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SMUD Comments Re Draft Proposed Demand Side Grid Support Program Guidelines, Third Edition

SMUD Comments Re: Draft Proposed Demand Side Grid Support Program Guidelines, Third Edition
22-RENEW-01

Additional submitted attachment is included below.

STATE OF CALIFORNIA
BEFORE THE CALIFORNIA ENERGY COMMISSION

In the matter of:	)	Docket No. 22-RENEW-01
Demand Side Grid Support Program Guidelines	)	SMUD Comments Re: Draft Proposed Demand Side Grid Support Program Guidelines, Third Edition
	)	March 22, 2024

Comments of SACRAMENTO MUNICIPAL UTILITY DISTRICT on Proposed Demand Side Grid Support Program Guidelines

The Sacramento Municipal Utility District (SMUD) appreciates the opportunity to comment on the California Energy Commission's (CEC) draft proposed *Demand Side Grid Support (DSGS) Program Guidelines, Third Edition* (Draft Guidelines)[1] as presented at the March 12, 2024, staff workshop.[2] SMUD is embracing load flexibility as a key strategy to meet the goals in its 2030 Zero Carbon Plan[3] and offers multiple programs and pilots to save customers money while supporting the reliability of SMUD's electric system. SMUD also has participated in the Demand Side Grid Support (DSGS) program since the program's launch, including facilitating direct customer participation in 2022 and enrolling as a DSGS provider in 2023.

SMUD offers the following recommendations on the Draft Guidelines:

- Allow *all* California balancing authorities (BAs), not only the California Independent System Operator (ISO), to benefit from load reductions by DSGS participants in other BAs.
- Specify that, in the event that two California BAs issue Energy Emergency Alerts (EEAs) for the same period, DSGS participants shall prioritize providing load reductions to their host BA.
- Provide an alternative to the indirect cost cap for publicly owned electric utilities (POUs) with federally approved indirect cost rates.

[1] Emery, Ashley and Erik Lyon. March, 2024. *Demand Side Grid Support Program Proposed Draft Guidelines, Third Edition*, California Energy Commission. Publication Number: CEC-300-2024-002-D, available at https://efiling.energy.ca.gov/GetDocument.aspx?tn=254891&DocumentContentId=90561.
[2] https://www.energy.ca.gov/event/workshop/2024-03/staff-workshop-proposed-modifications-demand-side-grid-support-program.
[3] SMUD's 2030 Zero Carbon Plan is available at: https://www.smud.org/-/media/Documents/Corporate/Environmental-Leadership/ZeroCarbon/2030-Zero-Carbon-Plan-Technical-Report.ashx

I. The Draft Guidelines should continue allowing *all* California BAs to benefit from load reductions by DSGS participants in other BAs.

The current DSGS program guidelines[4] allow DSGS participants to respond to EEAs issued by any California BA, subject to agreement from the host BA and POU, as applicable. However, the Draft Guidelines would restrict this benefit to only the ISO, specifying:

> "All participants may respond to an EEA issued by the California ISO. For EEAs issued by California balancing authorities other than the California ISO, only participants located within the applicable balancing authority area may respond to the EEA." (p. 12)

At the March 12 workshop, staff explained that the California ISO had the greatest need for the DSGS program and stated that the change was intended to improve clarity. Staff also noted that there are other mechanisms in place to support other California BAs, such as direct BA-to-BA transfers.

SMUD is deeply concerned that this proposed change would undercut a fundamental objective of the DSGS program, which is supporting grid reliability for the entire state. AB 205 and 209 describe the purpose of the DSGS program as "[incentivizing] dispatchable customer reduction and backup generation as on-call emergency supply and load reduction for <u>the state's electrical grid</u> during extreme events" (emphasis added). The fact that the California ISO has issued more EEAs in recent years does not preclude the possibility that other California BAs may experience grid emergencies in the future caused by extreme weather conditions or wildfires impacting transmission lines. While the CEC correctly notes that BA-to-BA mechanisms exist apart from DSGS, state-funded incentives can increase the capacity available for those transfers. In fact, DSGS incentive availability directly impacted the amount of capacity that SMUD was able to supply to the California ISO during the 2022 summer heat emergency.

SMUD continues to agree that any participant response to EEAs issued by other California BAs must be coordinated through the host BA. However, eliminating any DSGS incentives for those responses effectively limits the potential support available to non-ISO BAs. SMUD strongly believes that all California BAs should have the same opportunity to benefit from DSGS-funded load reductions and urges the CEC to reconsider this change.

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[4] Emery, Ashley and Erik Lyon. July 2023. *Demand Side Grid Support Program Guidelines, Second Edition*, California Energy Commission. Publication Number: CEC-300- 2023-003-CMF, available at https://efiling.energy.ca.gov/GetDocument.aspx?tn=251195&DocumentContentId=86143

II. The Draft Guidelines should continue to specify that, in the event two BAs issue EEAs, participants shall prioritize load reduction for the host BA.

The current DSGS program guidelines address load reduction prioritization when two BAs issue EEAs, specifying:

> "If two or more California balancing authorities issue an EEA during the same time frame, participants shall prioritize providing load reduction to the balancing authority area in which the participant is located." (p. 12)

However, this language was removed from the Draft Guidelines. SMUD urges the CEC to reinstate this language to prioritize native BA load and ensure that DSGS participation does not adversely impact the reliability of the host BA.

III. The Draft Guidelines should provide an alternative to the indirect cost cap for DSGS providers with federally approved indirect cost rates.

As described in SMUD's previous comments,[5] the administrative cost structure for DSGS Option 1 does not allow SMUD to fully recover program delivery costs. The current cost structure caps indirect costs at 10% of actual incremental costs; however, indirect costs exceed 10% of SMUD's direct payroll costs. SMUD recommends the CEC provide an exception to the indirect cost cap for DSGS providers that have federally approved indirect cost rates. This approach is consistent with existing CEC grant practices and would allow POUs to recover DSGS program costs without impacting ratepayers while still ensuring oversight over indirect costs.

Conclusion

SMUD looks forward to working with the CEC on the DSGS program and related efforts to support grid reliability.

/s/

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[5] https://efiling.energy.ca.gov/GetDocument.aspx?tn=254322&DocumentContentId=89692

/s/

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cc: Corporate Files (LEG 2024-0037)