

Restore Funding for DSGS & DEBA – Key Clean Energy Programs



June 3, 2025

Senate President pro Tempore Mike McGuire
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Assembly Speaker Robert Rivas
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Sacramento, CA 95814

Senator Scott Wiener
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Sacramento, CA 95814

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

RE: Restore Funding for Clean Energy Programs DSGS & DEBA in the 2025-26 Budget

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

We are writing to respectfully urge you to restore funding commitments made to the Demand Side Grid Support (DSGS) and the Distributed Electricity Backup Assets (DEBA) programs to the amounts in the January 2025 budget proposal. These programs are critical to California's efforts to manage an increasingly constrained electricity supply, reduce electricity system costs, and reduce the state's reliance on polluting "peaker" plants. In doing so, these programs provide an important tool to keep the lights on and pave the way for a resilient, affordable, and clean energy future.

We recognize the difficult fiscal environment the Legislature is navigating this year. The budget deficit demands tough choices, and we appreciate your continued focus on protecting California's long-term energy and climate priorities.

That's why it is critical to preserve investments in DSGS, a proven program that is delivering real, clean megawatts today, and ensure DEBA can get off the ground as intended. Both programs help solve multiple urgent problems—energy reliability, affordability, and equity—at lower cost than the fossil-based alternatives they replace. Importantly, without restored funding, DSGS will likely end after this year, cutting off a critical tool just as it's scaling up.

The legislature created these clean energy programs in response to the historic grid emergencies in 2022 to bring new flexible and responsive resources online and to help transition away from the reliance on polluting peaker plants, like the state's remaining once-through-cooling (OTC) power plants and diesel backup generation, during times of grid stress.

Demand Side Grid Support (DSGS)

DSGS compensates existing electric customers that provide system-wide demand reduction and backup generation through mechanisms such as virtual power plants (VPPs). This program was initially deployed in the Summer of 2022 and has since grown to over 800 MW in capacity this year—more than double what it delivered in 2024 and equivalent to a large peaker plant.

- The Governor’s January 2025 budget proposed allocating over \$120 million in new funding for DSGS, which was in accordance with the deal reached with the legislature in 2024. **However, the May Revise effectively zeroes out new allocations to DSGS and reverts \$18 million from previously appropriated DSGS funds, resulting in a \$140 million decrease.**
- Since the program relies on aggregators, this funding decrease impacts their ability to deploy emergency capacity in the short term and to scale their enrollment in future years. Aggregators need confidence about the program’s longevity to continue investing in market development and customer onboarding. Further, customers need certainty in program length to estimate their returns upon participation.

Distributed Electricity Backup Assets (DEBA)

DEBA supports the development of new cleaner, more efficient distributed energy resources (DERs), such as energy storage and microgrids, in communities across California. These projects will not only provide direct reliability and affordability benefits locally but can also participate as virtual power plants (VPPs) in programs like DSGS, delivering additional grid support and cost savings to all California ratepayers.

- The Governor’s January 2025 budget proposed allocating \$200 million in new funding for DEBA, which was in accordance with the 2024 deal. **However, the May Revise decreases that commitment by \$150 million, leaving \$50 million for the program.**
- While the remaining \$50 million proposed may be sufficient to launch initial DEBA projects, many Californians are still in need of clean backup generation. Vulnerable populations and critical facilities like schools, medical centers, fire stations, and water delivery facilities could benefit the most from a robust DEBA program.

DSGS and DEBA work best together. DSGS has already proven it can quickly deploy clean capacity during emergencies, while DEBA will help expand the pool of distributed resources that can contribute in the future. Cutting or scaling back these programs at this crucial juncture would not only disrupt implementation 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 to enhance load flexibility and ensure grid resilience, goals that rely on distributed resource companies.

Given the critical importance of these programs to avoiding dire energy shortages, achieving our state's climate goals, and increasing equity in the energy transition, we urge you to restore funding for the DSGS and DEBA programs.

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

Sincerely,

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Advanced Energy United

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Ban SUP (Single Use Plastic)

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CC: The Honorable Ben Allen, Chair, Senate Budget Subcommittee No. 2 on Resources,
Environmental Protection and Energy
The Honorable Steve Bennet, Chair, Assembly Budget Subcommittee No. 4 on Climate
Crisis, Resources, Energy and Transportation
The Honorable Josh Becker, Chair, Senate Energy, Utilities and Communications
Committee
The Honorable Rosilicie Ochoa Bogh, Vice Chair, Senate Energy, Utilities and
Communications Committee
The Honorable Cottie Petrie-Norris, Chair, Assembly Utilities and Energy Committee
The Honorable Joe Patterson, Vice Chair, Assembly Utilities and Energy Committee