



# 2026 DSGS Program Updates

May 13, 2026

# Agenda

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# INTRODUCTION

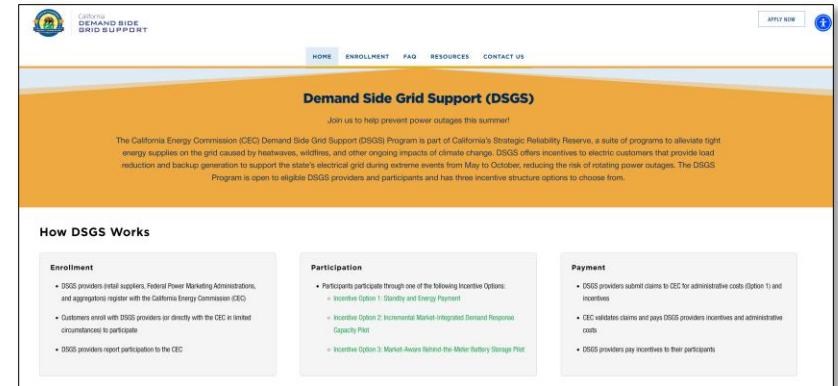
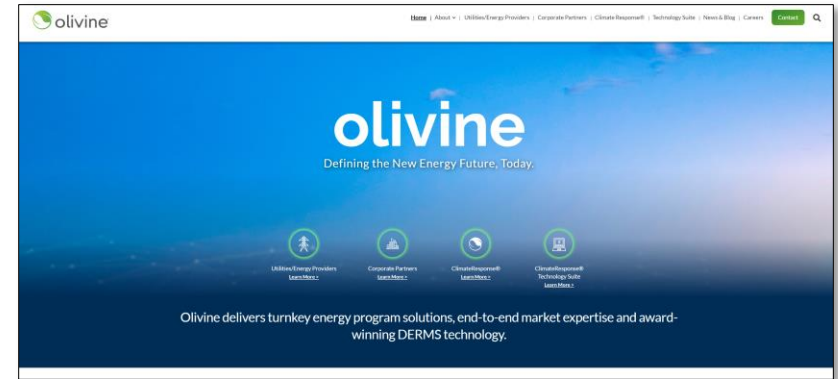
# Olivine Introduction & Role in DSGS

## About Olivine, Inc.

- California-based company focused on helping the state meet its renewable energy and GHG reduction goals
- Learn more at [www.olivineinc.com](http://www.olivineinc.com)

## Role in DSGS

- Implementing DSGS on behalf of CEC
- Responsible for providing program management and infrastructure to support enrollment, communications, reporting and performance monitoring



# Program Participation Options

	Option 1	Option 2	Option 3	Option 4
Overview	Emergency Dispatch	Market-Integrated Demand Response Incremental Capacity Pilot	Market-Aware Storage Virtual Power Plant Pilot	Emergency Load Flexibility Virtual Power Plant Pilot
Eligibility	Limited direct participants through CEC & DSGS Providers (non-residential)	No direct participation, through DSGS Providers only	No direct participation, through DSGS Providers only	No direct participation, through DSGS Providers only

# Overview of General Changes to Program

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## Key Changes for 2026

- Option 1 is suspended for 2026 Program Year
- Option 3 and 4 providers attest that they have remote control (ex: via API) of each participant device to dispatch the device, is not dispatching the device for a conflicting program, and is unaware of any conflicting enrollment or participation of their enrolled devices
- Definition of "aggregator" updated to include customer enrollment and relationship management
- Establishes MW and/or funding caps for available participation options

# Option 2

# DSGS Option 2 Overview

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- Market-Integrated Demand Response **Incremental Capacity Pilot** for providers with Proxy Demand Resources (PDRs) in CAISO market.
- Distinct from all other DSGS options – No event dispatch signals, and data comes from CAISO.
- Basic idea: A mechanism for market-integrated DR to earn incremental capacity payment if they are consistently able to offer more load reduction than their RA commitment.
- Providers only earn incentive if the aggregate demonstrated capacity (across all the participating resources) exceeds the max aggregate Resource Adequacy commitment. This is the definition of “incremental.”
- Incremental capacity is calculated across all participating resources, which could include RA and non-RA resources.

