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Advanced Energy United comments on draft DSGS Guidelines 3rd Edition

Additional submitted attachment is included below.

March 22, 2024

California Energy Commission
1516 Ninth Street
Sacramento California 95814
Re: Docket 22-RENEW-01 – Demand Side Grid Support

Comments of Advanced Energy United
on Proposed Draft DSGS Program Guidelines
Third Edition

Introduction

Advanced Energy United ("United") is a national business association representing roughly 100 companies across the advanced energy sector, including many within the DER space including distributed solar and energy storage developers, microgrid developers, energy efficiency and demand response providers, electric vehicle charging hardware and software providers, DER aggregators, and other technology solution providers at the grid edge.

United appreciates the opportunity to provide comments on the Proposed Draft Demand Side Grid Support ("DSGS") Program Guidelines, Third Edition. United commends the California Energy Commission's ("CEC") leadership and staff in producing the proposed draft Guidelines, which add further truly pioneering and innovating program designs and incorporate several critical modifications flagged by industry, providers, and participants. In these comments, United suggests a few additional modifications to further strengthen the program.

First, one overarching comment is to support approval of final Guidelines as soon as possible. United member companies are eager to implement under the revised Guidelines but require regulatory certainty to move forward. United is disappointed to see the target approval date slip from the April CEC Business meeting to May, but we understand the difficult tension between considering stakeholder feedback on the proposal and expeditious approval. Given this dynamic, we want to urge the CEC to prioritize speedy approval and continue development of remaining issues for future program refinements.

1. Support for proposed modifications

a. **Vehicle-to-Grid or Building (V2X).** The addition of V2X technology to the Option 3 pathway is a welcome and impressive addition to some of the more pioneering aspects of the DSGS program. Not only does this addition promise (subject to sufficient compensation levels and availability) to add substantial capacity to the program, but the experience gained in its implementation and operation will be invaluable in proving and increasing the utility of these resources in future years.

b. **Bonus extension through 2025.** Advanced Energy United joins other industry stakeholders in noting the worryingly low compensation levels offered under Options 2 and 3 that may be insufficient to attract significant participation. The extension of the 30% bonus for these incentives through 2025, though leaving compensation far below resource value, is nevertheless appreciated.

c. **Delay of day-of triggers until 2025.** United agrees it would be impractical and counterproductive to implement this modification in 2024 and looks forward to exploring the proposal for 2025 implementation.

d. **Option 2 day-ahead resources.** United appreciates the accommodation of these resources through a day-ahead trigger and optionality for Sunday participation.

e. **Option 3 eligibility verification.** United commends the CEC for another innovative proposal in allowing a dual-sided attestation-and-control framework to establish customer eligibility and prevent prohibited dual participation. We believe the proposal is practical, effective, and low-impact on participation and suggest this also is a program design feature that would benefit from targeted data collection and analysis to harvest lessons learned for other state programs.

2. Calculate contribution of DSGS to Resource Adequacy.

United recommends that the CEC ensure that DSGS program activity is reflected in load forecasts so that some of the reliability benefit of the program can be captured by LSEs through reduced RA obligation. United understands the general concern that DSGS not create negative incentives or disruption to the Resource Adequacy program(s) and resources. However, the load impact of DSGS is not a disruption or distortion of RA, but instead is a very real, real-world, near-term impact of the program. DSGS program participation will reduce peak net load, and thus will physically reduce the system demand to meet that load, and this real-world effect should be captured in load impact and future month and year forecasts. Not capturing this effect would mean greater costs to ratepayers than is necessary, while capturing this value would return some taxpayer funds to state residents in their utility bills.

United observes that the DSGS performance pathways are very helpfully experimenting with promising dispatch, measurement and verification, and aggregation and participation models. The data generated by these experiments will likely be directly relevant to new RA resources and performance. Thus calculating the impact these resources are having on LSE's current and future RA obligations would seem to be a minimalist compromise to represent some of the value the participating resources are providing directly and as pioneers.

3. Reduce dual participation barriers

United understands that preventing double compensation through dual participation is a central concern for CEC. However, we believe there is opportunity to both clarify and reduce dual participation issues where dual participation does not entail dual compensation for the same service. Two examples are:

a. **Clarify concurrent optimization with dynamic rates**

   CEC has helpfully clarified that concurrent optimization with critical peak pricing rates is allowed. United requests a similar clarification to avoid any implicit suggestion that concurrent optimization against other rate structures (e.g., TOU, NBT, NEM 2, current dynamic rate pilots and potential future dynamic rates).

b. **Address Option 3 – PDR dual participation**

   Current DSGS Guidelines (2nd Edition) specify that for customers to participate in both Proxy Demand Response (PDR) and Option 3 through different assets behind the same utility meter, customers must have a PDR "energy baseline reflect total gross consumption (that is, consumption independent of any energy produced or consumed by behind-the-meter battery storage) consistent with California ISO tariff Section 4.13.4."

   However, this provision is impractical and is unlikely to be pursued as few customers use this baseline option with CAISO, and many customers have their energy storage device controlled by an aggregator that is not the registered Demand Response Provider with CAISO. This impracticality effectively leaves storage resources at existing PDR customers – in all likelihood some of the highest propensity participants – on the table. For these reasons, United supports Sunrun's proposal to devote both CEC and stakeholder time in 2024 to develop alternative performance measurement for either Option 2 or 3.

