BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

FILED
05/21/26
04:59 PM
R2509004

Order Instituting Rulemaking to Enhance Demand Response in California.	Rulemaking 25-09-004 (Filed September 18, 2025)

REPLY COMMENTS OF LEAPFROG POWER, INC. ON ADMINISTRATIVE LAW JUDGE'S RULING SEEKING COMMENTS ON STAFF PROPOSAL ON BRIDGE YEAR FUNDING AND MODIFYING THE SCHEDULE FOR THE BRIDGE YEAR FUNDING ISSUE

May 21, 2026

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I. INTRODUCTION

Leapfrog Power, Inc. ("Leap") submits these Reply Comments on the Administrative Law Judge's Ruling Seeking Comments on Staff Proposal on Bridge Year Funding and Modifying the Schedule for the Bridge Year Funding Issue, issued in this proceeding on March 10, 2026 ("March 10 ALJ Ruling"). Attachment A to the ALJ Ruling is the "IOUs Bridge Year Funding" ("Staff Proposal"). These Reply Comments have been timely filed and served pursuant to the Commission's Rules of Practice and Procedure and the instructions contained in the ALJ Ruling. These Reply Comments have also been timely filed and served pursuant to the April 8, 2026 ALJ Ruling Modifying Schedule on Bridge Year Funding Issue and Posing Supplemental Questions ("April 8 ALJ Ruling") which extends the Reply Comment deadline to May 21, 2026.

II. STAKEHOLDER SUPPORT FOR ELRP DEMONSTRATES THE VALUE OF CONTINUING THE PROGRAM WITH MODIFICATIONS

The majority of stakeholders that responded to the March 10 ALJ Ruling voiced support for continuing Emergency Load Response Program ("ELRP") through the bridge period, and potentially beyond.[1] This includes California's three investor-owned utilities ("IOUs").[2] Pacific Gas & Electric Company ("PG&E") emphasized that, given budget uncertainty with the Demand

[1] *See, e.g.,* PG&E Opening Comments, at p. 4; SCE Opening Comments at pp. 15-16; SDG&E Opening Comments at p. 8; Voltus Opening Comments, at p. 5; Vehicle-Grid Integration Council ("VGIC") Opening Comments, at p. 4; Advanced Energy United ("AEU") Opening Comments, at p. 2; and the California Efficiency + Demand Management ("the Council") Opening Comments, at pp. 8-9.
[2] PG&E Opening Comments, at p. 4; SCE Opening Comments at pp. 15-16; and SDG&E Opening Comments at p. 8.

Side Grid Support ("DSGS") program, it is valuable to maintain ELRP to provide some level of continuity for emergency demand response ("DR") capabilities,[3] while San Diego Gas & Electric Company ("SDG&E") noted that ELRP is the only emergency demand response (DR) program available through the utility.[4]

Southern California Edison ("SCE") stated that it expects ELRP to grow significantly in 2026 and recommended transferring in additional funding to enable this growth in support of California's 7,000 MW load shift goal.[5] Collectively, the IOUs' focused their comments on defending ELRP A.4 and A.5, although SDG&E also supported continuing A.1.[6] Leap agrees that A.4 and A.5 are the most important ELRP participation options to continue, although it also recommends continuing ELRP participation options that provide additional capacity with relatively minor budget commitments, such as Group B, which does not have minimum dispatch requirements.

In response to the Commission's third question in the April 8 ALJ Ruling, the IOUs also identified several aspects of the DSGS program that could be beneficially migrated into ELRP.[7] Leap in particular supports SCE's suggestion that ELRP look to DSGS for examples on how to streamline customer enrollment, including permitting customers to enroll by providing their first/last names and address.[8] Similarly, PG&E's suggestion to expand the number of dispatch triggers in ELRP has merit, as does its suggestion that dispatches be targeted towards distribution-level constraints as well as system constraints — both of which could be achieved by adopting Leap's suggestion from its Opening Comments that ELRP dispatches be triggered by high sub-Load Aggregation Point ("sub-LAP") prices.[9]

Leap is also in favor of PG&E's suggestion to test the California Independent System Operator ("CAISO") market integration of exporting ELRP resources.[10] While not framed as such, this is also an import from DSGS, which proposed a similar market-integrated testing

