BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Enhance Demand Response in California	Rulemaking 25-09-004 (Filed September 18, 2025)

OPENING COMMENTS OF THE CALIFORNIA EFFICIENCY + DEMAND MANAGEMENT COUNCIL ON ADMINISTRATIVE LAW JUDGE'S MARCH 10 AND APRIL 8, 2026 RULINGS SEEKING COMMENTS ON DEMAND RESPONSE BRIDGE YEAR FUNDING

Date: April 30, 2026

Chris Burmester, Board Chair
California Efficiency + Demand Management Council
2111 San Pablo Ave. Unit 2300
Berkeley, CA 94702
Telephone: 510-813-8982
Email: policy@cedmc.org

Table of Contents

I. INTRODUCTION 3

II. BACKGROUND 3

III. THE COUNCIL'S COMMENTS ON THE STAFF PROPOSAL FOR DR BRIDGE FUNDING 4

IV. THE COUNCIL'S RESPONSES TO QUESTIONS 14.1.a – 14.1.j IN REFERENCED ALJ RULINGS 5

A. Should the Commission authorize two years of bridge funding for PG&E, SCE and SDG&E with programs and funding levels similar to the IOUs' 2027 portfolio, excluding pilots, and including a budget to incorporate the SCT in the DR Cost Effectiveness Reporting tool? (Question 14.1.a) 5

B. What is an appropriate level of funding for integrating the SCT into the 2030-2034 program cycle applications? (Question 14.1.b) 5

C. Should the Commission consider other critical modifications to the IOUs' 2027 DR programs and budgets if authorizing funding for the bridge years? If so, please recommend specific modifications to the programs and budget amounts for the two-year bridge year extension period. 6

D. Should the Commission authorize an extension of time for the IOUs' 2030-2034 applications until January 1, 2029? (Question 14.1.e) 7

E. Should the Commission exempt the bridge year portfolios from the SCT requirement? (Question 14.1.f) 8

F. Should the ELRP pilot be extended as-is or with modifications? Should there be a sunset date? (Question 14.1.h) 8

G. If the ELRP pilot should be extended with modifications, should there be design changes made to it that align with the "Guiding Principles" staff proposal? Please explain any specific design changes recommended as part of the response. (Question 14.1.i) 9

H. Are there lessons or elements from DSGS that could inform improving ELRP pilot design to benefit all ratepayers? (Question 14.1.j) 11

V. CONCLUSION 12

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Enhance Demand Response in California	Rulemaking 25-09-004 (Filed September 18, 2025)

OPENING COMMENTS OF THE CALIFORNIA EFFICIENCY + DEMAND MANAGEMENT COUNCIL ON ADMINISTRATIVE LAW JUDGE'S MARCH 10 AND APRIL 8, 2026 RULINGS SEEKING COMMENTS ON DEMAND RESPONSE BRIDGE YEAR FUNDING

I. INTRODUCTION

The California Efficiency + Demand Management Council (the "Council") submits these Opening Comments on the Administrative Law Judge's ("ALJ's") March 10, 2026 Ruling Seeking Comments on Demand Response Staff Proposal on Bridge Year Funding and Modifying the Schedule for the Bridge Year Funding Issue ("First Bridge Year Ruling") and the ALJ's April 8, 2026 Ruling Modifying Schedule on Bridge Year Funding Issue and Posing Supplemental Questions (together, the "Bridge Year Rulings"). These Opening Comments have been timely filed and served pursuant to the Commission's Rules of Practice and Procedure and the instructions contained in the Bridge Year Rulings.

II. BACKGROUND

The Council is a statewide trade association of non-utility businesses that provide energy efficiency ("EE"), demand response ("DR"), and data analytics services and products in California.[1] Our member companies employ many thousands of Californians throughout the

[1] Additional information about the Council, including the organization's current membership, Board of Directors, antitrust guidelines and code of ethics for its members, can be found at http://www.cedmc.org. The views

state. They include EE, DR and distributed energy resources ("DER") service providers, implementation and evaluation experts, energy service companies, engineering and architecture firms, contractors, financing experts, workforce training entities, and energy efficient product manufacturers. The Council's mission is to support appropriate EE, DR, and DER policies, programs, and technologies to create sustainable jobs, long-term economic growth, stable and reasonably priced energy infrastructures, and environmental improvement.