## Key resources:

- [Provider resources and templates](#)
- [Report uploader link](#)
- [2026 DSGS Guidelines](#) (5<sup>th</sup> Edition) including a version with strikethrough
- Program support: [dsgs-support@olivineinc.com](mailto:dsgs-support@olivineinc.com)

# Overview of Key Changes to Option 2 Guidelines for 2026

Category	Changes for 2026
Eligibility	No changes compared to 2025.
Funding availability	\$1M funding cap for Option 2 in 2026 (up to \$3M if additional funding is secured). Funding is allocated proportionally based on final 2026 performance.
Reporting and Enrollment	No major changes. Guidelines state that each PDR will be considered a separate aggregation under Option 2. Minor changes to monthly enrollment file format (see updated template on Resources webpage).
Bidding requirements	No changes compared to 2025. Clarifies that dispatches must result in a non-zero BNLI (Bid-Normalized Load Impact) value in order to qualify for minimum dispatch requirements.
Dispatch requirements	No changes compared to 2025.
Capacity calculation and Incentive amounts	The interim season settlement process is removed. Settlements (including allocation) will occur after performance for entire season is calculated-- by Spring 2027.

# Option 2 Settlement Updates (Part 1)

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*Funding cap (guideline language):*

Incremental demonstrated capacity shall be calculated and performance-based capacity payments shall be disbursed following the season completion each program year.

In the 2026 program season, \$1 million is available for funding Option 2 performance-based capacity payments across all Option 2 participating providers. If additional funding becomes available through the 2026-27 budget process, up to \$3 million is available for Option 2. Available Option 2 funds shall be allocated to each participating provider based on the method described in Appendix A. Any funds remaining after the end-of-season allocations may be reallocated to the 2026 funding pool for Option 3.

*Note: The interim season settlement process is removed in 2026. Settlements (including allocation) will occur after performance for entire season is calculated (Spring 2027). Final performance can't be calculated until CAISO provides the T+70B performance data for all Option 2 trade dates.*

# Option 2 Settlement Updates (Part 2)

*Allocation Method  
(guideline language):*

## A. Option 2 Compensation Allocation Method

Available Option 2 funds for 2026 season shall be allocated to each participating provider based on the CEC-validated cumulative performance-based capacity compensation for the provider's aggregations in the 2026 program season, up to their pro-rata share of the total *uncapped* compensation across all participating Option 2 providers in the season.

Below is an example of the Option 2 allocation method. Assume four providers and a total of \$1 million available for providers:

**Table 8: Example Option 2 Compensation Allocation**

<b>Provider</b>	<b>Uncapped Compensation</b>	<b>Pro-Rata share</b>	<b>Capped Compensation</b>
Provider 1	\$564,000	47%	\$470,000
Provider 2	\$336,000	28%	\$280,000
Provider 3	\$192,000	16%	\$160,000
Provider 4	\$108,000	9%	\$90,000
<b>Total</b>	<b>\$1,200,000</b>	<b>100%</b>	<b>\$1,000,000</b>

Source: CEC staff

# Option 3

# DSGS Option 3 Overview

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- Market-aware Storage Virtual Power Plant (VPP) – event-based dispatch tied to CAISO market signals and emergency conditions
- Day-ahead and day-of event structures
- Capacity-based payments for day-ahead storage VPP events, energy payments for day-of
- Pro-rata compensation allocation method for 2026

## Key resources:

- [Provider resources and templates](#)
- [Provider Portal](#)
- [2026 DSGS Guidelines](#) (5<sup>th</sup> Edition) including a version with strikethrough
- Program support: [dsgs-support@olivineinc.com](mailto:dsgs-support@olivineinc.com)

# Overview of Key Changes to Option 3 Guidelines for 2026

Section	Key Changes for 2026
Eligibility	<ul style="list-style-type: none"> <li>Limited to storage VPP aggregators who participated in October 2025 (with EVSE exception)</li> <li>Definition of “aggregation” updated to include customer class</li> <li>Minimum aggregation sizes updated (300 kW stationary, 50 kW EVSE)</li> <li>Providers attest to remote control, no conflicting dispatches or enrollments</li> </ul>
Reporting	<ul style="list-style-type: none"> <li>Batteries_installed_count → inverters_installed_count and all baseline-relevant fields removed</li> <li>Requires two months of meter data prior to month of submission – Example: Performance reports for May are submitted in June and should include meter data for April and May</li> </ul>
Calculations	<ul style="list-style-type: none"> <li>5-in-5 or 10-in-10 measured baseline applied to all stationary storage aggregations</li> <li>No Day-of Adjustments</li> <li>25% percent penalty applied in the case of a CEC audit finding &gt; 10% variation from an alternative baseline with allowance for deviation due to explainable factors</li> </ul>
Events	<ul style="list-style-type: none"> <li>Test events remain provider-called</li> <li>Maximum updated to 60 day-ahead hours (versus total events)</li> <li>3-day August test event required if no consecutive 3-day, full duration LMP events</li> <li>Large providers may be asked to call test events on separate days for Northern and Southern California aggregations</li> </ul>
Funding Availability	<ul style="list-style-type: none"> <li>Sets total compensation amount available for Option 3 in 2026 and describes the mechanism to cap performance-based capacity payments for each provider</li> </ul>
Market Participation	<ul style="list-style-type: none"> <li>CEC will explore potential pathways for selected and interested aggregations for Option 3 VPP resource participation in the California ISO energy markets as a result of a CAISO straw proposal</li> </ul>

