

DOCKETED

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March 16, 2026
California Energy Commission
Docket Unit, MS-4
715 P Street
Sacramento, CA
Via docket submission

Re: Docket No. 22-RENEW-01 - Reliability Reserve Incentive Programs - Comments on Proposed Draft Demand Side Grid Support (DSGS) Program Guidelines, Fifth Edition

Dear Vice Chair Gunda and Energy Commission Staff,

Generac Power Systems (Generac) has participated in this docket since its inception in 2022 and has been consistent in our advocacy for the program to include a statewide smart thermostat virtual power plant (VPP) program. The DSGS program has shown remarkable enrollment and value to grid stability over the course of the program operation. With the introduction of Option 4 last year, we now have real experience in showing that the statewide VPP programs developed in DSGS can provide real value to the electric grid during times of stress, can reduce emissions, and we can prove that VPPs are both reliable and cost-effective alternatives to relying upon peaker plants.

We commend the California Energy Commission (CEC) for their continued innovation and significant expansion of the program over the past three years. We appreciate the CEC Staff's reception to and incorporation of feedback over the evolution of this program. Further, we thank the CEC Staff for continuing to engage directly with Generac and for providing another opportunity to submit written feedback on the 5th Edition Guidelines.

Generac's subsidiary, ecobee, is a leading smart thermostat original equipment manufacturer (OEM) that provides grid services experience across the nation. In the aggregate, ecobee has significant smart thermostat capacity in California (equivalent to the output of a small power plant) available for load flexibility. Generac also manufactures battery energy storage systems (BESS) for commercial and residential customers. While we have been engaged in the comprehensive design of the DSGS program since its inception, our comments at this stage focus on ensuring that Option 4 program can continue to operate and grow as effectively and efficiently as possible, which will require:

- Increasing the budget allocation and maximum committed capacity limit for Option 4,
- Modifying the capacity allocation method for Option 4, and
- Harmonizing the publicly owned electric utility (POU) enrollment structure with the investor-owned (IOU) enrollment structure.

CEC should increase the Budget Allocation and Maximum Committed Capacity Limit for Option 4 and help the Legislature and Governor Understand the Importance of Sufficient Budget

During the March 9, 2026 workshop, CEC Staff made it clear that the intent was to grow opportunity for enrollment in Option 4. Generac appreciates that the CEC here recognizes the value and opportunity that the newest option brings to DSGS and the potential to grow capacity in Option 4. Generac, however, remains concerned that the currently proposed budget allocation and maximum committed capacity limit (MaxCC) is insufficient for meeting demand and providing the necessary room for growth in Option 4 that is intended by the CEC and was intended originally by the legislature when DSGS was created.

After years of working to include thermostats in a DSGS option that meets the statewide legislature's clear intent, 2025 was the first year Option 4 was operable, even in partial form. According to the presentation provided during the March 9 workshop, Option 4 enrolled an estimated 17.1 MW of capacity in its first year, even though it couldn't enroll customers in all areas of the State. This illustrates how successful the program design is in bringing incremental capacity to the grid at scale and showing strong adoption from industry. Since the conclusion of the 2025 program year, more eligible distributed energy resources (DERs) have been installed in homes, and more providers have expressed interest in participating in Option 4.

Looking at historical enrollment patterns, the Option 3 VPP program designed for BESS, experienced significant growth in its second year—realizing over 2,000% growth in enrolled MW between October 2023 (10.4 MW) and October 2024 (220.1 MW) according to the CEC's presentation during the March 9, 2026 workshop. Option 4 extends eligibility to a greater diversity of DERs than Option 3, even including behind-the-meter (BTM) BESS eligibility, and this greater DER eligibility, combined with growing DER penetration across California and increasing

provider interest and encouragement in Option 4, makes it reasonably foreseeable that Option 4 could realize similar growth in its second year.

