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Leap Comments on DSGS Revised Fifth Edition Guidelines

Additional submitted attachment is included below.



March 16, 2026

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

Re: Leap Comments on Draft DSGS Guidelines, Fifth Edition

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INTRODUCTION

Leapfrog Power, Inc. (“Leap”) is a demand response provider (DRP) founded in 2017 and headquartered in California. The company provides Demand Response (DR) services to residential, commercial, industrial, and agricultural customers throughout the state of California. Through its technology platform, Leap enables distributed energy resource (DER) providers in California to provide grid flexibility, delivering revenue for their customers and integrating additional demand-side resources into the California electricity system. Leap is a registered DRP, as well as a registered Scheduling Coordinator, with the California Independent System Operator Corporation (CAISO).

Leap appreciates the California Energy Commission’s (CEC’s) continued work to refine the Demand Side Grid Support (DSGS) program for 2026 and the opportunity to comment on the draft guidelines released on February 18 and February 27, 2026. We recognize the Commission’s effort to preserve the program’s value under constrained funding conditions while preparing for potential programmatic changes after 2026. At the same time, several elements of the revised draft would unnecessarily reduce participation, create avoidable administrative complexity, and limit the program’s ability to secure cost-effective grid capacity at a time when California should be preserving every viable reliability resource.

These comments focus on a small number of issues that are especially important to the continued effectiveness of DSGS. Most significantly, the Commission should remove the new restriction on batteries with a permission-to-operate date after December 31, 2025, which would shrink available capacity without providing meaningful additional budget protection. The guidelines should also clarify that Option 3 budget allocations are made at the level of the provider managing the full resource portfolio, avoid using a new measured baseline retroactively to determine pro rata budget shares, and allow unused Option 3 funds to be reallocated to Options 2 and 4. Taken together, these revisions would improve consistency, preserve flexibility, and better position DSGS to deliver reliable emergency capacity to California’s grid.

THE RESTRICTION ON ENROLLING BATTERIES WITH A PERMISSION TO OPERATE DATE IN 2026 SHOULD BE REMOVED

The CEC has released two versions of draft guidelines for the fifth iteration of the DSGS program, one on February 18 and one on February 27. The second version, which these comments will refer to as the “Revised Guidelines,” included an additional restriction that disallowed batteries with a permission-to-operate (PTO) date after December 31, 2025 from participating in any of the remaining DSGS options. This restriction is unnecessary and harmful, particularly considering that, unlike many of the other changes, it did not seem intended to address budget constraints. The guidelines already cap the budget for each option to ensure that DSGS payments don’t overdraw the funds available to it. Prohibiting batteries installed in 2026 from participating adds no additional budget protections because providers already cannot be paid more than their specific budget allocation, regardless of how many batteries they enroll.

In fact, enrolling batteries installed in 2026 will be necessary just to keep DSGS Option 3 capacity static compared to last year. Option 3—the primary participation pathway for batteries—is only open to companies that participated



in October 2025, each of which is allocated a budget on a pro rata basis according to their performance in that month. Given that Option 3's upper budget limit in 2026 seems roughly equivalent to what was spent last year, the program cannot "grow" in any conventional sense. If there were no changes to the aggregators' portfolios relative to last year, then payments made by Option 3 in 2026 will go to the same companies in roughly the same proportions as in 2025.

However, it's extremely unlikely that last year's portfolios will remain the same size in 2026. DR programs have a certain level of natural churn. Some customers decide to leave a program every year, whether because they move out of the program's footprint or otherwise decide they no longer want to participate. This is compounded by DSGS's recent funding uncertainty, which has led several DER providers to move their customers to programs with clearer funding streams. Leap alone expects that roughly 14 MW of nameplate capacity representing ~2000 end customers could churn for various reasons between the 2025 and 2026 program seasons.

In addition, based on the CEC's analysis, DSGS's switch to a measured baseline will reduce the demonstrated capacity that battery customers are able to provide across the program as a whole. As a result, in order to provide the same level of demonstrated capacity as last year, DSGS participants will need to enroll new customers. Since aggregators already engaged in extensive outreach campaigns to enroll as many customers as possible last year, the majority of new customers that can be enrolled in 2026 are those that couldn't participate in 2025 because they just installed their battery this year.

