

DEMAND SIDE GRID SUPPORT PROGRAM

April 27, 2026



Background

The Demand Side Grid Support (DSGS) program administered by the California Energy Commission (CEC) was created to help prevent outages by incentivizing customers to reduce electricity use or discharge energy back to the grid during periods of extreme demand.

In just three years since it was authorized by AB 205 (Ting, 2022), the program has scaled to more than 1 GW of resources. In 2025, DSGS delivered more than 500 MW during test events from networked home batteries alone—representing more than half of San Francisco's energy demand. Despite these successes, DSGS faces a funding gap heading into summer 2026, putting California's most proven distributed energy resource program at risk.

Program Overview

DSGS is activated during high-risk periods during the summer months to provide grid reliability and reduce the likelihood of power outages. It is structured around four participation pathways that support California's evolving grid needs:

1. **Load reduction:** Large commercial customers establish a baseline and are compensated for verified reductions in electricity use during events.
2. **Behind-the-meter generation:** Facilities with backup generators are paid to export electricity to the grid during events.
3. **Distributed energy resource (DER) aggregation:** Aggregated fleets of customer-sited batteries and other DERs discharge during events.
4. **Scheduled dispatch:** Advanced DER operators commit to dispatch energy during pre-scheduled windows to support forward-looking grid reliability.

As California retires its dirtiest and oldest fossil-fueled capacity in the Strategic Reliability Reserve, maintaining DSGS funding is crucial to supporting system reliability. By offering multiple participation pathways, DSGS can cost-effectively stabilize the grid during both emergency events and planned reliability needs.

DSGS vs. ELRP

DSGS is one of California's two primary emergency demand-side reliability programs. The Emergency Load Reduction Program (ELRP), administered by Investor-Owned Utilities (IOUs) under California Public Utilities Commission (CPUC) oversight is a similar demand response pilot designed to help avoid outages during peak summer usage periods.

However, ELRP has struggled to attract participation despite significant ratepayer funding and administrative costs. Each IOU administers its own version of the program with different rules, administration, and compensation structures. ELRP's fragmented approach has led to administrative complexity and limited participation. In 2025, the projected combined impact across PG&E and SCE territories is only 47 MW, just 5% of DSGS's current scale.¹

By contrast, **DSGS has demonstrated rapid growth and significantly higher delivered capacity per dollar spent**, highlighting the effectiveness of a centralized program administered by the CEC.

DSGS is delivering for California

The data on DSGS is clear: the program is delivering on its mission, growing efficiently, and outperforming comparable programs. Continued funding allocated to the CEC for administration is the right path forward for California's grid reliability:

1. **Mission alignment and growth:** DSGS was designed to aggregate demand-side resources to support the grid. Within its existing scope, the program has grown from 10 MW to nearly 770 MW of enrolled DER aggregation. By scaling what works, integrating new resources as they are developed, DSGS delivers grid capacity alongside emergency-response capabilities to create a more resilient grid.
2. **Cost-effectiveness and ratepayer value:** DSGS only spent \$13M in administrative costs and distributed \$66.5M to customers over three years to unlock over 1 GW of capacity. A Brattle Group Analysis projects that the program will lead to \$206M in net ratepayer savings over four years if it continues. Compared to ELRP, which spent \$16M in admin costs and only distributed \$525k to customers, DSGS is far more cost-effective. Funding discussions should focus on sustaining and expanding the program to solve revenue source concerns.
3. **Delivered capacity and expansion:** DSGS delivered 91 MW in September 2024 and over 539 MW in a test event in August 2025 to support grid reliability.² Customer

discharge has nearly doubled year-over-year and will continue to grow. Multi-day limitations are a result of current battery duration technology, and the CEC is tracking and planning for longer-duration storage as it becomes commercially available.

4. **Administrative efficiency and reach:** DSGS operates under a single statewide framework administered by the CEC, enabling aggregators to enroll customers across all three IOU territories. This unified approach has driven rapid enrollment growth across California, regardless of where customers live. By contrast, ELRP's fragmented approach with separate eligibility criteria, enrollment processes, and payment structures across PG&E, SCE, and SDG&E yielded just 47 MW of projected capacity in 2025 at a higher administrative cost.

Recommendation

DSGS has rapidly become California's most effective distributed energy reliability program, and transferring the program to the CPUC risks undermining its success by recreating the inefficiencies observed in ELRP. Instead, **policymakers should prioritize stable funding and continue CEC oversight to ensure DSGS can scale to meet California's growing reliability challenges.**

¹ See SCE's PY2025 Emergency Load Reduction Program Evaluation, dated October 29, 2025, Table 7 and Table 10; and PG&E PY2025 Emergency Load Reduction Program Evaluation, dated October 29, 2025, Table 7 and Table 10. Group A.6 participation was excluded from the totals because there were no events for group A.6 in 2025.

² See Brattle Group, *The Demand Side Grid Support Program: An Assessment of Scale and Value*, August 2025.

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