



**CALIFORNIA
ENERGY COMMISSION**



**CALIFORNIA
NATURAL
RESOURCES
AGENCY**

PROPOSED PROGRAM GUIDELINES

Demand Side Grid Support (DSGS) Program Guidelines, First Edition

(Assembly Bill 205, 2022)

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California Energy Commission

David Erne

Erik Lyon

Contributors

Ashley Emery

Branch Manager

RELIABILITY INCENTIVES BRANCH

Deana Carrillo

Director

RENEWABLE ENERGY DIVISION

Drew Bohan

Executive Director

DISCLAIMER

These proposed final guidelines are anticipated to be considered by the California Energy Commission (CEC or Energy Commission) on August 10, 2022, after considering public comments. The requirements in these guidelines are based on applicable law, including Public Resources Code Section 25792 and Section 18 of Assembly Bill 205 (Ting, Chapter 61, Statutes of 2022). As a staff proposal, the proposed final guidelines do not represent the views of the CEC or of the State of California. This draft document has not been approved or disapproved by the CEC, nor has the CEC passed upon the accuracy or adequacy of the information in this document.

ABSTRACT

These program guidelines for the Demand Side Grid Support (DSGS) Program establish the rules for the program, including eligibility requirements, participation process, and incentive structure. Created by Assembly Bill (AB) 205 (Ting, Chapter 61, Statutes of 2022) as part of the Strategic Reliability Reserve, the DSGS program will provide incentives to reduce customer net energy load during extreme events with upfront capacity commitments and per-unit reductions in net load.

Keywords: AB 205, DSGS, load reduction, extreme event, demand response, backup generation, California balancing authority

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CHAPTER 1:

Program Overview

A. Summary of Key Program Design Elements

Created by Assembly Bill (AB) 205 (Ting, Chapter 61, Statutes of 2022) as part of the Strategic Reliability Reserve, the Demand Side Grid Support (DSGS) program will compensate eligible customers and aggregators enrolled with their electric retail supplier for upfront capacity commitments and per-unit reductions in net energy load during extreme events (as defined in Public Resources Code (PRC) section 25790.5(b)) achieved through reduced usage or use of backup generation or both.

After initial program implementation over the Summer of 2022, the CEC will seek feedback on the program's design and impact to inform future modifications and improvements.

B. Background

[AB 205](https://leginfo.ca.gov/faces/billNavClient.xhtml?bill_id=202120220AB205) (Ting, Chapter 61, Statutes of 2022), available at https://leginfo.ca.gov/faces/billNavClient.xhtml?bill_id=202120220AB205, requires the CEC to implement and administer the DSGS program, codified under PRC section 25792. The DSGS program will provide incentives to reduce customer net load during extreme events with upfront capacity commitments and for per-unit reductions in net load. Section 18 of AB 205 authorizes the CEC to adopt guidelines for the DSGS Program. Furthermore, PRC section 25792(e) directs the CEC to develop guidelines to determine when to implement the program, including which resources are dispatched first to minimize local pollution and emissions of greenhouse gases.

C. Program Budget

DSGS Program funding is authorized under AB 205 with an overall budget of \$200,000,000. There is no specific restriction on annual spending or set-aside allotments for enrolled DSGS providers. The CEC will provide updates of DSGS Program funding availability on an annual basis. More frequent updates will be provided when only 25 percent of the funds are remaining.

CHAPTER 2:

Eligibility and Participation

This chapter contains DSGS program eligibility criteria and establishes the process for participating in the program, including enrollment and reporting.

A. DSGS Program Eligibility

1. Eligible DSGS Provider

Eligible DSGS providers include:

- a. Retail suppliers as defined in Public Utilities Code (PUC) Section 398.2, except for investor-owned utilities, electric service providers, or community choice aggregators under the jurisdiction of the California Public Utilities Commission.
- b. Federal power marketing administrations.

2. Eligible Participants

A customer or aggregator of customers located in California of a DSGS provider is eligible to receive incentives under the DSGS program if the participant's account with the DSGS provider is **not**:

- a. Eligible to participate in supply-side demand response, or emergency load reduction programs offered by entities under the jurisdiction of the California Public Utilities Commission.
- b. Receiving payment or accounting for the same reduction in use of electricity through any other utility or state program.
- c. Cogeneration facilities with a power purchase agreement.

DSGS providers may include additional eligibility requirements for their participants as appropriate.

B. DSGS Enrollment Process

1. DSGS Enrollment Process Overview

This broad description of the application and enrollment process for the DSGS program is followed by a detailed description of the program requirements.

- **Step 1: DSGS Provider Enrollment.** DSGS providers will first enroll in the program by submitting an application with the information outlined in Section B.2.b. to CEC staff. Upon review and approval by CEC staff, the DSGS provider may begin enrolling participants in the program.
- **Step 2: Participant Enrollment.** Participants will enroll in the program by submitting an application with the information outlined in Section B.3.b. to the DSGS provider.

Step 3: DSGS Provider Initial Report on Participant Enrollment. Within 10 days of CEC-approved DSGS program enrollment, DSGS providers will submit to CEC staff an initial report on enrolled participants with the information outlined in Section B.4.a.

2. Step 1: DSGS Provider Enrollment Process

DSGS providers enroll in the program by submitting an application to CEC staff.

a. DSGS Provider Application Timing: Applications are accepted on a first-come, first-served basis.

- i. The date and time of the electronically submitted completed application will establish the order for the queue for review of DSGS provider applications.
- ii. CEC staff will notify the DSGS provider if its application is incomplete. The DSGS provider will have 10 business days to supplement the incomplete application. Failure to respond within the 10 business days will result in the CEC's cancellation of the application.
- iii. The cancellation of an application does not preclude a DSGS provider from reapplying.

b. DSGS Provider Application Package: DSGS providers must submit to the CEC the following information in a format provided by the CEC:

- i. Legal name of the DSGS provider.
- ii. DSGS provider's contact name, title, address, email address, and phone number.
- iii. Description of how the DSGS provider will verify load reduction resources used by participants and actual incremental load reduction amounts, including the DSGS provider's method for determining energy use baselines and actual energy usage during a DSGS program event. Resources using the Capacity Payment and Bid Structure option as described in Chapter 3, Section C that are registered as California Independent System Operator (ISO) resources shall use the same baseline for DSGS compliance as ISO market settlement.
- iv. Description of how the DSGS provider will verify participant eligibility.
- v. Description of how the DSGS provider will implement the dispatch loading order requirements described in the DSGS Program Events and Notification Process in Chapter 4, Section B.
- vi. If located outside the California ISO balancing authority area, a description of comparable dispatch requirements to those described in the Option 3: Capacity Payment and Bid Structure in Chapter 3, Section B, suitable to the operations of the applicable balancing authority, that contribute to reliability within the balancing authority area.

DSGS providers may also submit this information with the initial participation enrolled participant report described in Section B.4 or with an enrolled participant report described in Section C.1, but participants may not enroll

resources in the Option 3: Capacity Payment and Bid Structure in Chapter 3, Section B, unless the CEC has approved the dispatch requirements.

- vii. Indication of which administrative cost structure described in Chapter 5, Section B, the DSGS provider would like to enroll in and whether the DSGS provider would like to submit reimbursement claims monthly or annually.
- viii. Signed attestation, submitted under penalty of perjury, as to the accuracy and completeness of the information submitted and agreeing to the terms and conditions of the DSGS program guidelines.

c. Application Review and Approval. The CEC will review DSGS provider applications to determine completeness and eligibility. After approving a complete DSGS provider application, CEC staff will provide an electronic DSGS program enrollment letter to the DSGS provider.

d. Withdrawal. A DSGS provider can voluntarily withdraw from the program by notifying the CEC electronically in writing. Voluntary withdrawal from the program does not preclude the DSGS provider from reapplying in the future.

