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**STATE OF CALIFORNIA
BEFORE THE CALIFORNIA ENERGY COMMISSION**

In the matter of:)	Docket No. 22-RENEW-01
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Demand Side Grid Support Program Guidelines)	SMUD Comments Re: Proposed Draft Program Guidelines for the Demand Side Grid Support Program submitted July 20, 2022
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)	July 29, 2022

**Comments of SACRAMENTO MUNICIPAL UTILITY DISTRICT on
Proposed Draft Program Guidelines for the Demand Side Grid Support Program
Submitted on July 20, 2022**

The Sacramento Municipal Utility District (SMUD) appreciates the opportunity to comment on the California Energy Commission’s (CEC) *Demand Side Grid Support Program: Proposed Draft Guidelines First Edition* (“Draft Guidelines”).

SMUD welcomes the opportunity to collaborate with CEC on the Draft Guidelines and on Demand Side Grid Support (DSGS) program implementation to support summer reliability. SMUD is committed to removing carbon emissions from its power supply by 2030 while maintaining reliable, affordable electricity for our customers, and we recognize the serious reliability risks that compounding conditions like extreme heat and drought can pose.

Based on the accelerated timeframe for implementing the DSGS program, SMUD anticipates that any potential resources we could offer for Phase I would be limited to large customers with backup generators that serve critical load. However, SMUD anticipates that load flexibility will play a key role in achieving our ambitious 2030 goal and we are planning to pilot and scale up demand response and distributed energy resource (DER) programs, some of which could potentially be leveraged to support the State’s reliability needs.

To maximize the reliability benefits that the DSGS program can offer both during Phase I and in subsequent phases of the program, we encourage the CEC to provide flexibility in the Draft Guidelines and seek to lower participation barriers. We offer the following specific feedback on the Draft Guidelines and DSGS program implementation:

- Clarify participants in existing dispatchable DR programs may participate in DSGS *if* they do not receive multiple incentives for the same load reduction
- Clarify logistics and priorities for balancing authority (BA) energy transfers
- Ensure the Draft Guidelines can accommodate an emergency proclamation and consider opportunities to streamline waivers for backup generators
- Ensure that DSGS incentives are set at a level for participants to recover costs

- Consider revising the structure of the Energy and Standby Payment incentive option
- Ensure that, if DSGS program eligibility is broadened, the host utility is involved in DSGS provider applications and enrollment application package
- Specify process for notifying DSGS providers and participants when remaining funding drops below a certain threshold
- Clarify the applicability of flow-down requirements
- Seek to align DSGS with other efforts intended to support summer readiness

I. The Draft Guidelines should clarify that participants in dispatchable DR programs may also participate in the DSGS program *provided that those participants do not receive multiple incentives for the same load reduction.*

SMUD agrees that customers receiving compensation for reductions in electricity demand from another utility or state program should not be eligible to receive incentives for those same reductions, as provided in the Draft Guidelines. However, SMUD requests the Draft Guidelines clarify that customers may enroll in both a utility program and the DSGS program provided that the customer cannot receive multiple incentives for the same load reduction.

SMUD anticipates implementing additional dispatchable and non-dispatchable load flexibility programs to support reliability and manage costs as we work toward achieving our 2030 zero-carbon goal. We expect that other local publicly owned electric utilities (POUs) will similarly seek to identify and utilize customer load reduction opportunities to support reliability in their own service areas. As such, precluding DSGS participation from customers enrolled in other load reduction programs may significantly limit enrollment.

At the July 25 workshop, the CEC indicated that participants in existing load reduction programs could potentially qualify *if* DSGS is an incremental feature of the existing program. SMUD believes that utilizing the DSGS program to make dispatchable load reduction potential available to the State more broadly to support the needs of other BAs during emergency events, or to incent response to additional emergency events, would constitute an incremental feature.

As noted above, SMUD expects that the only potential load reduction resources that could be made available for Phase I of DSGS implementation this summer are custom demand reduction contracts with existing customers that have backup generators for critical load. Based on the current language in the Draft Guidelines, it is unclear whether those customers could participate in the DSGS program if they also have agreements with SMUD. Similarly, we expect that enrollment in future years may be limited if customers can participate only in SMUD's load flexibility programs *or* DSGS. To maximize the potential load reduction available to the State in emergency conditions, SMUD recommends the CEC revisit the guidelines to allow concurrent enrollment in dispatchable load reduction programs *as long as* there is no duplication of incentive payments.

II. The Draft Guidelines should clarify logistics and priorities for BA energy transfers

SMUD appreciates that, in concept, the Draft Guidelines make the DSGS program available to POU customers in all California balancing authorities (BAs). However, SMUD encourages the CEC to expand on the logistics of how DSGS program participants in one BA may provide load reduction supporting another BA. Specifically, SMUD recommends the following clarifications:

- *Prioritization of native BA load if two BAs issue Energy Emergency Alerts (EEAs).* SMUD recommends clarifying that if two BAs issue EEAs, then any load reduction available through the DSGS program should be prioritized for the BA in which the DSGS participant is located.
- *Program transfers between BAs if only one issues an EEA.* SMUD's understanding, based on the July 25 workshop discussion, is that DSGS participants in the BA that does not issue an EEA could still provide net load reduction supporting a BA that *does* issue an EEA. (For example, if BANC issued an EEA, DSGS participants in the California ISO could provide load reduction that could then be used to benefit BANC.) SMUD supports this concept as providing the broadest reliability benefits for the State and recommends that the CEC clarify this eligibility in the Draft Guidelines.
- *Process by which BAs notify DSGS providers in another BA.* As currently proposed, the Draft Guidelines require DSGS providers to notify program participants if a California BA issues an EEA 1 or EEA Watch and to dispatch load reduction if the BA issues an EEA 2 or EEA 3. However, it would not be efficient for a BA that issues an EEA to notify a DSGS provider located in another BA, because any load reduction support would need to be coordinated between the two BAs. SMUD recommends separate processes in the Draft Guidelines depending on whether the DSGS provider is located in, or outside of, the BA issuing an EEA.

