

DOCKETED

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Filer:	Auguste Brown
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March 16, 2026

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

Re: Docket No. 22-RENEW-01—Voltus Comments on Revised Proposed Draft DSGS Program Guidelines, Fifth Edition

California Energy Commissioners and Staff:

Voltus values the opportunity to submit these comments in response to the Revised Proposed Draft DSGS Program Guidelines, Fifth Edition. We appreciate the CEC's active engagement with industry throughout the process of adapting the DSGS guidelines, and are grateful to see many of the concerns brought forward by industry reflected in the new Proposed Draft DSGS Program Guidelines.

Voltus acknowledges that the DSGS program is operating on a tight budget in 2026, and we commend the CEC's ongoing efforts to ensure DSGS will continue to provide valuable grid services this year. To that end, we understand the need for and are largely supportive of the program changes seen in the proposed guidelines. However, Voltus respectfully recommends several revisions to the guidelines which we believe would improve the program for participants and taxpayers alike.

Inclusion of Option 2

Voltus strongly supports the continuation of Option 2 in the proposed program guidelines. Option 2 is an innovative program which we believe is uniquely positioned to accelerate non-residential demand response in California and help DSGS meet its stated goal of "growing clean demand side resources for the Strategic Reliability Reserve".

According to our analysis, non-residential resources comprise over half of the CAISO's [1.4 GW](#) of demand response capacity across both IOU and 3rd party portfolios. These resources are expected to continue to bring significant potential grid services into the future, representing over half of the addressable market through 2050 according to the 2024 Lawrence Berkeley National Lab [DR Potential Study](#). It is therefore essential that non-residential resources be addressed in DR program development in California. In our experience participating in the program, Option 2 provides several novel mechanisms which make it an effective funnel into RA and allow us to more rapidly connect non-residential load flexibility to the market.

The program's pay-for-performance structure provides a low risk pathway for aggregators to test new DR participants in a PDR-based market-integrated program, allowing them to build a track record of good performance before making market commitments and being enrolled in RA. This on-ramp mechanism creates a lower-stakes environment which enables aggregators to bring additional capacity into the market sooner.

Option 2 also creates a way for aggregators to be compensated for incremental performance in excess of their CPUC-allocated RA awards. This has made it possible for aggregators such as Voltus to more quickly recruit new customers directly into RA, since any MW performing in excess of market commitments can still receive compensation. Overperformance can then be factored into subsequent LIP ex-post analysis in order to obtain additional qualifying capacity for the next applicable delivery year.

Option 2 is also particularly innovative in its inclusion of weather-normalized and LMP-weighted event performance—both features which have not been previously available to non-residential resources. These mechanisms provide a means for resources to demonstrate their full capability and focus the value of delivered capacity on the days and hours when the grid is most stressed. This novel M&V process is consistent with the program goal of acting as “a sandbox to scale demand flexibility solutions”, enabling aggregators and regulators to better understand the growth potential of non-residential DR.

In agreement with the CEC, Voltus believes that the RA market will provide a sufficient home for demand response in the long term. However, DR in California will need to see extremely rapid growth in the coming years if the state is to meet its load shift goal of 7 GW by 2030, as laid out in SB 846. Option 2 has proven to be an invaluable accelerant to the recruitment of load flexibility, and we encourage its inclusion in DSGS into the future.

Option 2 2026 Program Budget Share

Voltus notes that the proposed guidelines specify a disproportionately low funding allocation for Option 2, based on option-level 2025 enrolled capacity. As discussed above, we feel that Option 2 provides an essential pathway for the expansion of demand response in California, and has a proven track record of delivering cost effective load flexibility. In Voltus' experience, many of the assets historically enrolled in Option 2 will be unable to participate in DR in 2026 if Option 2 is unavailable, resulting in the loss of MW of clean capacity. To avoid losing out on the benefits Option 2 has shown, Voltus respectfully recommends revising the budget allocation to achieve parity between Option 2 and Option 4. To the extent that 2025 performance data is known, we propose allocating the \$6.5M available to Options 2 and 4 proportionally to October 2025 performance—reflecting the value the two programs brought to the grid. If 2025 performance data is not available in time, we propose splitting the allocation 50/50, with approximately \$2.75M going towards each program.

Option 2 Funding Allocation Method

Appendix A of the proposed draft guidelines specifies that compensation for participation in Option 2 will be allocated based on a pro rata share of the total uncapped compensation of all participating providers. Due to the small pool of funding available in 2026, Voltus believes it is likely that this allocation method will result in highly diluted program pricing—for example, if program participation continued at the 2025 level of 72 MW, pricing would fall to \$14,000 per MW-year. As such, this funding allocation method introduces a significant risk that program participation will result in a net loss, making it difficult for aggregators to effectively plan an Option 2 portfolio.

This problem can be avoided by adopting a compensation allocation method similar to the method proposed for Option 3. Specifically, Voltus recommends that the CEC adopt fixed compensation shares for incumbent aggregators based on a pro rata share of total 2025 compensation. As in the guidelines for Option 3, any remaining funds at the end of the season could be proportionally paid out to aggregators who overperform on their pro rata shares. Making this small revision to Appendix A would greatly strengthen aggregators' ability to enroll a robust DR portfolio, helping to ensure Option 2 continues to provide valuable grid services.

We recognize that 2025 Option 2 performance data may not be available until late April, which could pose a challenge in implementing pro rata compensation shares. Even in this case, however, Voltus feels that a slight delay in publication of the exact compensation allocations introduces far less risk than potential pricing dilution under the current proposed compensation allocation method. To further aid aggregators in preparing for the 2026 season, we encourage the CEC to publish any estimated compensation allocations before the season begins, to the extent that they are available.

In the event that the CEC does not adopt this proposed revision to the Option 2 compensation allocation method, Voltus recommends that Option 2 be closed to new entrants in 2026. The CEC has stated that DSGS Option 3 will only be open to program incumbents in 2026 due to the option-specific budget being comparable to 2025 levels. This logic applies even more so to DSGS Option 2, which is expected to be funded at ~10% of 2025 levels. This change would help reduce the risk of program pricing dilution. Additionally, if the current proposed allocation method is retained, Voltus recommends that Option 2 monthly enrollment data be published as soon as it becomes available in order to provide participants with visibility of in-season program participation.

Plan For Funding Increases

The proposed draft guidelines include increased compensation caps if additional funding becomes available through the 2026-27 budget process. Voltus appreciates the inclusion of this language, and we encourage the CEC to include further language to provide a plan for mid-season funding increases. We recommend modifying the existing language to specify that these prescribed compensation cap increases apply specifically in the case

that DEBA funds become available. A new stipulation should then be included allowing the CEC to further increase compensation caps in the event that additional funding (i.e. beyond DEBA funds) is secured through the 2026-27 budget process. Finally, the new guidelines should clearly specify which changes are being made due to reduced funding. These revisions will help avoid unnecessarily suppressing enrollment levels in the event that DSGS funding significantly increases midway through the 2026 season.

Conclusion

Voltus values the CEC's continued engagement with stakeholders, and we are grateful for the opportunity to comment on the Fifth Edition revisions to the DSGS guidelines. We believe the above proposed updates will help ensure a successful continuation of DSGS in 2026, and we look forward to participation in the program this year.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Jared Satrom". The signature is fluid and cursive, with a horizontal line extending from the end of the name.

Jared Satrom
Director of Energy Markets
Voltus, Inc.