

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE

STATE OF CALIFORNIA



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Order Instituting Rulemaking to Enhance
Demand Response in California.

Rulemaking 25-09-004

(Filed September 18, 2025)

**CALIFORNIA LARGE ENERGY CONSUMERS ASSOCIATION OPENING COMMENTS
ON ADMINISTRATIVE LAW JUDGE'S RULING SEEKING COMMENTS
ON DEMAND RESPONSE STAFF PROPOSAL ON BRIDGE YEAR FUNDING
AND MODIFYING THE SCHEDULE FOR THE BRIDGE YEAR FUNDING ISSUE**

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The California Large Energy Consumers Association ([CLECA](#))¹ submits these opening comments on the California Public Utilities Commission (Commission) Energy Division’s staff proposal titled “IOUs Bridge Year Funding”² (Staff Proposal) pursuant to the March 10, 2026 *Administrative Law Judge’s Ruling Seeking Comments On Demand Response Staff Proposal On Bridge Year Funding And Modifying The Schedule For The Bridge Year Funding Issue* (Ruling).³

¹ CLECA member companies produce goods essential for daily life, including critical infrastructure, oxygen for hospitals, and food distribution. CLECA members represent the steel, cement, industrial and medical gas, beverage, minerals processing, cold storage, and pipeline transportation industries. Their aggregate electric demand is about 500 Megawatts, which is equivalent to the electricity consumption of approximately 470,000 average California households. CLECA members are large, high load factor and high voltage industrial electric customers in California for whom the price of electricity is essential to their competitiveness and for whom the reliability of electricity service is critically important. For both reasons, CLECA member companies have participated for decades in the Base Interruptible Program (BIP), providing reliability demand response to the grid in times of need. (For more information, please go to [CLECA.org](#)).

² *IOUs Bridge Year Funding*, R.25-09-004, April 10, 2026 (Staff Proposal).

³ *Administrative Law Judge’s Ruling Seeking Comments On Demand Response Staff Proposal On Bridge Year Funding And Modifying The Schedule For The Bridge Year Funding Issue*, R.25-09-004, Mar. 10, 2026 (Ruling).

I. INTRODUCTION

The Staff Proposal's recommendation to authorize a two-year "bridge" extension of the investor-owned-utilities' (IOUs) demand response (DR) program operations for 2028 and 2029 is reasonable. Authorizing this bridge funding and requiring the IOUs to file new five-year applications by January 1, 2029, would help to maintain continuity of existing DR programs while the Commission explores enhancements to DR policies and rules in this proceeding. However, as explained below, the Commission should avoid overly constraining program operations during the extended period. Rather, to maximize program participation and efficacy, the Commission should ensure the IOUs have sufficient flexibility to request and implement reasonable budget adjustments to accommodate DR program growth during the 2028 and 2029 bridge years.

Further, the Commission should reconsider the rules for dual participation in the Base Interruptible Program (BIP) and the Emergency Load Reduction Program (ELRP), to the extent the Commission extends ELRP. The current rules limit ELRP compensation for BIP customers to load reductions below their Firm Service Level (FSL), even during ELRP events that do not overlap with a BIP dispatch. Modifying this requirement would unlock incremental grid value from industrial customers able to provide flexibility beyond their BIP commitments, consistent with existing prohibitions on duplicative payments.

II. QUESTIONS REGARDING BRIDGE YEAR FUNDING ISSUES

Question 4.1.a. Should the Commission authorize two years of bridge funding for PG&E, SCE, and SDG&E with programs and funding levels similar to the IOUs' 2027 portfolio, excluding pilots, and including a budget to incorporate the SCT in the DR Cost Effectiveness Reporting tool?

Yes. Authorizing the recommended bridge funding would maintain DR program continuity and provide DR program participants with certainty while important policies and rules are developed in this rulemaking. Currently, the IOUs' are required to submit their 2028-2032 DR applications to the Commission by November 1, 2026.⁴ According to the Scoping Memo, this Rulemaking is not expected to conclude until at least Q4 2026.⁵ As a result, absent changes to the program cycle and/or application timeline, the IOUs would be required to file applications before the Commission has finalized important policy decisions intended to inform those very applications.