SMUD notes that not all details of BA transfers can or should be addressed within the scope of the Draft DSGS guidelines, but the above clarifications would provide helpful guidance for POUs and BAs in approaching DSGS implementation.

III. The Draft Guidelines should accommodate an emergency proclamation and, to the extent possible, the CEC should consider opportunities to streamline air permit waivers during DSGS program events

As noted above, at least for Phase I of the DSGS program, SMUD anticipates that any load reduction resources would involve customer load displaced by backup generators. Dispatching these backup generator resources would require an emergency proclamation and waivers from the local air districts. While the Draft Guidelines include the ability for backup generators to participate, the CEC should ensure that any emergency proclamation would work within the existing guidelines and not require amendments or changes. In addition, the Draft Guidelines do not address the time and

complexity that can be involved with air permit waivers, which may limit participation. SMUD encourages the CEC to seek opportunities to streamline this process when implementing current and/or future phases of the program.

IV. The DSGS program incentives should be set at a level that, at minimum, allows participants to recover actual costs

SMUD is working with customers that may be able to provide load reduction capacity to evaluate the economics of their potential participation, based on the proposed DSGS program incentive structures and amounts. However, SMUD observes that several commenters have raised concerns about rising costs, including of labor and fuel, and questioned whether the proposed incentive payments would be sufficient to cover costs. SMUD suggests the CEC consider an alternative to the proposed incentives that would allow participants to recover any demonstrated costs exceeding the incentive amount. SMUD notes that this concept is well established in mutual aid agreements and wholesale market mechanisms.

V. The CEC should consider revising the structure of the “Energy and Standby Payment” incentive option

As currently proposed, program participants that opt into the Energy and Standby Payment incentive option must commit to a specific load reduction amount during the standby period and would forfeit the standby payment if the full amount of that load reduction were not made available during a dispatch period. While SMUD agrees it is important to ensure participants provide accurate estimates of commitment, load reduction capability may vary based on temperature, time of the evening, the customer’s own critical load needs, and other factors that may be time dependent. A DSGS participant may reasonably expect to have a certain amount of load reduction available during an EEA 1, but circumstances may change by the time an EEA 2 or EEA 3 is issued. SMUD believes the current proposal to forfeit the standby payment may result in participants offering a lower MWh commitment to avoid the penalty. Instead, SMUD recommends specifying that DSGS participants shall notify the DSGS provider if their available load reduction capacity changes during the EEA 1 and otherwise removing the penalty.

VI. If the CEC reconsiders the eligibility criteria for DSGS providers, the Draft Guidelines should be updated to clarify that DSGS provider and participant enrollment must involve the host utility

As currently proposed, the Draft Guidelines limit DSGS provider eligibility to POUs. However, SMUD understands that some commenters are advocating for expanded eligibility. Should the CEC broaden the criteria for DSGS providers, SMUD urges that the Draft Guidebook be revised to specify the host utility must be involved in the DSGS enrollment application and the participant enrollment application package, if the DSGS provider is not the host utility.

VII. The Draft Guidelines should specify a process by which the CEC notifies DSGS providers and participants when remaining funding drops below a certain threshold

As proposed in the Draft Guidelines, incentive payments and administrative costs will be reimbursed on a first-come, first-served basis. SMUD recommends including a provision in the Draft Guidelines specifying that the CEC will notify DSGS providers and participants when remaining funding drops below a specified threshold, so they can have reasonable expectations of future reimbursement.

VIII. The Draft Guidelines should clarify the applicability of flow-down requirements in Chapter 6

Chapter 6 of the Draft Guidelines describes program administration, including multiple requirements applicable to DSGS providers, and section S enumerates which of those requirements also flow down to agreements with subcontractors and program participants. Some of the requirements listed in section S are expressly identified as applicable to the DSGS provider and participants when described in other sections; however, others are not. For example, the requirement to comply with the Americans With Disabilities Act in section J mentions only the DSGS provider, but section S identifies this as a flow-down provision. Conversely, the Nondiscrimination Statement of Compliance requirement described in Section H explicitly mentions DSGS providers, DSGS participants, and subcontractors.

For clarity, SMUD recommends that the Draft Guidelines consistently identify which requirements are applicable to DSGS participants and subcontractors throughout Chapter 6. This will help make the contracting process more efficient with any subcontractors and participants.

SMUD also recommends that the CEC remove the Prompt Payment provision from the list of flow-down requirements in Section S. Since the CEC will be reimbursing DSGS providers, not DSGS participants, this requirement is not applicable as a flow-down provision.

IX. To the extent possible, CEC should seek to align summer readiness efforts within and across agencies

As the CEC moves forward with DSGS program implementation, SMUD encourages CEC staff to coordinate closely with the other divisions and agencies that are implementing programs to support summer reliability and to seek to leverage complementary efforts wherever possible. As noted at the July 25 workshop, the CEC will also be developing guidelines for the newly authorized Distributed Energy Backup Assets Program. The Department of Water Resources is also charged with investing \$2.2 billion to secure resources to support summer reliability.

As these programs are designed and rolled out, SMUD recommends close coordination to align these programs. SMUD also encourages the CEC to seek to leverage any complementary funding opportunities from the federal government.

Conclusion

SMUD looks forward to working with the CEC to refine and implement the DSGS program and related efforts to support grid reliability.

/s/

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