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**California Efficiency + Demand Management Council Comments on  
California Energy Commission Staff Proposed Modifications to the  
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*Additional submitted attachment is included below.*



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**California Efficiency + Demand Management Council Comments on California Energy Commission Staff Proposed Modifications to the Demand-Side Grid Support Program**

**Case Number 22-RENEW-01**

**I. Introduction**

The California Efficiency + Demand Management Council (“Council”) appreciates this opportunity to provide written comments on the California Energy Commission’s (“CEC’s”) proposed modifications to the Demand-Side Grid Support (“DSGS”) Program that were presented at the January 23, 2024 workshop.

The Council appreciates the CEC’s efforts to continually improve the DSGS Program and fully supports CEC Staff’s goals to 1) refine and clarify requirements to improve user experience, 2) continue to find solutions for operational complexities across multiple utilities, programs, and balancing authorities, and 3) scale and grow participation from clean resources. As described below, some of the proposals would lead to progress toward those goals while others would not. The Council respectfully recommends that the CEC strive for simplicity whenever possible and seek to expand the pathways for participation by residential customers. For those proposals that should be adopted for 2024 deployment, the CEC should approve them as quickly as possible to allow DSGS providers to implement them in time for the start of the 2024 season in May.

In these comments, the Council first addresses CEC Staff’s proposed modifications then responds to the specific questions put forth during the workshop.

**II. Council Comments on Proposed Modifications to the Reporting Requirements**

The CEC Presentation at the DSGS workshop states that a potential modification to the current Reporting requirements is that the “[s]ite must be included in a participation report to count in the performance calculations for that reporting period to improve CEC’s visibility in enrollment and

program impact.”<sup>1</sup> The Council supports this modification because it will improve transparency and accountability to ensure that DSGS benefits are commensurate with the program costs.

### **III. Council Comments on Proposed Modifications to the Claims Requirements**

In the CEC DSGS Presentation, the CEC proposed the following modifications to the current claims requirements: (1) establishment of a claim deadline to improve program visibility into participation and costs and (2) clarification that utilities enrolled as DSGS providers can also recover administrative costs to facilitate participation in an incentive option not offered by utility.<sup>2</sup>

The proposal to establish a claim deadline is a logical step to promoting greater transparency in the availability of program funds. As several parties indicated during the workshop, this is critical for business certainty.<sup>3</sup> The Council recommends a claim deadline of 90 days after the last day of the program season. This accounts for 45 days for the IOUs to provide customer meter data to DSGS providers, and allows for an equal amount of time for the DSGS providers to calculate the performance of their respective customers while providing a modest buffer to account for delays in IOU delivery of participant meter data, as applicable. However, this timeframe does not guarantee that an IOU will provide meter data on a timely basis, so the CEC should include a provision allowing a DSGS provider to request additional time to submit its claim or to submit a provisional claim subject to true-up once the IOU delivers its required meter data.

The Council does not oppose the recovery of administrative costs proposal on the condition that it is subject to the \$250,000/year cap that is in effect for non-DSGS provider utilities. However, as a condition for qualifying for these funds, the utility should also be required to demonstrate that its administrative costs are not already funded through another revenue stream. For example, the investor-owned utilities’ (“IOUs”) Electric Rule 24/32 activities are already funded through the demand response (“DR”) program budgets so it would be inappropriate for them to double-recover even a portion of these costs.

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<sup>1</sup> CEC DSGS Presentation, which can be found here: <https://efiling.energy.ca.gov/Lists/DocketLog.aspx?doctetnumber=22-RENEW-01>, at p. 11.

<sup>2</sup> *Id.*

<sup>3</sup> Oral Comments made at the DSGS Workshop which can be found under “Event Recording” here: <https://www.energy.ca.gov/event/workshop/2024-01/staff-workshop-demand-side-grid-support-dsgs-program>.

#### **IV. Council Comments on Incentive Option 1 Program Events: Energy Emergency Alerts**

The CEC set forth a potential modification to Energy Emergency Alerts (“EEAs”) which would explore how to limit dispatch of backup generators in certain areas to use only as a last resort.<sup>4</sup> The Council supports the proposal to limit participant responses to EEAs issued by their host balancing authority because it will ensure that program funds are only spent when there is a reliability need in the geographic area of the participant.<sup>5</sup> However, the CEC should explicitly define what constitutes an EEA for each host balancing authority to provide clarity and transparency in the conditions under which customers will be dispatched. The Council does not take a position on the proposal to adopt limitations on backup generator dispatch.

