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February 12, 2026

The Honorable Jesse Gabriel
Assembly Budget Committee, Chair
1021 O Street, Suite 8230
Sacramento, CA 95814

The Honorable Steve Bennett
Assembly Budget Subcommittee No. 4 on
Climate Crisis, Resources, Energy, and
Transportation, Chair
1021 O Street, Suite 4710
Sacramento, CA 95814

RE: Restore Funding for the Demand Side Grid Support (DSGS) Program

Dear Chairs Gabriel and Bennett,

We respectfully urge you and your colleagues in the Legislature to appropriate at least \$75 million for the Demand Side Grid Support (DSGS) program in your finalized 2026 budget. As the nation's largest virtual power plant (VPP) program, DSGS provides significant clean emergency capacity, enabling California's transition away from fossil-fueled peaker plants and generating significant savings for Californians. **This program is especially critical as contracts for aging peaker plants expire at the end of 2026.**

DSGS is the only clean, dispatchable emergency capacity ready to replace fossil units and create a more reliable and affordable grid. Since its launch in 2022, the program has proven to be one of **California's most effective clean reliability programs, growing to more than 1,000 MW of dispatchable capacity,**¹ enough to power the peak electricity demand for all of San Francisco. In addition, if funded and structured properly, the program's distributed storage capacity could double by 2028 while generating an **estimated \$206 million in net savings for Californians.**² This program is especially important as California faces rising energy demand and delays to renewable energy projects. California cannot afford to leave any solution on the table in the transition to a clean energy economy, especially given our position as a technology leader, and the rising importance of energy as an input to technological development.

¹ <https://dsgs.olivineinc.com/faq/#program>

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

However, without timely funding, DSGS providers will lack the certainty needed to maintain and expand these VPP resources, resulting in lost investment, customer attrition, and reduced reliability heading into the peak summer months. Many providers have already begun reallocating resources to other states due to uncertainty around California's commitment to DSGS, and a further funding delay would leave California with few alternatives, risking both reliability and higher costs for ratepayers. **Our power supply is still at risk of extreme weather events such as heatwaves, floods, and wildfires, and the DSGS program provides a low-cost, risk-free insurance policy to keep the lights on during the highest demand hours of the year. Furthermore, it is the largest and most accessible in-state option that can respond day-of.**

California has invested years of effort and hundreds of millions of private dollars in building DSGS into a national model for clean reliability. **Securing at least \$75 million before the peak summer months is the minimum step needed to keep the program viable, sustain private investment, and protect Californians from higher bills and unnecessary emissions.** This short-term funding commitment is an important bridge to the evolution of VPP participation in the California capacity and energy markets. We will look to leadership from the Governor's Office to support a process for VPPs to be integrated into those markets, **but it is vital that the existing DSGS program endures long enough for that process to materialize.**

We respectfully urge you to make DSGS funding an early and top priority for the 2026 legislative session to ensure California continues leading with clean, reliable, and cost-saving innovation.

Thank you for your leadership and attention to this urgent matter. We are available to provide any additional information or analysis you may need.

Sincerely,

Laura Deehan
State Director
Environment California

Ellie Cohen
State Director
The Climate Center

Katelyn Roedner Sutter
State Director, California
Environmental Defense Fund

Chloe Ames
Climate Policy Advisor
NextGen California

Merrian Borgeson
Director, California Climate & Energy
Natural Resources Defense Council

Rebecca Curry
Senior Manager, Western Regional Policy
Rewiring America

Ardi Arian
Founder & CEO
Renewable America

Gracyna Mohabir
Clean Air & Energy Regulatory Advocate
California Environmental Voters

Derek Chernow
Executive Director
Californians for Local Affordable Solar & Storage (CLASS)

Arnab Pal
Co-Founder & Executive Director
Deploy Action

Pauline Seales
Organizer
Santa Cruz Climate Action Network

Roger Lin
Senior Attorney
Center for Biological Diversity

Anthony Dang
Policy and Community Outreach Manager
Climate Action Campaign

Kerry Skemp
Policy Advisor
ev.energy

Josh Cohen
Head of Policy
SWTCH

Jared Satrom
Director of Energy Markets
Voltus, Inc.

Ruben Fontes
CEO
Forefront Power

Daniel Chandler
Steering Committee
350 Humboldt

Ryan Barnett
SVP, Policy & Market Development
Palmetto Solar, LLC

Ben Larralde
CEO
Flip Energy

Tam Hunt
Owner
Community Renewable Solutions LLC

Raghav Murali
Head of Policy & Compliance
PowerFlex

Zach Woogen
Executive Director
Vehicle-Grid Integration Council

Brendan O'Donnell
President & CEO
bodeEV Inc.

Anna Bella Korbatov
VP, Regulatory Affairs
Fermata Energy

Ali Chehrebsaz
CEO
TerraVerde Energy

Stephen Rosenblum
Energy Policy Team Lead
Climate Action California

Jenn Engstrom
State Director
CALPIRG

Patrick Welch
Associate Director of Legislative Affairs
San Diego Community Power

Demian Hardman
Board Chair
**Local Government Sustainable Energy
Coalition**

Erik Lyon
Energy Regulatory Manager
Renew Home

Thomas Lee
Founder & President
Derapi

Frances Bell
CEO
Bidirectional Energy

Bernadette Del Chiaro
Senior Vice President, California
Environmental Working Group

Ben Stapleton
CEO
U.S. Green Building Council California

Bena Chang
Director of Government and Legislative
Affairs
Silicon Valley Clean Energy

Tekira Briscoe
Alliance Operations Coordinator
**California Alliance for Community
Energy**

Ben Schwartz
Policy Director
Clean Coalition

Stephanie Doyle
California Director
Solar Energy Industries Association

Allie Detrio
Chief Strategist
Microgrid Resources Coalition

Sam Sadle
Principal Legislative Manager
Ava Community Energy

Kate Unger
Senior Policy Advisor
California Solar & Storage Association

Meredith Roberts
Director, Policy and Regulatory Affairs
Generac Power Systems, Inc.

Tamara Dzubay
Senior Director, Energy
Ecobee

Yara Marin
Deputy Program Director, West
Vote Solar

Brandon Garcia
California Director
Advanced Energy United

Cc: The Honorable Robert Rivas, Speaker of the Assembly