In other words, prohibiting customers that installed their battery in 2026 from participating would not keep DSGS the same size but would actually *shrink* the program, preventing companies from providing additional capacity that could be accommodated by the existing budget caps. This would run counter to the CEC's stated intention to maintain status quo enrollment in Option 3 to retain a robust portfolio.¹ According to the CEC's data, over 400 MW of behind-the-meter batteries came online in 2025.² If only a fraction of that was installed in 2026, it would still be a significant resource that DSGS could tap to prevent grid emergencies. The CEC should work to engage these customers—and importantly, they should do this regardless of potential changes to DSGS after this year.

In the March 9 workshop, CEC staff clarified that this prohibition was meant to align DSGS with Governor Gavin Newsom's Administration's intent to sunset the Strategic Reliability Reserve (SRR) after 2026. This presumably refers to draft trailer bill language released by the Administration that would instruct the CEC and California Public Utilities Commission (CPUC) to transition customers to a CPUC-run program in 2027. If that's the case, this decision is premature. DSGS was authorized by the California legislature's passage of AB 205, and it's not clear that the legislature shares the Governor's view on its imminent end. On the contrary, on March 6, nine California Senators and eleven Assemblymembers submitted letters urging their respective budget committees to allocate an additional \$75 million to DSGS, enough to allow the program to operate at least through 2027.

¹ California Energy Commission, "Revised Demand Side Grid Support Program Staff Workshop Presentation Slides 2026-03-09," (TN# 269096), filed in 22-RENEW-01 on 12 March 2026, at slide 16.

² California Energy Commission, "California Energy Storage System Survey," available at <https://www.energy.ca.gov/data-reports/energy-almanac/california-electricity-data/california-energy-storage-system-survey>



Given this continued support, it's entirely possible that the California legislature will extend DSGS' funding past 2026. DSGS has been incredibly successful at enrolling new emergency grid capacity, and the legislature has rightly indicated that they want successful programs to continue. As such, the CEC should not preemptively limit the program until California's government has made a final determination on its future. If the Revised Guidelines are passed as written in April and then new funding is allocated in July, it will be too late for most aggregators to enroll newly-installed batteries in DSGS this year. This PTO restriction should be removed from the guidelines now, particularly because this restriction is damaging even if the Administration's proposed trailer bills are passed.

Leap agrees with the California legislature calling for additional funding to maintain the DSGS program past 2026. However, if DSGS is sunset after 2026, this actually provides even more justification for allowing new battery customers to enroll this year. The Administration's current trailer bill language directs DSGS customers to be transitioned to the Emergency Load Response Program or a successor program, so allowing new battery customers to enroll in DSGS in 2026 means that more customers will be available to transition to the new program the trailer bill implies will exist. Over the past few years, DSGS has been especially effective at engaging new battery customers that weren't enrolled in DR programs before, and it can do the same with new battery customers this year, creating a larger base of customers to continue participating in DR programs in the future.

This is especially important because customer registration is typically strongest directly after a customer's battery is installed. Leap has seen that, when customers are able to sign up for a program shortly after their system comes online, as many as 95% of customers sign up as part of their onboarding experience when setting up their device. If DSGS is not available for customers installing batteries this year, and a successor program only becomes available next year, then DER providers would be unable to enroll 2026 customers at the point of sale when conversion rates are the highest. Instead, they would have to get these customers to "opt in" to the successor program in 2027. In Leap's experience, only around 5% of customers ultimately enroll when asked to "opt in" in this way.

Allowing customers that install batteries in 2026 to enroll in DSGS would also be consistent with the approach that the CEC is taking with Option 4 customers. The capacity caps established for Option 4 allow this participation pathway to grow by 4-5 times what was enrolled in 2025, and since Option 4 is primarily designed for smart thermostat customers, the prohibition on batteries with a PTO date after 2026 would not significantly impact growth in Option 4. Customers that install smart thermostats in 2026 will still be able to enroll in Option 4, and presumably these customers would be transitioned to a new program if they're not able to continue to participate in DSGS in 2027.

From this perspective, prohibiting newly-installed batteries from enrolling in DSGS isn't aligned with the program's treatment of new devices generally. For example, it's not clear why a customer that installs a smart thermostat and battery in 2026 should only be allowed to enroll one of those devices in DSGS. If there's value in enrolling new customers of certain technologies, then there should be similar value in enrolling new customers of all technologies. The CEC should retain consistency in its guidelines by avoiding technology-specific restrictions on devices installed after a specific date, and remove the prohibition on batteries with PTO dates in 2026 from enrolling in DSGS.



