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California Energy Commission
Docket Unit, MS-4
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Via docket submission

Re: Docket No. 22-RENEW-01 - Reliability Reserve Incentive Programs - Comments on CPUC Letter Regarding the Adoption of the Proposed Draft Demand Side Grid Support (DSGS) Program Guidelines, Fourth Edition

Dear Vice Chair Gunda and Energy Commission Staff,

Generac Power Systems (Generac) has participated in this docket since its inception in 2022 and has been consistent in our advocacy for the program to include a statewide smart thermostat virtual power plant (VPP) program. Generac files these comments specifically to respond to the removal of agenda item 7 from the March 17, 2025 Energy Commission (CEC) business meeting, which would have allowed the Commission to vote on the DSGS Program Guidelines, Fourth Edition. In a letter dated March 17, 2025, the Deputy Executive Director of the California Public Utilities Commission requested a delay in the approval of the Fourth edition of the DSGS guidelines to allow time to consider any interactions with "similar" programs run by the CPUC's regulated utilities, namely, PG&E. This delay will make it more difficult for entities, like Generac, to launch new DSGS programs in time for summer 2025.

These comments intend to clear up any misunderstandings by highlighting how the CPUC adopted programs are distinct from DSGS and by explaining how Generac through ecobee, has clear plans to enroll customers in both programs for Summer 2025. Our comments will also respond to implied concerns that DSGS Option 4 will negatively impact utility demand response programs that provide resource adequacy at the CAISO via CAISO market integration. Our experience as a program partner specifically in the PG&E ART program, detailed below, is that the programs do not detract from one another and DSGS has the potential to feed customers into RA programs. Further, DSGS was created as a response to grid emergency conditions in 2022 by the legislature, and taxpayer funds were appropriated for the express purpose of providing statewide grid support expressly for the purpose of preventing grid outages and reducing GHG and criteria air pollutant emissions from gas-fired peaker plants. Finally, the program timeline of the ART program indicates that nearly six months has passed since its effective date, and yet we observe that no concerns have been expressed in this docket until March 17th.

Background: PG&E's ART Program Development, CPUC Approval, and Program Timeline

As Generac/ ecobee has been involved in the development of PG&E's Automated Response Technology (ART) program, and as we were a partner in the predecessor program, we find it important to introduce these facts into the record of the CEC. The predecessor program to ART was the "PG&E Smart AC program"—ecobee had successfully recruited ~20,000 customers to the Smart AC program.

CPUC timeline of ART program review & approval

December 2023	(CPUC Demand Response Program Decision D.23-12-005) Authorized new RA eligible DR program for PG&E *Didn't authorize other IOU $ on similar programs*
February 2024	PG&E submitted Advice Letter (AL) 7193-E, requesting authorization to begin implementation of ART.
June 7, 2024	PG&E submitted program design via AL 7193-E-A Updated the ART proposal with implementation details.
September 12, 2024	ART program effective date per CPUC Staff approval
Fall 2024	With the change over to the ART program, PG&E required ecobee to "release" prior customers.
Spring 2025	ecobee (and other providers) will need to re-enroll all prior ART customers by having them accept new program terms and conditions.

This timeline demonstrates that the ART process has run concurrently with the DSGS Program development. Generac has been engaged in the DSGS docket, advocating for a statewide smart thermostat program consistent with legislative direction, since October 2022.

PG&E submitted the complete program design for ART to the CPUC's Energy Division via an Advice Letter in June 2024. The DSGS program has been considering a statewide smart thermostat program since 2023 and the CEC docketed proposed revised guidelines on October 4, 2024. The CPUC Staff approved ART in September 2024, and since that time, CEC Staff has issued two separate drafts of the Fourth Edition DSGS Guidelines for public comment and has held multiple public workshops.

PG&E submitted comments into this docket on January 28, 2025. Those comments do not express similar concerns to the CPUC Energy Division. While asking for clarification of program parameters and requirements, they do not express concerns similar to the Energy Division that the program "overlaps substantially with PG&E's ART program, targeting the same market segments and devices, and is likely to undermine the new resource adequacy benefits and other goals of the market-integrated ART program." It should be troubling to other stakeholders that the CPUC is taking this action six months after they authorized the ART program. Below, we provide a side-by-side comparison of the two programs to confirm for the record that these programs are in fact, distinct, and why neither agency should conclude that one would undermine the other.

