

DOCKETED	
Docket Number:	22-RENEW-01
Project Title:	Reliability Reserve Incentive Programs
TN #:	261096
Document Title:	Notice of Availability - Modified Demand Side Grid Support Program Draft Guidelines, 4th Edition
Description:	Notice of Availability and request for comment on the Modified Demand Side Grid Support (DSGS) Program Draft Guidelines, Fourth Edition.
Filer:	Brian Vollbrecht
Organization:	California Energy Commission
Submitter Role:	Commission Staff
Submission Date:	1/14/2025 5:15:05 PM
Docketed Date:	1/15/2025

CALIFORNIA ENERGY COMMISSION

715 P Street
Sacramento, California 95814

energy.ca.gov

CEC-70 (Revised 7/22)

**IN THE MATTER OF:**

*Reliability Reserve Incentive Programs
and Modified Demand Side Grid
Support Program Draft Guidelines,
Fourth Edition*

DOCKET NO. 22-RENEW-01

NOTICE OF AVAILABILITY AND REQUEST
FOR COMMENT

RE: *Demand Side Grid Support Program*

Notice of Availability and Request for Comments on Modified Demand Side Grid Support Program Draft Guidelines, Fourth Edition

Comment Deadline: January 28, 2025

California Energy Commission (CEC) staff has made available and is requesting comments on the Modified Demand Side Grid Support (DSGS) Program Draft Guidelines, Fourth Edition. The Modified DSGS Program Draft Guidelines, Fourth Edition, propose changes to the rules for program participation including eligibility requirements, the participation process, and incentive structures. The Modified DSGS Program Draft Guidelines, Fourth Edition, are available at Docket No. [22-RENEW-01](https://efiling.energy.ca.gov/Lists/DocketLog.aspx?docketnumber=22-RENEW-01), at <https://efiling.energy.ca.gov/Lists/DocketLog.aspx?docketnumber=22-RENEW-01>. Staff will evaluate comments and anticipate submitting DSGS Program Guidelines, Fourth Edition, to be considered for adoption at the CEC's March business meeting. Comments are requested by January 28, 2025.

To assist with public review, three versions of the draft guidelines are available:

1. The first document presents the clean version of the Modified DSGS Program Draft Guidelines, Fourth Edition, without highlighting text changes relative to earlier versions. This document is identified as TN# 261090. Pending further revisions in response to comments, as appropriate, this is the version that is anticipated to be proposed for consideration and adoption by the CEC.
2. The second document shows changes in the modified draft version relative to the initial Proposed Draft DSGS Program Guidelines, Fourth Edition, released on October 4, 2024 (TN# 259451), in underline/strikeout, with new text underlined and deleted text in strikeout (i.e., underline/~~strikeout~~). This document is identified as TN# 261095.

3. The third document compares the clean version of Modified DSGS Program Draft Guidelines, Fourth Edition, to the DSGS Program Guidelines, Third Edition, adopted on May 8, 2024 (TN #256254), in underline/strikeout. This document is identified as TN# 291091.

Background.

Assembly Bill 205 (Ting, Chapter 61, Statutes of 2022) created the DSGS program as part of the Strategic Reliability Reserve to support electric grid reliability beyond normal planning standards by providing incremental net load reduction during extreme events, such as heatwaves. The DSGS Program offers incentives to electricity customers throughout the state providing incremental net load reduction to reduce grid stress. The customers can receive compensation for helping to mitigate grid stress in the form of performance-based capacity or energy payments for net load reductions achieved through reduced usage, increased generation, use of backup generation, or both.

On August 10, 2022, the CEC adopted the Demand Side Grid Support (DSGS) Program Guidelines, First Edition, to implement the DSGS Program. Participants enrolled 315 MW in the program to help meet grid needs during the September 2022 heatwave. On July 26, 2023, the CEC adopted the Demand Side Grid Support (DSGS) Program Guidelines, Second Edition, to incorporate lessons learned from the summer 2022 program implementation and to grow clean, non-combustion resources with expanded and streamlined participation. On May 8, 2024, the CEC adopted the Demand Side Grid Support (DSGS) Program Guidelines, Third Edition, to refine and clarify program requirements, reduce operational complexities, and further scale and grow participation from clean resources.