# Option 3 Settlement Updates

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*Funding cap (guideline language):* In the 2026 program season, \$19.5 million is available to fund Option 3 performance-based capacity payments. If additional funding becomes available through the 2026-2027 budget process, up to \$42.7 million is available for Option 3. Funds will be allocated to each aggregator based on the method described in the Option 3 Compensation Allocation Method in Appendix A. Except for VPP aggregators of bi-directional EVSEs, participation in the 2026 program season is limited to storage VPP aggregators that participated in October 2025.

- \$250,000 set aside for bi-direction EVSE resources
  - Leftover funding allocated to stationary storage resources
- Remainder of \$19.25 million for stationary storage funding
  - Subdivided by customer class (res vs non-res)

# Option 3 Settlement Updates – Allocation Round 1

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*Allocation Method  
(guideline language):*

Round 1 Funding Allocation: The class-specific available fund shall be allocated at the end of the 2026 program season to each aggregator based on the CEC-validated cumulative performance-based capacity compensation for their applicable class aggregations in the 2026 program season, up to their pro-rata share of the total compensation for Option 3 applicable customer class in October 2025 (referred to as “October 2025 class-specific total compensation”). The October 2025 class-specific total compensation is the sum of the per aggregator compensation that the aggregators *would* have earned in October 2025 for their applicable class aggregations based on their aggregations’ demonstrated capacity relative to a measured baseline,<sup>17</sup> as determined by the CEC using the available existing performance data for that month.

- CEC sent October 2025 pro-rata shares to providers late March 2026
  - “pro rata share based on demonstrated capacity relative to **measured baseline**”
  - “customer class share of total Option 3 Funding based on demonstrated capacity relative to **measured baseline**”

## Option 3 Settlement Updates – Allocation Round 2

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*Allocation Method  
(guideline language):*

Round 2 Funding Allocation: To the extent that some aggregators' cumulative performance-based capacity compensation for the 2026 season is less than their Round 1 pro-rata share described above, the remaining class-specific funds shall be pooled and re-allocated to aggregators (Round 2 funding allocation) whose total 2026 compensation for their applicable aggregations exceeded their October 2025 pro-rata share in Round 1. The Round 2 allocation to the eligible providers shall be based on their CEC-validated cumulative performance-based capacity compensation for their applicable aggregations in the 2026 program season, up to their *revised* pro-rata share for Round 2 – that is, based on their share of the October 2025 class-specific total compensation associated with only the Round 2 aggregators.

- Funds remaining in a customer class-specific fund will be allocated to the other customer class using the described allocation rounds
- Funds remaining after allocation rounds 1&2 will be allocated to Option 2 resources

## Option 3 Settlement Updates – Round 1 Example

	A	B	C	D	E
Provider	October 2025 Pro-Rata Share (Residential)	Max 2026 Round 1 Payment (\$M)	Uncapped 2026 Performance Payment	Round 1 Payment Allocation	Round 2 Available \$
Provider 1	35%	\$6.65	\$8.00	\$6.65	0
Provider 2	25%	\$4.75	\$5.25	\$4.75	0
Provider 3	15%	\$2.85	\$2.85	\$2.85	0
Provider 4	15%	\$2.85	\$1.50	\$1.50	\$1.35
Provider 5	10%	\$1.90	\$2.50	\$1.90	0
<b>Total</b>	<b>100%</b>	<b>\$19.00</b>	<b>\$20.10</b>	<b>\$17.65</b>	<b>\$1.35</b>