III. THE COUNCIL'S COMMENTS ON THE STAFF PROPOSAL FOR DR BRIDGE FUNDING

The Council supports the Commission's bridge funding approach as necessary to preserve continuity and reliability during the transition period but urges targeted budget adjustments to better align funding with California's reliability and decarbonization needs—particularly for load-modifying demand response and innovation pilots. As detailed in our response to the ALJ's questions in both Rulings, the Council recommends that the Commission:

- Approve bridge funding to maintain program continuity and reliability
- Reallocate DR funding to ensure five to ten percent supports load-modifying DR
- Establish dedicated pilot funding of 1-2 percent of total portfolio budgets for pilots and innovation during the bridge period
- Exempt bridge year funding from the Societal Cost Test requirement
- Direct Energy Division to track and report load-shifting impacts explicitly
- Approve consideration of ELRP during the bridge period
- Extend ELRP pilot with light-touch enhancements to reinforce alignment with Staff's Guiding Principles
- Consider incorporating elements from DSGS for implementation in ELRP for program year 2027

---

expressed by the Council are not necessarily those of its individual members.

IV. THE COUNCIL'S RESPONSES TO QUESTIONS 14.1.a – 14.1.j IN REFERENCED ALJ RULINGS

The ALJ poses a series of questions in the Rulings that address the Energy Division's staff proposal— "IOUs Bridge Year Funding" (Staff Proposal) included as Attachment A to the First Bridge Year Ruling. Supplemental questions on the Emergency Load Reduction Program ("ELRP") are included in the Apil 8, 2026 Ruling. The Council provides responses to select questions below.

A. Should the Commission authorize two years of bridge funding for PG&E, SCE and SDG&E with programs and funding levels similar to the IOUs' 2027 portfolio, excluding pilots, and including a budget to incorporate the SCT in the DR Cost Effectiveness Reporting tool? (Question 14.1.a)

The Council supports bridge funding that generally aligns with the Commission-approved program structures underlying the IOUs' 2027 portfolios, to ensure continuity and administrative efficiency. However, the Council urges the Commission to adjust funding levels and portfolio balance during the bridge period to better support load-modifying demand response, innovation pilots, and accurate development of a societal valuation for flexible demand resources. Specific recommendations are included in the Council's response to Questions 14.1.b-14.1.d below.

While the bridge may rely on program categories and administrative structures similar to the IOUs' 2027 portfolios, funding levels should remain adjustable to reflect evolving reliability, affordability, and decarbonization needs.

B. What is an appropriate level of funding for integrating the SCT into the 2030-2034 program cycle applications? (Question 14.1.b)

To ensure that the Societal Cost Test is consistently and meaningfully integrated into 2030-2034 cycle applications, the Commission should provide dedicated funding on the order of 0.25% - 0.5% of total demand-side program budgets, with a modest statewide minimum. This level of investment would support common methodologies, application guidance, and evaluation infrastructure, thereby improving analytical rigor while avoiding inconsistencies or unintended barriers to load-modifying and innovative programs.

Integrating SCT into the 2030-2034 cycle requires:

- Methodology Development
    - Updated avoided cost inputs
    - Treatment of load shifting vs. load reduction
    - Consistency across EE, DR, flexible load, pilots
- Application-level integration
    - New tools and guidance for applicants
    - Staff and implementer training
    - QA/QC to ensure comparability across portfolios
- Data and evaluation infrastructure
    - Ex-post validation
    - Feedback loop into future cost-effectiveness policy
    - Avoiding one-off, non-replicable SCT interpretations

C. Should the Commission consider other critical modifications to the IOUs' 2027 DR programs and budgets if authorizing funding for the bridge years? If so, please recommend specific modifications to the programs and budget amounts for the two-year bridge year extension period. (Question 14.1.c)

While the Council supports bridge funding to ensure continuity and administrative efficiency, the Council does not support bridge-year budgets that allocate only a negligible share of funding to load-modifying demand response and provide no meaningful allowance for pilots or innovation. While the bridge year is intended to ensure continuity of programs and preserve near-term reliability, it should not freeze portfolio structures that are materially misaligned with California's evolving grid needs, including net peak management, renewable integration and electrification. A bridge that merely extends existing imbalances risks undermining, rather than informing, the development of the 2030-2034 portfolios.

