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CMUA Comments on the January 27, 2023, Staff Workshop

Additional submitted attachment is included below.

STATE OF CALIFORNIA ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION

In the Matter of:

Reliability Reserve Incentive Programs

Docket No. 22-RENEW-01

**COMMENTS OF THE CALIFORNIA MUNICIPAL UTILITIES ASSOCIATION
ON THE JANUARY 27, 2023, LEAD COMMISSIONER WORKSHOP ON THE
DEMAND SIDE GRID SUPPORT PROGRAM AND DISTRIBUTED ELECTRICITY
BACKUP ASSETS PROGRAM**

The California Municipal Utilities Association (CMUA) respectfully provides the following comments to the California Energy Resources Conservation and Development Commission (Energy Commission) regarding the January 27, 2023, Lead Commissioner Workshop on the Demand Side Grid Support Program and Distributed Electricity Backup Assets Program (Workshop).¹

CMUA is a statewide organization of local public agencies in California that provide essential public services including electricity, water, and wastewater service throughout California. CMUA membership includes publicly owned electric utilities (POUs) that operate electric distribution and transmission systems that serve approximately 25 percent of the electric load in California, and public water and wastewater agencies that serve approximately 75% of California's water customers. California's POUs and public water and wastewater agencies are committed to, and have a strong track record of, providing safe, reliable, affordable, and sustainable electric, water, and wastewater service. During the September 2022 grid emergency, California's POUs and public water and wastewater agencies provided approximately 400 megawatts (MW) of net load reduction. CMUA members stand ready to help maintain reliable, affordable, and sustainable electric service to help moderate the grid impacts of future heat emergencies.

¹ Energy Commission Docket #22-RENEW-01, Document #244148,
<https://efiling.energy.ca.gov/GetDocument.aspx?tn=244148&DocumentContentId=78056>.

I. INTRODUCTION

CMUA members appreciate the opportunity to collaborate with Energy Commission staff on potential modifications to the Demand Side Grid Support (DSGS) program and during the planning process for the Distributed Electricity Backup Assets (DEBA) program. We offer the following comments on potential modifications to the DSGS program, including key issues to be addressed related to emergency dispatch of backup generating resources, and potential program structure for the DEBA program.

On July 29, 2022, CMUA submitted comments on the DSGS Program Draft Guidelines.² After the first year of experience with the DSGS program, and in anticipation of DEBA program development, CMUA offers the following additional comments:

- Any new guidelines should be established as early as possible.
- The Energy Commission should follow a flexible compensation approach to Options 1 and 2.
- The DSGS program should be designed to coordinate with current POU programs; any aggregators serving as DSGS providers should coordinate with and receive consent from the host utility.
- Incremental capacity receiving incentives from the DEBA program should be authorized to serve as a Resource Adequacy (RA) resource.

In addition to these comments on DSGS and DEBA program implementation, CMUA also offers comments on potential Title V compliance complications.

II. COMMENTS ON POTENTIAL MODIFICATIONS TO THE DSGS PROGRAM AND DEBA PROGRAM DEVELOPMENT

- Any new guidelines should be established as early as possible.

CMUA members understand that implementing a newly authorized program in such a short timeframe in advance of the September heat event was challenging. However, this compact timeframe caused a great deal of uncertainty identifying eligible resources and determining processes for resource compensation under the DSGS program. CMUA supports the efforts of Energy Commission staff to address DSGS program modifications and DEBA program guidelines, and encourages the Energy Commission to continue efforts to develop program guidelines as early as possible and further to continue the open communication mechanisms that

² Energy Commission Docket #22-RENEW-01, Document #244148, <https://efiling.energy.ca.gov/GetDocument.aspx?tn=244263&DocumentContentId=78195>

worked so well during the 2022 heat emergency. Doing so should help to reduce challenges in responding to heat emergencies as they happen.

- The Energy Commission should follow a flexible compensation approach to Options 1 and 2.