3. Step 2: Participant Enrollment

a. Participant Enrollment Application Package:

Eligible participants must enroll with a DSGS provider by submitting the following information in a format provided by the DSGS provider:

- i. Legal name of the participant.
- ii. Participant contact's name, title, email address, and phone number.
- iii. Information on the load reduction resources the participant will use during a DSGS program event, including:
 - Types of available resources, including the applicable loading order category (for example, demand response, renewable or zero-emission resource, near zero-emission resource, biomethane or natural gas resource, or diesel backup generator or other conventional resource, or any combination of the above).
 - If the participant is an aggregator of customers, the number of customers participating through the aggregator.
 - Address where participant will deploy each resource, unless the participant is an aggregator of customers. Aggregators of customers must collect and hold customer information, which may be reviewed in an audit as described in Chapter 6, Section E.
 - Expected load reduction amount (in megawatts [MW]) for each resource.
 - Indication of which incentive structure the participant would like to enroll in for each load reduction resource.
 - Description of any constraints on the participant's ability to be available for the maximum dispatch length described in the DSGS Program Events and Notification Process in Chapter 4.

- iv. Attestations, submitted under penalty of perjury, that:
 - The participant meets the eligibility requirements of the DSGS Guidelines.
 - The participant is able to meet the minimum resource availability requirements in the DSGS Program Events and Notification Process in Chapter 4.
 - The participant will allow the CEC access to all documentation in order to verify compliance with the program.
 - The information submitted is accurate and complete.
 - The participant agrees to the terms and conditions of the program.
- v. Any other information the DSGS provider deems necessary.

b. Withdrawal. A participant can voluntarily withdraw from the program by notifying the DSGS provider. Voluntary withdrawal from the program does not preclude the participant from reapplying in the future.

4. Step 3: DSGS Provider Initial Report on Participant Enrollment

Within 10 days of enrollment under Step 1, or as soon as practicable, DSGS providers must submit to CEC staff an initial report on enrolled participants.

a. Initial Enrolled Participant Report. The initial report must include the following information on each enrolled participant in a format provided by the CEC:

- i. Name of the participant.
- ii. Participant contact's name, title, email address, and phone number.
- iii. Information on the load reduction resources the participant will use during a DSGS program event, including:
 - Types of available resources, including the applicable loading order category (for example, demand response, renewable or zero-emission resource, near zero-emission resource, biomethane or natural gas resource, or diesel backup generator or other conventional resource, or any combination of the above).
 - If the participant is an aggregator of customers, the number of customers participating through the aggregator.
 - Address where the participant will deploy each resource, unless the participant is an aggregator of customers.
 - Expected load reduction amount (in MW) for each resource.
 - Indication of which incentive structure the participant would like to enroll in for each load reduction resource.
 - Description of any constraints on the participant's ability to be available for the maximum dispatch length described in the DSGS Program Events and Notification Process in Chapter 4.

C. DSGS Program Reporting

DSGS providers shall submit to the CEC reports to identify changes in participants enrolled or expected load reduction resources as soon as practicable.

1. Enrolled Participant Reports

- a. DSGS providers must submit to the CEC enrolled participant reports that include the following information on each enrolled participant in a format provided by the CEC:
 - i. Name of the participant.
 - ii. Participant contact's name, title, email address, and phone number.
 - iii. Indication of whether the participant is new to the program, an existing participant, or a participant withdrawing from the program.
 - iv. Information on the load reduction resources the participant will use during a DSGS program event, including:
 - Types of available resources including the applicable loading order category (for example, demand response, renewable or zero-emission resource, near zero-emission resource, biomethane or natural gas resource, or diesel backup generator or other conventional resource, or any combination of the above).
 - If the participant is an aggregator of customers, the number of customers participating through the aggregator.
 - Address where the participant will deploy each resource, unless the participant is an aggregator of customers.
 - Expected load reduction amount (in MW) for each resource.
 - Indication of which incentive structure the participant would like to enroll in for each load reduction resource.
 - Description of any constraints on the participant's ability to be available for the maximum dispatch length described in the DSGS Program Events and Notification Process in Chapter 4.

2. Reports to the California Air Resources Board

Within 10 business days after the end of each month in which a DSGS program event occurred, DSGS providers shall provide to the CEC and the California Air Resources Board the following information, in a format provided by CEC staff, regarding backup generation participants used during a DSGS program event:

- The address or GPS coordinates where such backup generation occurred.
- Information on whether the backup generation is portable or stationary.
- The engine size, age, rated horsepower, and federal emissions tier for each generator dispatched under the program.
- The type and amount of fuel used by each generator dispatched under the program.

- The hours of operation of each generator dispatched under the program.

3. DSGS Event Activity Reports

DSGS providers that select an annual reimbursement schedule as described in the Reimbursement Claim Timing in Chapter 5, Section C.1 shall submit to the CEC DSGS event activity reports within 15 business days after the end of each month in which a DSGS program event occurred. The report shall contain the following information in a format provided by CEC staff:

- a. Reporting period
- b. DSGS provider name
- c. DSGS provider's contact name, title, email address, and phone number
- d. For each standby period during the reporting period:
 - i. Date EEA Watch or EEA 1 was issued
 - ii. Start and end times of the EEA Watch or EEA 1 period
 - iii. For each participant with resources enrolled in the standby and energy payment structure:
 - Participant name
 - Type of resources dispatched including the applicable loading order category (for example, demand response or efficiency resource, renewable or zero-emission resources, near zero-emission resource, biomethane or natural gas resource, or diesel backup generator or other conventional resource, or any combination of the above)
 - Address where each resource was deployed
 - Total MWh committed for each resource at the time of the EEA Watch or EEA 1
- e. For each dispatch period during the reporting period:
 - i. Date EEA 1, EEA 2, or EEA 3 was issued
 - ii. Start and end times of the EEA 1, EEA 2, or EEA 3 period
 - iii. For each participant with resources enrolled in the energy payment only structure and standby and energy payment structure:
 - Participant name
 - Type of resources dispatched including the applicable loading order category (for example, demand response or efficiency resource, renewable or zero-emission resources, near zero-emission resource, biomethane or natural gas resource, or diesel backup generator or other conventional resource, or any combination of the above)
 - Address where each resource was deployed
 - Total MWh reduced from each resource

- f. For each participant enrolled in the capacity payment and bid structure:
 - i. Participant name
 - ii. Dates, hours, capacity amount, and price for each bid
 - iii. Dates, hours, and amount (MW) dispatched by the balancing authority
 - iv. Dates, hours, amount (MW) delivered, and settlement price
- g. Attestation, submitted under penalty of perjury, as to the accuracy and completeness of the information submitted.

CHAPTER 3:

DSGS Incentives

The DSGS Program has three incentive structure options. Participants can select a different incentive structure for each load reduction resource. DSGS providers may limit which incentive structure options are available to their participants. All load reductions, including those that result in negative load at the meter (i.e., exports), that would not have occurred in the absence of the DSGS Program are eligible for incentives.

A. Option 1: Energy Payment Only Structure

DSGS providers shall pay participants with resources enrolled in the Energy Payment Only Structure an energy payment at a rate of \$2,000 per megawatt-hour (MWh) of verified incremental load reduction provided during a dispatch period as outlined in the DSGS Program Events and Notification Process in Chapter 4, Section C.2.

