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## CALSSA Comments on January 2025 Draft DSGS Guidelines

*Additional submitted attachment is included below.*

CALIFORNIA SOLAR + STORAGE ASSOCIATION
smart local energy

January 28, 2025

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

Re: Docket No. 22-RENEW-01—Comments on January 2025 Draft DSGS Guidelines, Fourth Edition

California Energy Commissioners and Staff:

On January 14, 2025, the CEC released a new draft of modified guidelines for the Demand Side Grid Support (DSGS) program for public comment. This follows a prior set of draft guidelines and workshop in October 2024. The California Solar & Storage Association (CALSSA) appreciates the CEC's consideration of the input we provided after the October draft guidelines,[1] and we appreciate the opportunity to provide these comments in response to the new draft guidelines. As before, our comments focus on proposed changes to Option 3 from the perspective of CALSSA members that are current providers and participants in DSGS Option 3.

## 1. Proposed Prescriptive Baseline Changes

**Summary of comments and recommendations: CALSSA strongly supports and appreciates maintaining the current baseline treatment in 2025, and recommends not committing to changes in program rules for future years at this time. Future consideration of adjustments to baselines should be accompanied by reevaluating program value and potential increases in the storage VPP capacity prices or bonuses.**

The October 2024 draft guidelines proposed to make two significant changes to the prescriptive baselines applied to battery discharge: (1) apply a baseline deduction to all batteries, eliminating the zero baseline that applies to batteries installed after July 1, 2023, and not supported by SGIP; and (2) increase the baseline deduction that currently applies to nonresidential batteries from 0.028 to 0.074 of the battery's nominal energy storage capacity per hour.

The new draft guidelines would not implement those changes in 2025, and instead would (1) eliminate the zero baseline beginning with the 2026 program season, and (2) provide that for the 2026 program season and every two years thereafter, the CEC may update the baselines that apply to battery discharge.

[1] CALSSA Comments on Draft DSGS Guidelines, Fourth Edition, submitted October 30, 2024 (CALSSA October 2024 Comments), TN # 259811.

CALSSA appreciates the CEC's decision not to make the previously proposed changes in 2025. As we noted in our October 2024 comments,[2] making changes to fundamental aspects of program design decreases program stability and continuity, which are necessary over a multi-year timeframe to support customers and providers in building and maintaining reliable DSGS resources.

The experience of 2024 demonstrated the potential for DSGS Option 3 to grow quickly, and 2025 can build on that early growth. Maintaining key program elements like the current baseline approach is critical to that continued momentum and program success.

Thus, CALSSA strongly supports this change in the new draft guidelines to maintain the current baseline treatment in 2025.

The new draft guidelines make changes to the baseline treatment prospectively for 2026 and beyond. We appreciate the CEC's effort to provide greater clarity and certainty but have concerns with the new proposed language. We recommend not committing to these changes in program rules at this time.

First, the proposal to commit to eliminating the zero baseline in 2026 in the Fourth Edition guidelines is similar to the prior proposal to eliminate it in 2025, in that it will negatively affect existing DSGS participants when implemented.[3] Many participants that enrolled in DSGS with the understanding that their performance would be measured without a baseline deduction are likely to reconsider participation if the rules change within such a short time after enrollment. This change also affects customers who have projects in development in reliance on the current guidelines.

CALSSA urges the CEC to consider the substantial disruption this will cause for existing DSGS participants already enrolled in Option 3 and for customers and VPP aggregators that began and are still in the process of developing, installing, and negotiating purchase and deployment of new battery systems under the assumption that the existing program rules would apply.

Second, in making a decision now about changes to the baseline approach in 2026, the CEC would be committing to a change in program rules before it has a complete and up-to-date data set of how the program has been operating before the change goes into effect. This is true partly because the 2025 program season has not yet begun, and the CEC doesn't have the benefit of data for that program season. The 2025 data will inform what changes are appropriate thereafter. Moreover, although the CEC has received data for 2024, it has not shared results from analyzing the data with stakeholders and provided an opportunity for stakeholders to give input on changes proposed in response to the data.

Greater certainty is important, and limiting adjustments to baselines to every other year is better than potential adjustments every year. However, each time there is an adjustment to baselines, that affects existing and potential future participants. The CEC should recognize and

[2] CALSSA October 2024 Comments, pp. 1-3.
[3] See CALSSA October 2024 Comments, pp. 3-5.

provide a process to couple any adjustment in baselines with a reevaluation of the program value and potential increases in the storage VPP capacity prices or bonuses.