4. Implement additional compensation opportunities

United appreciates the CEC's extension of the 30% bonus for Options 2 and 3, though we remain concerned that even these enhanced incentives do not adequately compensate resources for their value to the system or their opportunity cost. If the CEC is not able to increase these levels across the board, we urge several small-bore mechanisms to mitigate specific potential drains on this value.

a. **Provide compensation for May 2024 for new participants**
   Given that the final revised Guidelines are unlikely to be approved before the May 8 business meeting, and even the most prepared companies are unlikely to enroll newly-eligible resources and customers for some time thereafter, the CEC should allow for retroactive compensation of resources for May based on their participation level for June and later. This structure would preserve the value of full summer participation that would otherwise be denied based solely on delays in CEC's Guideline development and approval process.

b. **Consider a "true-up" or "make-whole" adjustment for demonstrated opportunity cost losses**
   One of United's previously stated concerns with compensation levels is that the current structure is not adequate to compensate resources that would be prevented from receiving other compensation for some of the same service. An example would be Net Billing Tariff customers with storage participating in Option 3. In some hours, the opportunity cost of either self-consumption of battery storage or of grid export will exceed the revenues from DSGS participation, and across a season this disparity could erode the value of DSGS until it is less remunerative than not participating and instead remaining on NBT. United suggests that the CEC consider creating a "true-up" or "make-whole" process at the end of the season by which the CEC or the battery aggregator can calculate the relative compensation delivered by DSGS participation compared to NBT and make up any difference.

5. Option 2 Availability Requirement

United appreciates the removal of the Sunday availability requirement. For very similar reasons (the unavailability of many resources, or their staff, on weekends or holidays) we recommend the requirement be relaxed for holidays as well. This would be consistent with RA availability requirements of weekdays and Saturdays, holidays excluded.

We believe that an optional, bonus-based approach is sufficient to incent those resources that can offer on Sundays and holidays while not disincentivizing those that cannot. We recommend that a 15-25% bonus relative to 6-day availability incentives would be reasonable. A 17% bonus would reflect a simple scale-up of 6 day compensation. However, Sunday and holiday availability is more challenging than availability on any other day of the week, potentially justifying a higher than 17% bonus.[1]

6. Option 2 Measurement Performance

United seeks clarification of Load Impact Profile Determination (Section E.3.). The sentence, "In the case of a single dispatch for participation in a single month, the non-weather-sensitive capacity formula shall be applied," was verbally clarified during the workshop to refer to the uncommon situation in which a provider has only participated in the program for one month in a season, with one dispatch in that one month. But the sentence as written could be understood to apply to a provider with an average of one dispatch per month, which is in fact the minimum requirements. Therefore we request clarification that an average of one dispatch per month over multiple months (with a minimum of two dispatches during the season) may use the weather-sensitive capacity formula.

7. Option 2 Dispatch Requirements

The 2nd edition of DSGS Guidelines did not clearly specify the requirement for a single three consecutive hour dispatch during the season. Rather, the guidelines stated that "[o]n days when a shown DR resource must offer obligation is not subject to RAAIM and for all days for resources that are not shown on a supply plan, the resource must bid or self-schedule for at least three consecutive hours between 4:00 p.m. and 10:00 p.m." The obligation to **bid** (or self-schedule) for three consecutive hours does not imply the obligation to ensure a 3-hr dispatch over the season. For United members that were not participants in 2023 but have already reached out to potential participants for 2024, the change (or clarification) to requiring a 3-hour dispatch requirement represents a significant change. Our suggestion is that this requirement be delayed until 2025, or made optional for new participants.

8. Option 3 Aggregation Size

[1] The challenges of Sunday/holiday availability are suggested by this CAISO report from Feb 2021, which noted that in Summer 2020, "[s]ome high load days in August and September (August 15 and Labor Day weekend) coincided with weekends and holidays, where a significant portion of demand response adequacy was not available. Both utility and supply plan demand response availability dropped significantly on weekends and holidays."

United understands the CEC's concern with balancing the reduction of barriers to new entrants with managing administrative burden. United supports an across-the-board minimum aggregation size of 100 kW, calculated by DSGS provider across resource duration and UDC service territory. We suggest that such a minimum allows for both new entrants and program ramp-up while reducing administrative burden providers. An alternative proposal would be to explicitly accommodate new entrants and program ramp-up by allowing a gradual increasing of a smaller initial minimum aggregation (e.g. 100 kW) per year, per provider.

9. Option 3 V2X UL 1741-B Waiver

United is concerned with potential conflict between CEC's allowance for EVSE participation in DSGS Option 3 without UL 1741-B certification and the current requirements of the CPUC's Rule 21 Interconnection. While stakeholders may seek clarification from the CPUC, we are concerned this strategy will have much less effect and expediency than an inter-agency request from the CEC to the CPUC. United suggests that the CEC could request a recognition of the waiver, or issuance of a parallel waiver, from the CPUC in a letter from the Energy Commission to the CPUC Executive Director or Deputy Executive Director for Energy, approved at the same May 8 business meeting as the Guidelines.

10. Creation of Option 4

Following the approval of the Guidelines Third Edition, United urges the CEC to take up the task of expanding Option 3's market-informed, pay-for-performance model to other controllable technologies that offer device-level telemetry and submeter measurement, starting with smart thermostats and hot water heaters. United believes that measurement technologies and estimation strategies, such as those put forward by OhmConnect in this docket, are robust enough to calculate dependable energy savings. An Option 4 based on these strategies can serve the pioneering role that Option 2's incremental and incentive-based load impact methodology serves to both deliver real additional capacity while establishing viable measurement and compensation frameworks for otherwise un-tapped resources. We strongly encourage CEC staff to initiate stakeholder engagement on developing an Option 4 in 2024.

/s/ Brian Turner

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