DSGS providers shall also reimburse the incremental increases in customer demand charges that result from participation in the program, if any.

B. Option 2: Standby and Energy Payment Structure

DSGS providers shall pay participants an energy payment at a rate of \$2,000 per MWh of verified incremental load reduction provided during a dispatch period as outlined in the DSGS Program Events and Notification Process in Chapter 4, Section D.2.

Furthermore, DSGS providers shall pay participants with resources enrolled in the Standby and Energy Payment Structure a standby payment at a rate of \$250 per MWh for each hour or portion thereof in which the committed load reduction during the standby period is not actually dispatched. The standby period is detailed in the DSGS Program Events and Notification Process in Chapter 4, Section D.1. If the actual average load reduction during the dispatch period is less than the average committed load reduction, the standby payment shall be prorated to reflect the actual average load reduction demonstrated by the resource.

DSGS providers shall also reimburse the incremental increases in customer demand charges that result from participation in the program, if any.

C. Option 3: Capacity Payment and Bid Structure

Participants may enroll only noncombustion load reduction resources in the Capacity Payment and Bid Structure.

DSGS providers shall pay participants with resources enrolled in the Capacity Payment and Bid Structure a monthly capacity payment at the following rates, up to \$76,500 per MW-year:

- June: \$10,500 per MW

- July: \$17,500 per MW
- August: \$18,500 per MW
- September: \$19,500 per MW
- October: \$10,500 per MW

Participants may enroll for any subset of the months of June through October in each year and may change their capacity commitment each month.

To be eligible for the capacity payment, the DSGS provider, or a third-party aggregator or scheduling coordinator contracted by the DSGS provider, must register resources as proxy demand resources (PDR) and bid them into the ISO day-ahead market in 4 consecutive hours between 4:00 p.m. – 9:00 p.m. PT at a rate not greater than \$500 per MWh during each participating month until the participant has been dispatched the maximum 20 hours per month or 60 hours per year as outlined in the DSGS Program Events and Notification Process in Chapter 4, Section E.1. The resource must comply with the ISO tariff relevant to PDR, including obligation to bid in the hour-ahead and real-time markets when applicable. Only intervals for which the resource settlement price is at least \$200 per MWh will be counted toward the 24 hours per month and 60 hours of per year maximum required dispatch.

Demand response resources in non-ISO balancing authority areas or not served by an ISO-integrated utility distribution company shall be triggered when the California ISO day-ahead hourly marginal cost of energy surpasses a reference price selected by the DSGS provider. The reference price shall be no greater than \$500 per MWh. Only intervals for which the marginal cost of energy is at least \$200 per MWh will be counted toward the 24 hours per month and 60 hours per year maximum required dispatch. The DSGS provider may elect to apply different reference prices to different resources within its DSGS portfolio.

An exception to the above resource design may be granted if it is unsuitable for the operations of the DSGS provider or its balancing authority. In such cases, non-ISO DSGS providers may develop requirements suitable to the operations of the applicable balancing authority that contribute to reliability within the balancing authority area. DSGS providers shall submit a description of the dispatch requirements to the CEC for approval with their application package described in the Eligibility and Participation process in Chapter 2, Section B.2, or if already enrolled in the program, with an enrolled participant report described in in Chapter 2, Section C.1.

If the CEC determines the participant has delivered less than the committed capacity, the CEC shall reduce payment by two times the amount of the shortfall. This payment may be modified for good cause shown by the DSGS provider for the shortfall.

If the CEC determines the participant has delivered more than the committed capacity, the CEC shall increase the capacity payment commensurate with delivered capacity up to an amount no more than 10 percent greater than the committed capacity.

CHAPTER 4:

DSGS Program Events and Notification Process

This chapter identifies the time frames during which resources may be called upon to provide load reduction and describes the program event and dispatch notification process. DSGS program events include the standby and dispatch periods described in Section C and Section D and a dispatch pursuant to the requirements outlined in Option 3: Capacity Payment and Bid Structure in Chapter 3, Section C.

A. Program Availability

Program events may occur only during the following times:

- 2022 calendar year: August 1, 2022, through October 31, 2022
- Future calendar years: June 1 through October 31 each year
- 4:00 p.m. – 9:00 p.m.
- 7 days a week

DSGS providers may notify participants in response to an energy emergency alert (EEA) issued by any California balancing authority. If two or more California balancing authorities issue an EEA, participants shall prioritize providing load reduction to the balancing authority area in which the participant is located.

B. Dispatch Loading Order

In alignment with the state’s climate and air quality goals, to the maximum extent feasible, the DSGS provider shall dispatch load reduction resources in the following order:

1. Demand-response resources, including batteries
2. Renewable and zero-emission resources
3. Near zero-emission resources
4. Biomethane and natural gas resources
5. Conventional diesel and gas resources

DSGS providers first will dispatch participants with resources enrolled in the Capacity Payment and Bid Structure, which is limited to noncombustion resources, during regular operations of the applicable California balancing authority’s resource dispatch process. In the ISO balancing authority area, these resources shall be dispatched through the ISO day-ahead market.

DSGS providers will dispatch participants with backup diesel generators only if authorized under a state of emergency proclamation issued by the Governor.

Participation in the program cannot extend the useful life of a resource in contravention of the state’s climate and air quality goals.

C. Energy Payment Only Structure

DSGS providers shall notify and dispatch participants with resources enrolled in the Energy Payment Only Structure as follows:

1. Standby Period

- a. When a California balancing authority issues an EEA Watch, DSGS providers shall notify all participants to prepare load reduction resources for dispatch.
- b. When a California balancing authority issues an EEA 1 without previously issuing an EEA Watch, DSGS providers shall notify participants with backup generators to prepare load reduction resources for dispatch.

2. Dispatch Period

- a. When the balancing authority issues an EEA 1, DSGS providers shall notify participants to dispatch their load reduction resources, except for backup generators, and determine from the participants the amount of incremental load reduction that will be available during the dispatch period.
- b. When the balancing authority issues an EEA 2, or an EEA 3 if an EEA 2 is not issued, DSGS providers shall notify participants to dispatch their load reduction resources, if not already dispatched, and determine from the participants the amount of incremental load reduction that will be available during the dispatch period.

3. Resource Availability

Dispatch of these resources will be limited to the following:

- Minimum dispatch length per event: 1 hour
- Maximum dispatch length per event: 5 hours
- Maximum number of starts per day: 1

D. Standby and Energy Payment Structure

DSGS providers shall notify and dispatch participants with resources enrolled in the Standby and Energy Payment Structure as follows:

1. Standby Period

- a. When a California balancing authority issues an EEA Watch, DSGS providers shall notify all participants to prepare their load reduction resources for dispatch and determine from the participants the amount of incremental load reduction that will be available during the anticipated dispatch period.
- b. When a California balancing authority issues an EEA 1 without previously issuing an EEA Watch, DSGS providers shall notify participants with backup generators to prepare load reduction resources for dispatch and determine from the participants the amount of incremental load reduction that will be available during the anticipated dispatch period.

- c. DSGS providers, or the DSGS provider's balancing authority, shall report to the applicable balancing authority and the CEC the amount of incremental load reduction committed to be available during the anticipated dispatch period within one hour or as quickly as feasible after the balancing authority issues the EEA Watch or EEA 1.
- d. The standby period shall be determined by the EEA Watch duration within the program availability hours described in Section A, or an EEA 1 if the balancing authority did not issue an EEA Watch.