For these reasons, CALSSA suggests that the CEC change the new draft language at the end of Chapter 5, Section E.2, as follows:

> "Beginning ~~in the 2026~~ <u>after the 2025</u> program season, ~~baselines shall be applied to all resources participating in DSGS Option 3. For the 2026 season and every two years thereafter, the CEC may update the baselines, as appropriate,~~ <u>the CEC will examine data from all complete program seasons, and will consider whether updates to the baselines are appropriate</u> to accurately reflect the incrementality of the DSGS storage VPP's contribution relative to load forecasts<u>, with consideration of</u> ~~based on~~ the CEC's analysis of the VPP performance<u>, stakeholder input on the data and the CEC's analysis, the appropriateness of continuing to apply a baseline of zero for any batteries,</u> and other relevant considerations. <u>Thereafter, the CEC will not make changes to the baselines more frequently than at two-year intervals. When considering potential updates to baselines, the CEC will also evaluate the value of the emergency reliability resources provided by the DSGS storage VPP and whether to increase storage VPP capacity prices or incentive bonuses</u>."

## 2. Test Events

**Summary of comments and recommendations: CALSSA appreciates removing CEC-called test events. We recommend that the newly proposed changes to require advance registration and to limit to one test event per month not be adopted.**

The new draft guidelines make two changes to the approach to test events. The new approach improves on the October 2024 proposal, but still adds complications that will increase operational challenges and costs.

We appreciate and support the removal of CEC-called test events, which had been proposed in the October 2024 draft guidelines.

The new draft guidelines make these additional changes to test events: (1) test events must be "registered" with the CEC by 3:00 pm the prior day, and (2) only one test event is allowed per month, rather than allowing a storage VPP aggregator to conduct more than one test event and apply the highest performance to the demonstrated capacity. CALSSA recommends that the CEC not institute these changes, for the following reasons.

First, it is unclear what the registration requirement entails. It can be read as creating a requirement that the CEC approve or disapprove of providers' selected test events. Needing to wait for approval and possibly change plans for test events would impose costs and burdens on providers, including because many conduct test events at or near the end of a month, and there would be little to no chance to reschedule a test event if the CEC disapproves it. Such a requirement would also increase the workload on CEC or Olivine staff. The CEC should not add a requirement for advance approval of test events.

Even if registration does not involve an approval process of approval, it is still inadvisable, and it is not clear why registration is needed. The CEC will already know when test events were conducted, through the monthly performance reports, and we are not aware of a need for the CEC to know in advance when test events will happen. Also, even without an approval/disapproval process by the CEC, this requirement will add significant new administrative burdens for DSGS providers to develop and implement systems for notifying the CEC, and receiving test event notices will add to administrative tasks that CEC or Olivine staff will need to complete. Finally, other than adding new administrative requirements, this new requirement would not change providers' approach to test events.

Given the added administrative complexity and costs involved in providing notice to the CEC, and that the requirement would not provide substantial value to the program, we strongly recommend that the CEC not implement this change.

Second, not allowing providers to conduct multiple test events and apply the highest performance to the month's demonstrated capacity is counter to one of the main purposes of test events: to test the capability of enrolled assets and troubleshoot issues that are revealed, including in the event of a technical mishap. We recommend that the CEC retain the existing rules allowing multiple test events.

## 3. Monthly Performance Reports and API Option

**Summary of comments and recommendations: CALSSA appreciates the CEC extending the deadline for monthly performance reports from 3 to 10 business days, but the CEC should consider extending the deadline because it may be challenging to provide all required data in that timeframe. The CEC should adopt our proposal to provide an optional API pathway for submitting performance data and for receiving dispatch signals. The guidelines should provide that the format for performance reports will be established in advance of the first report due date and will not change during the program season. The CEC should make other clarifying changes to the guidelines language.**

The October 2024 draft guidelines established a new requirement for monthly performance reports for Option 3, due 3 business days after the end of each month. The new draft guidelines change the deadline to 10 business days after the end of the month. CALSSA appreciates this change, as the new timeframe is more workable for inverter-metered storage assets.