On October 4, 2024, CEC program staff released for public comment the initial Proposed Draft DSGS Program Guidelines, Fourth Edition. The changes proposed to this initial draft (relative to the Third Edition) sought to improve program effectiveness and continue to grow participation from clean resources. Currently, the state's Strategic Reliability Reserve is largely supported by 3 GW of fossil-fueled resources that are anticipated to retire in 2026 and 2027. Additionally, in consultation with the CPUC and the CAISO in 2023, the CEC developed a statewide load flexibility goal of 7,000 MW by 2030. As California transitions to 100 percent clean energy, the modifications to the DSGS Program guidelines seek to pilot program mechanisms to grow clean demand flexibility resources supporting the Strategic Reliability Reserve.

On October 18, 2024, CEC program staff conducted a workshop on the initial Proposed Draft DSGS Program Guidelines, Fourth Edition, to solicit input from stakeholders and interested members of the public. The public comment period closed on October 30, 2024.

CEC program staff reviewed comments and prepared the Modified DSGS Program Draft Guidelines, Fourth Edition, which are now available for additional public feedback. A summary of Proposed Modifications appears towards the end of this notice.

Staff will evaluate comments and anticipate submitting the proposed DSGS Program Guidelines, Fourth Edition, to be considered for adoption at the CEC's March business meeting.

Public Comment.

Written comments may be submitted to the Docket Unit **by 5:00 p.m. on January 28, 2025.**

Written and oral comments, attachments, and associated contact information (including address, phone number, and email address) will become part of the public record of this proceeding with access available via any internet search engine.

The CEC encourages the use of its electronic commenting system. Visit the [e-commenting page](#) for docket 22-RENEW-01 at <https://efiling.energy.ca.gov/Ecomment/Ecomment.aspx?docketnumber=22-RENEW-01>. Enter your contact information and a subject title that describes your comment. Comments may be included in the "Comment Text" box or attached as a downloadable, searchable document in Microsoft® Word or Adobe® Acrobat®. The maximum file size allowed is 10 MB.

Written comments may also be submitted by email. Include docket number **22-RENEW-01** and "Modified DSGS Program Draft Guidelines, Fourth Edition" in the subject line and email to docket@energy.ca.gov.

A paper copy may be mailed to:

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

Public Advisor. The CEC's Public Advisor assists the public with participation in CEC proceedings. To request assistance, interpreting services, or reasonable modifications and accommodations, call (916) 957-7910 or email publicadvisor@energy.ca.gov as soon as possible but at least five days in advance. The CEC will work diligently to meet all requests based on availability.

Media Inquiries. Email mediaoffice@energy.ca.gov or call (916) 654-4989.

Technical Subject and General Inquiries. Email DSGS@energy.ca.gov.

Availability of Documents: Notices, documents, and presentations for this proceeding are available at [Docket No. 22-RENEW-01](#), at <https://efiling.energy.ca.gov/Lists/DocketLog.aspx?docketnumber=22-RENEW-01>.

When new information is posted, an email will be sent to those subscribed to the Demand Side Grid Support (DSGS) subscription topic. To receive these notices or notices of other email subscription topics, visit [Subscriptions](#), at <https://www.energy.ca.gov/subscriptions>.

Summary of Proposed Modifications.

As compared to the initial Proposed Draft DSGS Program Guidelines, Fourth Edition (referred to below as “initial draft”), the Modified DSGS Program Draft Guidelines, Fourth Edition (“modified draft”) contain the substantive changes described below. Please see the modified draft to view all proposed changes.

Chapter 2: Eligibility and Participation

- The initial draft introduced requirements for Option 2 dispatch reports and Options 3 and 4 performance reports to be submitted to the CEC during the program season. The modified draft changes the cadence and due dates of these reports to 10 business days after the end of each month.

Chapter 3: Incentive Option 1: Emergency Dispatch

- The modified draft eliminates the controllable generation incentive due to limited interest and funding availability from the Distributed Electricity Backup Assets Fund.

