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California Energy Commission
Docket Number 22-RENEW-01
715 P Street
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RE: Modified Demand Side Grid Support Program Draft Guidelines, Fourth Edition

Pacific Gas and Electric Company (PG&E) appreciates the opportunity to provide feedback on the California Energy Commission's (CEC) Modified Draft Demand Side Grid Support (DSGS) Guidelines, Fourth Edition, released January 14, 2025. PG&E's comments are limited to specific changes relating to Incentive Option 3 "Market-Aware Storage Virtual Power Plant Pilot" and Incentive Option 4 "Emergency Load Flexibility VPP Pilot," as published in the CEC's Notice of Availability – Modified Demand Side Grid Support Program Draft Guidelines, 4th Edition.[1]

A. Chapter 5: Incentive Option 3: Market-Aware Storage Virtual Power Plant Pilot modifications

PG&E provides three comments to Incentive Option 3. Initially, the CEC proposes a revision to encourage a voluntary response to an EEA trigger, as follows:

> *The initial draft introduced energy emergency alert (EEA) event triggers, with a 10% bonus applied to any month with one or more event hours initiated solely by EEA(s). The modified draft maintains the day-ahead EEA trigger and counts the VPP's performance in the calculation of the monthly demonstrated capacity. However, with respect to day-of EEA triggers, the modified draft encourages voluntary response by providing an incentive rate of $1 per kWh energy delivered to the grid, while excluding the VPP's performance during the day-of event from calculating monthly demonstrated capacity.* [2]

PG&E supports adding EEA event triggers to DSGS Option 3 but recommends changing program designs that set the expectation that participation in day-of events is voluntary. AB 205 sets the expectation that DSGS be on-call to respond to grid emergencies, so the addition of EEAs as event triggers is fitting. However, as emergency response is expected, day-of events should not be excluded from the monthly demonstrated capacity calculations. PG&E believes there should be fairness between the incentive paid and how the resource performs, regardless of when the event is called.

[1] Notice of Availability - Modified Demand Side Grid Support Program Draft Guidelines, 4th Edition (Accessed January 27, 2025
[2] *Id., p. 4.*

Second, the CEC proposes requirements regarding test events, as follows:

> *The initial draft required test events to be called by Option 3 DSGS providers from May through July, and by the CEC from August through October. The modified draft allows all test events to be called by DSGS providers but requires the providers to pre-register each test event with the CEC and limits the providers to one test event per month for each combination of utility distribution company service territory and nominated duration. These modifications were made to provide flexibility for providers in determining when to test while providing increased accountability and better visibility into aggregate VPP portfolio level scheduling and performance. The CEC may reconsider calling statewide test events in future years pending further program evaluation.*[3]

PG&E questions the effectiveness of self-scheduled tests which could be scheduled when most advantageous for the provider. Additionally, self-scheduled test events do not reflect the unpredictable nature of grid emergencies. PG&E recommends the CEC administer all test events to ensure fairness and the enable the ability to collect robust data that would better reflect real world event performance. PG&E also recommends that the CEC consider day-of testing to observe Option 3 resource's capabilities to respond on short notice. If day-of event results are lower than the expected performance, the day-of event performance should factor into the monthly capacity payment. PG&E also encourages the CEC to share test results publicly so the information can be used by other DR providers to potentially improve their DR programs.

Finally, the CEC proposes additional context regarding the DSGS energy storage baselines, as follows:

> *The initial draft proposed updates to the energy storage baselines used to calculate monthly demonstrated capacity. The modified draft maintains the current baselines adopted in the DSGS Program Guidelines, Second Edition. The modified draft also provides that baselines will be applied to all resources beginning in the 2026 program season and establishes a two-year cadence for review of performance data going forward, to accurately reflect the incrementality of Option 3 storage VPP relative to load forecasts.*[4]

PG&E supports the use of baselines that help ensure that only incremental load reduction or battery discharge in response to a DSGS event is incentivized. PG&E recommends the CEC adopt a baseline that measures incrementality by considering the customer's actual usage and how the customer uses their battery, rather than a prescriptive amount. PG&E recommends the CEC consider use of any CPUC-approved or CAISO-approved baselines that are currently being used for retail and wholesale DR participation.

B. Chapter 6: Incentive Option 4: Emergency Load Flexibility VPP Pilot modifications

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[3] *Id., p. 4.*
[4] *Id., p. 5.*

PG&E's final comments are two requests for additional information regarding the proposed modifications for Incentive Option 4: Emergency Load Flexibility VPP Pilot.

First, the CEC states that revisions to Option 4 are intended to "mitigate perceived risk to DSGS providers and increase potential compensation,"[5] and then recommends expanding "eligibility to electric vehicle supply equipment, stationary batteries, and residential smart panels."[6]

PG&E requests that the CEC provide additional information regarding this proposed modification, as the three technologies added were not included in the Draft Program Guidelines published in October 2024. They appear to have been added to the Modified Draft Program Guidelines without a clear rationale. Stakeholders would benefit from the CEC providing clear reasoning as to why Option 4 will include EVSE and stationary batteries when customers with those technologies can already participate in Option 3. Specifically, is Option 3 deficient in meeting EVSE and stationary batteries' operating needs? And if so, how would Option 4 mitigate Option 3's deficiency? Is dual participation allowed between DSGS Option 3 and Option 4?

In a second modification to Option 4, the CEC proposes to increase the annualized incentive rate from $41.40/kW year to $60.58/kW-year.[7] PG&E requests that the CEC provide more detailed discussion on the basis and data upon which it relied for this recommendation. PG&E is unable to discern the basis for this recommendation from stakeholder comments provided in this DSGS docket.
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PG&E firmly shares the CEC and state's commitment to grid reliability, and we are always looking for pathways to achieve that reliability in the most efficient manner. To that end, PG&E requests that the CEC work closely with the CPUC to understand how much incremental load response DSGS has produced beyond what CPUC-approved programs have provided. PG&E notes that customers have migrated to DSGS from existing IOU DR programs based on third-party and customer feedback. That migration may just be transferring the load reduction from one program to another, rather than providing incremental load response for the grid. Therefore, we would suggest that the CEC engage in similar load-impact analysis and cost-effectiveness analysis as CPUC programs and publish those reports to avoid inefficient use of ratepayer and taxpayer dollars in competing for the same resources.

Separately, if customers exit IOU programs, which provide Resource Adequacy, to join DSGS which is emergency-focused and does not provide RA, there could be a negative impact on the grid. The IOUs may need to fulfill their RA obligation using net new customers and Californians could end up paying more for grid reliability. Finally, if a customer can participate in both DSGS and a CPUC-approved DR program, it is important for state agencies to prevent dual participation and double compensation for the same load response.

While these final recommendations go beyond the scope of the draft guidelines, PG&E believes it is useful to start a conversation on broader strategies for these programs to ensure they are maximizing their benefits for Californians on a cost-effective basis. We appreciate the opportunity to respond to these guidelines, and for the CEC's ongoing collaboration. Please reach out to me if you have any questions.

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[5] *Id.,* p. 5.
[6] *Id.,* p. 5.
[7] *Id.,* p. 5.

Sincerely,

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