

DOCKETED

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**Qcells' Comments on the Proposed Draft DSGS Program
Guidelines, 5th Edition**

Additional submitted attachment is included below.

California Energy Commission
715 P Street
Sacramento, CA 95814

March 16, 2026

Re: Docket 22-RENEW-01, Reliability Reserve Incentive Programs, Proposed Revised Draft Demand Side Grid Support (DSGS) Program Guidelines, Fifth Edition

Dear Commissioners and Staff:

Hanwha Q CELLS America Inc ("Qcells") is a global leader in clean energy, manufacturing high-efficiency solar photovoltaic (PV) modules and battery energy storage systems. Building on its manufacturing strength, Qcells also delivers end-to-end energy solutions, including financing, installation, and operations and maintenance for residential, commercial, industrial, community-scale, and utility-scale solar and energy storage projects.

In California, Qcells provides residential solar and solar-plus-storage solutions as a third-party owner (TPO) through its EnFin platform, enabling homeowners to access clean energy with minimal upfront cost. Qcells also operates Virtual Power Plant (VPP) portfolios that aggregate energy storage systems to provide grid services, offering valuable insights into customer behavior and technology performance under various VPP program structures. Qcells has enrolled more than 5,000 households in the Demand Side Grid Support (DSGS) program, as of February 2026.

Qcells respectfully submits this comment in response to the California Energy Commission's (CEC) Proposed Revised Draft DSGS Program Guidelines, Fifth Edition, limited to Participation Option 3: Market-Aware Storage Virtual Power Plant Pilot.

I. Measured Baseline: Selecting “Highest Discharge” Baseline Days Will Systematically Depress Net Discharge and Penalize Performance

CEC staff proposes to replace the prescriptive baseline with a day-matching, non-event-day measured baseline (10-in-10 weekdays, 5-in-5 weekends and holidays)¹ for Participation Option 3. Our preferred approach is to retain the existing prescriptive baseline framework currently specified in the draft guidelines (including the existing prescriptive baseline formulas that apply to certain stationary storage resources, and the existing zero-baseline treatment for other batteries). This approach is administrable, predictable, and consistent with how Option 3 has been structured to date in the draft.

If the CEC proceeds with a measured baseline, we respectfully recommend that the proposed day-selection rule should be revised because, as currently proposed, it does not estimate typical non-event behavior. Under the draft, $\text{Net Discharge} = \text{Discharge} - \text{MBaseline}$, and the measured baseline methodology selects, for each event hour, the baseline days as the n days with the highest hourly Discharge in the eligible lookback window. A measured baseline is intended to represent typical non-event behavior. However, selecting the “highest discharge” days does not estimate typical behavior; it intentionally constructs a conservative, upper-bound baseline for each hour. Because the program defines performance as Discharge minus Baseline, this upper-bound selection systematically reduces Net Discharge and can under-credit genuine incremental response during called events.

Separately, by making the baseline depend on the highest non-event discharge days, the rule can discourage operational behaviors from VPP Aggregators that improve reliability readiness—e.g., non-event operational exercises to validate

¹ Revised Proposed Draft DSGS Program Guidelines, 5th Edition (~~underline-strikethrough~~), p. 32

dispatch and communications—because higher non-event discharge becomes a larger subtraction term in future event performance. This creates a misalignment between Option 3's reliability purpose and the incentives created by the baseline rule.

Furthermore, this approach differs from baseline methodologies already in place in the state of California and used in California ISO (CAISO) demand response programs. For context, CAISO's day-matching baselines are generally constructed using recent non-event days to estimate typical non-event behavior, rather than selecting baseline days based on the highest observed output. For instance, CAISO's Five-in-Ten baseline is generally determined using the last five non-event days within a 45-day lookback window, with a capped bidirectional day-of adjustment; a fixed, transparent approach intended to estimate typical non-event behavior and incentivize demand response participation.² Hence, we respectfully recommend that the CEC revise Step 2 of the measured baseline calculation to avoid selecting the n days with the highest hourly discharge, and thereby constructing an upper-bound MBaseline that mechanically depresses Net Discharge.