#### **V. Council Comments on Option 2: Accommodating Day-Ahead DR Resources and More Flexible Minimum Dispatch Requirement to Target Hotter Summer Months**

The CEC provides proposed modifications to DSGS which are: (1) to accommodate day ahead DR resources and (2) to provide more flexible minimum dispatch requirements to target hotter summer months.<sup>6</sup> The Council supports excluding real-time market (“RTM”) bids from bid normalized load impact (“BNLI”) if the day-ahead market (“DAM”) bid is less than \$600 for long-start resources.<sup>7</sup> The Council supports this proposal because it takes some initial steps to recognize the limitations of long-start resources. However, the Council respectfully questions any effort by the CEC to force long-start resources to bid into the RTM when DR Resource Adequacy (“RA”) resources are not subject to this same requirement. Participating in the RTM requires a certain operational capability to adjust a resource’s schedule very close to the dispatch window, something that long-start resources are simply not capable of doing (hence their classification as long-start resources). The Council understands the CEC’s desire for the DSGS Program to provide emergency relief but this should not be done at the expense of discouraging long-start resources from participating.

As to minimum dispatch during summer months,<sup>8</sup> the Council supports this proposal because it provides more flexibility to DSGS providers in how they dispatch and better ensures that dispatches will occur during the hottest months.

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<sup>4</sup> CEC DSGS Presentation, at p. 12.

<sup>5</sup> *Id.*

<sup>6</sup> *Id.*, at pp. 13-14.

<sup>7</sup> *Id.*, at p. 13.

<sup>8</sup> *Id.*, at p. 14.

## VI. Council Comments on Option 3

The Council supports the proposal to expand DSGS to include electric vehicle-to-building or vehicle-to-grid (“V2X”)<sup>9</sup> because it opens this market-informed option to electric vehicles (“EV”) and will hopefully attract additional participation.

The Council also supports the proposal to reduce the amount of required participant contact information to Service Account ID (“SAID”) and/or service address.<sup>10</sup> The Council supports this proposal because, as CEC Staff explained during the workshop, it will reduce the amount of personally identifiable information (“PII”) that is involved in the program’s administration. The Council recommends that only the service address is necessary because, in a vast majority of cases, it will only be associated with a single SAID.

The Council supports the proposal to have participants acknowledge and agree to prohibition on dual enrollment to the best of their knowledge.<sup>11</sup> The Council supports this approach to preventing dual participation because it is a low-impact approach (i.e., will not act as a barrier to participation) to preventing dual participation. However, DSGS participants should be able to participate in multiple programs if they have multiple devices with sub-metering or telematics such that the performance of each device can be measured independently from other devices and/or the rest of the participant’s load. An example of this is a participant with a vehicle-to-grid (“V2G”) capable electric vehicle and a separate home battery. Another example is a participant with a telematics-equipped smart thermostat and a sub-metered home battery.

As to the proposal that aggregators can attest to control over each participating battery and no awareness of conflicting programs to the best of their knowledge,<sup>12</sup> the Council supports this approach to preventing dual participation based on its expectation that it would allow for immediate enrollment of participants in the DSGS Program. This need not preclude the CEC from any effort to validate the accuracy of an aggregator’s attestation at the end of the season, but this attestation should be applied in such a way as to eliminate any delays in in-season enrollment. Additionally, each participating battery should be free to participate in a RA-based DR program or RA contract during the non-DSGS Program months. Finally, the program guidelines should explicitly acknowledge that the battery can be used for

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<sup>9</sup> CEC DSGS Presentation, at p. 15.

<sup>10</sup> *Id.*

<sup>11</sup> *Id.*

<sup>12</sup> *Id.*

on-site purposes outside of the 4:00-10:00 p.m. DSGS Program availability window during the program months.

The CEC proposes that an event trigger based on DAM locational marginal prices (“LMP”) or Flex Alert, EEA Watch, or EEAx be used up to 3:00 p.m. of the event day, but still be subject to program hours and virtual power plant (“VPP”) duration.<sup>13</sup> The Council opposes this proposal because it attempts to utilize too many different event triggers which will significantly increase the difficulty of DSGS providers to inform and operationalize their participants. In fact, if the CEC ultimately approves this modification this spring with the expectation that it will be implemented in the 2024 season, DSGS providers will need to communicate this additional, not insignificant, modification to the program mid-season and change how the participants’ batteries are utilized, which would seriously risk detrimental impacts to customer satisfaction.