[3] PG&E Opening Comments, at p. 4.
[4] SDG&E Opening Comments at p. 8.
[5] SCE Opening Comments at pp. 15-16.
[6] PG&E Opening Comments, at p. 2; SCE Opening Comments at p. 4; and SDG&E Opening Comments at pp. 8-9.
[7] PG&E Opening Comments, at p. 24; SCE Opening Comments at pp. 14-16; and SDG&E Opening Comments at p. 24.
[8] SCE Opening Comments, at p. 23,
[9] PG&E Opening Comments, at pp. 15-16.
[10] PG&E Opening Comments, at pp. 5-6.

opportunity for Option 3 battery resources in its most recently approved program guidelines.[11] This type of testing could provide valuable learnings for the Commission as it addresses accreditation for grid exports from distributed energy resources ("DERs") — ideally in this proceeding — providing a historical record of export-capable dispatches that can be used to assign net qualifying capacity ("NQC") values to exporting resources in the Load Impact Protocol process.

However, per suggestions by SCE and The Utility Reform Network ("TURN"), any of the potential changes identified in Opening Comments should not delay other important issues scoped into this proceeding and should be discussed in a parallel track that allows this proceeding's timeline to advance as planned.[12] The one exception is if potential changes to ELRP could be addressed as part of a broader discussion around larger regulatory reforms. For example, streamlining enrollment in ELRP could be considered alongside more comprehensive improvements to data authorization processes under the "Data Systems and Processes" topic in this proceeding, and opportunities to test market-integrated exports through ELRP could find a home in the "RA valuation" and/or "CAISO market integration topics" section of the scope.

Given the immense support from stakeholders for maintaining ELRP, the Public Advocates Office's ("Cal Advocates'") comments stand out as one of the few voices proposing to eliminate it completely. A closer read of Cal Advocates' comments, however, suggests that they are not so much opposed to continuing the program as they are opposed to it continuing *without a cost-effectiveness test or sunset date.*[13] This seems an easy enough problem to solve, and Leap would support applying a cost-effectiveness test to ELRP through the bridge period, either using the Total Resource Cost ("TRC") method or a more bespoke analysis as was done with the Demand Response Auction Mechanism ("DRAM").

If these assessments reveal that ELRP is not cost-effective, it can either be discontinued in the IOUs' next DR applications or adjusted to improve its cost-effectiveness. This would maintain program continuity for emergency DR capacity as successor programs or market-integrated solutions are developed, as PG&E and SCE argued.[14] As numerous stakeholders have

[11] Demand Side Grid Support (DSGS) Program Guidelines, Fifth Edition (Clean Version), filed in CEC Docket Number 22-RENEW-01 on April 27, 2026, at p. 34.
[12] SCE Opening Comments, at p. 17 and TURN Opening Comments, at p. 10.
[13] Cal Advocates Opening Comments, at pp. 6-7.
[14] SCE Opening Comments, at p. 19.

stated, ending ELRP now would be a mistake. Instead, creating more guardrails around the program's length and cost-effectiveness is a more practical way to address Cal Advocates' concerns, preventing ELRP from persisting as a zombie pilot with no clear direction around if and under what conditions it will ultimately die.

III. RECOMMENDATIONS TO CUT ELRP COMPENSATION ARE MISGUIDED AND WOULD DAMAGE PROGRAM PARTICIPATION

While support for continuing ELRP was largely unanimous, several stakeholders—notably PG&E, SDG&E, and Cal Advocates—recommended cutting ELRP's incentive rate for A,4 and A.5 in half, from $2/kWh to $1/kWh (SCE also recommended that changes to the incentive rate be considered).[15] This cut was intended to improve the cost-effectiveness of the program, with PG&E stating that it would preserve budget while allowing the program to grow.[16] However, this assumption ignores the critical fact that incentive rates and program growth are connected, and that in order for ELRP to attract new participants, it must maintain incentive levels sufficient to motivate their participation.

