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**CALSSA Comments on February 27 Draft DSGS Guidelines, Fifth Edition**

*Additional submitted attachment is included below.*



March 16, 2026

California Energy Commission  
Docket Unit, MS-4  
715 P Street  
Sacramento, CA 95814

Re: Docket No. 22-RENEW-01—Comments on February 27 Draft DSGS Guidelines, Fifth Edition

California Energy Commissioners and Staff:

On February 18 and February 27, 2026, the CEC released proposed draft Demand Side Grid Support (DSGS) Program Guidelines, Fifth Edition. The California Solar & Storage Association (CALSSA) appreciates the opportunity to provide these comments in response to the new draft guidelines. Our comments focus on proposed changes to Option 3 from the perspective of CALSSA members that are current providers and participants in DSGS Option 3.

## ***1. Introductory comments***

Under the CEC's leadership, DSGS has proven itself over a very short time to be a well-designed and scalable reliability program. Option 3 in particular has shown the remarkable growth potential of a program that activates the huge resource of customer-sited energy storage.

CALSSA appreciates having had the opportunity to give input into the design of DSGS and especially Option 3 over the past few years. CALSSA members are a significant number of the Option 3 providers, and we speak from direct experience with both this program and others that are less successful at engaging customer energy storage as grid assets.

For years industry representatives and others have told policy makers that design, enrollment, and other obstacles were the main reason that up to gigawatts of customer-sited batteries sat on the sidelines instead of participating in existing programs—particularly under the demand response paradigm. The DSGS Option 3 fleet tapped into that sidelined resource and made it both a substantial reliability solution for California's grid and a model for the world.

It is extremely regrettable that additional funding has not been provided yet to continue DSGS. The current proposed draft guidelines reflect the unfortunate circumstance of needing to adapt a program that has potential to keep growing dramatically to a limited amount of available funding. We hope that our comments assist the CEC in its efforts to make the 2026 season successful, as we also hope that additional funding is provided in the 2026-2027 budget year.

## ***2. Option 3 measured baseline methodology***

The draft guidelines propose changing the method of measuring performance in Option 3 to incorporate a measured baseline. If the CEC changes to a measured baseline, the baseline

methodology should be workable and appropriate to achieve the program goal of compensating performance that is incremental, that is, performance that is above what would be expected in the absence of an event on the day in question.<sup>1</sup>

The methodology proposed by the CEC intends to create that counterfactual by comparing event behavior with non-event-day behavior. To best reflect that counterfactual, the methodology should identify typical behavior on non-event days. The methodology set out in the guidelines does not do that.

Preliminarily, at the workshop several participants identified some confusion in the steps laid out in the guidelines for calculating the measured baseline. As drafted, Steps 1 and 2 do not work together, because both the  $m$  eligible days and  $n$  baseline days are defined as 10 days for weekday non-holiday events and 5 days for weekend/holiday events. As the CEC considers how to change the methodology to address this, it should consider the following concerns.

First, Step 2 would select days with the highest hourly discharge for the baseline. This means that the days selected will not represent typical non-event day performance, and instead they will represent the most extreme days of the eligible baseline days in terms of discharge behavior. That will inflate the baseline and depress performance in a way that is not representative of incremental behavior compared with typical non-event day behavior.

Second, as we understand the guidelines, Step 2 would select different days with the highest discharge for each hour. This would exacerbate the non-representative result discussed above.

For these reasons, the proposed methodology should be replaced with a methodology that will better achieve the goal of comparing event behavior with typical non-event-day behavior.

Instead of creating a new methodology, the CEC should use an established methodology for measuring the baseline. We recommend using a 10-in-10 (weekday) and 5-in-5 (weekend/holiday) methodology.<sup>2</sup> This will not only avoid problematic results like those discussed above, but will allow more straightforward, apples-to-apples comparison with other programs. For example, the steps below would be used for weekday events.

**Step 1:** From the 30 calendar days before the event date, identify the 10 days closest to the event date that meet these eligibility criteria:

- It is a similar day type to the event day (weekday non-holiday)
- There was no Option 3 event of any kind of that aggregation on the day

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<sup>1</sup> There are valid reasons both for retaining the existing prescriptive baseline and for changing to a measured baseline, and CALSSA is not taking a position on whether Option 3 should change to a measured baseline.

