



Item 5: Demand Side Grid Support Program Guidelines

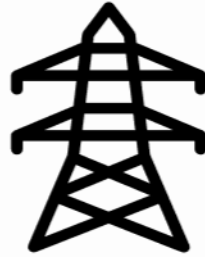
April 27, 2026, Business Meeting

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Reliability Reserve Incentives Branch



Strategic Reliability Reserve Portfolio



**Electricity
Supply
Strategic
Reliability
Reserve**



**Distributed
Electricity
Backup Assets**



**Demand Side
Grid Support**

- *Grow clean Strategic Reliability Reserves that are incremental to Resource Adequacy (RA), without interfering with RA market*
- *Pilot new initiatives to help scale demand flexibility*



Benefits to Californians



Source: CEC

- Support grid reliability by enhancing load capacity during extreme events
- Prioritize dispatch of clean resources first

Current DSGS Participation Options

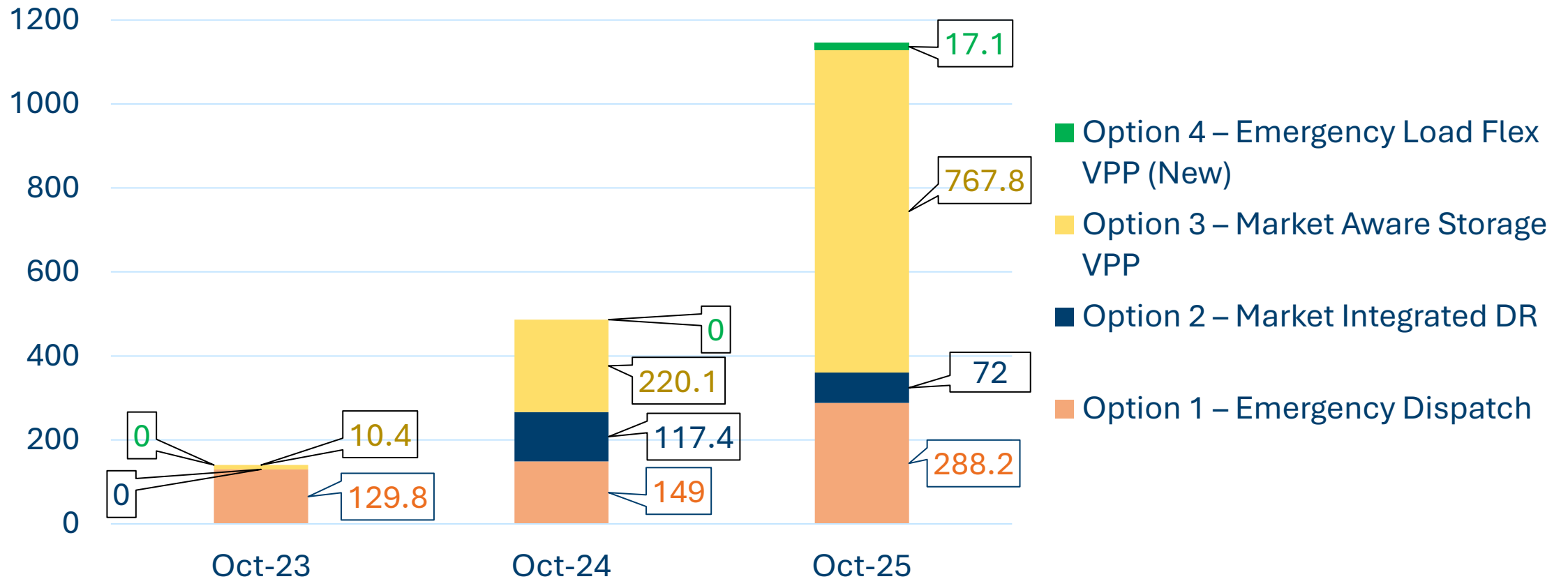


	Option 1 Emergency Dispatch	Option 2 Market Integrated Demand Response	Option 3 Market Aware Storage Virtual Power Plant (VPP)	Option 4 Emergency Load Flexibility VPP
Eligible Resources	Any load reduction resource	Market-integrated demand response	Storage (batteries + V2X)	<ul style="list-style-type: none"> Smart thermostats, electric water heaters, EVSE, batteries, and residential smart electrical panels PG&E service area excluded
Event Trigger	Energy Emergency Alerts (EEA)	California ISO market bidding and scheduling	California ISO day-ahead energy market locational marginal price threshold	Energy Emergency Alert (EEA)
Incentive Structure	Standby and energy payments	<ul style="list-style-type: none"> Capacity payment Based on demonstrated capacity incremental to resource adequacy 	<ul style="list-style-type: none"> Capacity payment Based on VPP's demonstrated capacity 	<ul style="list-style-type: none"> Performance-adjusted capacity payment Based on VPP's demonstrated capacity
Year Launched	August 2022	August 2023	August 2023	May 2025