THE GUIDELINES SHOULD CLARIFY OPTION 3 BUDGET WILL BE ALLOCATED TO THE COMPANY MANAGING THE FULL RESOURCE PORTFOLIO

The guidelines currently state that Option 3's budget will be allocated to aggregators on a pro rata basis according to their share of Option 3 revenue in October 2025, which implies that, in situations where a DSGS provider represents other partner companies' aggregations in its portfolio, this pro rata budget will be allocated to each partner company rather than the provider representing those companies. As a provider that represented 16 different partner company aggregations in 2025, Leap is concerned that this interpretation will create unneeded complexity and inflexibility for companies that choose to participate in DSGS through a partnership model.

As described above, DR aggregators experience some level of churn every year, but this churn is not necessarily uniform across companies. As a result, some of the companies whose aggregations are in Leap's portfolio may experience sharper reductions, while other companies' aggregations may remain largely unchanged or even grow. Allocating a pro rata budget to each sub-aggregation within a larger DSGS portfolio will force some companies to offer less capacity than they're able to, even if there is room in the overall portfolio to accommodate additional capacity because other partner companies did not fill their quota.

Because these companies are represented within the same larger portfolio, these disparities can be easily rebalanced if the pro rata budget allocation is provided to the DSGS provider representing the full portfolio. In this case, the DSGS provider can divide that budget allocation across companies within their portfolio according to their participation in October 2025. If some of that budget is still unspent because some partner companies are not able to bring the same amount of capacity that they enrolled last year, that additional budget can be re-allocated to any partner companies that do bring additional capacity.

If this pro rata allocation were instead provided to each individual partner company, then companies with incremental capacity beyond what they enrolled last year may end up not enrolling it in DSGS because they're not confident they will receive payment through the Round 2 allocation process. With partner-level allocations, there would likely be 16+ companies included in the Round 2 allocations at the end of this year, making it exceedingly difficult for any company to know how much budget will be available to pay any additional customers they enroll in 2026. Allocating the pro rata budget shares to the DSGS provider representing the full resource portfolio allows that provider to give its partners more certainty on how much budget will be available to them, which will simplify any post-season re-allocations and ultimately increase the amount of capacity that DSGS is able to leverage.

PRO RATA BUDGET ALLOCATIONS FOR OPTION 3 SHOULD BE BASED ON THE ORIGINAL PRESCRIPTIVE BASELINE, NOT A NEW MEASURED BASELINE

Leap maintains its past position that CEC should retain a prescriptive baseline for Option 3 and instead update that baseline based on the new data from last year's performance analysis. The prescriptive baseline provides a streamlined method for evaluating performance that avoids a number of the drawbacks associated with measured baselines. The DSGS Guidelines already allow the prescriptive baseline to be updated on the regular basis, and at the March 9 workshop, the CEC presented empirical data that could be used to refine and improve its accuracy. By



adopting different prescriptive baselines by month, and even by hour, the CEC could preserve the transparency and predictability of a prescriptive methodology while still producing highly accurate performance assessments and avoiding double counting.

However, even if the CEC ultimately decides to move to a measured baseline, that baseline should not be used to set pro rata budget allocations for 2026. Participants did not know in October 2025 that a measured baseline would later be applied to their participation in a way that would affect their future share of DSGS funding. For example, several of Leap’s partners experienced technical problems with battery systems in October 2025 that caused them to retest, or were undergoing frequent operational adjustments not associated with DSGS events. A measured baseline would unfairly penalize these companies because their initial test dates or non-DSGS operations would be included in the baseline calculation as non-event days, distorting the assessment of their load on a “normal” day. Had these participants known that those October choices would later reduce their 2026 budget allocation, they likely would have made different operational decisions. At a minimum, the CEC should avoid applying a new baseline methodology retroactively in a way that changes participants’ forward-looking budget treatment.

In addition, the Revised Guidelines should clarify that customers on flexible pricing tariffs like Net Energy Metering or Time-of-Use rates can still enroll in DSGS. The “dual-compensation prohibition” described on page 4 could be interpreted as meaning that a customer is ineligible to participate in DSGS if that customer receives “bill savings, bill credits, and other forms of compensation or credits” from retail tariffs.³ This section should be rewritten to make it clear that the DSGS performance evaluation methodologies are designed to prevent customers from being compensated twice for the same load reduction, and not that customers on flexible pricing tariffs need to be barred from DSGS participation to prevent dual compensation.

