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VIA CEC Docket Submittal

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

RE: CEC Docket No. 22-RENEW-01 Ava Community Energy Comments on Draft Demand Side Grid Support Program Guidelines, 5th Edition

Ava Community Energy (“Ava”) appreciates the opportunity to provide comments on the Revised Proposed Draft Demand Side Grid Support (“DSGS”) Program Guidelines, 5th Edition (“Draft Guidelines”), docketed on February 27, 2026. Ava commends the California Energy Commission (“CEC”) for the thoughtful development of the Draft Guidelines and the continuation of DSGS despite budget challenges.

Ava is launching its solar and storage program, SmartHome Battery,¹ beginning in March 2026. SmartHome Battery will spur new adoption of solar and battery storage and help support California’s grid during emergencies. Residential participants in SmartHome Battery will receive an upfront incentive to offset the initial cost of installing batteries and ongoing incentive payments to encourage customers to keep their batteries enrolled and available for response to grid events.² Ava is eager to deploy its aggregation of residential batteries to support the state’s electrical grid during extreme events through participation in DSGS.

Ava urges the CEC to open participation in DSGS Option 3 to new entrants and remove the requirement that battery storage participating in DSGS Options 2, 3, and 4 have a permission-to-operate date on or before December 31, 2025.

¹ See [Ava SmartHome Battery](#).

² Staff Report Item 12, [Adopting a Resolution Authorizing the Use of Previous Budget Allocation and Program Design for the SmartHome Battery and Resilience Hub Programs](#), from JP Ross, Vice President Local Development to Ava Community Energy Authority (November 19, 2025), p. 7.

Additionally, Ava seeks to clarify the application of the updated dual compensation prohibition guidelines described in the Draft Guidelines to the following:

- DSGS providers (without direct pass-through to participants)
- Compensation for *availability* for export
- Bill savings due to reduction in electricity consumption and/or switch to an electrification time-of-use rate plan
- Compensation for exports via Net Energy Metering (“NEM”) and Net Billing Tariff (“NBT”)

Expand DSGS Option 3 to Allow New Participants

The Draft Guidelines limit participation in DSGS Option 3 for the 2026 program season to “storage VPP aggregators that participated in October 2025.”³ Ava urges the CEC to remove this restriction on participating aggregators and allow new participants in the 2026 program season. Ava has designed its solar and storage program, SmartHome Battery, with the intention of participating in DSGS Option 3. Ava anticipates aggregating a storage VPP with a nameplate capacity of 150-250 kW by the start of the DSGS program season in May 2026 and expects to exceed 300 kW by July 2026 to be eligible to participate in DSGS Option 3. Without advanced notice of this restriction on participating aggregators, Ava is left without a significant source of revenue for its program.

In the March 9, 2026 workshop on the 5th Edition DSGS Program Draft Guidelines, CEC Reliability, Renewable Energy and Decarbonization Incentives Division Director Deana Carrillo acknowledged that entities have developed programs in response to the success of DSGS, and that the program is in a unique situation due to budget constraints.⁴ If it is not possible to expand participation in DSGS Option 3 to new aggregators given budget constraints, Ava suggests adding language to Chapter 5, Section C of the Draft Guidelines describing a process to expand participation if additional funding becomes available through the 2026-2027 budget process. Ava provides the below draft language for the CEC’s consideration, with suggested added language underlined:

“In the 2026 program season, \$21.05 million is available to fund Option 3 performance-based capacity payments. If additional funding becomes available through the 2026-2027 budget process, up to \$42.7 million is available for Option 3. The available Option 3 fund will be subdivided into separate funding set asides for residential and non-residential customer class aggregations based on the ratio of the total compensation for each class in October 2025 (as determined in the Option 3 Compensation Allocation Method described in Appendix A). Participation in 2026 season is limited to storage VPP aggregators that participated in October 2025. If additional funding becomes available through the 2026-2027 budget process, participation in the 2026 season is open to all”

³ Draft Guidelines, 22-RENEW-01 (February 27, 2026), p. 28.

⁴ See [recording of Staff Workshop on the Demand Side Grid Support \(DSGS\) Program Draft Guidelines, Fifth Edition](#) at 00:54:23.

storage VPP aggregators, not limited to those that participated in October 2025.”

Permission-to-Operate Date

The Draft Guidelines also require that battery storage participating in Options 2, 3, and 4 have a permission-to-operate date on or before December 31, 2025. With the expiration of the Residential Clean Energy Credit on December 31, 2025,⁵ the closeout of ratepayer-funded Self-Generation Incentive Program (“SGIP”) on December 30, 2025,⁶ and the near-exhaustion of the Residential Solar and Storage Equity SGIP funds as of February 20, 2026,⁷ limiting participation of batteries in DSGS to those with a permission-to-operate date on or before December 31, 2025 further adds to the already-steep drop in value for new battery storage installations.

To preserve momentum in new battery storage installations in California despite the expiration or exhaustion of federal and state incentives, Ava urges the CEC to allow all new batteries to participate in DSGS by eliminating the requirement for battery storage participating in DSGS Options 2, 3, and 4 to have a permission-to-operate date on or before December 31, 2025.

Dual Compensation Prohibition Guidelines

Chapter 2, Section A.2.b.ii. of the Draft Guidelines dictate that:

“A [DSGS] participant is not eligible to receive compensation if the participant’s load-reduction resource with the DSGS provider...[r]eceives payment or compensation including, but not limited to, incentives, bill savings, bill credits, and other forms of compensation or credits, for the same reduction in use of electricity or energy export, through any other utility, CCA, or state program, including retail tariffs, except critical peak pricing rate plans.”⁸

Ava seeks to clarify whether the dual compensation guidelines apply only to program participants, or if they apply to DSGS providers as well. For example, as currently written, if a DSGS provider receives compensation for participation in DSGS but does not pass any compensation directly to participants in its aggregation, they would not be in violation of the guidelines. Ava requests the CEC revise Chapter 2, Section A.2.b.ii. to clarify the intended dual compensation policy.

