DOCKETED	
Docket Number:	22-RENEW-01
Project Title:	Reliability Reserve Incentive Programs
TN #:	262400
Document Title:	Leapfrog Power Comments - Leap Response to CPUC Letter on DSGS Option 4
Description:	N/A
Filer:	System
Organization:	Leapfrog Power
Submitter Role:	Public
Submission Date:	3/26/2025 1:30:29 PM
Docketed Date:	3/26/2025

Comment Received From: Leapfrog Power
Submitted On: 3/26/2025
Docket Number: 22-RENEW-01

Leap Response to CPUC Letter on DSGS Option 4

Additional submitted attachment is included below.

March 26, 2024

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

Re: Leap Response to CPUC Letter on DSGS Option 4

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). It has been delivering Resource Adequacy (RA) to California since 2020 and has been participating in the Demand Side Grid Support (DSGS) program since 2023.

Leap would like to take this opportunity to weigh in on the recent decision by the California Energy Commission (CEC) to postpone consideration of the draft Fourth Edition Guidelines ("Guidelines") of its DSGS program. This postponement was in response to a public letter filed by the California Public Utility Commission (CPUC) requesting that the CEC delay approval of the Guidelines due to perceived overlap between the DSGS Option 4 program for smart thermostats and the Automated Response Technology (ART) program approved for Pacific Gas & Electric Company (PG&E).[1] Based on the CPUC's letter and subsequent conversations that Leap has had with CPUC staff, the primary concern is that large numbers of smart thermostat customers may decide not to participate in ART (an RA-accredited program) in favor of DSGS Option 4 (which is not integrated with California's RA framework).

Leap's comments in this proceeding are summarized below:

1. ART and DSGS Option 4 are functionally different programs and should not be viewed as conflicting.
2. Concerns about DSGS Option 4 pulling customers out of RA programs can be addressed within the design of Option 4 itself, by:
    a. Maintaining DSGS Option 4's current requirement that aggregators indicate that customers were not enrolled in a RA program in 2024 and 2025.
    b. Require that aggregators participating in DSGS Option 4 offer their customers the option to switch into a RA program at the end of each DSGS program year.

[1] "CPUC Letter to CEC Regarding Agenda Item 7 at March 17, 2025, Business Meeting." Filed in CEC docket 22-RENEW-01 on March 17, 2025.

3. Deliberation on Option 4 should not delay the approval of DSGS Options 1 through 3, which are not contentious and must be approved in April so that aggregators can begin DSGS enrollments for 2025.

AUTOMATED RESPONSE TECHNOLOGY AND DEMAND SIDE GRID SUPPORT OPTION 4 ARE NOT CONFLICTING PROGRAMS

Leap does not agree with the CPUC's framing of ART and DSGS Option 4 as conflicting programs. As several other stakeholders have pointed out in their own comments in this docket,[2] ART and DSGS Option 4 have substantially different program designs that cater to different types of customers.[3] To the extent that aggregators are participating in DSGS Option 4 rather than ART, it is likely because they are concerned about their customers' ability to meet ART's stricter requirements around dispatch times, durations, and frequency. If these stricter requirements were not an issue, then ART's higher incentive levels and looser penalty structure would make it the clearly preferred choice by aggregators of smart thermostat technologies.

In addition, the Guidelines are clear that "Incentive Options 2, 3, and 4 are pilot incentive pathways intended to test new program designs."[4] Option 4, in particular, is testing the use of smart thermostat runtime data to measure DR event performance,[5] using data on how the smart thermostat was operating to determine the energy reduction it provided during a DR event. This novel approach to DR measurement & verification (M&V) would allow DR performance to be assessed without referencing the utility meter, a major advancement that, if it were eventually adopted in RA programs, would substantially streamline the enrollment of smart thermostat customers in those programs as well. As a result, DSGS fulfills a distinct and separate function to ART, and the value of the learnings Option 4 can provide justifies its existence alongside PG&E's program.

CONFLICTS WITH RESOURCE ADEQUACY CAN BE ADDRESSED DIRECTLY IN OPTION 4'S DESIGN

Although Leap disagrees with the framing vis-à-vis ART, it does share the CPUC's general support for the RA benefits available through market-integrated programs. In its comments filed in this docket on October 30, Leap stated:

> *"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,*

[2] See comments by Renew Home and Generac Power Systems, filed in CEC docket 22-RENEW-01 respectively on March 21 and March 25, 2025.
[3] "Generac Comments on CPUC Letter Re Approval of DSGS Guidelines, 4th Ed," p. 3. Filed in CEC docket 22-RENEW-01 on March 25, 2025.
[4] "Proposed Demand Side Grid Support (DSGS) Program Guidelines, 4th Edition - Clean Version," p. 5. Filed in CEC docket 22-RENEW-01 on March 6, 2025.
[5] "Proposed Demand Side Grid Support (DSGS) Program Guidelines, 4th Edition - Clean Version," p. 32. Filed in CEC docket 22-RENEW-01 on March 6, 2025.

> *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."*[6]

In these comments, Leap was focused on the possibility that smart thermostat customers might choose DSGS Option 4 over direct participation in RA as Proxy Demand Resources (PDRs), another important mechanism for RA participation that is available to all customers in CAISO's balancing authority, rather than just those taking service from PG&E. However, Leap has continued to advocate for approval of DSGS Option 4 as an opportunity to engage a larger share of California's smart thermostat customers who, for whatever reason, have not enrolled in RA to date. With thoughtful program design, Leap believes that DSGS Option 4 can provide a "back-up," or perhaps more appropriately, a "gateway" into RA, instead of a replacement.