Growth of DSGS Over Three Program Seasons

*Estimated Capacity Enrolled (MW)**



*Based on provider-reported estimates

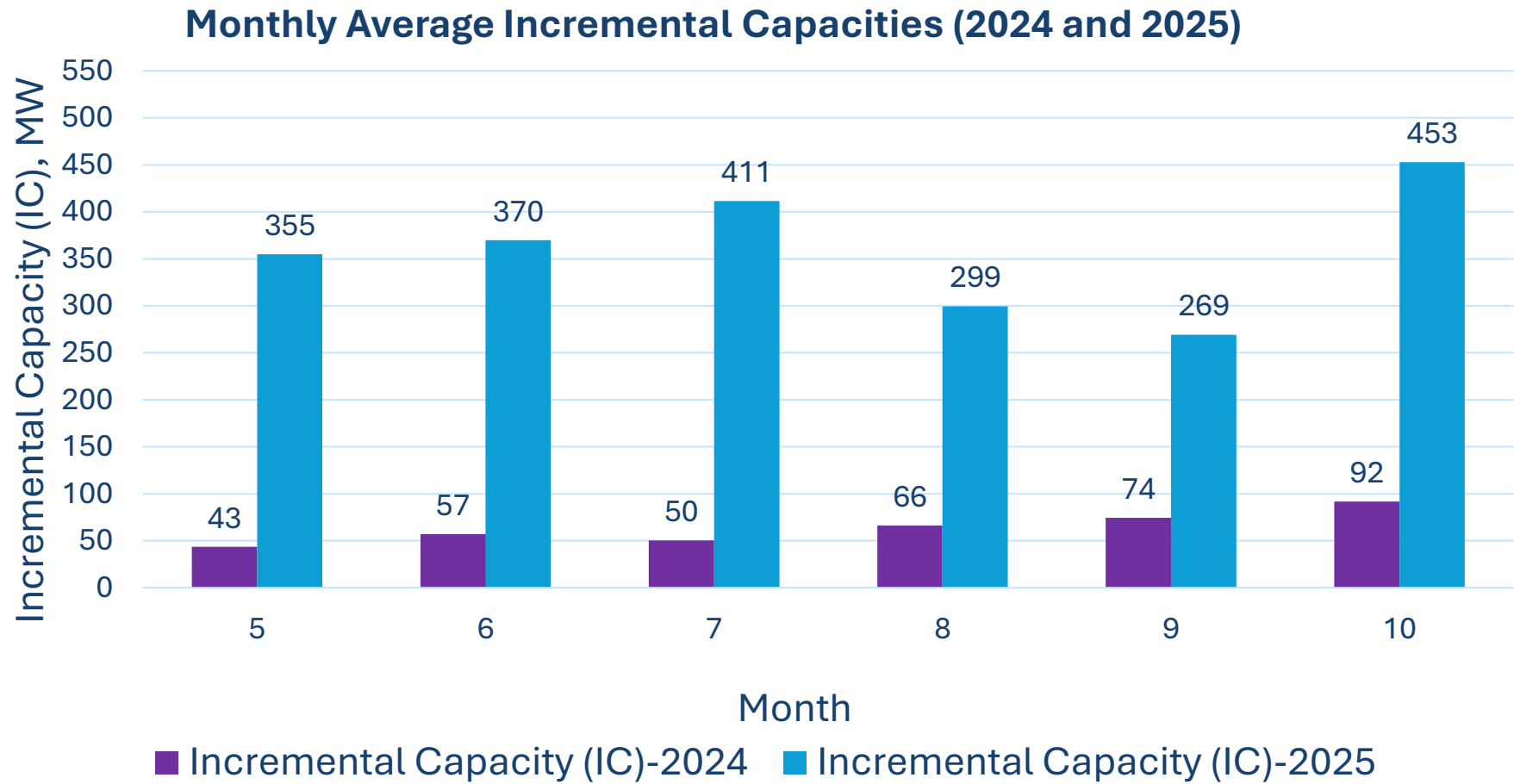
Source: California Energy Commission

Option 3: Performance Analysis

Residential VPP (2024 and 2025)



- Monthly 2-hour residential VPP incremental capacity increased from 92 MW (Oct 2024) to 453 MW (Oct 2025)
- Total overall incremental capacity (including non-residential and longer duration storage) increased from 106 MW (Oct 2024) to 484 MW (Oct 2025)