Additionally, Ava seeks to clarify whether the following forms of “payment or compensation” are considered prohibited for DSGS participants under the updated dual compensation guidelines.

⁵ 26 U.S. Code § 25C.

⁶ D.25-12-003, *Decision Returning Self-Generation Incentive Program Funds to Ratepayers and Implementing the Greenhouse Gas Reduction Fund Self-Generation Incentive Program and Other Program Modifications*, R.20-05-012 (December 5, 2025), p. 56–57, at Conclusions of Law 2.

⁷ *Assigned Commissioner’s Ruling on Enhancing Verification of Self-Generation Incentive Program Total Eligible Project Cost Before Distributing Incentive Payments*, R.20-05-012 (February 20, 2026), p. 1.

⁸ Draft Guidelines, 22-RENEW-01 (February 27, 2026), p. 4.

Compensation for Availability for Export

Ava's solar and storage program, SmartHome Battery, will provide ongoing incentive payments to participants for their availability to export electricity in response to grid reliability events. Participants in Ava SmartHome Battery will receive these incentives regardless of if they are called to respond to any events. Thus, Ava does not see this participation incentive as compensation for "the same reduction in use of electricity or energy export" for DSGS, as stated in the Draft Guidelines.

Ava urges the CEC to revise Chapter 2, Section A.2.b.ii. of the Draft Guidelines to clarify that incentive payments for the *availability* for export are not equivalent to compensation directly for exports, and therefore participants receiving payments for availability are also eligible to receive compensation through DSGS. If these two types of payments are conflated, it would prevent Ava from being able to support the state during grid emergencies through DSGS.

Bill Savings Due to Reduction in Electricity Consumption and/or Switch to Electrification Rate

In most cases, the installation of new solar or solar paired with storage will reduce a customer's total electricity consumption, compared to before the new systems were installed. This results in savings in the customer's electricity bill, regardless of the customer's participation in DSGS. Additionally, customers who adopt electric technologies may switch to an electrification-specific time-of-use rate plan,⁹ which can result in bill savings from the customer's shifting of electricity consumption throughout the day. As the Draft Guidelines are currently written, it is unclear if the customer in either of the situations described would be precluded from participating in DSGS.

Ava recommends that the CEC revise Chapter 2, Section A.2.b.ii. of the Draft Guidelines to clarify that bill savings from the installation of solar or solar and storage due to reduced electricity consumption and/or switching to an electrification rate schedule are not considered dual compensation for a DSGS participant.

NEM and NBT

NEM and its successor, NBT, are retail tariffs that compensate customers with onsite generation for excess generation exported to the grid. For a customer participating in DSGS, it is likely that a portion of their electricity export or reduction in consumption would have occurred regardless of their participation in DSGS. Thus, it is important to identify a distinct change in a customer's electricity export or consumption profile in response to DSGS and avoid dual compensation only for the portion that is *incremental* due to dispatch in response to a DSGS event.

Chapter 5, Section E.3. of the Draft Guidelines define a process to determine the Measured Baseline of an aggregation for the purposes of calculating performance-based compensation.¹⁰ This process calculates the non-event-day baseline that reflects typical electricity export or

⁹ See, e.g., [PG&E Electric Schedule E-ELEC](#).

¹⁰ Draft Guidelines, 22-RENEW-01 (February 27, 2026), pp. 31–32.

consumption in the absence of DSGS events, which is netted out when calculating the Net Discharge of the aggregation. Demonstrated Capacity is then calculated based on the Net Discharge, and performance-based compensation is paid out to aggregators based on Demonstrated Capacity. Thus, DSGS is already designed to pay participants only for electricity export or reduction in consumption incremental to the Measured Baseline, and the CEC has already sufficiently addressed and mitigated the risk of dual compensation for NEM and NBT customers.

The vast majority of customers with behind-the-meter solar and storage are on NEM or NBT. Customers cannot selectively opt in to NEM or NBT for certain energy reductions or exports, and DSGS for other energy reductions or exports. NEM and NBT customers' storage systems are typically set up to reduce load during on-peak hours and export electricity to the grid during hours of high "Energy Export Credits." DSGS event hours are likely to overlap with hours in which customers are already incentivized to reduce load and export energy. However, virtually zero customers would be eligible to participate in DSGS if NEM and NBT are excluded.

As such, Ava recommends CEC revise the language in Chapter 2, Section A.2.b.ii. regarding prohibition of participants receiving compensation through retail tariffs to clarify that customers are eligible to participate regardless of their NEM or NBT status. Ava also recommends the CEC be more robust and comprehensive in the specific programs that are excluded in Chapter 2, Section A.2.b.i. Upfront clarity will provide better guidance to the market and reduce operational complexity and the CEC resources needed for due diligence down the road.

Conclusion

In summary, Ava recommends revising the Draft Guidelines to allow for new participants in DSGS Option 3, remove the permission-to-operate date requirement for battery storage participation, and clarify and specify the dual compensation prohibition guidelines to ensure reasonable but not overly broad prevention of dual compensation. Thank you for your consideration of our comments. Please contact Claire Huang (chuang@avaenergy.org) if you have any questions.

/s/ Claire Huang

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