The Council supports the proposal to require at least one full-duration event to demonstrate capacity.<sup>14</sup> This proposal is consistent with the typical practice of other DR programs to schedule at least one test event each season, and will ensure that Option 3 resources can fully deliver on their commitments.

## **VII. Council Responses to CEC Staff Question 1: What additional potential program modifications should be considered?**

### **a. Extend Option 2 30% bonus**

In the second edition of the DSGS Program guidelines, the CEC adopted a 30% capacity incentive bonus for the 2023 and 2024 program years, and retained the discretion to adopt additional bonuses in future years. The Council recommends that the CEC extend the 30% bonus to retain the existing participants and continue to attract new ones. Capacity supplies in the State remain tight so it is critical that DR resources be valued commensurate with the prevailing supply-demand dynamic.

### **b. Path for smart technology participation**

It has become apparent that the click-through process (“CTP”) in California, by which customers authorize the sharing of their utility meter data with a third party, is a significant barrier to participation for hundreds of thousands of potential DR customers. This reality was further reinforced at the CEC’s January 17 Commissioner Workshop on Load Management Standards Implementation where

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<sup>13</sup> CEC DSGS Presentation, at p. 15.

<sup>14</sup> *Id.*

stakeholders provided extensive information on the disfunction of this process. However, this barrier can be bypassed to a large degree through the use of device-level telemetry and submeter measurement capability to measure energy savings of which smart thermostats, smart hot water heaters, and heat pump water heaters are capable. Between the existence of millions of smart thermostats today (the vast majority of which are not enrolled in a DR program) and the State's goal of 6 million heat pump water heaters by 2030, there is a massive potential for DR growth.

Based on this context, the Council respectfully urges the CEC to consider the detailed proposals for implementing this approach that are submitted by other parties in this proceeding for future iterations of the DSGS Program. The Council understands that developing this type of option would take time, and it would not push for this option to be added in 2024 if that would risk delaying the next version of the DSGS Guidelines from being finalized prior to the start of the 2024 DSGS season. In general, the Council would not want the CEC to "rush" the development of this type of option but take time to ensure it is properly designed and implemented, with a clear plan for how learnings from this option could be leveraged to address the issues with the CTP and other challenges with scaling DR customer enrollment in California's wholesale markets. To this end, this option could be leveraged to develop a pathway for device-level participation in the CAISO market, which would expand customer choice for device-level management and help support the type of device-level ecosystem the Load Management Standards are intended to promote.

**c. Option 2 performance calculation should not penalize resources for underperformance outside of RA hours**

While Option 2 is intended to allow RA resources the opportunity to receive additional compensation for performance in excess of RA capacity, the operational requirements extend the participation for the DSGS Program beyond what is required for RA resources, with participation potentially required as late as 10:00 PM and during all days of the week. It is common for load, including flexible load, to be significantly lower on Sundays and holidays, and it is not clear that the model used to calculate performance will fully reflect this. It is understandable that the CEC desires to see resources available for extreme events that occur outside of RA hours; however, penalizing lower performance during these hours will incentivize higher bid prices as the possibility of performing below RA quantity may significantly reduce monthly capacity payments.

**d. V2G option**



The minimum participation size should be lowered to 25 kW per service area (IOU, community choice aggregator (“CCA”), or publicly-owned utility (“POU”)). This is consistent with the minimum size requirement for sub-Group A.5 of the Emergency Load Reduction Program (“ELRP”) that includes non-V2G VGI aggregations and has not to date seen high uptake that could comfortably meet the 500 kW or 100 kW capacity requirements. IOUs have also delayed V2G pilots due to slower-than-expected interconnection and adoption processes.

**e. Process for DSGS learnings to be shared with the CPUC**

During the January 23 workshop, Leapfrog Power inquired how the learnings from the DSGS Program would inform the California Public Utilities Commission’s (“CPUC”) RA proceeding. CEC Staff replied that parties are free to make proposals in the CPUC RA proceeding based on the DSGS Program. The Council does not have confidence that this approach would be effective, given the historic lack of success that the DR community has had in gaining CPUC approval of its proposals, without the backing of an assessment from the CEC. To this end, the Council recommends that CEC Staff develop a DSGS Program “lessons learned” report documenting its own assessment of the various program elements that were tested. This report could be delivered on an annual basis prior to the end of the year so that parties can use that report as a basis for any DR-related proposals in the RA proceeding which are typically due around mid-January each year.

**VIII. Conclusion**

The Council appreciates the opportunity to comment on the proposed modifications to the DSGS program and urges the CEC to take the recommended actions.