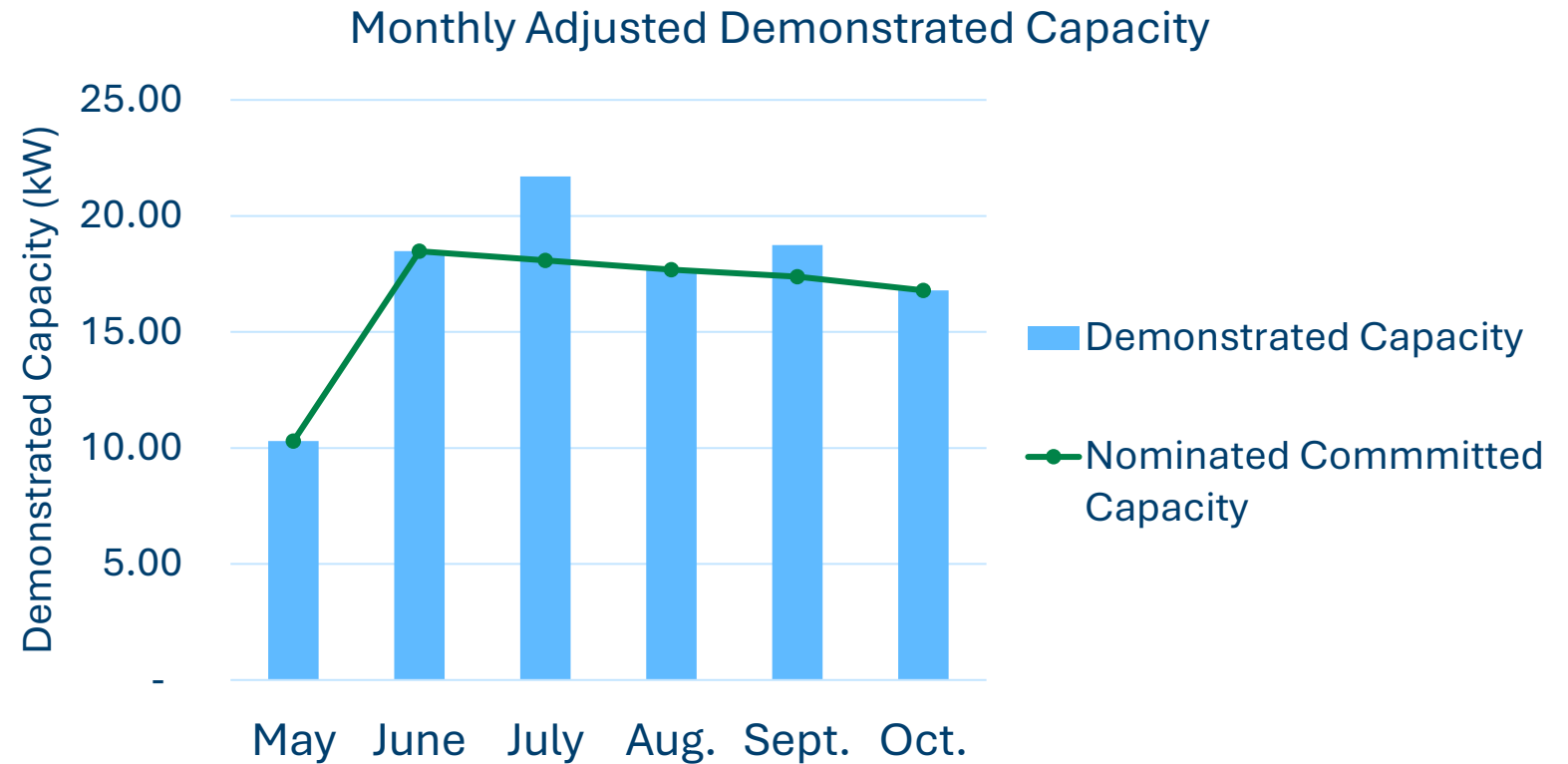


Source: California Energy Commission



Option 4: 2025 Performance Analysis

- No EEAs issued in 2025
- CEC called test events in July and September
- July Demonstrated Capacity: 21.7 MW
- September Demonstrated Capacity: 18.8 MW



Source: California Energy Commission



DSGS Program Funding

DSGS Funding Available for 2026 Program Season




Total Funding Appropriated	\$109.5 million
Expenditures* Subtracted	<ul style="list-style-type: none">• 2022 Expenditures: \$8.0 million• 2023 Expenditures: \$3.2 million• 2024 Expenditures: \$14.3 million• 2025 Expenditures: ~\$50.6 million (projected)
Remaining DSGS Funding	~\$33.4 million^

*Expenditures include administrative costs and program payments

^Estimate; subject to change



Revised DSGS Guidelines for 2026 Season

-  1. Clarify program requirements
-  2. Incorporate lessons learned
-  3. Align with program goals and current funding level



Enrollment/Compensation Limits for 2026

Proposed Modifications to Align with Available Funding

Participation Option	2026 Budget Currently Available (\$M)	MW*	2026 Budget With TBL Jul 1/2026 (\$M)	MW*	Allocation Process
Option 1: Emergency Dispatch	Suspended	0	Suspended	0	N/A
Option 2: Market-Integrated Demand Response	\$1	~9 MW	\$3.0	~27 MW	Based on pro-rata share of the total uncapped compensation in 2026
Option 3: Market-Aware Storage VPP	\$19.5	~241 MW	\$42.7	~530 MW	Based on pro-rata share of Oct 2025 compensation (no new entrants; except EVSE)
Option 4: Emergency Load Flexibility VPP	~\$5.45*	75 MW	~\$7.3*	100 MW	Divided equally among all providers (up to their nominated capacity commitment; min allocation for 2025 providers)