2. Dispatch Period

- a. When the balancing authority issues an EEA 1, DSGS providers shall notify participants to dispatch their load reduction resources, except for backup generators, and determine from the participants the amount of incremental load reduction that will be available during the dispatch period.
- b. When the balancing authority issues an EEA 2, or an EEA 3 if an EEA 2 is not issued, DSGS providers shall notify participants to dispatch their load reduction resources, if not already dispatched, and determine from the participants the amount of incremental load reduction that will be available during the dispatch period.

3. Resource Availability

Dispatch of these resources will be limited to the following:

- Minimum required dispatch length per event: 1 hour
- Maximum required dispatch length per event: 5 hours
- Maximum number of starts per day: 1

E. Capacity Payment and Bid Structure

Participants with resources enrolled in the Capacity Payment and Bid Structure shall comply with the dispatch requirements outlined in Option 3: Capacity Payment and Bid Structure in Chapter 3, Section C.

1. Resource Availability

Required dispatch of these resources will be limited to the following:

- Maximum required dispatch length: 4 hours
- Maximum required number of starts per day: 1
- Maximum required dispatch per month: 24 hours
- Maximum required dispatch per year: 60 hours

DSGS providers may bid these resources for longer periods or for more hours per month or year if desired.

CHAPTER 5:

Program Payments

This chapter identifies the information and steps to receive administrative cost and incentive payments.

A. Incentive Payments

DSGS providers shall pay eligible incentive amounts directly to participants and submit to the CEC claims for reimbursement of these payments.

B. Administrative Costs

The CEC shall reimburse DSGS providers for up to \$5 million per year in administrative costs based on the administrative cost structure identified in the initial application. The DSGS provider shall select one of the following administrative cost structures:

- Actual incremental costs incurred in administering the program, such as costs derived from employee timesheets or invoices from third-party contractors, pending specified conditions, and for indirect/overhead costs (not to exceed 10 percent of actual incremental costs).
- 10 percent of incentive payments provided to participants.

C. Reimbursement Process for Administrative and Incentive Costs

1. Reimbursement Claim Timing

DSGS providers shall submit reimbursement claims either within 15 business days after the end of each month or by November 15 each year, as indicated in the DSGS provider's application package. The CEC shall accept and review reimbursement claims on a first-come, first-served basis.

- a. The date and time of the electronically submitted completed reimbursement claim will establish the order for the queue for review of reimbursement claims.
- b. The CEC shall notify DSGS providers if reimbursement claims are incomplete. The DSGS provider shall supplement the incomplete claim within five business days. Failure to respond within the five business days will result in the CEC's cancellation of the reimbursement claim.
- c. The cancellation of a reimbursement claim does not preclude a DSGS provider from resubmitting a reimbursement claim, but the date and time of the electronic resubmission will determine the order of review of the reimbursement claim.

2. Reimbursement Claim Package

The reimbursement claim package must include the following items:

- a. The following information in a format provided by the CEC:
- i. Reporting period
 - ii. DSGS provider name
 - iii. DSGS provider's contact name, title, email address, and phone number
 - iv. For each standby period during the reporting period:
 - Date EEA Watch or EEA 1 was issued
 - Start and end times of the EEA Watch or EEA 1 period
 - For each participant with resources enrolled in the standby and energy payment structure:
 - Participant name
 - Type of resources dispatched including the applicable loading order category (for example, demand response or efficiency resource, renewable or zero-emission resources, near zero-emission resource, biomethane or natural gas resource, or diesel backup generator or other conventional resource, or any combination of the above)
 - Address where each resource was deployed
 - Total MWh committed for each resource at the time of the EEA Watch or EEA 1
 - Amount of incremental increases in demand charges that resulted from participation in the program, if any
 - v. For each dispatch period during the reporting period:
 - Date EEA 1, EEA 2, or EEA 3 was issued
 - Start and end times of the EEA 1, EEA 2, or EEA 3 period
 - For each participant with resources enrolled in the energy payment only structure and standby and energy payment structure:
 - Participant name
 - Type of resources dispatched including the applicable loading order category (for example, demand response or efficiency resource, renewable or zero-emission resources, near zero-emission resource, biomethane or natural gas resource, or diesel backup generator or other conventional resource, or any combination of the above)
 - Address where each resource was deployed
 - Total MWh reduced from each resource
 - Amount of incremental increases in demand charges that resulted from participation in the program, if any
 - vi. For each participant enrolled in the capacity payment and bid structure:
 - Participant name
 - Dates, hours, capacity amount, and price for each bid

- Dates, hours, and amount (MW) dispatched by the balancing authority
 - Dates, hours, amount (MW) delivered, and settlement price
- b. Amount of administrative costs being claimed based on the selected administrative cost reimbursement structure described in Section B. DSGS providers seeking reimbursement based on actual incremental costs must provide documentation evidencing claimed administrative costs.
 - c. Documentation evidencing load reduction activities, such as a file of all bids and dispatches that includes customer meter IDs and dates and times of dispatches.
 - d. The economic value of the load reductions provided by DSGS resources and documentation evidencing the value, as described in DSGS Provider Payments to the CEC in Section 4.
 - e. Payee data record (STD-204). If the designated payee has already submitted a complete STD-204 form with a prior reimbursement claim and has received a payment within the past year from the CEC, a new STD-204 is not needed.
 - f. Attestation, submitted under penalty of perjury, that the payment will reimburse eligible incentive payments and administrative costs and to the accuracy and completeness of the information submitted.

3. Reimbursement Claim Review and Approval

If, during the CEC staff review, a complete and timely submitted reimbursement claim package is found to contain minor errors, discrepancies, or omissions, the CEC staff will request clarification from the DSGS provider. The DSGS provider will be responsible for obtaining all information requested by CEC staff from participants to process the request. CEC staff may impose a reasonable deadline for DSGS providers to respond to and provide any information requested under this section.

If the reimbursement claim package demonstrates that a claimed cost is ineligible for reimbursement, CEC staff will not approve the claimed cost.

Payment of approved eligible incentive payments and administrative costs will be made to the payee according to the Payee Data Record (STD-204).

4. Net Incentive Payments

The economic value of the load reductions provided by DSGS resources shall be netted out of reimbursements to DSGS providers, up to \$1,000 per MWh. In addition to the amount (MWh), date, and time of load reductions, DSGS providers may include in the invoice the market settlement price for ISO resources or marginal avoided cost for non-ISO resources. If a DSGS provider does not supply cost data for the load reductions, the CEC shall apply the California ISO day-ahead hourly marginal cost of energy. The net incentive payment to DSGS providers shall be the gross incentive amount less the total economic value of energy provided, defined as the sum of the product of load reductions and price or avoided cost in each interval. This provision is only applicable to DSGS incentive Option 1 and Option 2 described in Chapter 3.

CHAPTER 6:

Administration

A. Effective Date of Guidelines

The DSGS Program Guidelines will take effect only after they have been approved at a CEC business meeting. Once finalized, the CEC will post the adopted DSGS Program Guidelines on its [website](https://www.energy.ca.gov/programs-and-topics/programs/demand-side-grid-support-program), available at <https://www.energy.ca.gov/programs-and-topics/programs/demand-side-grid-support-program>. At that time, the CEC will publicly notice the commencement of the DSGS program to signal the CEC is accepting applications for the program.

Applicants and interested persons may also obtain the program guidelines by contacting DSGS@energy.ca.gov.

