

DOCKETED

Docket Number:	22-RENEW-01
Project Title:	Reliability Reserve Incentive Programs
TN #:	269219
Document Title:	CESA Comments on 2026 Draft DSGS Program Guidelines
Description:	N/A
Filer:	Karolina Maslanka
Organization:	California Energy Storage Alliance
Submitter Role:	Other Interested Person
Submission Date:	3/16/2026 3:22:32 PM
Docketed Date:	3/16/2026

March 16, 2026

Via electronic submission

Docket Unit
California Energy Commission
715 P Street
Sacramento, CA 95814

Re: Docket #22-RENEW-01 – California Energy Storage Alliance Comments on Revised Proposed Draft DSGS Program Guidelines, 5th Edition

Dear California Energy Commissioners and Staff,

The California Energy Storage Alliance (CESA) respectfully submits these comments on the California Energy Commission’s Draft DSGS Program Guidelines (Fifth Edition), issued February 27, 2026.

I. Introduction

CESA represents a broad coalition of storage developers, manufacturers, aggregators, and project financiers with a shared interest in seeing California’s customer-sited storage resources fully and fairly integrated into the state’s clean energy and reliability programs.

CESA appreciates the CEC’s ongoing work to refine the DSGS program. California’s grid increasingly depends on distributed storage to provide reliable, flexible capacity, and well-designed program guidelines are essential to sustaining and growing that resource base. At the same time, several provisions in the Draft Guidelines would, if adopted as written, create serious barriers to storage participation that are inconsistent with the state’s energy goals. CESA generally supports the direction of the Fifth Edition but offers the following recommendations:

- The December 31, 2025, permission-to-operate (PTO) cutoff should be removed from Options 2, 3, and 4;
- The measured baseline methodology for Option 3 should be revised to avoid inflating the counterfactual baseline;
- The dual-compensation prohibition language in Sections 2.b.ii and 2.c should be removed to avoid participation uncertainty.

II. The December 31, 2025, Permission-to-Operate Cutoff Should Be Removed

The Draft Guidelines restrict participation in Options 2, 3, and 4 to storage systems that received permission-to-operate (PTO) on or before December 31, 2025. CESA urges the CEC to remove this requirement entirely.

Storage deployment timelines in California are shaped by factors largely outside developers’ control, including interconnection queue positions, utility permitting backlogs, and supply chain

constraints. A hard December 31, 2025, PTO deadline means that systems fully financed, designed, and constructed but receiving PTO in early 2026 are categorically excluded from every available participation pathway. There is no fallback option, and the result is a cliff that penalizes new storage investment at precisely the moment California needs accelerating deployment.

The CEC's stated rationale for this restriction is pending trailer bill language that could sunset the program. That justification is unpersuasive. The legislation has not yet passed, and even if it does, permitting recently energized resources to enroll does nothing to conflict with a future program transition. The program's budget constraints will themselves naturally limit enrollment growth, making an arbitrary PTO date both unnecessary and counterproductive. Aggregators may also lack direct visibility into individual customer PTO dates, meaning compliance verification would require case-by-case coordination with utilities, adding administrative burden with no policy benefit.

CESA recommends the CEC remove the PTO cutoff requirement and allow all otherwise eligible resources to enroll, consistent with available budget allocations.

