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

Re: Docket No. 22-RENEW-01— Tesla Comments on DSGS Proposed Modifications to Demand-Side Grid Support Program Guidelines, 4th Edition

California Energy Commissioners and Staff:

Tesla respectfully submits the following comments on the Modified Demand Side Grid Support Program Draft Guidelines, 4th Edition, issued by Energy Commission Staff on January 14, 2025.

I. Introduction

The DSGS Program is a well-designed and successful policy that has allowed the state to rapidly leverage thousands of customer-sited batteries to deliver reliable, dispatchable generation capacity to ensure reliability, reduce wholesale market prices and cut greenhouse gas (GHG) emissions during times of high demand on the CAISO grid. Between 2023 and 2024, the DSGS Option 3 Virtual Power Plant (VPP) grew from 3.4 MW to 240 MW of capacity, the equivalent of building a medium-sized combined cycle natural gas plant in 12 months.

The rapid expansion of DSGS was made possible by good program design. Beneficial program design features include a streamlined enrollment process that allows aggregators to quickly and easily enroll customers in a one-click process, and simple baseline rules that allow customers to identify a definitive value proposition when making their enrollment decision.

While it is understandable for staff to want to make program improvements, we caution the Commission against making changes may deter participation by customers and aggregators in the future and undo some of the progress that has been made.

II. The Revised Guidelines should clarify that verification through the Demand Response Registration System (DRRS) is not necessary to indicate whether the service account is enrolled in Proxy Demand Resource (PDR)

Tesla appreciates the change in the 4th edition of the guidelines allowing a site enrolled in PDR to participate in DSGS using the portion of energy from a battery or Electric Vehicle Supply Equipment (EVSE) that is exported to the grid.[1] This change should unlock sites that were previously ineligible for DSGS due to rules that prohibit dual enrollment in DSGS and PDR.

Many sites enrolled in PDR, however, may be committing a relatively small amount of capacity to that program, such as one kW or less from a controllable thermostat. Enrolling those sites in DSGS and being credited only for exported energy would cause them to forfeit the delta between the PDR load reduction and the battery or EVSE exports. In addition, it could be difficult to calculate in advance the capacity contribution to DSGS using exported energy, since a DSGS aggregator might not have a way to predict the PDR contribution or onsite usage above and beyond the PDR load drop.

While these issues could be alleviated if the PDR aggregator were the same as the DSGS aggregator, managing a single site in two programs introduces a high level of complexity into program management. For these reasons, Tesla is unlikely to pursue this pathway, and will likely continue to focus on DSGS sites that are not enrolled in PDR. While we support the proposed change and hope others avail themselves of this pathway, we want to ensure that it does not create enrollment challenges for DSGS providers who do not use it.

Prior to the 3rd Edition of the guidelines, enforcement of dual participation rules was cumbersome and created significant enrollment friction, since verification of eligibility under the dual participation rules was conducted after customer enrollment. The 3rd Edition fixed this issue by replacing post-enrollment verification with a customer attestation that they are not dual enrolled in a conflicting program. The proposed 4th Edition Guidelines add a bullet under "Participant Enrollment" that says:

- Indication of whether the service account is enrolled in PDR and participating as an export-only resource[2]

[1] Modified DSGS Program Draft Guidelines, Fourth Edition, Jan. 14 Revision, Chapter 5, Section E, p. 31
[2] Modified DSGS Program Draft Guidelines, Fourth Edition, Section B, p. 27

This requirement could be construed to mean that an aggregator must verify enrollment in PDR or lack thereof through the Demand Response Registration System (DRRS), which would require significant effort to integrate and automate the enrollment process. In addition, verification through DRRS would likely limit the overall scale of the program since the primary method to identify sites are the addresses, which are commonly misspelled or have formatting errors. To eliminate confusion about this requirement, the language should be amended to read:

- Indication of whether the service account is enrolled in PDR and participating as an export-only resource. Indication that the account is not enrolled in PDR can be verified through the participant acknowledgement and agreement

III. Baseline Rules

The Revised Guidelines propose to eliminate the exemption from the prescriptive baseline that currently applies to stationary battery resources that receive self-generation incentive program (SGIP) funding or that received permission to operate (PTO) on or after July 1, 2023. The Revised Guidelines also propose to update the prescriptive baseline starting in the 2026 season and every two years thereafter.[3]

The zero baseline and prescriptive baseline options are program design features that greatly improve customer participation, as having performance determined in a simple manner and measured directly by discharge from the battery inverter (without complicated after-the fact adjustments) allows participants and aggregators clear insight into the value proposition of participation.

To introduce a prescriptive baseline to customers currently exempt from the baseline, and to update the prescriptive baseline on an ongoing basis changes the value proposition for customers mid-program in a way that may cause customers to drop out of the program. The Commission should take note of the fact that DSGS compensation is already less than other similar programs. For example, the Connected Solutions VPP program in Massachusetts – which also does not apply baselines – compensates battery customers at $275/kW-year, compared with $82.80/kW-year for the DSGS 4-hour battery Option 3 VPP.[4]

[3] Modified DSGS Program Draft Guidelines, Fourth Edition, Chapter 5, Section E (2), p. 32
[4] https://www.nationalgridus.com/MA-Home/Connected-Solutions/BatteryProgram

While it is understandable to seek to align compensation with value provided and ensure proper compensation on an ongoing basis, we observe that the compensation paid to DSGS customers did not increase to match a significant increase in Resource Adequacy (RA) prices that occurred in the summer of 2023, when RA prices spiked to over $60/kW-month – more than three times the 4-hour capacity price for DSGS Option 3 VPP.[5]

Since the DSGS Revised Guidelines do not also propose to update the incentive amounts to match fluctuations in RA prices – and since the incentive amounts are on the low end compared with other similar VPP programs and recent CA RA prices – we recommend maintaining the current baseline rules for simplicity, consistency and customer acceptance, rather than updating those rules in 2026 and on a biannual basis after that. To further haircut customer incentives based on a precise calculation of baseline battery operation when the incentive itself is not based on a precise calculation of VPP capacity value would unnecessarily undercut the functioning of the program.

IV. Conclusion

Tesla greatly appreciates the opportunity to comment on the potential modification to the DSGS Guidelines issued on January 14, and we reiterate our thanks for the careful and intelligent program design exhibited by Energy Commission staff.

Sincerely,

/s/ Damon Franz

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Tesla

[5] https://cal-cca.org/resource-adequacy/