Source: CEC staff

## Option 3 Settlement Updates – Round 2 Example

	A	B	C	D
Provider	October 2025 Revised Pro-Rata Share (Residential)	Max 2026 Payment (\$M) after Round 1	Remaining Uncapped 2026 Performance Payment	Round 2 Payment Allocation
Provider 1	50%	\$0.68	\$1.35	\$0.68
Provider 2	36%	\$.049	\$0.50	\$0.49
Provider 5	14%	\$0.19	\$0.60	\$0.19
<b>Total</b>	<b>100%</b>	<b>\$1.35</b>	<b>\$2.45</b>	<b>\$1.35</b>

Source: CEC staff

# Potential Market Integration

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## *Chapter 5, Section F (guideline language):*

For questions about this section, please reach out to the CEC DSGS team at [dsgs@energy.ca.gov](mailto:dsgs@energy.ca.gov).

California ISO staff released on March 13, 2026, a straw proposal that incorporates a pathway for exports by BTM distributed energy resources (such as the Option 3 storage VPP) to be monetized in energy markets. To help provide operational experience and data for consideration by other agencies in assessing whether or how BTM storage resources could be incorporated in their reliability planning and operational frameworks, the CEC staff may explore, develop, and implement, in consultation and collaboration with the California ISO and select interested aggregators, a process or mechanism to facilitate the integration of some Option 3 VPP resources (offered by interested aggregators) into the California ISO energy markets and enable market-based dispatches by the California ISO and energy settlement between the California ISO and the aggregators in the 2026 season, while the VPP resources continue receiving performance-based capacity payments subject to meeting DSGS Program requirements.

# Option 4

# DSGS Option 4 Overview

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- Load flexibility virtual power plant
- Third-party load flexibility providers, POUs, and CCAs are eligible to serve as load flexibility VPP aggregators. POUs and CCAs may serve only customers for which they serve as the LSE or retail provider.
- Includes both weather sensitive and non-weather sensitive dispatchable equipment such as:
  - **Weather sensitive:** smart thermostats with runtime monitoring capability controlling air conditioning units, including heat pumps, without load monitoring capability, or smart thermostat with load monitoring capability controlling air conditioning units, including heat pumps.
  - **Non-weather sensitive:** heat pump water heaters, electric resistance water heaters, electric vehicle supply equipment (EVSE), stationary BTM batteries, or residential smart electrical panels (also known as circuit breaker box or service panel).

## Key resources:

- [Provider resources and templates](#)
- [Report uploader link](#)
- [2026 DSGS Guidelines](#) (5<sup>th</sup> Edition) including a version with strikethrough
- Program support: [dsgs-support@olivineinc.com](mailto:dsgs-support@olivineinc.com)

# Overview of Key Changes to Option 4 Guidelines for 2026

Category	Changes for 2026
Eligibility	<ul style="list-style-type: none"> <li>• Providers may submit new load reduction resources for approval.</li> <li>• Clarifies that EVSE resources can participate in Option 4 via managed charging only and do not need to be bi-directional</li> <li>• Update to the minimum aggregation requirement - 100 kW of load reduction per aggregation and 50 kW for EVSEs.</li> </ul>
Reporting & Enrollment	<ul style="list-style-type: none"> <li>• Requires new aggregations to enroll and begin participation at the beginning of the program season or at the beginning of the second quarter.</li> <li>• Extending the Aggregator's enrollment participation report due 5 business days before the participating month from 3 business days.</li> </ul>
Funding availability	Establishes a 75MW enrollment cap for the 2026 program season and describes the mechanism to address over-subscription.
Performance	<ul style="list-style-type: none"> <li>• Provides a description of method to calculate utility distribution company (UDC) planning temperature.</li> <li>• Updates the calculation of daily temperature average to align with the program's event window and variable is renamed to Daily Average Temperature (TDAv).</li> <li>• Clarifies day-of adjustment value calculation.</li> <li>• Clarifies the definition of "similar days" for weather sensitive resources.</li> </ul>
Payments	Clarifies that payments are performance-based capacity payments.

# Option 4 Settlement Updates

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*Funding cap (guideline language):*

Option 4 total committed capacity is limited to 75 MW (MaxCC) of committed capacity each month across all participating aggregators for the 2026 program season (up to \$5,452,200 total for the program season).

If additional funding becomes available through the 2026-2027 budget process, the Option 4 MaxCC of committed capacity each month in the second quarter of the season will increase to 100 MW (up to \$7,269,600 total for the program season).