B. Interpretation

Nothing in these guidelines shall be construed to abridge the powers or authority of the CEC or any CEC-designated committee as specified in Division 15 of the Public Resources Code, commencing with Section 25000, or Division 2 of Title 20 of the California Code of Regulations, commencing with Section 1001.

C. Compliance and Verification

As a condition of receiving a DSGS incentive, all DSGS providers must agree to provide CEC staff with access to relevant documents to verify details of load reduction activities and confirm that funding is being used to reimburse eligible administrative costs and incentive payments as directed by DSGS Program Guidelines. CEC staff, and its agents, may take various steps, as needed, to ensure compliance with program requirements.

DSGS providers must agree to provide information, access to participant application records, and documentation evidencing load reduction activities as reasonably requested by CEC staff to verify eligibility for DSGS incentives. These steps may include:

1. Requesting relevant documents or other materials from the DSGS provider.
2. Contacting the participant.
3. Contacting the ISO or applicable balancing authority.
4. Performing an audit, as discussed below in Section E.

D. Enforcement

In addition to any other rights the CEC has, the CEC may take any of the following actions necessary to enforce the CEC's rights and program requirements. By applying for funds under this program, DSGS providers agree that any effort to enforce this funding arrangement in court shall have the venue in Sacramento County, and this funding arrangement shall be interpreted in accordance with and governed in all respects by California law.

1. Recovery of Overpayment

In addition to all rights and remedies available to the CEC, the CEC may direct its chief counsel to commence formal legal action against any current or former DSGS provider or participant to recover any portion of an incentive or administrative payment, and any other amounts due under the law, that the CEC's executive director determines the DSGS provider or former DSGS provider was not otherwise entitled to receive.

2. Fraud and Misrepresentation

The executive director may initiate an investigation of any current or former DSGS provider or applicant that the executive director has reason to believe may have misstated, falsified, or misrepresented information in submitting an application, reimbursement request, or any reporting or other information required under the program. Based on the results of the investigation, the executive director may take any action deemed appropriate, including, but not limited to, removal from the program and recovery of any overpayment, and, with the concurrence of the CEC, recommending the Attorney General initiate an investigation and prosecution under Government Code Section 12650, et seq., or other provisions of law.

3. Noncompliance With Guidelines

The CEC may seek remedies for noncompliance with guideline requirements and terms, including but not limited to termination of enrollment, withholding requested payments, recovery of funds, or any other administrative or civil action.

Without limiting any of its other remedies, the CEC may, for eligible DSGS provider's or applicant's noncompliance with any guideline requirements, withhold future reimbursement payments, demand and be entitled to repayment of past reimbursements, and suspend or cancel the DSGS provider's enrollment.

E. Audits

DSGS providers and participants shall keep separate, complete, and correct accounting of the costs involved in participating in this program. The CEC, the Bureau of State Audits, or their authorized agents may audit any applicant or participant to verify compliance with all program requirements, including the accuracy of any information included as part of the application, reimbursement claim, or report required under these guidelines. As part of an audit, a DSGS provider may be required to provide the CEC or its authorized agents with all information and records necessary to verify the accuracy of any information included in the DSGS provider's application, reimbursement claims, or reports. A DSGS provider may also be required to open its business records for on-site inspections and audit by the CEC or its authorized agents to verify the accuracy of any information included therein. An audit may be performed at any time within five years after payment by the CEC of the DSGS provider's final reimbursement payment.

If an audit finds that a DSGS provider has incorrectly stated or falsified information included on the DSGS provider's application, reimbursement claims, or reports, the CEC shall notify the DSGS provider of its findings in writing within 30 days of completing the

audit. Based on the audit results and without limiting any of CEC's other rights, a DSGS provider may be required to refund all or a portion of the DSGS reimbursement payments it has received. In addition, the DSGS provider's enrollment may be terminated and enforcement actions initiated following Section D of Chapter 6: Administration.

F. Authorized Third Parties

Authorized third parties may complete applications on behalf of an eligible DSGS provider but may not sign attestations on their behalf. A letter of authorization from the DSGS provider specifying any authority or responsibility delegated to the third party is required as part of the application package.

G. Records Retention: Use and Disclosure of Information and Records and Confidentiality

Any entity receiving a DSGS payment from the CEC must retain all records required to be submitted to the CEC for a period of five years after the date the project receives its final, or most recent, incentive payment from the CEC. Unless an applicable exception or exemption to public disclosure applies, all documents submitted to the CEC or its technical assistance providers, including as part of any audit, are considered public records subject to disclosure under the California Public Records Act. The CEC or other state agencies may also use any of these documents or information for any purpose, including to determine eligibility and compliance with the DSGS Program, applicable law, or a particular guideline document; evaluate related or relevant programs or program elements; or prepare reports. These documents and information include but are not limited to applications, invoices and any documentation submitted in support of the applications, all incentive deliverables, and documents prepared for other reporting requirements.

If the CEC requires a DSGS provider or participant to provide copies of records that the DSGS provider or participant believes contain confidential, proprietary, or any other information entitled to protection under the California Public Records Act or other law, the DSGS provider or participant may request that such records be designated confidential according to the CEC's regulations for confidential designation, Title 20, California Code of Regulations, Section 2505. If the confidential information within a document can be redacted without removing the portion of the record that is required for verification of compliance with these guidelines, the DSGS provider or participant shall submit versions of documents submitted with the confidential information masked or redacted rather than requesting confidential designation. Questions regarding whether redactions may inhibit verification of compliance with these guidelines should be submitted to CEC staff with sufficient time to resolve the question before reimbursement.

DSGS providers and participants considering confidentiality should note that DSGS funds are subject to information disclosure requirements to ensure transparency. Information concerning the identity of DSGS providers and the amounts provided are public information and will be published in CEC reports and disclosed in response to requests filed under the California Public Records Act. This information, as well as other public

information, may also be disclosed through the CEC's website, another State of California agency website, or through other means. The CEC will not disclose information in this manner that is otherwise protected by the Public Records Act, including qualifying trade secrets or confidential or privileged information, including energy use.

In addition to any other disclosure requirements under the law, the CEC can disclose confidential information and records to other governmental entities, including other local, state, or federal agencies that are funding eligible projects, and law enforcement authorities for civil and criminal investigation and enforcement.

H. Nondiscrimination Statement of Compliance

While participating in the DSGS program, DSGS providers, DSGS participants, and subcontractors will not unlawfully discriminate, harass, or allow harassment against any employee or applicant for employment because of sex, sexual orientation, race, color, ancestry, religious creed, national origin, physical disability (including HIV and AIDS), mental disability, medical condition, age, marital status, or denial of family care leave. DSGS providers, DSGS participants, and subcontractors will ensure that the evaluation and treatment of their employees and applicants for employment are free from such discrimination and harassment.

DSGS providers, DSGS participants, and subcontractors shall comply with the provisions of the Fair Employment and Housing Act (Government Code Sections 12990 et seq.) and the applicable regulations promulgated thereunder (California Code of Regulations, Title 2, Section 11000 et seq.). The applicable regulations of the Fair Employment and Housing Commission implementing Government Code Section 12990 (a-f), set forth in Chapter 5 of Division 4.1 of Title 2 of the California Code of Regulations, are incorporated into these guidelines by reference and made a part of it as if set forth in full. The DSGS provider, DSGS participants, and subcontractors will give written notice of their obligations under this section to labor organizations with which they have a collective bargaining or other agreement.

DSGS providers shall include and shall ensure all subcontractors include the nondiscrimination and compliance provisions in this section in all subcontracts under this program.