That said, we offer the following considerations and proposed changes to the guidelines.

First, the CEC has added a requirement that performance reports must also include 15-minute-interval utility meter data for sites also enrolled in supply-side demand response programs. While this is not applicable to most CALSSA members participating in Option 3, members report that the 10-business-day deadline to obtain data from utilities could pose challenges. Thus, the CEC should consider extending this deadline. If the CEC considers changing the 10-business-day deadline for export-only assets, it should change the deadline for all Option 3 monthly reports rather than having different deadlines for the two types of assets.

Second, we strongly recommend that the CEC adopt our proposal to provide an API pathway for submitting performance data. As discussed in our October 2024 comments,[4] rather than requiring performance data to be submitted manually, the CEC should direct Olivine to work with DSGS providers to establish data-sharing options, including but not limited to integrations with other APIs when available. This change would modernize the program and would greatly expand the flexibility of data access for CEC purposes. CALSSA members would be happy to work with the CEC to operationalize this API option.[5]

Third, the guidelines should provide that the specified format for performance reports that are submitted manually is set well in advance of the first month's reporting deadline, and that the format does not change over the course of the program year. CALSSA members have experienced administrative difficulties with changes to reporting templates for performance data and are concerned that the new monthly reporting requirement could greatly increase such burdens.

Fourth, the last sentence of the relevant paragraph can be interpreted in two possible ways: requiring monthly performance reports to have been provided in order for claims to be accepted and settled, or requiring monthly performance reports to be provided a second time as part of the claim package. This language should be clarified, as suggested below.

Fifth, as noted in our October 2024 comments, the language should be changed to include submeter *or inverter* data.[6]

In sum, we recommend that the guidelines language be modified as follows:

> "Within 10 business days [<u>or a longer time period</u>] after the end of each month during the program season (May-October), Option 3 providers must submit to the CEC (a) sub-meter <u>or inverter</u> data in the specified format for the prior month for all sites participating in their aggregation that month and (b) electric utility meter data in 15 minute intervals for sites also enrolled in a supply-side demand response program and participating in DSGS with an export-only resource. Monthly performance reports are required ~~for claim submission and settlement~~ <u>in order for the CEC to accept and settle submitted claims</u>. <u>The specified format for a program season will be established at least 6 weeks before the first performance report is due and will not be changed during that season.</u> <u>The requirement for monthly performance reports may be met through an API integration.</u>"

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[4] CALSSA October 2024 Comments, p. 13.

[5] As noted in our October 2024 comments, APIs could also enable DSGS providers to more seamlessly receive event signals from Olivine. We would like to explore this as an option that is allowed along with the existing methods for receiving event signals.

[6] CALSSA October 2024 Comments, p. 12.

## 4. Claim Submission

**Summary of comments and recommendations: The CEC should not shorten the time to submit incentive payment claims for Options 3 and 4. If it does make this change, it should clarify that this deadline is for the initial claim submission, it should clearly state that providers may submit claims during the program season and that those claims will be processed and paid on submission, and it should include a timeframe in which the CEC will process and pay claims.**

The new draft guidelines shorten the time to submit incentive payment claims for Options 3 and 4 by a full month, to the last business day of November, while keeping the existing deadline of the last business day of February for Options 1 and 2.

The shortened timeframe for claim submission does not appear necessary, given that the CEC will already have performance data from providers. We urge the CEC to reverse this change.

If the CEC goes forward with this change, it should make the following three accompanying changes.

First, if the CEC moves up the deadline, it is paramount that the guidelines not require final accepted claims by the end of November, which could involve back and forth with Olivine that would in part be outside the provider's control.

Thus, the guidelines should be clarified that this deadline is for the initial submission, not a final accepted claim, e.g., in one of the following ways.

- Restore the prior language, where the proposed changes eliminate the word "initial" and make other changes in "~~Initial~~ Incentive Option 3 and Incentive Option 4 participant-level claims ~~information~~..." (Chapter 7, Section C.1):

  > "Initial Incentive Option 3 and Incentive Option 4 claim information must be submitted by…."

- Alternatively, clarify that the deadline is before review and potential requests for additional information by the CEC or Olivine through this change:

  > "Incentive Option 3 and Incentive Option 4 claims must be submitted by the last business day of November of the same calendar year in which the program season occurred for initial review by the CEC or its program administrator."