The most recent version of DSGS Option 4 already has some design elements in place that help accomplish this. Specifically, the Guidelines state that Option 4 aggregators must indicate that none of their customers were enrolled in RA in either 2024 or 2025,[7] eliminating the possibility that customers would switch out of RA to enroll in Option 4. Earlier iterations of the Guidelines also included a provision that aggregators in Option 4 also provide their customers with a pathway to enroll in a market-integrated DR program,[8] a provision that Leap supported as a way to prevent customers who might otherwise have enrolled in RA from moving into DSGS Option 4 instead.[9]

Although this latter provision was ultimately removed from the Guidelines, an amended version could help address the CPUC's current concerns. Rather than requiring customers to select between a RA program and DSGS Option 4 at the time of enrollment, DSGS aggregators could instead be required to provide customers with the option to switch into a RA-eligible program at the end of each DSGS program year. This would create a recurring touchpoint with customers to integrate them into California's RA framework, and it would be especially valuable for new customers participating in DR for the first time through DSGS Option 4. After a year getting used to participating in a dispatchable DR program (and seeing the financial benefit of that participation), these customers would be more engaged and motivated to move into a different program that offers higher revenue.

In this way, DSGS Option 4 could become a true "gateway" into DR for the thousands of smart thermostat customers that aren't currently enrolled in a dispatchable flexibility program. Regularly providing customers with the option to switch out of DSGS Option 4 is also a best practice because DSGS Option 4 is a pilot program with a fixed lifespan. It's not clear at this time how long the program's current funding will last or if additional funding will be allocated in the future. As a result, it's prudent for DSGS participants to build in an "off-ramp" for their customers to transition

[6] "Leapfrog Power Comments - Leap Comments on Draft DSGS Guidelines, 4th Edition," p. 3. Filed in CEC docket 22-RENEW-01 on October 30, 2024.
[7] "Proposed Demand Side Grid Support (DSGS) Program Guidelines, 4th Edition - Clean Version," p. 11. Filed in CEC docket 22-RENEW-01 on March 6, 2025.
[8] "Proposed Demand Side Grid Support (DSGS) Program Guidelines, Fourth Edition," p. 31. Filed in CEC docket 22-RENEW-01 on October 4, 2024.
[9] "Leapfrog Power Comments - Leap Comments on Draft DSGS Guidelines, 4th Edition," p. 3. Filed in CEC docket 22-RENEW-01 on October 30, 2024.

into a more stable long-term program like PDR. Annual invitations for DSGS Option 4 customers to switch into RA programs would help construct this off-ramp, allowing DSGS aggregators to move their customers into RA incrementally rather than via a mass migration once the DSGS program concludes.

CONCERNS ABOUT OPTION 4 SHOULD NOT DELAY APPROVAL OF OTHER DEMAND SIDE GRID SUPPORT PARTICIPATION OPTIONS

It's important to emphasize that DSGS Option 4 is only one of four options for participation in DSGS, and the only option that is new to the program. The other three options have all been in place for several years, and the CPUC's letter raised no concerns with their continued operation. The most recent DSGS Guidelines included several small but important adjustments to these other three options that were unopposed by a majority of stakeholders, and Leap sees no reason why concerns about Option 4's design (or existence) should delay approval of the latest iterations of DSGS Options 1 through 3.

Leap therefore urges the CEC to approve the Fourth Edition versions of DSGS Option 1 through 3 in its upcoming April 10 business meeting (if not sooner) regardless of whether consensus can be reached on Option 4. This is critical to ensure that aggregators can enroll their customers in time for participation in DSGS in May. The latest version of the Guidelines opens the door to several new participation models (e.g. virtual net metering, dual participation with RA), and it will take time for aggregators to enroll customers under these expanded program rules. This timeline was tight even if the new Guidelines were approved on March 17. Now that the next opportunity to approve them seems to be on April 10, there is no headroom for additional delays.

CONCLUSION

While it is important to thoughtfully consider the potential impacts of DSGS Option 4 on RA programs, it should not be necessary to delay approval of the Guidelines to do this. ART and DSGS Option 4 serve distinct purposes and customer segments, and with appropriate design features, Option 4 can complement rather than conflict with RA programs as a whole. In particular, creating a requirement that DSGS Option 4 aggregators provide customers with a pathway to switch into a RA program at the end of each DSGS program year would help address the concerns outlined in CPUC's letter, allowing DSGS Option 4 to provide an effective "gateway" into market-integrated DR.

Furthermore, Option 4 is just one part of the DSGS portfolio, and the other three options have undergone relatively modest updates that enjoy broad support. To avoid undermining customer enrollment and participation timelines, Leap urges the Commission to move forward with approval of DSGS Options 1 through 3 without delay, while continuing to refine Option 4 in parallel (to the extent further refinements are deemed necessary). For these reasons, Leap urges the CEC to approve the current DSGS guidelines in full at their April 10 business meeting, or, if more deliberation on Option 4 is needed, to approve the Fourth Edition versions of Options 1 through 3 on April 10 so that participation in those options is not unduly delayed.

Respectfully submitted,

Collin Smith

Collin Smith
Regulatory Affairs Manager
Leapfrog Power
collin@leap.energy