Currently, the 2026 budget allocation for Option 4 is \$5.45 million, which would represent just over four times the effective 2025 allocation, but is significantly less than the 2,000% growth that Option 3 realized between its first and second program years. Generac strongly urges staff to increase the budget allocation for Option 4 in 2026 to \$12.3 million to allow a maximum of 170 MW. This would be equivalent to 1000% growth in Option 4, which seems appropriate given that the guidelines provide the ability for unused Option 4 funds to flow from Option 4 to Option 3 at the end of the season. Additionally, Generac urges staff to include language in Chapter 5 that also provides the reverse: any funds remaining after the end of season compensation payout for Option 3 may be reallocated to the 2026 funding pool for Option 4.

Need For Certainty In Option 4 Capacity Allocation Method For Returning Providers

Generac echoes EnergyHub comments, which state that providers who previously participated in Option 4 should be allocated a minimum capacity commitment that is equal to the greater of what was successfully delivered in 2025 (i.e. previously demonstrated capacity) or what is allocated under the current proposed rules.

The allocation method, as currently proposed, lacks certainty in minimum capacity commitment allocation and thus risks penalizing existing providers for being early movers in the program, discouraging those same providers from growing enrollments further. For returning providers, this allocation method would discount previously demonstrated capacity if allocated capacity were significantly below offered commitments or previously demonstrated capacity. This potential discount could create stranded asset risk, risk disenrollment of demonstrated Option 4 capacity, and fracture capacity allocation from demonstrable capacity. Additionally, the proposed capacity allocation method also incentivizes providers to offer higher commitments to receive higher allocations, which again discounts previously demonstrated capacity and could create uncertainty between offered capacity commitment and demonstrable capacity. These possible outcomes run counterintuitive to DSGS' goals and growth aspirations for Option 4.

To ensure Option 4 does not discount previously demonstrated capacity but rather incentivizes demonstrable capacity and leads to measurable growth, Generac strongly urges the CEC to modify the Option 4 capacity allocation method by establishing a minimum capacity commitment allocation for returning providers, set at the greater of previously demonstrated capacity during 2025 events or what is allocated under the current proposed rules.

The POU Structure Is A Significant Barrier To Scaling Statewide Enrollment

Under “Chapter 2: Eligibility and Participation,” aggregators of customers within Publicly Owned Utility (POU) territories are required to notify and obtain formal and written authorization from those POU to enroll customers in their territories. Generac has observed this requirement to be a significant barrier to enrollments in POU territories. As a statewide program that serves statewide needs for grid stability with taxpayer funds, creating additional barriers for customers in non-IOU territories has a very significant impact of reducing the program’s reach and is unnecessarily restrictive.

Generac urges the CEC to standardize the requirement to enroll customers in utility territories by removing Section A.1.c.i of Chapter 2, which details the burdensome authorization needs providers are required to obtain from POU to aggregate customers in POU territories for DSGS, and requiring only the needs detailed in Section A.1.c.ii for both IOUs and POU. In other words, Generac urges the CEC to only require providers to notify utilities in writing of their intent to enroll customers within the service territory of the respective load-serving entity. Implementing this standardization would create parity in aggregation of customers across the state for this statewide program and enable tens of thousands of incremental Generac assets in POU territories, estimated to be between 5-10 MW, to enroll in DSGS.

In closing, Generac has been honored to engage so closely with CEC staff since the beginning of the DSGS program in developing what is truly a spectacular example of a highly valuable VPP. We have aimed to be constructive in our comments here in working toward realizing the potential of this statewide aggregation in 2026 and going forward. We are eager to see the adoption of the Fifth Edition guidelines at the next available business meeting and kicking off another strong program year with the CEC.



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We thank you for your commitment to this program and to a reliable grid, and we hope the Commission and stakeholders will reach out for any needed clarification or further information on any of the recommendations made in these comments.

A handwritten signature in blue ink that reads "Meredith Roberts".

Meredith Roberts

Director of Policy and Regulatory Affairs

Generac Power Systems, Inc.