<sup>2</sup> This method is consistent with the methodology for Group A of the Emergency Load Reduction Program and for Proxy Demand Resources in the CAISO Demand Response Business Practice Manual.

- There are no other disqualifying criteria for that day<sup>3</sup>

**Step 2:** For each event hour of the event, calculate the average discharge across the baseline days selected in Step 1 to determine the hourly measured baseline for each hour of the event.

### ***3. Option 3 baseline audit, alternative baseline, and CEC-called test events***

The draft guidelines include a proposal for CEC staff to audit the integrity of an aggregation's baseline by selecting an alternative baseline and excluding the aggregation from receiving compensation if the alternative baseline exceeds the calculated baseline by 10% or more. The CEC should omit this audit requirement in the final guidelines.

Again, the goal of the measured baseline should be to identify typical behavior against which to measure event performance. The approach in the methodology should not be to identify the highest possible baseline for purposes of comparison, yet the audit would penalize aggregators if the baseline does not do that. Moreover, a variance of 10% is a low threshold that easily could penalize aggregators for expected and reasonable levels of variation in discharge on different non-event days, depending on common factors such as different levels of energy consumption or solar generation. The CEC should establish a single reasonable baseline methodology and not include a requirement that second-guesses that methodology.

The draft guidelines also propose that aggregators be able to opt for a shorter baseline and not be subject to the audit if they agree to have the CEC call test events. The CEC should omit the option for an alternative baseline and CEC-called test events.

First, providing for some aggregators to use an alternative methodology will impede the ability to compare performance among aggregations. All aggregators should be measured by the same yard stick, for comparability and fairness.

Second, the CEC should not call test events. Providers have established processes for calling test events, and changing processes to account for this change will create new administrative costs that are unnecessary to meet the goals for this guideline revision.

Third, the guidelines do not set out the methodology for the alternative shorter baseline. While CALSSA recommends that no alternative baseline should be included in the guidelines, the lack of a clearly stated methodology makes it challenging to offer additional comments on the proposal—and for providers to determine whether to opt for that alternative baseline.

A final concern is that both the audit and CEC-called test events increase the administrative costs that would be incurred by the CEC and the program administrator. In a year with limited funding, the CEC should not add these new requirements to its workload.

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<sup>3</sup> CALSSA agrees with Tesla that days with conditions such as grid outages during event hours or days for which data are lacking should be excluded from eligible days.

#### **4. *New language regarding dual-compensation prohibition***

The CEC proposes adding new language in Chapter 2, Section A.2.b and c, regarding dual compensation and eligibility to participate in DSGS. This language should not be included in the final guidelines. The existing language was sufficiently clear, and these changes are not needed.

Further, while we recognize that the CEC's intention in including this language is to clarify the requirement of incrementality and a prohibition on dual compensation, the discussion at the workshop on March 9 indicated that there is substantial concern that this language can be interpreted to mean more than the CEC intended. In fact, the new language in Section A.2.b.ii could be read to mean that customers on a retail tariff are not eligible to participate in DSGS at all. That is especially true because this language appears under the heading "Eligible DSGS Participants." This risk is not trivial, as shown by the workshop discussion.

The new language in Section A.2.c is of even greater concern: "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."

That language suggests that the CEC could retroactively determine participants are ineligible to be compensated for their performance during a program season, including for 2026. Adding this language poses a greater risk than stakeholders or the CEC should find acceptable.

Unless the intention is to inappropriately apply this language retroactively as discussed above, the only reason to include the language is if the program continues past 2026—in which case it is not needed as part of this round of guidelines changes, aimed to make essential modifications for the 2026 program year.

For these reasons, the new language in Chapter 2, Section A.2.b and c, should be omitted. The existing guidelines language sufficiently addresses the limitations on dual compensation and should be restored. With that said, if the CEC continues to believe changes are necessary, we would propose making the changes described below, with proposed language following.

1. Strike out Section A.2, subsection b (a modified version appears below in a new Section B), and subsection c.
2. Create a new Section B, with a Subsection 1 on dual-compensation restrictions (with the existing text in sections A.2.b.i and iii, followed by a new paragraph setting out the guidance for prohibiting dual compensation for performance already compensated through other means), and a new Subsection 2 regarding incremental performance.