The draft further provides that CEC staff may audit baseline integrity by comparing the Step-3 MBaseline against an alternative MBaseline computed for "other similar n days" in the month; if the alternative baseline exceeds Step-3 by 10% or more, the aggregation is excluded from receiving compensation for that month. Because "other similar n days" is not defined, audit outcomes could vary materially depending on how those days are selected. We also request that the CEC define the 'other similar n days' selection criteria used for the alternative MBaseline audit (day-type, lookback window, exclusions) so providers can replicate the calculation, and the 10% month-exclusion threshold is predictable.

² CAISO, Business Practice Manual for Demand Response (Clean), Version 3 (Apr. 1, 2020), Section 2.1 (Product Overview)

II. Eligibility and Enrollment Timing: PTO Cutoff Should Not Prevent Practical “As-They-Come” Enrollment Within an Eligible Provider’s Cap

CEC staff proposes to require that storage participating in Participation Option 3 have a host-utility permission-to-operate date on or before December 31, 2025.³ We understand and support the CEC’s objective of budget certainty for the 2026 season. However, an across-the-board PTO cutoff is not necessary to achieve that goal and can unintentionally reduce program effectiveness. In our experience operating storage VPPs, enrollments typically continue to ramp during the May–October season as additional sites become operational and ready for participation; under the proposed eligibility rule, otherwise eligible sites that come online during the season would be excluded solely due to PTO date—even if the provider remains within the CEC-assigned 2026 cap.⁴

We respectfully recommend that the Guidelines should allow enrollment of additional Option 3 sites regardless of PTO date, subject to all other Option 3 requirements and reporting obligations, including the eligible provider’s temporary 2026 program year cap.

III. Test Events: CEC-Called Test Events and Limited Notice/Rescheduling Flexibility Create Operational Risk

The draft Participation Option 3 provisions require that if a full-duration day-ahead event does not occur in a participation month, the aggregator must run a full-duration test event, and must notify the CEC of planned test events no later

³ Revised Proposed Draft DSGS Program Guidelines, 5th Edition (~~underline-strikethrough~~), p. 27

⁴ Revised Proposed Draft DSGS Program Guidelines, 5th Edition (~~underline-strikethrough~~), APPENDIX A: Participation Options 2, 3 and 4 – Selected Topics

than 3:00 p.m. the preceding day (including providing the planned hours, UDC territory, and nominated duration).⁵

When aggregators select their own test events, they can make a reasonable “go/no-go” decision if there is an unforeseen outage or other operational issue. Under a CEC-called construct—combined with the 3:00 p.m. day-ahead notice requirement—aggregators have limited practical ability to call off and reschedule a test event without performance impact or other adverse consequences, even when the issue is outside the aggregator's control.

We respectfully suggest that if CEC retains a “CEC-called test event” construct, the Guidelines should explicitly provide an operational off-ramp: clear standards for when a test event may be cancelled or rescheduled after the 3:00 p.m. notice (e.g., verified outage or communications/control failure affecting a material portion of the aggregation), and confirmation that such rescheduling will not create performance penalties or reduce compensation eligibility for that month.

IV. Conclusion

We appreciate the CEC's continued work to refine DSGS Participation Option 3 and align program design with program funding and demonstrated performance. We respectfully request targeted modifications and clarifications to (1) avoid a measured baseline day-selection rule that mechanically depresses Net Discharge, (2) clarify that within-season enrollment for eligible providers can continue under the program's reporting structure and funding caps, and (3) provide operational flexibility and clarity for CEC-called test events.

⁵ Revised Proposed Draft DSGS Program Guidelines, 5th Edition (~~underline-strikethrough~~), p. 31

Respectfully Submitted,

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