It is critically important that program participants receive compensation for their load reduction efforts that covers the costs they incur. The cost of providing net load reduction, in terms of additional labor costs, fuel costs, etc., must not exceed program incentives. In July 2022 CMUA commented that in order to achieve needed program participation,³ the Energy Commission must appropriately compensate program participants, and appreciated that the Energy Commission authorized an increase in the energy payment under Option 2 of the DSGS program. However, the challenge of identifying the appropriate incentive for net load reduction under Options 1 and 2 remains. CMUA encourages the Energy Commission to continue to evaluate the incentive levels needed to attract participants to Options 1 and 2 and authorize payment changes as needed in order to attract the needed program participants.

- The DSGS program should be designed to coordinate with current POU programs; any aggregators serving as DSGS providers should coordinate with and receive consent from the host utility.

Current DSGS guidelines assert that aggregators of customers must enroll as participants with a POU. Doing so assures that customer net load reduction will not be counted twice, under a utility program as well as the DSGS program. The proposed modification to allow aggregators to enroll as DSGS providers with “POU visibility” creates too great a risk of resources being double counted. Uncoordinated aggregations may also disrupt existing program and/or distribution system investment initiatives. In order to reduce such risk, any aggregator enrolling as a DSGS provider must be required to collaborate with the host POU in order to receive consent for the program design and confirmation from the POU that any potential aggregator customers are not already enrolled in a POU demand response program.

POU collaboration between the POU and potential aggregator is critically important to ensure efficient and effective load reductions. Visibility into the location and the potential and actual amounts of load reduction capacity is essential for the host utility’s management of its

³ *Id.*, p. 2.

own system and to manage potential transfers across balancing area authorities. As such, CMUA urges the Energy Commission to require the consent and confirmation discussed above.

However, if the Energy Commission decides to allow aggregators to serve as DSGS providers independently from the host utility, the Energy Commission should require the aggregator to communicate specific information to the host POU in advance of, and during, the event, including but not limited to:

- Forecasted and committed net load reduction, source, and location in advance of any DSGS event.
- Any deviations from committed net load reduction.

III. COMMENTS ON DEBA PROGRAM DEVELOPMENT

- Incremental capacity receiving incentives from the DEBA program should be authorized to serve as a RA resource.

CMUA encourages the Energy Commission to take a broad approach to DEBA program development. To this end, CMUA supports the proposal to authorize grid-level investments to participate in DEBA and for incremental capacity additions from these projects to serve as RA resources. For example, steam generator upgrades to existing facilities that increase capacity with no increase in fuel burn effectively provide an increase in clean RA resources while also supporting incremental increases in capacity, which would be valuable during periods of grid-stress.

In addition to supporting grid-level resource expansion, DEBA funding of distributed resources can provide both incremental RA value as well as generation that can serve the grid during grid emergencies. These clean distributed resources may require additional grid modernization in order to best serve grid emergencies. CMUA encourages the Energy Commission to include potential upgrades to the local distribution system as part of its project evaluation. In the event that approved projects require grid upgrades, CMUA encourages the Energy Commission to authorize DEBA funding to enable grid modernization to facilitate additional emergency resources.

IV. COMMENTS ON TITLE V COMPLIANCE

During the September 2022 heat emergency, many CMUA members used backup generators to support net load reduction. While these efforts were successful in aiding the state during the emergency, it resulted in Title V permit complications for CMUA members, whether they activated backup generators to provide net load reduction in response to the heat emergency or as participants in the DSGS program.⁴ Unravelling the complications of Title V permit compliance proved to be a significant challenge. While this is not specifically a DSGS program complication, it does directly impact the DSGS program. As such, in future heat emergencies requiring the activation of backup generators to provide net load reduction, CMUA encourages the Energy Commission to collaborate with the Governor's office and the Environmental Protection Agency to best support the potential need for such net load reductions.

V. CONCLUSION

CMUA appreciates the opportunity to offer these comments on the January 27, 2023, Workshop and welcomes the opportunity to continue to collaborate with the Energy Commission and other stakeholders as the DSGS and DEBA programs are further developed and refined.

Dated: February 23, 2023.

Respectfully submitted,



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⁴ See: <https://www.epa.gov/clean-air-act-overview/1990-clean-air-act-amendment-summary-title-v>.