### **B. DSGS Compensation and Incrementality Principles**

#### **1. Dual-Compensation Restrictions**

A participant is not eligible to receive compensation if the participant's load-reduction resource with the DSGS provider:

- a. Is enrolled in the Emergency Load Reduction Program or the Base Interruptible Program or the Agricultural Pump Interruptible Program.

- b. Is a cogeneration facility with a power purchase agreement.

A participant may not receive compensation for DSGS performance for the same incremental reduction in electricity consumption or energy export that is separately compensated through any other utility, CCA, or state program designed to procure demand response, load reduction, or grid services during the same event interval.

## **2. Incremental Performance Requirement**

DSGS compensation shall be based solely on incremental performance above the applicable baseline, as determined by the baseline methodology approved in these Guidelines. Only the measured incremental reduction in load or increase in export attributable to a DSGS event shall be eligible for DSGS payments.

## **5. Compensation allocation method for Option 3**

The proposed method for allocating the available funds for each customer class in Option 3 includes a hypothetical compensation amount the aggregator would have received in October 2025 if a baseline of the average performance across all event days that month.

CALSSA strongly urges the CEC to instead allocate compensation for 2026 based on actual October 2025 compensation. It is not appropriate to determine allocations on the basis of an approach established after the fact, under a methodology that aggregators were not aware of at the time. Instead, the allocation should be based on the rules that were in place at the time, and on aggregators' expectations at the time about how performance would be measured.

Reasons that aggregators dispatched fleets as they did on non-event days in 2025 could include wanting to test resources in order to better optimize their ability to provide reliability service during DSGS events. Such good faith efforts to deliver useful grid support should not be penalized through retroactive application of new rules.

Instead, the compensation allocation should be done based on actual October 2025 compensation, as the CEC has proposed to do for determining the amount of funding to be provided for each customer class, residential and nonresidential.

Relatedly, while the CEC's workshop presentation explains that the allocation between customer classes will be "based on share of Oct 2025 total compensation paid out," the guidelines are less clear: Chapter 3, Section C says that the subdivision will be done "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)," but Appendix A does not set out the method for the subdivision of available funds between customer classes. The guidelines should be clarified.

## **6. Ineligibility of storage with permission-to-operate after December 31, 2025**

In the most recent revised draft guidelines, the CEC added new restrictions on the permission-to-operate (PTO) date for battery storage assets, making customers with assets whose PTO date is after December 31, 2025, ineligible to participate in DSGS.

This new change is unnecessary for Option 3 because the revised guidelines limit participation to storage VPP aggregators that participated in October 2025. With no new entrants, the status quo is maintained.<sup>4</sup> Also, since available funding is substantially less than for 2025, aggregators will be largely reducing the sizes of their fleets, not attempting to grow them.

Adding a prohibition on any new assets installed after 2025 also creates new complications. It interferes with aggregators' ability to manage their fleets by replacing assets that stop participating with new ones. Also, while aggregators confirm at the time of DSGS enrollment that all assets are operational, confirming the exact PTO date is time consuming and costly, particularly if the aggregator is not the original asset developer. This creates new administrative burdens and costs.

This limitation will also create a new hurdle if, as the guidelines contemplate, additional funding becomes available through the 2026-2027 budget process and compensation allocations are increased. Providers will be hampered in their ability to enroll additional capacity to meet the increased allocation nimbly in 2026 if systems with a PTO date in 2026 are prohibited.

We are also very concerned that this limitation applies only for storage assets. This does not align with the reason the CEC gave at the workshop for including this prohibition. We cannot see a reason that storage should be treated differently from other technologies that participate in DSGS, and that different treatment could pose challenges beyond DSGS, as policy makers in and outside California may take this limitation as a signal that storage should be restricted in ways that other resources are not. Singling out storage like this is unfortunate and could be seen as unnecessarily discriminatory against a highly flexible, valuable grid resource.

We strongly recommend that the CEC remove this prohibition in the final guidelines.

## **7. *Minimum aggregation size***

The new draft guidelines raise two concerns related to the minimum nameplate power rating requirements for Option 3, as set out in Chapter 5, Section A, storage VPP aggregator eligibility requirement 5.