Generac/ ecobee is fully committed to the success of the ART program for 2025 and we have a detailed marketing plan, which we have shared with PG&E, due to the need to re-enroll all customers who were previously enrolled in the "smart AC" program. We hope and plan to re-enroll at least 20,000 customers. Re-recruitment is planned for the immediate future (March 24th) at which time we will market the new PG&E ART program to prior and new customers in our app using proven mobile marketing tactics. We expect to see a quick ramp up in program enrollments. Customers enrolled in ART will *not be eligible for DSGS* because they will be in an energy control platform specific to ART, making them ineligible for DSGS. There is no possibility for accidental dual-enrollment. Ecobee will know exactly who is in ART and those customers will not be allowed to opt-in to other programs, such as DSGS.

The ART Program and DSGS serve different purposes and provide different grid services.

DSGS Option 4, and PG&E's Automated Response Technologies program are different programs that solve for different problems, have different participation requirements, and different territory coverage. Therefore, the CPUC should *not be concerned* that DSGS Option 4 will reduce the capacity available for the ART program. We believe that these are very different customer segments based on very different program requirements.

<u>Summary Table—ART vs DSGS Option 4</u>

Category	**ART**	**DSGS "Option 4"**
Population	PG&E Only (5.2M households)	Statewide (13.4M)
Funding Source	Ratepayers	General Fund, GGRF, Bond
Market Integrated?	Yes	No
Max Compensation	$29/kW	$15/kW
Resource Adequacy Eligible?	Yes	No (Emergency Only)
Load Modifying?	No	Yes
Availability?	Daily (economic dispatch)	Summer Months (EEA Events Only) Max 60 hours/ year
Event Duration	Up to 6 hours	Max 4 hours (2 core hours + up to 2 shoulder hours)

Distinctions between ART and DSGS Option 4

1. ART is only for PG&E territory. PG&E is about 37% of the statewide load.[1] DSGS is a statewide program. Marketing for DSGS will be much different than for ART. Other IOUs had programs previously, but SDG&E's program was cancelled by the CPUC last year when its funding wasn't authorized. CPUC also cancelled the ELRP program, which was more similar in its design to DSGS Option 4.

2. ART provides Resource Adequacy eligible capacity. As such it requires a lot of customer availability and the events happen for a much longer time period (up to 6 hours in duration). Capacity under ART will be bid into the CAISO real-time market and PG&E's dispatch of customers will be based on CAISO market prices. Customers are making a significant commitment when they sign up for ART.
   a. Accordingly, compensation is almost twice as high under ART— up to $29/kW for ART vs up to $15/kW for DSGS Option 4.[2]
   b. ART will require customer AMI meter data to verify load impacts.
   c. Once load impacts are understood (after year 1), the CEC can assign appropriate value to the program as a load-modifying resource. This can support RA by reducing overall obligations.

3. ART uses ratepayer funds, but is also meant to be a cost-effective alternative to "supply side" RA capacity, so that value is directly returned to ratepayers via the reduced need for PG&E (and CCAs) to buy RA from traditional generators.

4. The programs have different terms & conditions for customer authorization

5. DSGS Option 4 is an "emergency" or "resiliency" program. Thus, its value is to the *entire California grid,* because when we prevent blackouts or grid outages, all of society benefits. Past grid outages, even when minor, cost our economy $1billion/ day,[3] and put public safety and public health at risk. DSGS Option 4, as proposed, does have very strict performance requirements and as such includes steep penalties for non-performance.

[1] load values include all CCA customers in PG&E territory. Values for 2024 taken from CEC's CA Energy Demand Baseline Load Forecast LSE tables, excluding pumping load, https://efiling.energy.ca.gov/GetDocument.aspx?tn=261526&DocumentContentId=97921

[2] ART compensation is for every month of the year. For the summer months it ranges from a low of $7.45/kW in May to $28.83/kW in September. In contrast, DSGS compensation begins at $5.86/kW in May and peaks at $15.41/kW in September.

[3] "Measuring the Economic Costs of the PG&E Outage," by Catherine Wolfram Cora Jane Flood Professor of Business Administration, UC Berkeley, available at https://haas.berkeley.edu/faculty-spotlight/economic-cost-of-pge-blackouts-estimated-at-1-billion/.