# Option 4 Settlement Updates – Allocation

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*Allocation Method  
(guideline language):*

## **Option 4 Capacity Allocation Method**

In case the total offered committed capacity in a month exceeds MaxCC, the CEC will allocate the available MaxCC of committed capacity to the participating aggregators for the 2026 program season as described below.

1. Round 0: Aggregators who participated in the 2025 season and received compensation will receive an initial capacity allocation for the 2026 season equal to their lowest monthly adjusted demonstrated capacity that was compensated in the same program quarter in 2025, if applicable, up to their offered committed capacity.
2. Round 1: With the remaining available capacity (equal to MaxCC minus the capacity allocation to 2025 aggregators in Round 0), all aggregators offering capacity for the 2026 season (including returning aggregators) receive an initial equal capacity allocation (equal to remaining available capacity divided by the number of aggregators), up to their offered committed capacity.
3. Round 2: If any unused capacity allocation below MaxCC remains after Round 1, then aggregators with capacity offers larger than Round 1 allocations (Round 2 aggregators) receive an additional equal capacity allocation (equal to the unused capacity allocation after Round 1 divided by the number of Round 2 aggregators), up to their offered capacity commitment.
4. Above process is continued until the entire MaxCC for the month is allocated.

## Option 4 Settlement Updates – Rounds 0 & 1 Example

Below is an example of the Option 4 allocation method. Assume three aggregators offering committed capacities of 20 MW (Aggregator 1), 30 MW (Aggregator 2), and 40 MW (Aggregator 3), and a MaxCC of 75 MW available for the first program quarter of A-5 2026. Also assume Aggregator 1 had a minimum 12 MW adjusted demonstrated capacity in the first program quarter of 2025 and Aggregators 2 and 3 did not participate in 2025.

Round 0:

- Returning Aggregator 1 receives an initial allocation of 12 MW.

Round 1:

- After allocating 12 MW to Aggregator 1 in Round 0, 63 MW of MaxCC remains and Aggregator 1's remaining unallocated offered committed capacity is 8 MW. The equal capacity allocation for Round 1 is  $63 \text{ MW} / 3 = 21 \text{ MW}$ .

**Table 12: Example Round 1 Option 4 Capacity Allocation**

<b>Aggregator</b>	<b>Remaining Offered Capacity Commitment (MW)</b>	<b>Round 1 Available Capacity Per Aggregator (MW)</b>	<b>Round 1 Capacity Allocation (MW)</b>
Aggregator 1	8.00	21.00	8.00
Aggregator 2	30.00	21.00	21.00
Aggregator 3	40.00	21.00	21.00
<b>Total</b>	<b>78.00</b>	<b>63.00</b>	<b>50.00</b>

Source: CEC Staff

## Option 4 Settlement Updates – Round 2 Example

### Round 2:

- Available capacity is now 13 MW (= 63 MW – 50 MW) after Round 1 capacity allocations. The equal capacity allocation for Round 2 is  $13 \text{ MW} / 2 = 6.50 \text{ MW}$ .

**Table 13: Example Round 2 Option 4 Capacity Allocation**

<b>Aggregator</b>	<b>Remaining Offered Committed Capacity (MW)</b>	<b>Round 2 Available Capacity Per Aggregator (MW)</b>	<b>Round 2 Capacity Allocation (MW)</b>	<b>Cumulative Capacity Allocation (MW)</b>
Aggregator 1	0	0	0	20.00
Aggregator 2	9.00	6.50	6.50	27.50
Aggregator 3	19.00	6.50	6.50	27.50
<b>Total</b>	<b>28.00</b>	<b>13.00</b>	<b>13.00</b>	<b>75.00</b>

Source: CEC Staff

After Round 2, MaxCC of 75 MW is fully allocated among the three aggregators in the 2026 program season.

[Link: Resources – Demand Side Grid Support](#)

## Option 4 – New Technology Proposal Process

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The fifth edition of the DSGS Guidelines allows VPP aggregators to submit proposals to the CEC for approval to qualify load flexibility resources for participation under Option 4.

To submit a proposal:

1. Complete a new technology application available on the [DSGS Resource Page](#)
2. Submit it to: [Upload – Demand Side Grid Support](#)
3. CEC will review proposal and notify provider of decision within 7 business days of submission
4. Newly approved technologies can be enrolled on a quarterly basis. The deadline for the 2026 second program quarter is July 14th, 2026 with initial reports due July 27th, 2026.



**THANK YOU**