First, the guidelines are not clear about whether the minimum aggregation size will be affected by the compensation allocation. The allocation will be a reduction compared with each provider's compensation in 2025, and fleet sizes will be reduced. Some providers in Option 3 have smaller fleets near the minimum size thresholds. This may mean that after the reduction, providers with a smaller fleet would not qualify to continue participating in DSGS. Forcing smaller providers out of the program does not serve program goals or needs. We recommend modifying the guidelines to clarify the minimum aggregation size threshold is not affected by the compensation allocation.

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<sup>4</sup> The same would be true in Option 2 if that participation option were also limited to existing providers.

Second, in the most recent revised draft guidelines, the CEC has proposed increasing the minimum aggregation size and eliminating pathways to meet the requirement. This change would exacerbate the concern discussed above. Even if the CEC changes the guidelines so that the minimum aggregation size is not affected by the reduced compensation allocations, the increase in the minimum size could lead to the same unfortunate impact. While the CEC has said that the reason for this change is to streamline administration, we believe the negative impact on existing providers outweighs that consideration. For that reason, the CEC should not increase the minimum aggregation size. If the administrative burden is significant enough to need addressing in 2026, we would like to work with the CEC to find another way to achieve the streamlining goal without forcing smaller providers from Option 3.

### ***8. Timeline for finalizing guidelines***

At the workshop, CEC staff said they are targeting approval of the final guidelines at a CEC business meeting on April 27. While we understand the constraints on being able to move more quickly, it is important to acknowledge that not knowing what rules will govern the program until late April poses substantial challenges for providers.

We ask the CEC to take measures to allow for the guidelines to be released in final form as early as practicable following review of public comments and revisions to the guidelines, and to provide as much certainty as possible as early as possible.

### ***9. Three-consecutive-day test event***

The draft guidelines propose adding a requirement for a full-duration test event on three consecutive days in August. This change is unnecessary to the goals of making essential modifications for the 2026 program season and should not be included in the final guidelines.

This extended test event is also unnecessary because there is no need to test whether storage aggregations can perform over three days—storage resources do not experience issues like customer fatigue that would be tested by this requirement.

Moreover, this raises concerns about greater interference with customer bill savings value, and could lead to more downward pressure on participation, especially given that compensation will already decrease because of other program changes. We support test events to demonstrate capacity and to ensure the resources can perform, but adding test events for separate purposes at customer expense could be problematic.

Further, this test event requirement does not align with testing requirements in other programs. It could, however, be treated as a precedent, leading to such a requirement being included in other programs in the future.

### **10. Limiting Option 3 participation to existing providers**

The proposed draft guidelines provide that participation in Option 3 during the 2026 season is limited to aggregators that participated in October 2025. CALSSA agrees with this limitation. Existing aggregators are best positioned to deliver reliability capacity and serve grid needs because of their experience and existing fleets.

To erase any doubt of the reason for this limitation and to provide needed flexibility, the sentence setting out the limitation, in Chapter 5, Section C's penultimate paragraph, should be changed as follows: "Because of the program's current budget constraints, participation in the 2026 season is limited to storage VPP aggregators that participated in October 2025, and if sufficient new funding is restored to enable the program to continue in 2027, this limitation will no longer be in effect."

### **11. Suspending Option 1**

CALSSA agrees with the decision to suspend Option 1 for the 2026 season. While this participation option provides a pathway for some resources that cannot contribute to our grid reliability through other means, the uncertainty about potential performance compensation is too great for the option to go forward under the unique circumstances of this program year. CALSSA appreciates that the program overview in Chapter 1 of the draft guidelines specifically explain that "Participation Option 1 is suspended for the 2026 program year *due to the program's current budget constraints*" (emphasis added).

### **12. Conclusion**

We greatly appreciate the CEC's collaborative approach and its work to steward state funds while designing and implementing this innovative program over the past few years, and now in thoughtfully approaching the unique needs of the 2026 program season.

We hope that DSGS will continue past 2026 and that we will be able to keep working with the CEC to make Option 3, and DSGS as a whole, an ever more valuable resource for emergency reliability as our state continues to face compounding risks to energy reliability and affordability that this program was designed to address.

Sincerely,

/s/ Kate Unger

Kate Unger  
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California Solar & Storage Association