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March 25, 2026

The Honorable Steve Bennett  
Assembly Budget Subcommittee No. 4 on  
Climate Crisis, Resources, Energy and  
Transportation, Chair  
1021 O Street, Suite 8230  
Sacramento, CA 95814

The Honorable Eloise Gomez Reyes  
Senate Budget Subcommittee 2 on  
Resources, Environmental Protection &  
Energy, Chair  
1020 N. Street, Room 502  
Sacramento, CA 95814

Re: DSGS Trailer Bills – SUPPORT DEBA Transfer Funding & OPPOSE CPUC Transfer

Dear Chairs Bennett and Reyes:

On behalf of a coalition of stakeholders who support the Demand Side Grid Support (DSGS) program, we write to express our support for additional funding to the California Energy Commission (CEC) for the DSGS program. We respectfully oppose the Administration's trailer bill that would dissolve the DSGS program at the CEC and use the California School Healthy Air, Plumbing and Efficiency Program (CalSHAPE) interest dollars to move DSGS customers to the Emergency Load Reduction Program (ELRP) or another program at the California Public Utilities Commission (CPUC). This proposal is detrimental to the state's energy reliability, as dissolving an existing successful program and attempting to re-create the same type of program at a different agency causes delays, wastes public resources, and has no assurances that it will be as successful. The CalSHAPE interest dollars would be put to better use funding DSGS directly rather than being the financial mechanism for the transfer of customers.

#### **Allow DEBA Funds to Be Used for DSGS in 2026**

We support the Administration's proposal that makes \$22 million currently allocated for the CEC's Distributed Electricity Backup Assets (DEBA) program eligible to be used for DSGS during the 2026 program season. This would supplement the existing DSGS funding available for 2026, which is estimated at approximately \$34 million—an amount that will cause substantial reduction in program activity this summer. In a year with record-breaking heat occurring unseasonably early in March, the \$22 million from DEBA would enable valuable DSGS activity at close to the 2025 level. We strongly urge the Legislature to adopt the trailer bill proposal to allow DEBA funds to be used for DSGS.

#### **Reject the Emergency Demand Flexibility Trailer Bill**

We oppose the Administration's trailer bill that reverts interest in the fund for the CalSHAPE program back to the investor-owned utilities (IOUs) to fund ELRP or an equivalent cost-effective emergency load reduction program at the CPUC, and that tasks the CEC and CPUC to transition DSGS customers over to ELRP. This trailer bill wastes ratepayer dollars and hurts the state's grid reliability at a pivotal time.

Dissolving DSGS in favor of funding ELRP is a false choice that fails to address grid reliability. DSGS has been a successful program that by the end of 2025 has been able to scale to 1145 MW, enough to power the peak electricity demand for all of San Francisco.<sup>1</sup> At the same time, ELRP has only been able to enroll approximately 190 MW of capacity.

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<sup>1</sup> Senate Budget Subcommittee No. 2 Hearing Agenda, Issue 2: Emergency Demand Response Trailer Bill Language, Senate Budget Subcommittee on Resources Environmental Protection and Energy, March 5, 2026, p. 7, <https://sbud.senate.ca.gov/media/3496>

Last year, aggregators in California discharged their DSGS battery portfolios and were able to produce 476 MW of average output from approximately 100,000 participants.<sup>2</sup> By any metric DSGS is the clear choice, and dissolving this program in favor of a less successful one would be a fiscally irresponsible way to spend limited funds.

As a CPUC program, ELRP requires each IOU to administer its own program, and each has different rules, forms, and barriers to customer enrollment. ELRP's enrollment process is much more cumbersome than DSGS's, requiring customers to complete additional documentation to enroll. Furthermore, the DSGS program allows participation by a variety of distributed energy resources, including residential thermostats and other smart appliances in a dedicated load flexibility option. ELRP does not provide a participation pathway for these resources and limits residential participation to customers with battery storage or EVs. Under the current trailer bill proposal, many DSGS customers would be ineligible to enroll in ELRP, and our analysis shows that 95% of the customers enrolled in DSGS would not complete the transition to ELRP if the Emergency Demand Flexibility trailer bill is adopted.

