

Maintain Funding for DSGS & DEBA – Key Clean Energy Programs



May 12, 2025

Senate President pro Tempore Mike McGuire
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Assembly Speaker Robert Rivas
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Senator Scott Wiener
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Assemblymember Jesse Gabriel
1021 O Street, Suite 8230
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RE: Maintain 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 maintain all funding commitments made to the Demand Side Grid Support (DSGS) and the Distributed Electricity Backup Assets (DEBA) programs in the 2024 Budget Deal and in the Governor's 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 for Californians and pave the way for a resilient, affordable, and clean energy future.

California's grid is facing unprecedented challenges, such as extreme weather events—with the LA wildfires being the latest devastating example—and rapidly increasing load growth. 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 emergencies in 2022, the legislature authorized and the California Energy Commission (CEC) moved to design and implement the emergency programs DSGS and DEBA to bring new flexible and responsive resources online—providing critical energy reliability support. These programs were also established to help transition away from the reliance on fossil fuel peaker plants—like the state's remaining once-through-cooling (OTC) "peaker" power plants, and diesel backup generation—which disproportionately impact disadvantaged communities and transition to clean resources to support the grid during times of stress.

In pursuing these goals, DSGS has enrolled over 500 MW in capacity that provides emergency energy supply during times of need, helping us avoid blackouts using existing clean distributed

energy resources (DERs). On the other hand, DEBA, which was meant to incentivize the deployment of new DERs, has stalled in its implementation, severely delaying the delivery of significant reliability and affordability benefits that these DERs could provide to communities in need across California.

By continuing to invest in DSGS and DEBA, California can accelerate its advancement towards its vision of a highly responsive grid that can manage multiple growing challenges while keeping the lights on with affordable rates and clean energy. In specific:

- **Demand Side Grid Support (DSGS):** DSGS compensates existing electric customers that provide system-wide demand reduction and backup generation, critical during grid emergencies, through mechanisms such as virtual power plants (VPPs). This program was initially deployed in the Summer of 2022 and has since grown to over 260,000 participants.
 - **The state should ensure the continued success of this highly effective program by maintaining both commitments of \$75 million in GGRF funds and the \$50 million in Proposition 4 funds.** Since the program relies on aggregators, these funding commitments would help provide the predictability they need to continue investing in market development, customer onboarding, and program setup. Customers also 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 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 \$200 million proposed in the January budget is critical to kick-start the program.** The CEC and many stakeholders have spent thousands of hours and significant resources in program design conversations since 2022, with a grant funding opportunity nearly finalized and ready for release. However, after the cuts in the 2024-25 budget, the program has fully stalled. Without the promised funds in this year's budget, the program will likely stall permanently, severely diminishing the confidence of prospective suppliers in the state's commitment to clean distributed power, and depriving communities across California of a critical program that could make them direct beneficiaries of and contributors to the energy transition.

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 or diminishing 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 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 protect the 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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CC: The Honorable Ben Allen, Chair, Senate Budget Subcommittee 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
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The Honorable Rosilicie Ochoa Bogh, ViceChair, Senate Energy, Utilities and
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The Honorable Cottie Petrie-Norries, Chair, Assembly Utilities and Energy Committee
The Honorable Joe Patterson, Vice Chair, Assembly Utilities and Energy Committee