I. Drug-Free Workplace Certification

By participating in the DSGS program, the DSGS provider certifies under penalty of perjury under the laws of the State of California that it will comply with the requirements of the Drug-Free Workplace Act of 1990 (Government Code Section 8350 et seq.) and will provide a drug-free workplace by taking the following actions:

1. Publish a statement notifying employees that unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited, and specifying actions to be taken against employees for violations as required by Government Code Section 8355(a).

2. Establish a Drug-Free Awareness Program as required by Government Code Section 8355(b) to inform employees about all of the following:
 - The dangers of drug abuse in the workplace
 - The person's or organization's policy of maintaining a drug-free workplace
 - Any available counseling, rehabilitation, and employee assistance programs
 - Penalties that may be imposed upon employees for drug abuse violations.
3. Provide, as required by Government Code Section 8355(c), that every employee who works on the proposed project:
 - Will receive a copy of the company's drug-free policy statement.
 - Will agree to abide by the terms of the company's statement as a condition of employment on the project.

In addition to any other rights and remedies available to the CEC, failure to comply with these requirements may result in suspension of payments under the DSGS program or termination of participation, and the DSGS provider may be ineligible for any future state awards if the CEC determines that any of the following has occurred: (1) the DSGS provider has made false certification or (2) violates the certification by failing to carry out the requirements as noted above.

J. Americans With Disabilities Act

By participating in the DSGS program, the DSGS provider assures the CEC that it complies with the Americans with Disabilities Act (ADA) of 1990 (42 U.S.C. Section 12101, et seq.), which prohibits discrimination on the basis of disability, as well as applicable regulations and guidelines issued pursuant to the ADA.

K. Air or Water Pollution Violation

This term applies to DSGS providers receiving more than \$10,000. Under state laws, DSGS providers shall not be (1) in violation of any order or resolution not subject to review promulgated by the California Air Resources Board or an air pollution control district, (2) subject to cease and desist order not subject to review issued under Section 13301 of the Water Code for violation of waste discharge requirements or discharge prohibitions, or (3) finally determined to be in violation of provisions of federal law relating to air or water pollution.

L. Prompt Payment

Payment will be made in accordance with the Prompt Payment Act, Government Code Chapter 4.5, commencing with Section 927, which requires payment of properly submitted, undisputed invoices within 45 days of receipt or automatically pay late payment penalties when applicable.

M. Amendments

No amendment or variation of the terms of the agreement between the CEC and DSGS providers shall be valid unless made in writing, signed by the parties, and approved as

required. No oral understanding or agreement not incorporated in the agreement is binding on any of the parties.

The CEC may terminate agreements a DSGS provider without cause upon giving written notice. In this event, the DSGS provider will use all reasonable efforts to mitigate its expenses and obligations.

N. Termination Without Cause

The CEC may terminate agreements with a DSGS provider without cause upon giving written notice. In this event, the DSGS provider will use all reasonable efforts to mitigate its expenses and obligations.

O. Public Works

If a DSGS provider engages in public works or has subcontractors or DSGS participants engage in public works under this program, the DSGS provider shall comply with all applicable public work laws (for example, Labor Code Section 1720 et seq.), a requirement of which is to pay prevailing wages. If an entity engages in public works, then it is subject to compliance monitoring and enforcement by the Department of Industrial Relations.

P. Independent Capacity

In the performance under this program, DSGS providers, DSGS participants, and subcontractors and their respective agents and employees will act in an independent capacity and not as officers, employees, or agents of the CEC or the State of California.

Q. Third-Party Beneficiary

DSGS providers shall ensure every subcontract and agreement with DSGS participants under this program includes a provision indicating the CEC is a third-party beneficiary to the agreement.

R. Travel and Per Diem

1. Any travel for which DSGS providers and subcontractors want to be reimbursed must be preapproved in writing by the CEC before such costs are incurred.
2. The CEC shall only pay travel and per diem up to, but not to exceed, the rates allowed nonrepresented state employees. Current allowable travel reimbursement rates can be obtained from the [Commission's website](http://www.energy.ca.gov/contracts/TRAVEL_PER_DIEM.PDF) at http://www.energy.ca.gov/contracts/TRAVEL_PER_DIEM.PDF.
3. DSGS providers and their subcontractors shall not invoice for or spend, and the CEC shall not pay, any CEC funds for food or beverages other than for allowable per diem charges. DSGS providers and their subcontractors are responsible for any amounts more than this allowed amount.

4. DSGS providers and their subcontractors shall not invoice for or spend, and the CEC shall not pay, any CEC funds for alcohol or travel and meals for non-DSGS, entertainment, or public relations purposes.
5. DSGS providers shall not allow subcontractors to invoice for, and the CEC shall not pay, any funds for a profit amount greater than 10 percent.

S. Flow-Down Requirements

DSGS providers shall flow down in their agreements with subcontractors and DSGS participants, and shall ensure subcontractors flow down in their subcontracts, the requirements in the following terms:

- Compliance and Verification (Chapter 6, Section C)
- Enforcement (Chapter 6, Section D)
- Audits (Chapter 6, Section E)
- Records Retention (Chapter 6, Section G)
- Nondiscrimination Statement of Compliance (Chapter 6, Section H)
- Drug-Free Workplace Certification (Chapter 6, Section I)
- Americans with Disabilities Act (Chapter 6, Section J)
- Air and Water Pollution Violation (Chapter 6, Section K)
- Prompt Payment (Chapter 6, Section L)
- Public Works (Chapter 6, Section O)
- Third-Party Beneficiary (Chapter 6, Section Q)
- Travel and Per Diem (Chapter 6, Section R)
- Flow-Down Requirements (Chapter 6, Section S, this section)
- Survival of Terms (Chapter 6, Section V)
- A provision indicating the person or entity agrees to comply with all applicable laws and DSGS program requirements.

T. Severability

If any provision of these guidelines is unenforceable or held to be unenforceable, all other provisions of these guidelines will remain in full force and effect.

U. Waiver

No waiver of any breach of these guidelines constitutes waiver of any other breach. All remedies in these guidelines will be taken and construed as cumulative, meaning in addition to every other remedy provided in the guidelines or by law.

V. Survival of Terms

Certain provisions will survive the withdrawal of a DSGS provider or participant from the program for any reason. The provisions include but are not limited to:

- Program Payments (Chapter 5)
- Compliance and Verification (Chapter 6, Section C)
- Enforcement (Chapter 6, Section D)
- Audits (Chapter 6, Section E)
- Records Retention: Use and Disclosure of Information and Records and Confidentiality (Chapter 6, Section G)
- Public Works (Chapter 6, Section O)
- Third-Party Beneficiary (Chapter 6, Section Q)
- Severability (Chapter 6, Section T)
- Waiver (Chapter 6, Section U)
- Survival of Terms (Chapter 6, Section V, this section)

Reference Documents

[Assembly Bill AB 205 \(Ting, 2022\)](https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=202120220AB205)

https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=202120220AB205

[California ISO Emergency Notifications Fact Sheet](http://www.caiso.com/Documents/Emergency-Notifications-Fact-Sheet.pdf)

<http://www.caiso.com/Documents/Emergency-Notifications-Fact-Sheet.pdf>

[North American Electric Reliability Corporation Reliability Standard EOP-011-1](https://www.nerc.com/pa/Stand/Reliability%20Standards/EOP-011-1.pdf)

