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California Energy Commission
Docket Unit, MS-4
Docket No. 22-RENEW-01
715 P Street
Sacramento, California 95814

May 11, 2023

Re: Draft DSGS Program Guidelines, Second Edition

Dear California Energy Commission:

Stem, Inc. appreciates the opportunity to comment on the Draft Demand Side Grid Support (DSGS) Program Guidelines, Second Edition. Stem is a leading virtual power plant (VPP) aggregation company in California and the U.S. and was recently recognized by Wood Mackenzie as the largest storage VPP operator in North America[1]. As such, Stem has deep experience providing aggregated behind-the-meter (BTM) storage capacity through many different programs and contractual agreements. For example, in California, Stem operates the largest utility VPP on behalf of Southern California Edison.

Stem believes that the continued evolution of DSGS is an important development in California energy policy. The proposed Incentive Option 3 has great promise to demonstrate the value of BTM energy storage VPPs to provide on-call emergency supply and load reduction to the California grid during extreme events.

To succeed, Incentive Option 3 will need to deliver enough value to encourage strong participation by storage aggregation companies and customers. Stem offers comments on the proposed incentive payments in the Draft DSGS Program Guidelines based on its expertise and knowledge of successful BTM energy storage grid-services program design.

Stem agrees with the comments submitted by the California Solar and Storage Association (CALSSA), of which Stem is a member. CALSSA's comments explain that the proposed incentive levels should be increased to more accurately reflect the current market value of energy capacity, which has risen sharply in the past few years. Stem also recommends that, as the CEC considers its future pathways to improve grid management in the longer term beyond this proceeding, it evaluates the inclusion of an up-front incentive to spur new energy storage assets alongside maximizing existing assets.

[1] https://investors.stem.com/news/news-details/2023/Wood-Mackenzie-Recognizes-Stem-as-Largest-Storage-Virtual-Power-Plant-Operator-in-North-America/default.aspx

Based on Stem's experience in developing capacity products and executing on contracts outside of California, we are providing two examples of higher incentive levels than those proposed in the current Option 3 of the DSGS Program Guidelines. We recognize that these programs are not apples-to-apples comparisons to DSGS, given the unique characteristics of each state's electric grid, resource mix and policy goals. Still, we believe these examples are worthy of examination by the CEC given their focus on utilizing energy storage for load reduction.

In Massachusetts, the ConnectedSolutions[2] program provides commercial customers with an incentive value of $200/kW-yr for three-hour dispatch. In Connecticut, the Energy Storage Solutions[3] program has a $200/kW-year incentive payment for summer capacity.

Thank you for your consideration of these comments.

Regards,

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[2] https://www.masssave.com/en/business/programs-and-services/demand-response-and-storage
[3] https://energystoragect.com/energy-storage-solutions-for-buildings-communities/