Setting up and participating in a DR program isn't free. There are costs associated with establishing and operating the internal tools and customer-facing platforms that allow DER owners to seamlessly participate in dispatch-based emergency programs like ELRP. The IOUs should be well aware of this, as they have collectively spent roughly $40 million to administer ELRP through June 2025, while paying out less than $1 million in incentives.[17] In order for aggregators to invest in the tooling and customer outreach required for their own participation in ELRP, the revenue potential inherent in the program must be sufficient to justify those costs.

As stakeholders like Voltus have pointed out, this is another learning that the Commission can pull from the experience with DSGS — namely, that stronger incentives, when appropriately applied, can unlock significantly greater participation.[18] This is especially true for programs that dispatch resources more frequently, which require a greater level of customer

[15] PG&E Opening Comments at p. 5; SDG&E Opening Comments at p. 15; Cal Advocates Opening Comments at p. 9; and SCE Opening Comments at p. 18.
[16] PG&E Opening Comments, at p. 4.
[17] Pacific Gas and Electric Company. (2026, January 30). *Monthly report on interruptible load and demand response programs for December 2025*, Table I-3a; Southern California Edison Company. (2026, February 2). *Monthly interruptible load program and demand response report for December 2025*, Table I-2; San Diego Gas & Electric Company. (2026, January 30). *Report on interruptible load and demand response programs for December 2025*.
[18] Voltus Opening Comments, at p. 6.

engagement and commitment. PG&E's Opening Comments suggested that the Commission incorporate the more frequent dispatch triggers that exist in DSGS, but it failed to make the connection between this greater dispatch frequency and the DSGS program's higher incentives.

Cutting incentives (and minimum dispatch hours) in ELRP while simultaneously increasing the number of dispatches would substantially alter the economics of participating in the program. Currently, a battery in ELRP A.4 can expect to earn about $40/kW-season, about half as much as it would in DSGS. Cutting the ELRP incentive in half while simultaneously halving the minimum dispatch hours would collectively cut the incentive by three-fourths, down to $10/kW-season. This is substantially lower than the price of capacity in California's RA market—the state's functional price discovery mechanism to determine how much capacity is "worth"—and too low for participation in ELRP to be economically viable for most aggregators.

Both PG&E and SDG&E justified this change by arguing that it would make the program more cost-effective, in keeping with the principle identified in the Commission's proposed Guiding Principles for DR.[19] Since ELRP is not subject to a cost-effectiveness test, the implication seems to be that any reductions in program costs would necessarily have to improve its cost-effectiveness. While this may be technically true, it ultimately reveals a deficiency in the cost-effectiveness Guiding Principle if considered in isolation. Under this logic, the Commission could maximize ELRP's cost-effectiveness by paying aggregators with a firm handshake and a $50 gift card to Applebee's, but that would be nonsensical because it would eliminate participation in the program entirely.

In other words, reducing incentives to provide more budget for the program to grow will be self-defeating because it would undercut the very growth those budget cuts were meant to enable. It's also unnecessary. As TURN pointed out, none of the IOUs have spent even half of the ELRP funds they've already been allocated; PG&E has spent the most, and it's used less than 40% of the funding it has available.[20] DSGS Option 3 had 700 MW of battery capacity enrolled at the end of 2025.[21] Even if three times that capacity enrolled in ELRP A.4 for the full bridge

[19] PGE&E Opening Comments, at p. 5 and SDG&E Opening Comments, at pp. 22-23.
[20] TURN Opening Comments, at p. 3.
[21] *Id.*, at p. 10.

period at existing incentive and minimum dispatch levels, it wouldn't even use up one-third of the IOUs' remaining collective budget.[22]

It is also important to emphasize that customer participation and a program's cost-effectiveness are interconnected. If fewer customers participate in ELRP, then the program is unable to provide the same amount of emergency capacity, reducing the benefits it provides. In addition, much of ELRP's costs are "fixed" regardless of how many customers participate. The $40 million in administrative costs borne by the utilities are one example. These fixed and/or sunk costs become less justifiable, or "cost-effective," if they are spread across a smaller number of enrolled MW, increasing the program's overall cost-per-MW ratio. And of course, as TURN has astutely suggested, any efforts to make ELRP more cost-effective should also look at opportunities to reduce these administrative costs, which through June of last year were more than forty times higher than incentive payments.[23]

Cal Advocates, to its credit, did make a connection to incentive levels and participation rates, arguing that a $1/kWh rate is sufficient to motivate participation because, when market-integrated DR has had the opportunity to request energy payment levels above $1/kWh, they haven't chosen to do so.[24] This argument references a FERC decision from 2016 that allows market participants to submit bids up to $2,000/MWh if the relevant ISO verifies that those bids are cost-based. Frankly, Leap is grateful to Cal Advocates for surfacing this opportunity. Leap's bidding team was unaware of this FERC decision and fully intends to review the process by which Leap could potentially submit higher bids into the energy market in the future.