Instead, the Council recommends that the Commission require IOUs' bridge-year portfolios to include explicit, minimum percentage allocations for 1) load modifying demand response and 2) pilot and innovation activities. Specifically, the Council proposes that no less

than 5-10 percent of total demand response funding be dedicated to load-modifying and load-shifting programs, and that at least 1-2 percent of total portfolio budgets be reserved for pilots and emerging approaches.

These requested levels are deliberately modest and proportionate. Load-modifying demand response currently represents well under one percent of total DR funding, despite providing outsized potential benefits for net peak mitigation, renewable overgeneration absorption, and system flexibility. A 5-10 percent allocation would allow the Commission and stakeholders to meaningfully test and scale these resources without displacing core reliability programs. Similarly, a 1-2 percent pilot set-aside is consistent with historical Commission practice of funding evaluation, innovation, and market transformation activities as portfolio infrastructure, and is necessary to generate actionable learning that can inform the 2030-2034 program cycle. Absent such funding, the Commission risks entering the next cycle without empirical evidence on newer delivery models that are widely acknowledged as critical to future system needs.

The Council emphasizes that these percentage-based allocations are preferable to fixed dollar amounts because they scale automatically with the overall bridge-year budget and preserve flexibility across IOUs. Incorporating these requirements would ensure that the bridge year functions not only as a stopgap, but as a constructive transition that corrects known underinvestment in load-modifying resources and supports better-informed portfolio design going forward.

D. Should the Commission authorize an extension of time for the IOUs' 2030-2034 applications until January 1, 2029? (Question 14.1.e)

The Council supports an extension of time for the IOUs' 2030-2034 applications until January 1, 2029. By the time these applications are filed, the Commission will need portfolios that:

- Incorporate fully updated Societal Cost Test methodologies
- Reflect post-bridge learnings on load-modifying DR and flexible electrification
- Align with CAISO reliability needs and evolving resource adequacy constructs

- Integrate distribution planning, IEPR and IRP assumptions that are still in flux

Filing too early risks locking in immature SCT assumptions, underdeveloped load-flexibility valuation and portfolios optimized for outdated system needs. An extension to January 1, 2029 (as opposed to later in the year) still gives the Commission a full year to review, modify and approve portfolios before 2030, provides time to run workshops and conduct evidentiary hearings, and allows the Commission to avoid another rushed bridge or emergency authorization.

E. Should the Commission exempt the bridge year portfolios from the SCT requirement? (Question 14.1.f)

The Council supports exempting bridge-year portfolios from the Societal Cost Test (SCT) requirement. The bridge year is intended to preserve program continuity and system reliability during a period of transition—not to serve as a test case for new cost-effectiveness frameworks that are still under development. Requiring formal SCT compliance during the bridge risks either delaying urgently needed funding or applying incomplete and potentially misaligned assumptions, particularly for load-modifying and flexible demand resources whose societal value is not yet fully reflected in existing methodologies. A temporary exemption will allow the Commission and stakeholders to focus on refining SCT inputs and guidance for the 2030–2034 cycle, ensuring that future applications are evaluated using a mature, consistent, and transparent framework rather than forcing premature compliance during an interim period.

F. Should the ELRP pilot be extended as-is or with modifications? Should there be a sunset date? (Question 14.1.h)

The Council strongly supports the Commission's inclusion of the Emergency Load Reduction Program for consideration during the bridge period and views this as an important and constructive step toward maintaining near-term reliability while broader demand-side policies are refined. Continuing ELRP during the bridge provides a proven, operational tool that can help manage extreme conditions and offers valuable real-world experience with emergency demand response across customer classes. The Council appreciates the Commission's recognition that retaining ELRP through this transition supports system reliability and preserves customer engagement at a critical moment. As the program continues, the Council encourages the Commission to leverage the bridge period to capture lessons learned and program data that can

inform development of future demand response portfolios, while keeping ELRP aligned with its role as a targeted reliability backstop.