<https://www.nerc.com/pa/Stand/Reliability%20Standards/EOP-011-1.pdf>

Glossary

Key Words and Terms

Word/Term	Definition
Aggregator	An entity that dispatches behind-the-meter load reduction or battery storage discharge of multiple customers for the benefit of a load-serving entity or balancing authority.
Balancing Authority Area	A balancing authority area as defined in Public Utilities Code section 399.12(c).
California ISO or ISO	California Independent System Operator
California Balancing Authority	A California balancing authority as defined in Public Utilities Code section 399.12(d).
CEC	State Energy Resources Conservation and Development Commission, commonly called the California Energy Commission, the Energy Commission, or the CEC
Community Choice Aggregator	Community choice aggregators as defined in Public Utilities Code section 331.1.
Customer(s)	A utility service account representing a home, business, or other entity.
DSGS Program Event	DSGS program events include the standby and dispatch periods described in the DSGS Program Events and Notification Process in Chapter 4, Section C and Section D, and a dispatch pursuant to the requirements outlined in Option 3: Capacity Payment and Bid Structure in Chapter 3, Section C.
DSGS Provider	A retail supplier as defined in Public Utilities Code Section 398.2, except for an investor-owned utility or community choice aggregator, that has enrolled in the DSGS program.
EEA Watch	An Energy Emergency Alert Watch issued by the ISO when analysis shows all available resources are committed or forecasted to be in use, and energy deficiencies are expected. Market participants are encouraged to offer supplemental energy.

EEA 1	An Energy Emergency Alert 1 as defined in the North American Electric Reliability Corporation's Reliability Standard EOP-011-1. A balancing authority issues an EEA 1 when it is experiencing conditions where all available generation resources are committed to meet firm load, firm transactions, and reserve commitments, and is concerned about sustaining its required contingency reserves.
EEA 2	An Energy Emergency Alert 2 as defined in the North American Electric Reliability Corporation's Reliability Standard EOP-011-1. A balancing authority issues an EEA 2 when it is no longer able to provide its expected energy requirements and is energy deficient.
EEA 3	An Energy Emergency Alert 3 as defined in the North American Electric Reliability Corporation's Reliability Standard EOP-011-1. An energy deficient balancing authority issues an EEA 3 when it is unable to meet minimum contingency reserve requirements.
Extreme Event	<p>An extreme event is defined in Public Resources Code Section 25790.5(b) to mean either of the following:</p> <ul style="list-style-type: none"> • An event occurring at a time and place in which weather, climate, or environmental conditions, including temperature, precipitation, drought, fire, or flooding, present a level of risk that would constitute or exceed a one-in-ten event, as referred to by the North American Electric Reliability Corporation, including when forecast in advance by a load-serving entity or local publicly owned electric utility. • An event where emergency measures are taken by a California balancing authority, including when forecast in advance by the California balancing authority.
Investor-Owned Utility (IOU)	As used in this document, investor-owned utilities include Pacific Gas and Electric Company (PG&E), Southern California Edison, and San Diego Gas & Electric Company (SDG&E).
Load Reduction	A decrease in electric demand as measured at a customer meter relative to a counterfactual baseline. Load reductions include behind-the-meter generation or storage discharge that result in negative demand (i.e., exports) except where otherwise prohibited.
Participant	An energy customer or aggregator of customers that has enrolled in the DSGS program through a DSGS provider.

Subcontract	An executed contract between a DSGS provider and a person or entity assisting the DSGS provider in fulfilling the requirements of this program that is not a DSGS participant. It also means any lower tier of sub-subcontract.
Subcontractor	A person or entity that executes a subcontract.
Supply-Side Demand Response	The collection of customers who can reduce their electricity demand so that the combined demand reduction can participate in an electricity market.

Memorandum

To: Docket

Date: **August 8, 2022**

From: **Deana Carillo, Deputy Director**
Renewables Division
California Energy Commission

Subject: Basis for Finding the Demand Side Grid Support Program Guidelines are Exempt under the California Environmental Quality Act

I. CEQA

The California Environmental Quality Act (CEQA) (Pub. Resources Code, §21000 et seq.; see also CEQA Guidelines, Cal. Code Regs., tit. 14, §15000 et seq.) requires that state agencies consider the environmental impact of their discretionary decisions. CEQA allows for certain projects to be exempted from its requirements. Of relevance here, is the common sense exemption (Cal. Code Regs., tit. 14, §15061(b)(3)).

II. The CEC's Demand Side Grid Support Guidelines

The Warren-Alquist Act establishes the California Energy Commission (CEC) as California's primary energy policy and planning agency. Most, if not all, actions taken by the CEC are taken to protect the environment and natural resources, either in the near term with, for example, specific regulatory actions or the long term with, for example, long-term planning and investments in research. The Legislature over the years has made specific findings concluding that the CEC's work in regulating the electricity sector is imperative for environmental protection. Notably, the Legislature has found the following: "it is the responsibility of state government to ensure that a reliable supply of electrical energy is maintained at a level consistent with the need for such energy for protection of public health and safety, for promotion of general welfare, and for environmental quality protection" (Pub. Resource Code, §25001).

Additionally, on June 30, 2022, Governor Newsom signed AB 205 (Ting, Stats. 2022, Ch.61) which requires the CEC to implement and administer the Demand Side Grid Support (DSGS) program to incentivize dispatchable customer load reduction and back-up generation operations as on-call emergency supply and load reduction for the state's electrical grid during extreme events. (Public Resources Code Section 25792 et seq.) Thereunder, the CEC is required to adopt guidelines to implement and administer the program. The CEC has developed the Demand Side Grid Support Guidelines (Guidelines) to carry out this requirement.

In AB 205, the Legislature finds that “California must ensure electricity reliability during this period of heightened risk, which includes extraordinary near-term measures and substantive changes to mid-term energy policy, while also ensuring the multifaceted California electrical grid is best positioned to sustainably and equitably achieve California’s clean energy future, climate targets, and air quality requirements” and provides a fund for the CEC to administer the DSGS program. As discussed below, the main provisions of the program are established by statute. The Guidelines adopt procedures for carrying out these provisions, including enrolling participants, as defined in statute, and for coordinating communication among grid participants to deploy legislatively designated resources upon the occurrence of a defined triggering event. The legislation also includes the general types of resources that are eligible to participate and order in which these resources should be dispatched. No discretion is conferred upon the CEC to define the main program components. Instead, the CEC is directed to adopt guidelines to effectuate voluntary participation of energy customers into the program, and to establish procedures for incentive payments. Under AB 205, the Guidelines need not comply with the Administrative Procedure Act regarding the adoption of regulations.

The legislation provides that eligible participants may be any energy customer in the state except those that are eligible to participate in demand response or emergency load reduction programs offered by entities under the jurisdiction of the Public Utilities Commission. The legislation specifies the priority of resources to be used and the eligible participants. The discretion reserved for the CEC is limited to establishing procedures for enrolling the statutorily defined participants, and procedures for coordinating the engagement of resources when an extreme event occurs. An extreme event is defined in the legislation as “(1) An event occurring at a time and place in which weather, climate, or environmental conditions, including temperature, precipitation, draught, fire or flooding, present a level of risk that would constitute or exceed a one-in-ten event, as referred to by the North American Electric Reliability Corporation, including when forecast in advance by a load-serving entity or local publicly owned electric utility. (2) An event where emergency measures are taken by a California balancing authority, including when forecast in advance by the California balancing authority.”