That said, Leap is not surprised that other DR providers haven't leveraged this opportunity in the past. The compensation structure for wholesale market participation is not analogous to ELRP. The vast majority of DR resources participating in the wholesale market are also receiving resource adequacy ("RA") payments from contracts with community choice aggregators ("CCAs") and other load-serving entities ("LSEs"). These RA "capacity" payments are the primary revenue stream that makes market participation economically attractive for

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[22] D.23-12-005 at pp. 147-150; Pacific Gas and Electric Company. (2026, January 30). *Monthly report on interruptible load and demand response programs for December 2025*, Table I-3a; Southern California Edison Company. (2026, February 2). *Monthly interruptible load program and demand response report for December 2025*, Table I-2; San Diego Gas & Electric Company. (2026, January 30). *Report on interruptible load and demand response programs for December 2025*.

[23] *Id.*, at p. 4.

[24] Cal Advocates Opening Comments, at pp. 9-10.

aggregators, with energy payments contributing only a fraction of market-integrated DR's revenue structure. If energy payments from the wholesale market were halved, it would reduce DR providers' revenue by single percentage points. If ELRP's energy payment is halved, it would cut overall program revenue in half as well.

IV. CAPACITY PAYMENTS AND PAYMENTS TIED TO LOCAL GRID CONSTRAINTS COULD IMPROVE ELRP'S INCENTIVE STRUCTURE

While Leap opposes reducing ELRP's incentive rate in isolation, it could be decreased if included in a broader adjustment to the program's compensation structure that also included adding a capacity payment. Capacity payments are generally a simpler and more effective tool at encouraging DR program participation, a lesson that was demonstrated by DSGS' success and called out by VGIC in their Opening Comments, where they noted that this structure "makes customer equipment investments, aggregator outreach to customers, and program administrator spending easier to predict and plan for."[25]

Capacity payments have also been used effectively in other utility-administered emergency DR programs, particularly the Base Interruptible Program. ELRP's minimum dispatch hours were designed to replicate the revenue certainty that capacity payments provide, but it's a clunkier mechanism that creates misleading impressions of the program, such as Cal Advocates assertion that these minimum dispatch hours are "ratepayer subsidies."[26] In actuality, these minimum dispatch hours are no more subsidies than RA payments are. Rather, they could be likened to an insurance premium — a regular payment that ensures capacity is available to the program when it is needed, even if that capacity is not called on every month.

In other words, without minimum dispatch hours, ELRP would not have any emergency capacity to provide the grid because that capacity would not have sufficient financial motivation to remain on "standby" for grid events that may or may not occur. This is the same principle that leads California (and most other wholesale power markets) to give gas plants a monthly RA payment to remain available for grid emergencies. Unless Cal Advocates intends to base ELRP on the energy-only structure in Texas—which allows electricity prices to go as high as $5/kWh—removing the minimum dispatch requirements would likely kill ELRP's ability to

[25] VGIC Opening Comments, at p. 14
[26] Cal Advocates Opening Comments, at p. 8

build up reserve capacity for emergencies (particularly if the Commission cuts energy payments at the same time).

However, Leap agrees that this payment structure for ELRP could be made cleaner if the minimum dispatch requirements were replaced with a pay-for-performance capacity payment similar to DSGS. The capacity payment would not necessarily need to be as high as in DSGS because companies would still be earning higher energy payments from events, so a lower capacity payment would likely be sufficient to motivate participation. In this case, it's possible the energy payments could be decreased to $1/kWh, provided the capacity payment was sized to keep overall seasonal revenue opportunities roughly equivalent.