ANY EXCESS BUDGET IN OPTION 3 SHOULD BE REALLOCATED TO OPTION 2 AND OPTION 4

With limited funding, the Revised Guidelines are understandably diligent at ensuring none of the program’s budget is wasted. The Revised Guidelines explicitly state that any unused funding for Options 2 and 4 will be transferred to Option 3 to ensure that this option has sufficient funding. However, they don’t provide similar guidance for unused funds in Option 3, creating a gap that could lead to a portion of DSGS’ limited budget going unused if Option 3’s funding isn’t fully spent.

Although the CEC stated in their March 9 workshop that they didn’t expect Option 3 payments to come in under budget, it’s not an impossible—or even an improbable—situation. The Revised Guidelines contain a number of changes that will likely reduce the amount of capacity participants can provide, including the switch to a measured baseline and the restriction on post-2025 PTO batteries from enrolling. This, combined with natural customer churn (which will likely be exacerbated by DSGS’s funding uncertainty over the past few months) will reduce the capacity Option 3 aggregators will have available to bring to the program.

³ California Energy Commission, “Revised Proposed Draft DSGS Program Guidelines, 5th Edition (clean),” (TN #268854), filed in Docket 22-RENEW-01 on 27 February 2026, at p. 4.



However, the upper budget cap for Option 3 seems to be largely in line with what was spent in the program last year. With the switch to a measured baseline and an Option 3 budget that appears similar to last year's spending, there's a distinct possibility that total Option 3 payments will come in below the available budget in 2026. If that happens, those funds should not sit unused. They should be made available to Options 2 and 4, both of which can likely provide more capacity than their current budgets support. The draft guidelines already specify that unused funds in Options 2 and 4 can revert to Option 3. The Revised Guidelines should be updated so that unused funding can also flow in the opposite direction, from Option 3 to Options 2 and 4, when that would allow the program to capture more grid capacity.

This is particularly true for Option 2, which is unique in that the Revised Guidelines don't provide Option 2 aggregators with a budget allocation at the beginning of the 2026 season. Instead, Option 2's budget is allocated at the end of the year according to each aggregator's relative performance over the program season. This increases the chances that Option 2 would be oversubscribed because aggregators won't know how much of the budget will be available for their portfolios until the end of the year. Even if the CEC considers it unlikely for Option 3 payments to come in under budget, it's prudent to specify that if it does, any leftover funding will move to Option 2 or Option 4. Otherwise, it's possible that money will remain unspent in Option 3 while Option 2 and 4 aggregators are being underpaid.

If both Option 2 and Option 4 have overperformance, the extra funding could be allocated to each option in proportion to which they're oversubscribed. For example, if Option 2 is 20% oversubscribed and Option 4 is 40% oversubscribed, then one-third of the leftover Option 3 budget would go to Option 2 and two-thirds to Option 4. Of course, if there's no leftover budget in Option 3, then all aggregators would be paid consistent with the existing Revised Guidelines' rules. This would then be a no-regrets addition to deal with a contingency that, however unlikely, isn't impossible.

Finally, the CEC should retain the discretion to pay out more than the established budget caps should more funding become available. As described above, it's possible that the legislature will ultimately decide to allocate more funding to DSGS than was proposed in the draft trailer bills published by the Administration. Leap supports using any additional funds to run a robust program next year, but if DSGS performance in 2026 is higher than expected, Leap would prefer to have a portion of any additional funding used to ensure that aggregators this year are paid for the full capacity they provide. Currently, the Guidelines say that, if additional funding is allocated, then "up to [dollar amount] is available..." To provide the CEC with more flexibility in its final payment levels, this should be changed to read "[dollar amount] is expected to be available..."

CONCLUSION

Leap appreciates the opportunity to provide these comments on the Fifth Edition of the DSGS program guidelines. We appreciate the substantial amount of work CEC staff has put into the Revised Guidelines, but we also see opportunities for further adjustments to help preserve DSGS's ability to capture available capacity, administer funding efficiently, and support an orderly transition to whatever long-term framework California ultimately adopts.



