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## Leap Comments on Draft DSGS Guidelines, 4th Edition

*Additional submitted attachment is included below.*

October 30, 2024

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

**Re: Leap Comments on Draft DSGS Guidelines, Fourth Edition**

## INTRODUCTION

Leapfrog Power, Inc. ("Leap") is a demand response provider (DRP) founded in 2017 and headquartered in California. The company provides Demand Response (DR) services to residential, commercial, industrial, and agricultural customers throughout the state of California. Through its technology platform, Leap enables distributed energy resource (DER) providers in California to provide grid flexibility, delivering revenue for their customers and integrating additional demand-side resources into the California electricity system. Leap is a registered DRP, as well as a registered Scheduling Coordinator, with the California Independent System Operator Corporation (CAISO).

Overall, Leap commends the California Energy Commission (CEC) for continuing to iterate on the Demand Side Grid Support (DSGS) program, adding new elements and features that will enhance the program's ability to leverage DERs for reliability. This includes the new "export-only" model for participation in DSGS Option 3, which will significantly strengthen the ability for resources to participate in both DSGS and Resource Adequacy and maximize the value that they can realize in both. Ultimately, the key function of DSGS as a pilot program is to test new DER participation models that can later be adopted in California's wholesale power markets. A more effective dual participation model between DSGS and RA helps further this goal, streamlining the entry of DSGS resources into RA when the DSGS program ends.

However, there are several changes outlined in the DSGS Draft Fourth Edition Guidelines ("Draft Guidelines") that Leap recommends adjusting to ensure the program provides the greatest benefit both to customers and the grid. These are outlined in more detail below, with tracked changes to the relevant sections of the Draft Guidelines included in the Appendix. Other than what is described below, Leap has no other comments connected to the questions that CEC posed in its October 18 workshop.

## REPORTING REQUIREMENTS

The DSGS Fourth Edition Guidelines included a new requirement that Option 3 providers submit sub-meter data to the CEC within three business days of each month during a program season, as well as a requirement that Option 4 providers submit device data within five business days of each month. Leap recognizes the value of

having a data submission deadline to ensure that CEC receives sub-meter data in a timely manner. However, a three-day turnaround is extremely tight and unworkable for many companies participating in DSGS today, as well as those that might participate in the future. Leap recommends extending this submission deadline to 30 days after the end of each month, which would be long enough to accommodate most companies' data management systems while still ensuring data submission to the CEC is not overly delayed.

In addition, Leap recommends adjusting the reporting requirement for Option 2 providers, which the Draft Guidelines now require to submit weekly dispatch reports summarizing the total expected energy by Resource ID for each day and hour. Leap would appreciate more clarity on the purpose of this requirement, as the frequency it requires would be administratively burdensome. It would be more appropriate to require these reports to be submitted on a monthly basis (i.e. 30 days after the end of the month), which would provide regular and timely information on the status of the program without creating excessive reporting requirements for participants.

In general, Leap is opposed to any reporting requirements or other provisions that require providers to submit information above and beyond what CAISO requires for market-integrated DR. CAISO's requirements for reporting, or for the provision of customer data, are already quite robust, and additional information shouldn't be necessary for DSGS to function properly as a program. In the interest of reducing the administrative burden for both providers and the CEC, these types of incremental requirements should be kept at a minimum.

## EEA DISPATCH REQUIREMENT

Leap recognizes the importance of ensuring that DSGS resources are available to dispatch when the grid is most stressed, as signaled by energy emergency alerts (EEAs) issued by CAISO. Leap also acknowledges that the CEC provided DSGS participants forewarning that dispatches during EEA and EEA Watch events would be required in 2025 when it initially proposed this requirement (and then delayed it) in the draft Third Edition Guidelines for the program. From an operational standpoint, Leap is confident it can meet this requirement and does not oppose the CEC's decision to implement it in its Fourth Edition Guidelines for DSGS.

The CEC also correctly recognized that this new requirement, because it may require day-of dispatch notifications that can't be scheduled based on market prices, represents an enhanced level of service – and higher level of risk – for DSGS providers. The Draft Guidelines propose to compensate for this higher level of risk by providing a 10% bonus for participation in dispatches that are triggered solely by EEA events. Leap supports the decision to include a bonus, but it's concerned that 10% is too low for DSGS providers that are now being asked to supply a day-of emergency product in addition to the traditional market-informed DSGS product.

As noted above, the potential to receive day-of dispatch notifications increases the risk that resources in Option 3 will be unable to perform at their full level. This is particularly true for batteries, which must ensure they are sufficiently charged to respond to day-of events. This requires providers to develop the technical capabilities to predict when day-of EEA events might occur and respond on short notice (sometimes with as little as ~20 minute notice). Although DSGS is pay-for-performance, a battery that performs poorly in response to an EEA dispatch would reduce the average performance of the overall portfolio, which results in a reduction to the providers'

revenue. To appropriately compensate providers for this increased risk, and for the provision of a more sophisticated product, Leap suggests that the bonus payment for EEA-only dispatches be increased to 30%.

In addition, the Draft Guidelines should be changed to make it clear that, if an EEA event lasts longer than the duration under which an Option 3 resource is participating, that this resource will only be evaluated on its performance during its rated duration and not over the full EEA event. Although this is implied in current Draft Guidelines, it would be helpful to clarify it further. Leap has put a suggested edit to this effect in the Appendix of these comments.

**OPTION 4 INCENTIVES AND ENROLLMENT**

Leap supports the inclusion of a new option in DSGS to compensate smart thermostats and water heaters that can provide load reductions during grid emergencies. Many customers that attempt to enroll these devices in market-integrated DR programs are blocked by data authorization requirements for their utility meters, and the new Option 4 provides a valuable back-up program for customers that aren't able to complete these requirements. To this end, Leap is glad that the CEC has framed Option 4 as a back-up (rather than a substitute) to market-integrated DR, and it supports the aspects of the program that help maintain this goal.

