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Additional submitted attachment is included below.

February 5, 2024

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

<u>Docket # 22-RENEW-01: CESA Comments – January 23rd DSGS Program Staff Workshop</u>

The California Energy Storage Alliance (CESA) respectfully submits these comments in response to the workshop held on January 23, 2024, by CEC's Demand Side Grid Support (DSGS) program staff, wherein staff described both anticipated program revisions as well as some data from the program's first two years – 2022 and 2023. CESA has considered the revisions presented at the workshop and does not have concerns with any of the revisions presented. CESA offers the following responses to questions set forth for participants:

1. **What additional potential program modifications should be considered?**

CESA offers the following recommendations for modifications to Options 2 and 3, all with an eye toward the stated goals to both "scale and grow participation in clean resources" and continue to find solutions for operational complexities across multiple utilities, programs and balancing authorities".[1]

<u>Increase capacity payment levels for DSGS Option 3</u>

The current compensation levels are insufficient to drive substantial participation, even with a 30% adder. CESA appreciates that CEC staff carefully considered appropriate levels for capacity compensation in DSGS Option 3. However, CESA understands that historical resource adequacy (RA) costs were a primary consideration in setting the current compensation. Historical RA costs are inappropriate for this purpose for two reasons – first, these costs reflect the capacity costs of all RA resources serving the California grid, whether those resources are fully depreciated or brand new; second, and related to the first, historical RA costs bear no relationship to actual avoided capacity procurements in the current constrained RA market.

Realizing that current capacity market prices are not publicly available, CESA recommends CEC staff to base Option 3 capacity prices on the Avoided Cost Calculator (ACC) produced, and regularly updated by, the California Public Utilities Commission (CPUC).[2] The ACC includes a forward looking forecast of generation capacity prices which should serve as the basis for DSGS program capacity payments for 2024 and future years, and undergoes rigorous review in a formal proceeding[3]. For reference, the latest approved ACC generation capacity average value for 2024-2027 is $246-kW/year.[4] For 2024, CESA supports the following compensation values, which notably are less than ACC values for 2024:

Month	**4-Hour**	**3-Hour**	**2-Hour**
May	$17.39	$15.65	$13.04
June	$17.97	$16.17	$13.49
July	$32.46	$29.22	$24.35
August	$34.78	$31.30	$26.09
September	$37.10	$33.39	$27.83
October	$20.29	$18.26	$15.23
Annual Total	**$160**	**$144**	**$120**

<u>Create a dual participation option that provides for both wholesale market participation and sub metered measurement of behind the meter storage export</u>

As currently designed, Option 2 resources are those that participate as proxy demand response (PDR) resources in the CAISO wholesale market as well as DSGS. Option 2 is, thus, the dual participation option within DSGS design. However, neither the PDR construct nor the measurement of incremental performance in DSGS value any export specific to the battery system, potentially leaving value on the table. By contrast, Option 3 does value capacity of the behind the meter battery based on the actual sub metered output of that battery. CESA appreciates that both options are pilots to test out the program approach efficacy. Option 3 is a particularly innovative option as it is entirely unique among all possible grid service program offerings for BTM resources across California. However, CESA also recommends that the CEC explore allowing for both market participation and sub metered measurement of BTM storage export, by either modifying Option 2 to account for battery export or to create a fourth program option. Either option requires development of a unique measurement and verification protocol, which CESA submits should be developed in a stakeholder process.

2. **What are the barriers to enrollment and participation for both providers and participants?**

The biggest barrier to participation in DSGS Option 3, per CESA's members, is that the current incentive level, even with the 30% adder, is insufficient to drive participation over other uses of the battery.

3. **What is a reasonable deadline for submitting incentive claims to ensure timely reporting of performance while providing sufficient time to providers and participants to gather the necessary data?**

CESA offers no comment on this topic at this time.

Respectfully submitted,

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