One modification the Commission could consider is using ELRP dispatches to address distribution-level constraints rather than just system-level issues. A $2/kWh price could be applied or increased for DERs located on constrained areas and operating in such a way that they are reducing stress on the distribution system. This is similar to an approach taken by Xcel Energy in its Aggregated VPP program.[2]

G. If the ELRP pilot should be extended with modifications, should there be design changes made to it that align with the "Guiding Principles" staff proposal? Please explain any specific design changes recommended as part of the response. (Question 14.1.i)

The Emergency Load Reduction Program (ELRP) is an emergency reliability pilot and, in its current form, aligns with Staff's *Guiding Principles for Demand Response in California*[3] primarily through its tight linkage to CAISO emergency triggers, standardized measurement and settlement rules, and pay-for-performance structure. That said, because ELRP was designed as an out-of-market "last resort" tool, it only partially advances some principles (particularly standardization across programs and cost-effectiveness). The bridge period is an appropriate time to make light touch refinements that preserve ELRP's emergency function while improving alignment with the principles below.

1) **Predictable and reliable**. ELRP is designed to be dependable when called because dispatch is tied to CAISO emergency declarations (and limited Flex Alert circumstances), with defined seasonal availability (May–October), event windows, and dispatch caps. However, performance can vary by participant subgroup, and the "no penalties" design can limit deliverability certainty for planning purposes.

- **Refinement**: Create an optional "committed" participation track (with a modest availability payment and meaningful performance expectations) alongside the existing fully voluntary track, so a defined subset of ELRP can be treated as more deliverable for planning and operations. These

[2] Xcel Energy VPP Program

[3] Energy Division Staff Proposal: Guiding Principles for Demand Response in California, September 8, 2025.

participants could be compensated via a capacity payment rather than an energy payment, as described in more detail below.

2) **Standard valuation, metrics, and data**. ELRP generally uses standardized baselines and settlement processes within each IOU territory and produces event and performance data. But it remains administratively segmented across three IOUs, and metrics are not fully harmonized with market-integrated DR, RA/IRP planning needs, or distribution-level visibility.

- **Refinement**: Require a single statewide ELRP reporting template and data dictionary (event characteristics, enrolled MW, dispatched MW, verified kWh, performance by subgroup/technology, and measurement uncertainty), aligned where feasible with other DR reporting and CAISO needs. If possible, having ELRP administered by a single statewide entity rather than individual utilities could further standardize participation across the state.

3) **Cost-effective and clear value**. ELRP can provide high reliability value as an insurance-type resource during extreme events and avoids long-lived procurement for seldom-used emergencies. Still, the $/kWh incentive and emergency-only triggering can create uncertainty about value for money absent consistent, transparent reporting of net system benefits (including avoided outage risk, avoided procurement, and administrative costs) across subgroups.

- **Refinement:** Direct annual public reporting of cost-effectiveness using consistent metrics (e.g., incentive plus admin cost per verified kWh and per enrolled/available kW, with qualitative discussion of avoided outage risk), with subgroup-level results to guide program refinements. This should include consideration of distribution-level benefits, with ELRP payments potentially tied to dispatches that address distribution-level constraints as well as system-level constraints.

4) **Support energy/environmental goals; limit fossil generation**. ELRP is directionally aligned because it compensates verified incremental load reduction and can include DER exports. Nonetheless, the program's emergency nature raises the risk that some customers may rely on on-site fossil backup generation to reduce net load, unless rules and verification clearly limit and track such use consistent with Commission policy.

- **Refinement**: Tighten and clarify rules around use of fossil backup generation for load reduction claims, including explicit disclosure/attestation requirements and (where feasible) verification and reporting so ELRP performance is consistent with State climate policy and "strictly limited conditions."

