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California Efficiency + Demand Management Council Comments on California Energy Commission Staff Updated 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”) updated proposed modifications to the Demand-Side Grid Support (“DSGS”) program guidelines (“Draft Updated Guidelines”) that were presented at the March 12, 2024 workshop.

The Council supports a majority of the most recent proposed changes, especially those impacting Incentive Option 2, but continues to highlight the need for budget transparency and stresses the importance of the DSGS resources being reflected in the California Public Utilities Commission’s (“CPUC’s”) Resource Adequacy (“RA”) regime. Also, the Council respectfully requests that the CEC staff finalize and release the final version of the updated Guidelines as quickly as possible, even if the CEC Commissioners do not vote until May. Even if unapproved until May, issuing the updated DSGS guidelines earlier will provide DSGS providers and their customers valuable time to adjust to the revisions. In the sections below, the Council responds to the CEC staff’s questions, then presents several recommendations and clarification requests for consideration.

II. Council Responses to CEC Staff Questions on Incentive Option 2: Availability Requirement Considerations

1. Is weekday and Saturday availability sufficient to ensure reliability?

Yes. Weekday plus Saturday availability is consistent with the minimum demand response (“DR”) availability requirements of the CPUC’s RA regime, which exists to maintain reliability, so there is no need to require Sunday availability as well. However, if the CEC wants to ensure that at least

some DSGS resources are available on Sundays, it should offer an additional payment for this, as the CEC suggests below.

2. Does the weekday and Saturday requirement reflect availability of DR resources?

Saturday typically yields less curtailment capability, especially for those commercial customers that close or have reduced operations over the weekend. However, there remain some customers who can provide significant load curtailment.

3. Would stakeholders be interested in an option with 7-day availability if the incentive was higher than that of the weekday option? If yes: What are the appropriate relative incentive levels?

Yes, the Council would strongly support a higher incentive for seven-day availability. One potential way to calculate an appropriate incremental incentive is to simply prorate the payment based on six-day availability to seven days.

4. Which DR availability requirements should CEC maintain consistency with?

The investor-owned utility (“IOU”) Capacity Bidding Program (“CBP”) availability requirement would require Saturday availability, consistent with the CPUC RA requirements, but also has the benefit of providing needed flexibility for customer loads that may be lower during the weekend. However, any lower Saturday curtailable load should not be negatively reflected in the Bid Normalized Load Impact (“BNLI”). One approach to this would be to simply leave out Saturday performance from the BNLI.

III. Council Responses to CEC Staff Questions on Incentive Option 3: Aggregation Size Considerations

CEC staff has put forth a few different considerations and options for modifying Incentive Option 3. With the goal of reducing barriers to participation and managing the administrative burden per aggregation and MW, it proposes to adopt one or both of:

1. Apply a minimum nominal capacity to each DSGS provider across durations and territories, and/or
2. Reduce the minimum size per aggregation.

First, the Council appreciates the intention behind these proposed modifications, as reducing barriers to participation and administrative burden is always a worthwhile pursuit. In particular, reducing barriers to entry is critical in order to attract new and/or smaller DSGS providers, and more easily enable those focused on enrolling residential customers. Adopting a single, reasonably low minimum nominal capacity for each DSGS provider, regardless of whether it is located in an IOU, community choice aggregator (“CCA”), or publicly-owned utility (“POU”) service area, would address all of the considerations indicated by CEC staff while avoiding the complexity of determining different

minimums for different types of load-serving entities (“LSE”). To this end, the Council recommends a 100-kW minimum nominal capacity, inclusive of energy storage and vehicle-to-grid integration (“VGI”), for each DSGS provider across the board.

IV. Council Comments on Other Issues to Address

a. Thermal energy storage should be eligible for Options 1 and 3.

During the workshop, CEC staff indicated that Option 1 is the only avenue for thermal storage resources to participate in the DSGS program. The Council agrees that, under the current provisions for Option 1, thermal energy storage can qualify as DR. This is reflected in the section of Dispatch Loading Order which specifies “demand response resources, including batteries” as the first Option 1 resources to be dispatched during an event.¹ However, it would be inappropriate to limit thermal storage to Option 1. Like other types of battery storage, thermal storage should be eligible to participate in Option 1 (as demand response) and Option 3 as well. Eligible Option 3 technologies include several forms of battery storage, including “standalone batteries, batteries paired with net-energy metering (NEM) solar, battery EVs with bidirectional charging capability, or a combination thereof.”² Thermal energy storage meets this criterion as it is a “standalone battery.” If it can also meet all of the operational requirements that are applicable to it as a non-exporting resource then, like conventional energy storage, thermal energy storage should be allowed to participate under Option 1 and Option 3.

b. Transparency in budget availability is critical to creating business and regulatory certainty.