Total	\$26.0	~325 MW	\$53.0	~657 MW	

*Listed MW capacity are incremental relative to the applicable measured baseline.

** Trailer Bill Language (TBL)



Option 3: Market Aware Storage VPP Pilot

Proposed Modifications

1. Replace prescriptive baseline with measured baseline
2. Require test events on three consecutive days in August
3. Update minimum aggregation size to 300kW for stationary storage (50kW for EVSE)
4. Optionally stagger test events for large aggregations, in consultation with California ISO
5. May explore market-integration mechanism for select Option 3 aggregations in collaboration with California ISO



Option 4: Emergency Load Flexibility VPP Pilot

Proposed Modifications

1. Update minimum aggregation size to 100 kW of load reduction per aggregation (50 kW for EVSEs)
2. Include process for submitting proposals to qualify other load flexibility resources
3. Add clarifying language and clear definitions related to performance measurement calculations



Public Engagement

2025/2026	Milestone
October 16	Workshop on staff's analysis of 2024 performance
February 18	Post initial draft guidelines
February 27 – March 16	Post revised draft guidelines; public comment period
March 9	Public workshop
March – April	Staff consideration of public comments
April 17	Post proposed guidelines for consideration for adoption by the CEC
April 27	CEC consideration of guidelines adoption at business meeting



Staff Recommendation

- Approve DSGS Program Guidelines, Fifth Edition
- Adopt recommendation that approval of the DSGS Program Guidelines, Fifth Edition, is exempt from CEQA