Ultimately, market integration provides a better long-term revenue stream to virtual power plants (VPPs) because it is funded through RA purchases by load-serving entities (LSEs) rather than the government budget. Additionally, the California ISO wholesale market is the most efficient clearing mechanism for energy resources in the state overall, and VPP participation in wholesale markets provides CAISO with greater visibility into the location and operation of these resources for planning purposes. Leap has been a consistent proponent of direct market integration whenever possible, and it continues to advocate for direct participation as the most efficient and scalable way to incorporate demand flexibility into the state's electricity system.

Based on this position, Leap supports the current incentive levels in Option 4, which strikes the appropriate balance between providing an incentive high enough to motivate customer participation while ensuring that customers are not incentivized to pull out of market-integrated programs to participate in Option 4 (as has happened with some resources in DSGS Option 3). Similarly, the requirement that Option 4 providers also provide a pathway for customers to enroll in market-integrated DR is a good addition, as it will support the continued enrollment of customers in market-integrated DR as well as Option 4. As noted above, direct market participation should be the most scalable approach to align distributed energy resource (DER) flexibility with market needs, and customers participating in Option 4 will need to move into market-integrated DR or similar programs once DSGS pilot funding is exhausted.

Prompting customers to complete the data authorization process at the time they enroll in Option 4 is a best practice, because this is the point where customers are most engaged. Therefore, Leap suggests that Option 4 providers be required to develop an enrollment process that embeds the option for customers to complete the data authorization process within the enrollment process for Option 4 itself. However, an exception should be given to customers that have already attempted the data authorization process, whom providers should be allowed to default into Option 4 without requiring them to go through a separate enrollment process. This would allow

Option 4 to provide a more streamlined back-up option for customers who have signaled their interest in enrolling in a DR program by beginning the data authorization process, but for whatever reason did not complete that authorization.

The specifics of this enrollment flow, including how much information is provided about market-integrated DR vs. Option 4 during the enrollment process, would be up to the specific provider. The key element is just that the option to enroll in market-integrated DR be embedded within the Option 4 enrollment process itself, so that customers are presented with this option even if they ultimately decide not to complete the data authorization process and enroll directly in Option 4. As noted in the Draft Guidelines, DSGS providers that don't offer market-integrated DR can instead provide a link to a partner provider that does. However, for clarity, the Draft Guidelines should be revised so that the provided link connects to an actual enrollment page or pathway for market-integrated DR and not simply a link to the partner provider's website.

**CONCLUSION**

Leap appreciates the opportunity to provide these comments on the Fourth Edition of the DSGS program guidelines and thanks the CEC for their continued efforts to engage stakeholders as they expand the program over time. Leap is excited to continue participating in DSGS in 2025 and believes that the suggestions outlined will ensure the continued success of the program in the future.

Respectfully submitted,

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**APPENDIX**

Leap's suggested changes to the DSGS Fourth Edition Guidelines are detailed below. Suggested deletions are shown as a ~~strikethrough~~, and suggested additions are **bolded and underlined**. All page numbers reference the document titled "Proposed Demand Side Grid Support (DSGS) Program Guidelines, Fourth Edition" (TN #259451), filed in Docket 22-RENEW-01 on October 4, 2024.

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2. Option 2 Dispatch Reports

Option 2 providers must submit to the CEC a ~~weekly~~ **monthly** report summarizing the total expected energy (MWh) by Resource ID for each day and hour. If no eligible dispatches occur**r**ed in the previous week, the report may be skipped.

3. Option 3 Performance Reports

a. Report Information and Due Date

Within ~~3~~ **30** business days after the end of each month during the program season (May-October), Option 3 providers must submit to the CEC sub-meter data in the specified format for the prior month for all sites active in their aggregation that month. The CEC may also request a Performance Estimate Report, as described in Section D.2.b below, on an ad hoc basis.

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4. Option 4 Performance Reports

Within ~~5~~ **30** business days after a program event or test event took place, Option 4 providers must submit device load or run-time data to the CEC in the specified program event for all devices active in their aggregation.

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An additional 30 percent bonus shall be applied to all capacity incentives for Program Years 2025 and 2026. Additional bonuses in future years may be provided at CEC discretion. An additional ~~10~~ **30** percent bonus shall be applied to capacity incentives for months with at least one hour in which the "Emergency Trigger" is activated but the "Absolute Price Trigger" is not activated (see Section D for additional information).

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An event may last from one hour to the maximum resource duration of a VPP. For example, the performance of a 3-hour VPP resource will be measured over the three highest-priced consecutive hours that meet or exceed $200/MWh during the 4:00 p.m.–9:00 p.m. program window. If more than three hours meet or exceed $200/MWh during this window on a given day, only the three highest-priced consecutive hours will count toward performance. If less than three hours meet or exceed $200/MWh, only those hours will count toward performance. **Similarly, if an EEA event duration exceeds 3 hours, then only the three highest-priced consecutive hours that occur during that EEA event will count towards performance.**

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- Provide a pathway for device owners to enroll in supply-side (market integrated) DR by ~~including~~ **embedding** an optional step to complete the data sharing agreement required for DR registration in the enrollment process **for Option 4, as well as including it** in the **provider's** DSGS information or settings page. If the load flexibility VPP aggregator is not also a supply-side DR provider, the aggregator must provide a link to **a supply-side DR enrollment pathway provided by** one or more partner DR providers that are enabled to dispatch the aggregator's devices in a supply-side DR aggregation. **Customers that have already attempted the data sharing agreement can be enrolled in Option 4 without completing a separate enrollment process.**