The Council appreciates the CEC staff’s willingness to provide as much information as possible during the March 12 workshop with regard to the available budget. However, it is necessary to stress the importance to DSGS providers of having the most up-to-date information on budget availability, as possible. This data point is a significant driver in business decisions on whether to participate in the DSGS program and to what extent. It would seem possible that the DSGS program web page could include a running total, updated perhaps weekly or monthly, showing the amount of budget available, the amount claimed, and the amount spent to date. The statewide Self Generation Incentive Program (“SGIP”) website can provide a good example of this.³

¹ Updated Draft Revised Guidelines, at p. 13.

² *Id.*, at p. 21.

³ SGIP Website which can be found here: https://www.selfgenca.com/home/program_metrics/

c. DSGS program resources should be accounted for in the CPUC RA program.

The CEC should account for the load impacts of DSGS program resources in the CPUC’s RA program because the availability requirements for each Incentive Option are generally consistent with the CPUC’s DR RA minimum availability requirements, which are 5:00 to 10:00 p.m., Monday through Saturday in May, then 4:00 to 9:00 p.m., Monday through Saturday in June through October. For example, Option 1 resources must be available seven days per week during Energy Emergency Alert (“EEA”) events, just as the IOUs’ Base Interruptible Program is. Similarly, Option 2 resources must be available between 4:00 to 10:00 p.m., Monday through Saturday; and Option 3 resources must be available 4:00 to 9:00 p.m. seven days per week.

On this basis, the contribution to reliability of the resources procured through the DSGS program equals or exceeds those of DR RA resources. Furthermore, given the scale of resources that are procured through the DSGS program, it would seem logical to explicitly account for them in the CEC’s Independent Energy Policy Report (“IEPR”) load forecast to ensure that they are fully accounted for. This would maximize their value to the grid by mitigating the current tightness in RA capacity supply and ensuring that taxpayers are receiving full value for this program.

d. Incentive Option 3 should be clarified to allow for participant dual participation.

Among the requirements for Option 3 participation is the capability to “collect and provide hourly or sub-hourly charge/discharge interval data from a battery inverter or submeter to the CEC.”⁴ Because the energy storage technology’s performance is measured at the device level, rather than the participant’s meter, the CEC should specify that the participant may participate in other DR programs as long as doing so does not involve utilizing the energy storage device. This was confirmed orally by CEC staff during the March 12 workshop and the Council respectfully requests this be explicitly spelled out in the DSGS guidelines.

e. Claim timing should include a provision for incomplete data through no fault of the DSGS provider.

The Council supports the Option 3 claim deadline of the last business day of the year.⁵ However, as stated in prior comments, there will likely be instances when the local IOU will not provide complete data to the DSGS provider by then. To account for this and ensure that the DSGS provider is not punished for something outside of its control, a provision should be added to Chapter 6, Section C.1.a to

⁴ Updated Draft Guidelines, at p. 23.

⁵ *Id.*, at pp. 29-30.

allow the DSGS provider to provide estimates of the missing data to avoid any unfair delays to receiving payment from the CEC.

f. Equating battery charging or lack of discharge with negative performance in the performance calculation is inappropriate.

The Draft Updated Guidelines modify how Option 3 resource performance is measured by counting any charging of a battery system as “the negative of discharge.”⁶ This would result in participants who choose not to participate during an event and charge their battery instead being penalized. In keeping with the program's “pay-for-performance” model, Option 3 resources with a non-zero baseline should not record negative performance if they do not discharge during an event. Currently, batteries funded by SGIP or approved by a host utility before July 1, 2023, have positive baselines, resulting in negative performance if they fail to discharge. These negative performance results have an outsized impact on the weighted average calculation used to determine compensation, effectively penalizing the participant by canceling out some of the positive performance of other resources. The Council recommends instead setting the hourly performance of batteries failing to discharge during an event at zero, to prevent a lack of participation in an event from creating an unintentional financial penalty for participants.

g. The new Footnote 5 required clarification.

Under Option 3, a new Footnote 5 was added to specify that “A customer site may participate with a stationary battery system capable of discharging greater than or equal to 1,000 kW but the battery must not discharge more than 1,000 kW. Any discharge over 1,000 kW during a given event hour will not be incentivized.”⁷ It appears the intent is that, for any discharge greater than 1,000 kW, only the incremental discharge will not be compensated. If this is the correct interpretation, the Council requests CEC staff clarify this to avoid any potential misinterpretation.

h. The CEC should begin efforts to develop an option for device-level measurement.

The CEC should start development of a market-aware option to incorporate device-level measurement. There are millions of existing smart devices not participating in any DR program, including smart thermostats and heat pump water heaters that could be utilized for additional incremental capacity to respond to grid needs once the CEC creates this pathway for participation. This work should begin as soon as practicable to enable timely implementation.

⁶ Updated Draft Guidelines, at p. 28.

⁷ *Id.*, at p. 24 (Footnote 5).

V. Conclusion

The Council reiterates its appreciation for the opportunity to comment on the Draft Updated Guidelines as well as its overall support for them.