Second, the guidelines should clearly state that providers may submit incentive payment claims during the program season—up to monthly, but at a minimum, once at mid-season—and that those claims will be processed and paid on submission, not held until the end of the season. This would provide significant benefits in customer satisfaction, and would bring DSGS more in line with compensation processing in many other grid services and demand response programs in California and other states.

For example, this language could be added after the first sentence of Chapter 7, Section C.1, as a new subsection a:

"Incentive payment claims may be submitted during the program season for payment of incentives for performance in May, June, and/or July."

Third, with the CEC moving up the deadline for claims to be submitted, the guidelines should also include in a timeframe within which the CEC will process and pay claims, such as by adding the following in Chapter 7, Section C.3:

"The CEC will process and make payment within [an appropriate, reasonable period] days of acceptance of complete and final claims."

## 5. Option 3 Maximum Events

**Summary of comments and recommendations: The CEC should clarify that day-of events count toward the maximum 35 events per program year.**

There is a maximum of 35 Option 3 events per program year. With the addition of energy emergency alerts (EEAs) as both day-ahead and day-of triggers, it is not explicitly clear that these EEA-triggered events count toward the maximum. All EEA events should be included in the maximum, to support greater certainty for participants and providers. The guidelines should be revised to clarify that this is the case, e.g., as follows:

"Thirty-five events per program year (May–October), including both day-ahead events and day-of events, and including up to one test event per month in the absence of a full-duration event. Participation in more than 35 events is optional but may be used to increase demonstrated capacity or, in the case of day-of events, for compensation at the applicable rate."

## 6. Maximum Customer-Site Discharge

**Summary of comments and recommendations: CALSSA appreciates the CEC increasing the maximum discharge from a single customer site to 2,000 kW. The CEC should consider increasing this limit to 5,000 kW.**

The new draft guidelines increase the maximum discharge from a single customer site that can receive compensation through Option 3. CALSSA advocated for an increase in this limit our October 2024 comments, and we appreciate the CEC adopting a change to a new maximum of 2,000 kW. The CEC should consider increasing this limit to 5,000 kW, to enable participants with larger BTM storage resources to increase the capacity they can provide through Option 3. The 5,000 kW limit is an appropriate threshold given that the CAISO interconnection tariff has a Fast Track process for systems below that threshold, suggesting that resources below that capacity have reduced grid impacts.[7] Moreover, the potential grid impacts of all systems are studied appropriately in the interconnection process. Adding resources in the 2,000 kW to 5,000 kW

[7] See CAISO, Interconnection request and study, https://www.caiso.com/generation-transmission/generation/generator-interconnection/interconnection-request-study, under heading 2, Fast track study process.

range will enhance providers' and participants' ability to provide significant new reliability capacity in Option 3.

## 7. EEA Event Triggers

**Summary of comments and recommendations: CALSSA recommends that EEA event triggers not be added to Option 3, but we appreciate that the CEC's new proposed approach reduces the most concerning impacts of including those triggers, and urge the CEC not to make changes that would add to those impacts.**

The CEC proposes adding EEA events as triggers for Option 3. Option 3 has a unique market-aware design that should be allowed to continue operation without adding EEA events, as we have expressed in past comments.[8] We continue to recommend that EEA events not be added to Option 3.

That said, the current draft guidelines step back from the most concerning aspect of including EEA events: the risk of increased uncertainty and reductions in compensation from including day-of EEA events in the measurement of demonstrated capacity. CALSSA appreciates this change to reduce the impact from adding EEA events to Option 3. The CEC should not make any further changes to how EEA events are included in Option 3 that would increase the complexity or risk greater impacts on performance and compensation.

## 8. Conclusion

CALSSA appreciates the CEC's responsiveness to stakeholder suggestions and concerns regarding the Fourth Edition revisions to the program guidelines. We urge the CEC to keep the importance of program continuity and certainty top of mind as it continues to refine the guideline modifications.

We look forward to continuing to work with the CEC to make Option 3 a demonstration of the great potential of customer storage resources as valuable grid assets, and to make Option 3, DSGS as a whole, a valuable resource for emergency reliability.

Sincerely,

/s/ *Kate Unger*
Kate UngerÍ
Senior Policy Advisor
California Solar & Storage Association

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[8] CALSSA October 2024 comments, pp. 7-10.