This payment structure could also be adjusted to incorporate PG&E's suggestion to expand dispatch triggers to include local grid needs. In this case, the Commission could allow DR resources responding to distribution-level constraints to access higher energy prices, increasing incentives back to $2/kWh or even $3/kWh when the resource is responding to local grid concerns. This would incentivize DR providers to enroll customers on constrained circuits to take advantage of higher energy payments while also aligning with the Commission's cost-effectiveness principle by ensuring that elevated payments are tied to increased benefits. This also aligns with Leap's suggestion in its Opening Comments that ELRP dispatch triggers be tied to sub-LAP prices, which would cause resources located in congested grid areas to be dispatched more often and thereby increase their earning potential.

This type of compensation structure may be difficult to develop for the bridge years, and Leap would not recommend delaying other issues in this proceeding to develop and refine a payment structure along these lines. Even implementing a capacity payment should be delayed to the next IOU DR application if it would significantly expand the amount of time and deliberation that would be required. For now, simply not "rocking the boat" and maintaining the status quo — perhaps with increased dispatch triggers responsive to distribution-level constraints, as PG&E and Leap recommended — would be the appropriate decision.

V. AUTOMATED DR INCENTIVE QUALIFICATIONS SHOULD BE STANDARDIZED AND EXPANDED

In Opening Comments, TURN suggested that the list of qualified DR programs for Automated DR ("AutoDR") incentives should be expanded to include third-party RA contracts. This is a logical adjustment to AutoDR's program structure that Leap has supported in the past.

As TURN pointed out, this change would likely improve participation in the AutoDR as a whole by expanding the base of customers that are able to take advantage of these incentives to improve their DR response capabilities.[27] A practical way to do this would be to harmonize AutoDR's qualified programs list with the criteria for "qualified programs" that the Commission established in D.23-10-005 for customers receiving incentives or rebates.[28] This would expand the number of qualified programs for AutoDR while reducing customer confusion around which programs qualify for which incentives, which currently varies from program to program despite the Commission's attempt to standardize them in the last IOU DR application proceeding.

VI. CONCLUSION

Leap appreciates the Commission's consideration and the opportunity to provide Reply Comments on the Bridge Year Rulings. In summary, Leap recommends the following:

1. Continue ELRP subgroups A.4 and A.5 through the 2028–2029 bridge period, consistent with the near-unanimous support expressed by IOU and third-party stakeholders, as well as other ELRP participation options with relatively low budget outlays like Group B.
2. Maintain the current $2/kWh ELRP energy incentive rate and reject proposals by PG&E, SDG&E, and Cal Advocates to cut it to $1/kWh, which is unnecessary based on past program expenditures and would undermine the program growth it is intended to enable.
3. Explore replacing ELRP's minimum dispatch hour requirements with a pay-for-performance capacity payment structure analogous to DSGS, with energy incentive rates tiered by grid need, but defer detailed development of this compensation redesign to the next IOU DR application cycle if it would delay resolution of other scoped issues.
4. Expand dispatch triggers to include local distribution-level grid constraints, consistent with PG&E's proposal, with dispatch tied to sub-LAP prices as Leap recommended in its Opening Comments.
5. Authorize PG&E to file an advice letter testing CAISO market integration of exporting ELRP resources, which could generate the dispatch history necessary to support NQC accreditation for exporting DERs under the Load Impact Protocol.

[27] TURN Opening Comments, at pp. 5-6.
[28] Decision ("D.") 23-12-005, at pp. 22-23.

6. Streamline ELRP enrollment — including permitting enrollment via first/last name and address consistent with DSGS practice — either separately or as part of broader data authorization discussions under the Data Systems and Processes track of this proceeding.
7. Look to reduce ELRP's administrative costs, which have totaled approximately $40 million statewide through June 2025 against less than $1 million in incentive payments, as a primary lever for improving cost-effectiveness rather than reducing participant-facing incentive rates.
8. Expand the list of qualified DR programs for AutoDR incentives to include third-party Resource Adequacy contracts, harmonizing the qualified programs list with the criteria established in D.23-10-005, in order to broaden customer eligibility and improve overall AutoDR participation.

Dated: May 21, 2026

Respectfully submitted,

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