



Tuesday, May 28, 2024

Senate President pro Tempore Mike McGuire
1021 O street, Suite 8518
Sacramento, CA 95814

Assembly Speaker Robert Rivas
1021 O Street, Suite 8330
Sacramento, CA 95814

Senator Scott Wiener
1021 O Street, Suite 8620
Sacramento, CA 95814

Assemblymember Jesse Gabriel
1021 O Street, Suite 8230
Sacramento, CA 95814

RE: Maintain Funding for Clean Energy Programs DSGS & DEBA in the 2024-25 Budget

Dear pro Tem McGuire, Speaker Rivas, Senator Wiener, and Assemblymember Gabriel,

We are writing to respectfully urge you to reject the funding cuts to the Demand Side Grid Support (DSGS) and the Distributed Electricity Backup Assets (DEBA) programs proposed in the Governor’s May Revise. These programs are critical to California’s efforts to avoid blackouts and manage an increasingly constrained electricity supply, as well as achieve its climate goals. We request that you maintain the commitment made in 2022 to ensure these

programs can help keep the lights on for Californians and pave the way for a resilient, affordable, and clean energy future.

California's grid is facing unprecedented challenges due to the growing threats of wildfires and extreme weather events, which are increasing in both frequency and intensity. Grid emergencies such as blackouts or Public Safety Power Shutoffs negatively impact vulnerable and disadvantaged communities the most because of their limited access to backup power sources, higher reliance on continuous electricity for medical and essential services, and fewer resources to recover from prolonged outages.

As a result of historic grid shortages in 2022, the CEC moved to design and implement the emergency programs DSGS and DEBA as directed by the legislature to bring new, flexible and responsive resources online. Further, these programs were set to help transition fossil fuel resources, many of which disproportionately impact disadvantaged communities, to cleaner energy sources and meaningfully improve local environmental quality. In pursuing these goals, DSGS enrolled 315 MW in 2022 and provided over 3,100 MWh of emergency response during hot summer weather. It continued to grow through 2023 and is expected to ramp up and provide much more emergency capacity in the Summer of 2024.

By leveraging the investments in DSGS and DEBA, California can develop reliable flexible load resources that can help keep the lights on immediately, and effectively move towards its vision of a highly responsive grid that can manage multiple growing challenges while keeping our lights on with affordable rates and clean energy.

The specific challenges each program is facing are as follows:

- **Demand Side Grid Support (DSGS):** DSGS compensates existing electric customers that provide load reduction and backup generation, critical during grid emergencies. This program was initially deployed in the Summer of 2022 and has since grown to 1,300 participants.
 - **The May Revise proposal would reduce DSGS funding by \$186.5 million through 2024-25, causing uncertainty and disruptions for operators and customers.** As the program relies on aggregators to deliver distributed resources, the disruption of funding would severely impact their ability to implement and scale the program, undermining the immediate success of this program and California's future load flexibility efforts. Aggregators need to have predictability to invest in market development, customer onboarding, and program setup. Customers need certainty in program length to calculate potential returns on their participation.
- **Distributed Electricity Backup Assets (DEBA):** This program supports the construction of new cleaner, more efficient distributed energy assets, such as energy storage and

microgrids, which would serve as on-call emergency supply or load reduction during extreme events, reducing our dependence on fossil-fuel-based emergency resources. It also provides new capacity in the form of virtual power plants (VPPs) and load flexibility aggregation programs, which are incremental to the state's resource adequacy supplies and significantly improve grid reliability.

- **The May Revise proposal would lead to a complete halt of the program.** The California Energy Commission and many stakeholders have spent thousands of hours and significant resources in program design conversations and technical contributions to ensure its successful rollout in Q2 of this year, with a grant funding opportunity nearly finalized and ready for release. The prospect of funding returning in 2025-2026 through GGRF funds, as proposed by the administration, means all that effort will do nothing to address our urgent need for more reliable clean energy and does not provide prospective participants with any confidence in the program's future or the state's commitment to clean distributed power.

It was the legislature that wisely fought for the establishment of these programs during the Diablo Canyon extension negotiations in 2022 as a counterweight to California's dependence on polluting peaker plants to get through times of emergency. Your foresight in advocating for these programs was crucial in balancing our immediate energy needs with our long-term climate goals.

The DSGS and DEBA programs are still in their early stages, with many aggregators and participants in the process of implementation and onboarding. Cutting funds at this crucial juncture would not only disrupt these processes but also damage California's reputation as a reliable partner for energy companies. This could have long-term negative effects on our ability to attract and retain the resources and partnerships necessary for enhancing load flexibility and ensuring grid resilience, which rely on distributed resource companies. Moreover, defunding DSGS is at odds with the direction that the U.S. Department of Energy (via its Loan Programs Office) and multiple other states are taking in the clean energy market, with New Jersey, Maryland and most recently Colorado having all enacted policies requiring investor-owned utilities to launch DSGS-like programs that can bolster energy storage and make the grid more reliable during critical peak periods in 2025.

Given the critical importance of these programs for maintaining grid reliability to avoid dire energy shortages as well as for achieving our state's climate goals, we urge you to protect the funding for the DSGS and DEBA programs. Investing in these programs is an investment in California's clean energy future and our resilience against the growing threats of climate change.

Thank you for your attention to this urgent matter. We are available to discuss this further and provide any additional information needed.

Sincerely,

Edson Perez
Senior Principal
Advanced Energy United

Rachel McMahon
Vice President, Policy
California Energy Storage Alliance

Joseph Desmond
Executive Director
California Efficiency + Demand Management
Council

Kate Unger
Senior Policy Advisor
California Solar and Storage Association

Jennifer Capitolo
Executive Director
California Water Association

Stephanie Doyle
California State Affairs Director
Solar Energy Industries Association

Lee Ewing
Manager, Regulatory and Government
Affairs
CPower

Scott Lipton
Energy Policy Manager, Western Region
Enchanted Rock

Mona Tierney-Lloyd
Head, U.S. State Policy & International
Affairs
Enel

Gabriela Olmedo
Regulatory Affairs Specialist
EnergyHub

Jennifer Chamberlin
Government and Regulatory Affairs Director
ENGIE North America

Anna Bella Korbatov
Director of Regulatory Affairs
Fermata Energy

Meredith Roberts
Director, Policy and Regulatory Affairs -
West
Generac

Tim Cronin
Head of Policy
Lunar Energy

Serj Berelson
Senior Policy Manager
Mainspring

Raghav Murali
Director – Policy & Government Affairs
PowerFlex

Cliff Staton
Head of Government Affairs and Community
Relations
Renew Home

Erin Weber Kiel
Senior Manager of Government Affairs,
California
Sunnova

Lauren Nevitt
Senior Director of Public Policy
Sunrun

Kimaya Abreu
Manager, Regulatory Affairs
Voltus