III. The Measured Baseline Methodology for Option 3 Should Be Revised to Avoid Inflating the Counterfactual Baseline

CESA is concerned that the measured baseline methodology for Option 3 requires aggregations to construct their baseline using the *highest-discharge* non-event days within a 30-day lookback window. Specifically, the Draft Guidelines instruct aggregators to identify ten preceding eligible non-event weekdays (or five weekend/holiday days) and then, among those selected days to choose the hours from those days with the highest hourly battery discharge to calculate the baseline average for each hour of the event. As an initial matter, for entities that do not opt-in to allowing the CEC to call test events, Step 2 seems superfluous since the number of days selected in Step 1 is the same as the number of "high discharge" hours an associated days selected in Step 2. In other words, while Step 2 appears intended to discard some subset of days and hours from those selected in Step 1, because "*m*" and "*n*" are the same for customers that choose to call their own test events, there would be no subset of days/hours to choose from. All days and hours will be selected and used to calculate the baseline, rendering the directive in Step 2 to "select the *n* days with the highest hourly Discharge for the aggregation *a* during hour *h*" meaningless as all days/hours will be selected. However, this notwithstanding, and recognizing that some entities may opt-into having the CEC call their test events (pursuant to which they would be subject to a 5-in-10 or 3-in-5 baseline), CESA feels the approach is unduly conservative and complicated. In those instances where a subset of days and hours is being chosen from eligible baseline days, selecting the highest-dispatch days and hours as the basis for the baseline will artificially inflate the counterfactual level of discharge that would have occurred absent a DSGS event.

An inflated baseline directly reduces the measured "net discharge" attributed to DSGS events and therefore undercounts the incremental grid support provided by participating storage resources. Batteries are frequently dispatched on non-event days for legitimate purposes such as bill management, backup preparedness, and participation in other market signals. Using the highest-dispatch days as the baseline reference point effectively assumes this elevated operational level would persist during DSGS events even in the absence of the program.

To address this CESA recommends constructing the baseline from a representative set of recent similar days (for example, to construct the baseline use the trailing 10 days (for events called on weekdays) and trailing 5 day (for events call on weekends/holidays) and calculate the average hourly discharge across these days for each hour corresponding to each hour of the event). “Similar” days that can be selected should explicitly exclude outlier conditions such as widespread outages or abnormal dispatch behavior. This approach should apply to all aggregators, regardless of whether they opt-in to allowing the CEC to schedule and call their test events.

IV. Dual Compensation Language in Sections 2.b.ii and 2.c Should Be Removed to Avoid Participation Uncertainty

The Draft Guidelines impose a broad dual-compensation prohibition that bars DSGS compensation if a resource receives compensation for the same load reduction through any other program. CESA understands and supports the underlying policy goal of preventing double-counting of the same incremental discharge. However, the provision as written creates compliance uncertainty that will chill participation by customers who rely on multiple value streams.

The language is ambiguous regarding common arrangements: customers taking service under time-of-use rates, participating in NEM 3.0 or Net Billing Tariff (NBT) programs, or receiving SGIP incentives. If the prohibition is interpreted to render such customers ineligible, rather than simply preventing double-billing of the same dispatch increment, it would effectively exclude a substantial portion of California’s deployed residential and commercial storage fleet from the program. The provision is located in the “Eligible DSGS Participants” section of the guidelines, which heightens the risk that it will be read as an eligibility bar rather than a compensation attribution rule.

CESA urges the CEC to remove the language in Section 2.b.ii to eliminate any confusion. In light of the other provisions in the handbook, including replacing the prescriptive baseline with a measured baseline for Option 3 resources, which are specifically intended to prevent double compensation, the Section 2.b.ii language is unnecessary as the intent is fulfilled regardless.

CESA also urges the CEC to remove the language in Section 2.c which states, “Eligibility to participate in both the DSGS Program and other utility, CCA, or state programs will be reevaluated each year and guidance may be updated to ensure participation in the DSGS Program is consistent with the dual-compensation prohibition described above.” In the absence of language clarifying that any changes to eligibility restrictions apply only on a prospective basis to future program years, assuming the DSGS continues beyond 2026, this provision creates the risk that the CEC could revise the eligibility rules and apply those changes retroactively when assessing resource performance for the 2026 program year. Such retroactive application would create an unacceptable level of uncertainty for participating resources and aggregators.

V. Conclusion

CESA appreciates the CEC’s continued commitment to strengthening the DSGS program and welcomes the opportunity to engage further on these and related issues.

Respectfully submitted,

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March 16, 2026