Chapter 5: Incentive Option 3: Market-Aware Storage Virtual Power Plant Pilot

- The initial draft increased the minimum portfolio nominal power rating for Option 3 from 100 kW to 500 kW, across all utility service territories and nominated durations. To provide more flexibility, the modified draft allows providers to satisfy minimum portfolio nominal power requirements by aggregating either: (a) a total minimum nominal power rating of 400 kW across all utility service territories and resource durations, (b) at least one aggregation with a total minimum nominal power rating of 200 kW, or (c) at least three aggregations with a total minimum nominal power rating of 100 kW each.
- The modified draft increases the maximum allowable compensable discharge during any hour of a program event from 1,000 kW to 2,000 kW for any site participating in a storage virtual power plant (VPP), subject to the applicable utility’s interconnection permit.
- The initial draft introduced energy emergency alert (EEA) event triggers, with a 10% bonus applied to any month with one or more event hours initiated solely by EEA(s). The modified draft maintains the day-ahead EEA trigger and counts the VPP’s performance in the calculation of the monthly demonstrated capacity. However, with respect to day-of EEA triggers, the modified draft encourages voluntary response by providing an incentive rate of \$1 per kWh energy delivered to the grid, while excluding the VPP’s performance during the day-of event from calculating monthly demonstrated capacity.
- The initial draft required test events to be called by Option 3 DSGS providers from May through July, and by the CEC from August through October. The modified draft allows all test events to be called by DSGS providers but requires the providers to pre-register each test event with the CEC and limits the providers to one test event per month for each combination of utility distribution company service territory and nominated duration. These modifications were made to provide flexibility for providers in determining when to test while providing increased accountability and better visibility into aggregate VPP portfolio

level scheduling and performance. The CEC may reconsider calling statewide test events in future years pending further program evaluation.

- The initial draft proposed updates to the energy storage baselines used to calculate monthly demonstrated capacity. The modified draft maintains the current baselines adopted in the DSGS Program Guidelines, Second Edition. The modified draft also provides that baselines will be applied to all resources beginning in the 2026 program season and establishes a two-year cadence for review of performance data going forward, to accurately reflect the incrementality of Option 3 storage VPP relative to load forecasts.

Chapter 6: Incentive Option 4: Emergency Load Flexibility VPP Pilot

The initial draft introduced a new emergency load flexibility VPP pilot intended to help transition the Strategic Reliability Reserve from fossil-fueled to clean resources by piloting a high-confidence, reliable, demand-side product with firm committed capacity that could be relied on by the grid operation during both sudden-onset and slow-moving grid emergencies. The proposed incentive option was limited to smart thermostats and electric water heaters and provided monthly payments for VPP capacity committed in advance by the DSGS provider to be available during emergency events triggered by EEAs. In months in which no event took place, the VPP performance was assumed to be 100%, and in months with an event, the payment was adjusted per a prescribed capacity incentive rate depending on the performance level achieved. The modified draft makes several changes to the proposed incentive option to mitigate perceived risk to DSGS providers and increase potential compensation available during the program season, while also balancing the need for reliable capacity commitments. The changes include:

- The modified draft expands eligibility to electric vehicle supply equipment, stationary batteries, and residential smart panels.
- The modified draft increases the annualized incentive rate to \$60.58/kW-year.
- To provide flexibility in monthly capacity commitments and reduce providers' risk, the modified draft provides for weather-dependent capacity commitment profile for weather-sensitive resources and monthly enrollment updates.
- The modified draft increases the overperformance compensation band to 120% of committed capacity (from 110% in the initial draft), while maintaining the 2-to-1 derated compensation for underperformance down to 50% of committed capacity and the 50% penalty for performance below 50% of committed capacity.
- Although based on the proposed monthly incentive structure, it is unlikely the total annual compensation would be negative at the end of the program season (that is, the provider owes money), the modified draft sets the floor for total compensation to providers for the program year at zero (that is, no provider is at risk to owe money at the end of the program season).
- To ensure accountability and participation in at least one event to validate performance, the modified draft 1) requires the DSGS provider to enroll with committed capacities at either the beginning of the program season on May 1st or at the beginning of the second half of

the program season on August 1st, and 2) reduces the program season's total compensation to zero if a DSGS provider withdraws from the program during the season.

Chapter 7: Program Payments

- The initial draft included a \$7,500 cap on administrative costs for Option 1 providers in years with no program events, in addition to the existing annual cap of \$1 million. The modified draft removes the proposed \$7,500 cap for years with no program events.

Dated: January 14, 2025, at Sacramento, California.

Deana Carrillo

Director of the Reliability, Renewable Energy & Decarbonization Incentives Division

Subscriptions: Demand Side Grid Support (DSGS); Distributed Electricity Backup Assets;
Electricity Issues