III. The Proposed Action

The goal of this action is to implement procedures to enroll participants and energy providers into the incentive program so that legislatively identified resources are available for use when the need, as defined in the legislation, arises. The Guidelines describe the scope of the legislation, how energy providers can identify energy customers who wish to participate, the information an eligible customer must provide to the energy provider in order to receive the incentives, how energy customers can provide the demand reduction or generation they wish to make available for use during an extreme event, and how the incentive payments will be delivered. These Guidelines establish procedures amenable to audit, and provide necessary information to enable the CEC to participate in reporting requirements set forth in AB 205.

The Guidelines do not add any substantive requirements above those adopted by the legislature. Nor do the Guidelines supplant existing permit requirements on the operation of existing facilities or act as a permit for the construction of new facilities. All existing permit requirements apply to the operation of any facility that chooses to take part in the program. Additionally, if there is any impact to the environment by either demand reduction activities or

supplemental energy generation activities, they are a result of the decisions by the legislature to incentivize these energy customers to take these actions.

IV. Common Sense Exemption

The development and adoption of these Demand Side Grid Support Guidelines are exempt from CEQA under the common sense exemption. CEQA only applies to discretionary projects that have the potential for causing a significant effect on the environment. (Cal. Code Regs., tit. 14, §15002(i) and §15061(b)(3).) A significant effect on the environment is defined as a substantial, or a potentially substantial, adverse change in the environment, and does not include an economic change by itself. (Pub. Resources Code, §21068; Cal. Code Regs., tit. 14, §15382.) The goal of the proposed Guidelines is to implement, through efficient procedures and auditing requirements, the programmatic use of existing resources, including reduction in use as feasible, directed by the Legislature. These Guidelines do not add to the use of energy generating resources established by AB 205, and therefore have no impact on the environment that is additional to the legislative impact or otherwise discretionary and, thus, subject to CEQA. No significant adverse impacts to the environment have been identified as resulting from this action. For these reasons, adoption of the amendments to the CEC's regulations would not be subject to CEQA under the common sense exemption of section 15061(b)(3).

VI. Conclusion

As shown above, the proposed adoption of the Demand Side Grid Support Guidelines is a regulatory action that would implement the payment for identified demand reduction and emergency response activities as directed in AB 205. As such, it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment and, therefore, this project is exempt pursuant to the common sense exemption under section 15061(b)(3) of the CEQA Guidelines.

STATE OF CALIFORNIA

**STATE ENERGY RESOURCES
CONSERVATION AND DEVELOPMENT COMMISSION**

**RESOLUTION ADOPTING THE
DEMAND SIDE GRID SUPPORT PROGRAM GUIDELINES, FIRST EDITION
(22-RENEW-01)**

WHEREAS, Assembly Bill (AB) 205 (Ting, Statutes of 2022, Chapter 61), added, among other statutes, Public Resources Code section 25792, which directs the California Energy Commission (CEC) to implement and administer the Demand Side Grid Support (DSGS) program to incentivize dispatchable customer load reduction and backup generation operation as on-call emergency supply and load reduction for the state's electrical grid during extreme events using moneys appropriated therefor; and

WHEREAS, AB 205 (AB 205, Ting) appropriated an overall program budget of \$200 million for the DSGS program to provide incentives and to be used for associated mitigation costs; and

WHEREAS, Public Resources Code section 25792 and section 18 of AB 205 provide that the CEC shall develop and adopt regulations, guidelines, or other standards for the program in consultation with California balancing authorities and the California Air Resource Board (CARB) and that the Administrative Procedure Act (commencing with Government Code section 11340) does not apply to regulations, guidelines, or other standards for the program adopted at a CEC business meeting; and

WHEREAS, the CEC has consulted with California balancing authorities and CARB in developing these guidelines; and

WHEREAS, Public Resources Code section 25792 directs the CEC to "allocate moneys to develop a new statewide program that provides incentives to reduce customer net load during extreme events with upfront capacity commitments and for per-unit reductions in net load;"

WHEREAS, Section 18 of AB 205 provides that the CEC may "[u]se any type of third-party block grant or contract with incentive program implementers for the purposes of implementing the program"; and

WHEREAS, Section 18 of AB 205 provides that the CEC may "[a]dvance up to 25 percent of the awarded funds at a time to parties that are eligible for funding for purposes of the program;" and

WHEREAS, Section 18 of AB 205 provides that "[c]ontracts, grants, or loans entered into with these funds shall not require the review, consent, or approval of the Department of General Services or any other state department or agency and do not

need to comply with requirements under the State Contracting Manual, the Public Contract Code, or the contracting requirements of Article 4 (commencing with Section 19130) of Chapter 5 of Part 2 of Division 5 of Title 2 of the Government Code;” and

WHEREAS, Section 18 of AB 205 provides that “[t]hese funds shall be available for encumbrance or expenditure by the [CEC] until June 30, 2026, and shall be available for liquidation until June 30, 2030;” and

WHEREAS, the DSGS Program Guidelines, First Edition, were informed by these requirements and were published in draft form to the DSGS program docket (22-RENEW-01) and emailed to the various email subscription lists, including: Demand Side Grid Support, Joint Agency Report - SB 100, Energy Emergencies in California and Contingency Planning, Energy Emergency Planning, Flexible demand appliances and load management and demand response, on July 20, 2022; and

WHEREAS, CEC staff conducted a public workshop on July 25, 2022, to solicit stakeholder feedback on the DSGS Program Guidelines, First Edition, and accepted written comments from July 15, 2022, through July 29, 2022; and

WHEREAS, having considered public comments on the initial draft of the DSGS Program Guidelines, First Edition, on August 8, 2022, CEC staff published a revised draft of the DSGS Program Guidelines, First Edition, to the DSGS program docket (21-RENEW-01) and to various email subscription lists, including Demand Side Grid Support, Joint Agency Report - SB 100, Energy Emergencies in California and Contingency Planning, Energy Emergency Planning, Flexible demand appliances and load management and demand response; and

WHEREAS, CEC staff has considered the application of the California Environmental Quality Act (CEQA) to the CEC’s adoption of the DSGS Program Guidelines, First Edition, and concludes that these Guidelines are exempt from CEQA under California Code of Regulations, title 14, sections 15061(b)(3).

THEREFORE BE IT RESOLVED, the CEC has considered the application of the California Environmental Quality Act (CEQA) to the proposed regulations and finds that its adoption is exempt from CEQA requirements pursuant to the “common sense” exemption (CEQA Guidelines, § 15061, subd. (b)(3)) because there is no possibility that the proposed regulations may have a significant effect on the environment, and nothing in the record suggests otherwise; and

FURTHER BE IT RESOLVED, after considering all comments received, and based on the entire record of this proceeding, the CEC hereby adopts the DSGS Program Guidelines, First Edition as published on August 5, 2022, and incorporating any changes presented and adopted today along with any non-substantive changes such as typographical errors. We take this action under the authority of sections 25213 and 25218(e) of the Public Resources Code and Section 18 of Assembly Bill 205 (Ting, stats. 2022, ch. 61); and

FURTHER BE IT RESOLVED, that the CEC delegates the authority and directs CEC staff to take, on behalf of the CEC, all actions reasonably necessary to implement the DSGS program as specified in the DSGS Program Guidelines, First Edition, including entering into contracts for the disbursement of money in accordance with the Guidelines and verifying compliance with program and contract requirements and, if necessary, making grammatical or other non-substantive changes to the DSGS Program Guidelines, First Edition.

CERTIFICATION

The undersigned Secretariat to the CEC does hereby certify that the foregoing is a full, true, and correct copy of a Resolution duly and regularly adopted at a meeting of the CEC held on August 10, 2022.

AYE:

NAY:

ABSENT:

ABSTAIN:

Liza Lopez
Secretariat