The trailer bill provides that a new demand response program could be created by the CPUC by the end of 2026. However, there is no public information about what a new program would look like or how DSGS customers would be transitioned,<sup>3</sup> and, according to a CPUC scoping memo, there do not seem to be plans to continue the ELRP pilot beyond 2027.<sup>4</sup> It is because of this inconsistency and lack of details that we remain concerned that enrollment loss will be significant. We do not have confidence that ELRP or any new program that follows the ELRP model would be better than simply continuing the existing DSGS program.

Despite DSGS's rapid scaling, successful program design, and a plan created by the Governor and Legislature in 2024 for additional funding to be provided in 2025, it did not receive any funding in last year's budget. Taken all together, there is no current pathway to develop an emergency grid reliability program to replace DSGS, which has shown the potential to offer reliability capacity on the gigawatts scale. Maintaining DSGS at the CEC with funding commitments for the next few years is the best path forward to maintaining reliability, lowering costs to ratepayers, and sending clear market signals to participants.

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<sup>2</sup> The Brattle Group, *The Demand Side Grid Support Program: An Assessment of Scale and Value* (Brattle Report), p. 19, December 1, 2025, <https://www.brattle.com/wp-content/uploads/2025/12/The-Demand-Side-Grid-Support-Program-An-Assessment-of-Scale-and-Value-December-2025-Update.pdf>.

<sup>3</sup> <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M601/K795/601795650.PDF>

<sup>4</sup> ^CPUC 2026

We urge the Legislature to adopt the trailer bill that makes DEBA funds eligible for DSGS and to reject the second trailer bill that replaces DSGS with a program at the CPUC. We look forward to discussing funding solutions with the Legislature and the Administration.

Please let us know if you have any questions.

Sincerely,

**Brandon García**

California Director  
Advanced Energy United

**Stephanie Doyle**

Director, State Affairs, California  
Solar Energy Industry Association

**Lauren Nevitt**

Senior Director of Public Policy  
Sunrun

**Tamara Dzubay**

Senior Director, Energy  
Ecobee

**Gabriela Olmedo**

Manager, Policy and Regulatory Affairs  
Energy Hub

**Thomas Lee**

Founder & President  
Derapi

**Raghav Murali**

Head of Policy & Compliance  
PowerFlex

**Dan Martin**

CEO  
Amped Solutions and Solar Repower

**Jared Satrom**

Director of Energy Markets  
Voltus

**Kate Unger**

Senior Policy Advisor  
California Solar & Storage Association

**Chris Burmester**

Board Chair  
California Efficiency + Demand  
Management Council

**Collin Smith**

Regulatory Affairs Manager  
Leap

**Meredith Roberts**

Director, Policy and Regulatory Affairs  
Generac

**Ben Larralde**

CEO  
Flip Energy

**Sinsi Carrillo**

General Manager  
Solar Symphony Construction Inc.

**Clinton O'Neill**

Director of Grid Services  
EG4 Electronics

**Alex Kaffka**

CEO & Senior Principal  
Verdera Partners, Inc.

**Erin Kiel**

Director of State Policy and Government  
Relations

Qcells

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CEO

Cinnamon Energy Systems

**Erik Lyon**

Energy Regulatory Manager

Renew Home

**Steve Joseph**

CEO

Potrero Energy

**Nancy Chafetz**

Vice President, Regulatory and

Government Affairs

CPower

CC: The Honorable Jacqui Irwin

The Honorable Josh Becker

The Honorable Cottie Petrie Norris, Assembly Utilities & Energy Committee Chair

The Honorable Ben Allen, Senate Energy, Utilities, and Communications Chair

Members of the Assembly and Senate Budget Subcommittees