

Applying the minimum nominal capacity to each DSGS provider, rather than to each aggregation of a separate duration and in a separate territory, will better enable DSGS providers to participate in Option 3 and will reduce the costs and burdens of developing separate aggregations in each utility or CCA territory.

Additionally, we recommend that the CEC apply the 100 kW minimum size to all aggregations, including in IOU territory. Consistency across utilities and LSEs will streamline participation. The 100 kW size is appropriate because it is used as a minimum aggregation size across the nation, including because FERC Order No. 2222 sets a 100 kW minimum size requirement for DER aggregations as a category of market participant.[7]

Accordingly, we recommend the minimum nominal power rating be set to 100 kW per DSGS provider.

5. Claim submission deadline

The Draft Guidelines set new deadlines for submitting claims: the last business day of December for claims under Option 3, and the last business day of the following February for all other claims. CALSSA previously commented that a deadline for an initial submission of a claim, exclusive of any actions by the CEC and its program administrator, should be approximately 60 days—December 30 or preferably early January.[8] The 60-day timeline is appropriate in the best-case scenario with no delays and only accounting for actions in the control of the DSGS

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[6] CALSSA February 2024 Comments, pp. 8-9.

[7] FERC Order No. 2222: Fact Sheet, September 17, 2020, https://www.ferc.gov/media/ferc-order-no-2222-fact-sheet.

[8] CALSSA February 2024 Comments, p. 9.

provider. In 2023, some DSGS providers experienced a back-and-forth process with the claim administrator, with requests to resubmit information, before claims could be submitted in final form.

The Draft Guidelines wording does not specify that the December deadline would apply only to a DSGS provider's initial submission of claim information. Because of the possibility that the process with the claim administrator could delay a provider's claim submission, we ask the CEC to modify the claim deadline for Option 3 to be the last business day of February, consistent with the deadline for other claims.

6. **Ineligible participants**

The Draft Guidelines contain a change to the provision making participants ineligible to receive incentives under DSGS if the participant's DSGS resource is receiving payment or accounting for the same reduction in use of electricity through another utility, CCA, or state program. The change creates an exception for participants enrolled in critical peak pricing (CPP) rate plans. An unintended consequence of this exception is that it could be interpreted to mean that CPP rate plans are the only rate plans with an exception to ineligibility. We recommend that the new language be modified to clarify that enrollment in other rate plans also does not make a participant ineligible. For example, the new language could be clarified by adding "…except critical peak pricing *and other* rate plans," and adding a new following sentence or footnote, such as "*Optimization of a participant's load reduction resource against their applicable net billing tariff, net energy metering tariff, or time-of-use rate does not adversely affect the participant's DSGS eligibility*."

7. **Option 3 participant suspension**

New language was added to Chapter 5, Section A, stating that if a participant is identified as participating in a conflicting program, the participant will be suspended from participation until the conflict is resolved. CALSSA recommends that the language be changed to clarify the effect of this suspension—for example, "…and the participant shall be suspended from participation indefinitely *and not compensated for future performance* until the conflict is resolved."

8. **Option 3 participant enrollment info**

The Draft Guidelines direct VPP aggregators to collect and maintain several items of information to enroll eligible participants under Option 3. CALSSA recommends two changes to the required information.

First, instead of requiring the legal name of the participant, the VPP aggregator should be directed to collect either the legal name of the participant or the name on the participant's utility service account. In some cases, the legal name may be difficult to determine, and in other cases, the name on the utility service account may be difficult to determine. Allowing for either name to be collected will serve program needs while providing flexibility.

Second, the VPP aggregator should not be required to collect the phone number of the participant or primary contact.

9. Conclusion

CALSSA applauds the CEC for its continued dedication to smart, innovative program design in DSGS. The program pathways created through DSGS offer opportunities to pilot novel ways for distributed resources like BTM batteries to provide grid reliability services. We appreciate the continued opportunity to play a role in shaping DSGS and in making it a successful and meaningful part of our state's energy reliability solution.

Sincerely,

/s/ *Kate Unger*

Kate Unger
Senior Policy Advisor
California Solar & Storage Association