Removing the post-2025 PTO restriction for batteries, clarifying Option 3 portfolio-level budget administration, avoiding retroactive use of a new measured baseline for pro rata allocations, confirming eligibility for customers on flexible pricing tariffs, and allowing unused Option 3 funds to flow to Options 2 and 4 would all strengthen the program without undermining budget discipline. These are practical, no-regrets changes that would help ensure DSGS remains as effective and flexible as possible in 2026, while preserving the Commission's ability to respond to future legislative and budget decisions.

Respectfully submitted,

A handwritten signature in cursive script that reads "Collin Smith".

Collin Smith
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APPENDIX

Below, Leap has detailed line edits to the DSGS Fifth Edition Guidelines that could be used to enact the changes outlined above, although it's possible additional edits beyond what is shown below will be required. Suggested deletions are shown as a ~~strikethrough~~, and suggested additions are **bolded and underlined**. All page numbers reference the document titled "Proposed Demand Side Grid Support (DSGS) Program Guidelines, 5th Edition (clean)" (TN #268854), filed in Docket 22-RENEW-01 on February 27, 2026.

Chapter 4, Section B. Participant Enrollment and Eligibility

Eligible participants must be enrolled in a PDR participating in the California ISO energy market and registered to an Option 2 provider. DR providers must collect and retain participant information, which may be reviewed by the CEC in an audit, as described in Chapter 8, Section D. ~~Participants are not eligible to participate in Option 2 with battery storage unless the permission to operate date is on or before December 31, 2025.~~

Chapter 5, Section A. Aggregator and Participant Eligibility

At a minimum, each customer site participating in a market-aware storage VPP must:

1. Have an operational stationary battery system or an EV with bidirectional EVSE capable of discharging at least 1 kW for at least two hours during a program event.
2. Provide no more than 2,000 kW discharge during any hour of a program event.
3. Have permission from the host utility to operate the battery system or bidirectional EVSE in parallel to the utility's grid (for example, under a Rule 21 tariff) and operate in a manner compliant with existing rules and tariffs applicable to the site. ~~The permission to operate date must be on or before December 31, 2025.~~ UL 1741-SB listing of bidirectional chargers is not required for participation in a DSGS VPP.

Chapter 6, Section A. Aggregator and Participant Eligibility

A load flexibility VPP shall consist of eligible dispatchable equipment types listed below:

- Non-weather-sensitive resources:
 - o heat pump water heaters,
 - o electric resistance water heaters,
 - o electric vehicle supply equipment (EVSE),
 - o stationary BTM batteries ~~with a permission to operate date on or before December 31, 2025,~~ or residential smart electrical panels (also known as circuit breaker box or service panel).



Appendix A, Section B. Option 3 Compensation Allocation Method

With the available funds for each customer class, the performance-based capacity payment to each eligible participating storage VPP aggregator (with aggregations associated with that customer class) for the 2026 season shall be determined as described below:

1. The available funds shall be allocated at the end of the 2026 program season (Round 1 funding allocation) to each aggregator based on their CEC-validated cumulative performance-based capacity compensation in the 2026 program season, up to their pro-rata share of the total compensation for Option 3 in October 2025. **For DSGS providers that represent other partner companies' aggregations in their portfolios, this pro-rata share shall be allocated at the level of the DSGS provider for the full portfolio of aggregations, and not separately for each partner company aggregation.** The October 2025 total compensation is the sum of the per aggregator compensation that the aggregators ~~would have~~ earned in October 2025 based on their demonstrated capacity relative to ~~a measured baseline~~ **the baseline methodology originally used to calculate performance for October 2025 program payments,** as determined by the CEC using the available existing performance data for that month.

Chapter 4, Section C. Performance-Based Compensation

In the 2026 program season, \$1 million is available for funding Option 2 performance-based capacity payments across all Option 2 participating providers. If additional funding becomes available through the 2026-27 budget process, ~~up to \$3 million is available~~ **is expected to be available** for Option 2. Available Option 2 funds shall be allocated to each participating provider based on the method described in Appendix A. Any funds remaining after the end-of-season allocations may be reallocated to the 2026 funding pool for Option 3.

Chapter 5, Section C. Performance-Based Compensation

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~~ **is expected to be 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.

With the available funds for each customer class, the maximum performance-based capacity payment to each eligible participating storage VPP aggregator (with aggregations associated with that customer class) for the 2026 season shall be determined as described in Option 3 Compensation Allocation Method in Appendix A. **Any funds remaining after Option 3's Round 2 allocations may be reallocated to the 2026 funding pools for Option 2 and Option 4 in proportion to which these latter two options are oversubscribed.**