6. DSGS funding: to date DSGS has been funded with the state's general fund dollars, and *going forward* is expected to be funded from a combination of general fund, GGRF and climate bond funds.[4] The legislature found this to be appropriate when it created the program, when it included DSGS in the climate bond, and through its ongoing budget process it has confirmed the use of non-ratepayer funds due to the *societal benefits* of the program. ART is a purely ratepayer funded program and as such has to prove that it's cost effective compared with other RA options. Because DSGS is not providing RA, it doesn't need to be price competitive with other capacity. Rather, its value to the state is in preventing blackouts and reducing the amount that old, once through cooling peaker plants need to run during times of grid stress.

7. Value of DSGS: DSGS also can prevent spikes in the CAISO real-time energy market (up to $2,000/MWh). While ratepayers do end up bearing the burden of these market spikes, the burden of scarcity energy market pricing really spreads across the state and therefore preventing price spikes benefits all ratepayers. DSGS Option 4 will be load modifying and once load impacts are demonstrated, it can reduce the amount of RA that utilities need to buy by measurable reducing the load forecast.

8. DSGS customer requirements are very different due to different dispatch conditions—per the DSGS guidelines and based on historical conditions, ecobee expects between 2-8 events per summer, on average, under DSGS Option 4. Under DSGS each event will last 2-4 hours. All DSGS Option 4 events are capped at cumulative 60 hours. The ART program is economically dispatched via CAISO market prices and emergency events—so customers could be theoretically dispatched any day of the year, for up to 6 hours at a time.
    a. In our experience, which is not limited to California, traditional Utility DR programs max out at 20% enrollment. The CEC created DSGS Option 4 to capture the other 80% of households with smart thermostats, who will hopefully be willing to support the grid during emergencies or to prevent emergencies, but have proven to be unwilling to be part of a frequent market-based dispatch program. A simple enrollment process can attract these customers more easily.
    b. Different products, different customers
        i. The customers we would bring in through DSGS in PG&E territory are customers that do not participate in PG&E's ART program. It would be more similar to the set of customers CPUC gave us authority to work with SDG&E to signal through emergency agreements. As noted above, the SDG&E emergency DR program is no longer funded.

[4] *See* Assembly Bill 227/Senate Bill 65 (2025), *See also:* "Governor's Climate and Opportunity Budget" *available at* *Sub 4 Hearing Agendas | California State Assembly*.

Taken in totality, we hope that seeing the clear distinctions between these two programs will help the CEC feel confident that approving DSGS Option 4 would not undermine or degrade in any way the PG&E program, and also, that PG&E's ART program is, for many reasons, not an "alternative" to the adoption of DSGS Option 4. Option 4 has been thoughtfully designed to be distinct from ART, and to attract customers that would be unwilling to participate in ART. Given the high capacity prices under ART, ecobee feels confident that we can re-enroll the 20,000 customers who were enrolled in PG&E's prior program, and will work expeditiously to expand enrollment. In fact, our marketing efforts will likely be underway by the time decisionmakers are reading this letter.

DSGS Option 4 Fulfills the Legislature's Express Intentions, Supports Grid Reliability, and Should be Adopted Immediately. The Grid Needs new Emergency Capacity for 2025.

Policymakers at the CEC and in the capitol are rightly focused on many simultaneous challenges – primarily, rate affordability, reliability, and broad electric supply constraints. DSGS was thoughtfully argued in the Assembly, dutifully signed by the Governor, and developed in close collaboration with the CEC over the last two and a half years. The legislature sees the value in the 350MW of capacity already created under DSGS, and sees value in this program expanding statewide to capture the immense capabilities of smart thermostats during grid emergencies. Thus, the legislature has continued to appropriate taxpayer funds for this purpose, and has now signaled its intent to fund DSGS for the next fiscal year with a mixture of funds from the climate bond, from GGRF and the General Fund.

Without DSGS Option 4, the state's only "lever" in our next statewide grid emergency will be another text message pleading Californians to adjust their thermostats. With the technology of 2025, we hope everyone can agree that this is an absurdly inelegant solution. Simply put, the state needs the ability to harness the capacity in the homes of millions of Californians to support the grid when its most needed. This program is designed to provide grid supply in emergency conditions to the entire state through the use of taxpayer funds, thereby relieving pressure on ratepayers, pressure on fossil-fueled capacity, and the negative economic impacts that result from local or statewide grid outages.

Generac has been honored to engage so closely with CEC staff since the beginning of the DSGS program. We have aimed to respond to the concerns expressed in the letter from the CPUC filed to the docket the morning of March 17 and are eager to see the adoption of the Fourth Edition guidelines at the next available business meeting.

Thank you, and we hope the Commission and stakeholders will reach out for clarification or further information on any of the above.

Sincerely,

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