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CMUA Comments on the January 2024 DSGS 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 DEMAND SIDE GRID SUPPORT (DSGS) PROGRAM JANUARY 23, 2024,
WORKSHOP**

The California Municipal Utilities Association (CMUA) respectfully provides the following comments to the California Energy Resources Conservation and Development Commission (Energy Commission) regarding the Demand Side Grid Support (DSGS) Program January 23, 2024, Workshop (DSGS Workshop).

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 extreme events.

I. INTRODUCTION

CMUA members appreciate the opportunity to collaborate with Energy Commission staff and stakeholders on potential modifications to the DSGS program. We offer the following comments on the Workshop and potential modifications to the DSGS program:

- CMUA supports the clarification that utilities enrolled as DSGS providers can also recover administrative costs.
- The Energy Commission should clarify how the DSGS program can support Resource Adequacy.
- CMUA does not support the proposal to restrict participants from receiving compensation only for load reductions in response to Energy Emergency Alerts issued by their host balancing area authority.
- Allowing vehicle-to-building or grid participation can improve response to grid emergencies, but this raises technical and operational questions.
- Aggregators wishing to participate in the DSGS program should continue to verify participant eligibility.

II. COMMENTS ON DSGS WORKSHOP

CMUA supports the clarification that utilities can recover administrative costs for facilitating direct or third-party participation in any DSGS option.

CMUA has previously encouraged the Energy Commission to take a broad approach to DSGS program development and allow for enrolled resources to participate in a utility program.¹ We recognize that some utilities do not offer customer incentive options to reduce net load. Further, utilities that offer customer incentive options may not face a host Balancing Area Authority (BAA) grid need, while other BAAs may have issued an Energy Emergency Alert (EEA) watch or alert. In either situation, authorizing a utility to serve as a DSGS provider and recover administrative costs can help facilitate customer participation similar to authorizing utilities that are not DSGS providers to recover administrative costs.

The Energy Commission should clarify how the DSGS program can support Resource Adequacy.

CMUA appreciates the Energy Commission staff's perspective during the DSGS Workshop that moving load flexibility resources to resource adequacy (RA) as supply-side or load-modifying resources, to the extent possible, is more beneficial for the state's reliability than

¹ Comments of the California Municipal Utilities Association on the April 26, 2023, Staff Workshop on the Demand Side Grid Support Program and Proposed Draft Program Guidelines, May 11, 2023.

participation in emergency programs. CMUA has previously encouraged the Energy Commission to take a broad approach to DSGS program development and allow for enrolled resources to participate in a utility program or serve as RA resources, if allowed by the applicable RA program and provided that the enrolled resource was not previously participating in a utility load reduction program.² CMUA continues to believe that reserving the load reduction capacity in Options 2 and 3 as emergency standby for the Strategic Reliability Reserve may not optimize the contributions of storage and DR resources. CMUA encourages the Energy Commission to support a more holistic view of incremental participation that allows resources that were not previously enrolled in a utility program to contribute to RA in lieu of the Strategic Reliability Reserve. Resources would still demonstrate performance by dispatching during emergency grid conditions but could provide a broader range and more consistent range of grid benefits than emergency programs alone.

Absent this change, CMUA encourages the Energy Commission to clarify its near- and long-term goals for the DSGS program within the DSGS guidelines. This could include the Energy Commission's overarching objective of encouraging load flexibility resources to participate in RA, to the extent feasible, and how DSGS can be leveraged to further that vision.

The Energy Commission should not eliminate compensation for DSGS participants that reduce load, as authorized by their host BAA, in response to an EEA issued by another California BAA.

The CEC should maintain the option in the current guidelines for load reductions under the program to be triggered by EEA conditions in a neighboring BAA, provided that response is coordinated through the host BAA and POU. Our members have had first-hand experience with how effective this can be to support California grid reliability. The Balancing Authority of Northern California (BANC) facilitated permit waivers from the Department of Energy in 2022, under emergency authorities held by the Secretary of Energy pursuant to Section 202 of the Federal Power Act. Working in conjunction with the Sacramento Municipal Utility District (SMUD) and one of SMUD's large customers, approximately 40-45 MW of load drop was initiated. The terms of the federal waiver explicitly allowed dispatch of the units which enabled the load drop in response to either BANC or California Independent System Operator (CAISO)

² Comments of the California Municipal Utilities Association on the April 26, 2023, Staff Workshop on the Demand Side Grid Support Program and Proposed Draft Program Guidelines, May 11, 2023.

emergency conditions. And indeed, on at least one occasion the load drop was triggered by the CAISO alone even though the units and load were in BANC/SMUD. Given BANC's participation in the Western Energy Imbalance Markets (WEIM), the increase in transfer can be accomplished through the WEIM or through BA-to-BA transactions. The current guidelines that allow this beneficial arrangement that best supports grid reliability should be maintained.

CMUA suggests that limiting compensation solely to EEAs in the host BAA conflicts with the fundamental program goal of freeing up excess capacity.

Allowing vehicle-to-building or grid participation can improve response to grid emergencies, but this raises technical and policy questions.

CMUA appreciates the CEC's recognition of vehicle-to-building or grid (V2X) as a potentially important technology that can contribute to grid reliability. CMUA is generally supportive of efforts to facilitate and advance V2X, including inverter certifications and V2G standards that utilities utilize to approve interconnection applications. However, CMUA believes that further discussion is warranted before the CEC considers including V2X as an eligible source of participation in DSGS, particularly in Option 3.

Vehicle-to-grid technology is relatively nascent; to date, bidirectional charging has primarily focused on non-export backup power to buildings. CMUA also questions how a DSGS Option 3 virtual power plant, which would require EVs to provide standby capacity during the hours of 4-9 pm for potential dispatch based on market conditions, would interact with managed charging programs and other initiatives to moderate the impacts of charging on the distribution grid. More broadly, CMUA encourages the Energy Commission to look to load flexible resources to manage the grid rather than participate in emergency programs. Given the CEC's proposed timeline to adopt this update of the DSGS guidelines, CMUA recommends deferring consideration of V2X within Option 3 until the following program season.

Aggregators wishing to participate in the DSGS program should continue to verify participant eligibility.

CMUA supports the eligibility language in the current Guidelines requiring aggregators to ensure participant eligibility. This requirement places the correct incentive on potential aggregators to confirm customer eligibility. A requirement to confirm eligibility is fundamentally different from claiming no awareness of conflicting programs. The DSGS Program Guidelines clearly describe the verification and enforcement process, including the process to recover

overpayment. CMUA recommends that the DSGS Guidelines maintain the requirement that aggregators confirm eligibility to reduce the likelihood of double-counting or an enforcement action subsequent to program payment.

III. CONCLUSION

CMUA appreciates the opportunity to offer these comments on the DSGS Workshop. CMUA welcomes the opportunity to continue to collaborate with the Energy Commission and other stakeholders as the DSGS program is further developed and refined.

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Respectfully submitted,



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