H. Are there lessons or elements from DSGS that could inform improving ELRP pilot design to benefit all ratepayers? (Question 14.1.j)

The Council supports continuing the DSGS program as it is today if funding allows. As a statewide program designed to test new program structures as well as provide emergency capacity, DSGS is a distinctly different program than ELRP and cannot be neatly substituted by the latter. However, experience with DSGS suggests several design elements that could further strengthen the Emergency Load Reduction Program for the benefit of all ratepayers. The Council recommends the Commission consider incorporating these elements into ELRP to improve the program both in 2027 and potentially beyond.

DSGS points to the value of (1) shifting to a pay-for-performance capacity payment structure, (2) simplifying enrollment and device authorization, (3) tying dispatch to transparent price signals rather than emergency alerts, (4) enabling shorter dispatch durations, and (5) using a single statewide administrator rather than separate utility administration.

First, DSGS illustrates how a pay-for-performance capacity payment can provide a steadier revenue stream than a pure $/kWh incentive, helping participants cover the upfront and ongoing costs of integration. This structure also avoids the poor optics of a "minimum dispatch requirement" and preserves accountability by reducing capacity payments when participants underperform. In practice, this approach can fit ELRP's emergency purpose by functioning like an insurance-style payment that keeps resources available when needed.

Second, DSGS demonstrates that simplifying authorization and enrollment at the device level can materially reduce customer friction. Allowing customers to enroll individual devices through a streamlined process—without separate consent forms or utility-specific account information—can increase participation and capacity. It can also enable customers with multiple technologies (for example, a battery and a smart thermostat) to enroll different devices in different demand response programs to maximize participation.

Third, DSGS suggests tying dispatch to day-ahead market prices (or other transparent price signals) rather than relying solely on emergency alerts. This could support tiered participation, such as more frequent dispatch for customers willing to respond at lower prices (e.g., \$200/MWh) and an "emergency-only" tier at higher prices (e.g., \$750/MWh). Such a

structure could also allow dispatch when the grid is approaching emergency conditions, improving reliability outcomes without waiting until an emergency trigger is met.

Fourth, DSGS highlights the value of shorter dispatch durations. DSGS Options 3 and 4 both allow two-hour dispatches, which may be a more suitable structure for smart thermostats and shorter-duration residential batteries than longer event windows.

Finally, DSGS indicates that a single statewide administrator (rather than separate utility administration) can streamline participation by avoiding the need for aggregators to integrate with three different IOUs. A statewide administrator could also facilitate participation by customers in non-IOU territories, if authorized.

V. CONCLUSION

The Council appreciates the opportunity to provide Opening Comments on the Administrative Law Judge's March 10 and April 8, 2026 Rulings addressing demand response bridge year funding. The bridge period is a necessary and pragmatic tool to preserve program continuity and near-term reliability during a time of significant transition in California's demand-side policies. At the same time, the manner in which bridge funding is structured will materially influence the Commission's ability to meet evolving reliability, affordability, and decarbonization objectives.

As discussed above, the Council supports authorizing bridge funding that generally aligns with existing program structures to ensure administrative efficiency and deliverability, while maintaining flexibility to correct known portfolio imbalances. In particular, the Council urges the Commission to (1) require modest, percentage-based allocations for load-modifying and load-shifting demand response; (2) dedicate funding for pilots and innovation during the bridge period; (3) exempt bridge-year portfolios from formal Societal Cost Test compliance while investing in the tools and methodologies needed for robust SCT application in the 2030–2034 cycle; and (4) leverage programs such as ELRP as reliable transitional resources while systematically capturing lessons learned.

If designed thoughtfully, the bridge period can function not merely as a stopgap, but as a constructive transition that preserves reliability today while generating the empirical evidence,

analytical tools, and program experience needed to inform stronger, more resilient portfolios in the next program cycle. The Council respectfully encourages the Commission to adopt the recommendations herein to ensure that the bridge years advance—rather than delay—progress toward a more flexible, cost-effective, and decarbonized electricity system for California.

Date: April 30, 2026

Respectfully Submitted

/s/ Chris Burmester, Board Chair

California Efficiency + Demand Management Council
2111 San Pablo Ave. Unit 2300
Berkeley, CA 94702
510-813-8982
policy@cedmc.org