Given the proximity of the next program cycle, simply extending the deadline for the 2028 program year is not practicable. Instead, the Commission should authorize two bridge years by incorporating 2028 and 2029 into the current program cycle. This approach would preserve program continuity, avoid premature applications, and allow the Commission sufficient time to finalize its determinations here. It would also enable the IOUs to fully reflect the Commission's policy determinations in their subsequent applications for the next program cycle, consistent with the extended application timeline discussed further in response to Question 4.1.e.

⁴ *Decision Directing Certain Investor-owned Utilities' Demand Response Programs, Pilots, and Budgets for the Years 2024-2027*, D.23-12-005, Dec. 20, 2023, Ordering Paragraph 64.

⁵ *Assigned Commissioner's Scoping Memo and Ruling*, R.25-09-004, Feb. 12, 2026 (Scoping Memo).

Question 4.1.b. What is an appropriate level of funding for integrating the SCT into the 2030-2034 program cycle applications?

CLECA does not have any comments on this question at this time.

Question 4.1.c. Should the Commission consider other critical modifications to the IOUs' 2027 DR programs and budgets if authorizing funding for the bridge years? If so, please recommend specific modifications to the programs and budget amounts for the two-year bridge year extension period.

If the Commission authorizes the bridge years, it should also: (i) approve increases to BIP incentives for program years 2026 and 2027, as requested in PG&E's pending Mid-Cycle Review (Pending MCR);⁶ and (ii) authorize modifications that provide the IOUs with the flexibility to seek both targeted budget and incentive adjustments for the bridge years to promote and accommodate DR participation during the extended period.

i. PG&E's Pending Mid-Cycle Review Advice Letter for 2026 and 2027

The Commission should approve PG&E's proposed increases to BIP incentives for program years 2026 and 2027, as requested in the Pending MCR, to stabilize and grow program participation heading into the 2028 and 2029 bridge years.⁷

BIP enrollment is sensitive to the level of incentive offered, and when incentives have been adjusted upward, participation has grown; when incentives stagnate, enrollment declines.⁸ CLECA's industrial members constitute a substantial portion of BIP capacity and have long demonstrated dependable curtailment performance. However, those customers are

⁶ *Mid-Cycle Review Advice Letter to Modify Base Interruptible Program*, Advice Letter 7738-E, Oct. 23, 2025 (Pending MCR).

⁷ *Id.*

⁸ See D.21-12-015 at 149; see also, *Direct Testimony of Sam Harper on behalf of the California Large Energy Consumers Association*, A.22-05-002, April 21, 2023 at 16.

continuously evaluating the opportunity cost and operational risk of curtailment.⁹ The incentives must therefore reflect both the risk of interruption and the cost of foregone production. Maintaining their participation and attracting new enrollment is essential to preserving grid reliability and California's industrial competitiveness.

BIP Provides Highly Reliable and Clean Value

Maintaining strong BIP participation is critical because industrial customers have consistently provided meaningful load reductions during periods of extreme grid stress.¹⁰ These customers provide fast-acting, dependable reliability capacity that performs independently of fuel availability, weather conditions, or new infrastructure development. Demand response, especially BIP, delivers unique system benefits precisely because it can scale quickly and does not require new interconnections, permitting, or transmission upgrades.

As the Commission previously recognized, California's electricity system is undergoing a rapid transformation toward clean energy resources, and DR continues to play an important role in achieving the State's reliability and clean energy objectives.¹¹ However, those benefits depend on maintaining sufficient participation through appropriate compensation.

⁹ *Direct Testimony of Sam Harper on behalf of the California Large Energy Consumers Association*, A.22-05-002, April 21, 2023 at 18.

¹⁰ See D.21-12-015; see also, *Direct Testimony of Sam Harper on behalf of the California Large Energy Consumers Association*, A.22-05-002, April 21, 2023 at 18.

¹¹ *Advanced Strategies for Demand Flexibility Management and Customer DER Compensation*, Jun. 22, 2022: <https://www.cpuc.ca.gov/-/media/cpucwebsite/divisions/energy-division/documents/demand-response/demand-responseworkshops/advanced-der---demand-flexibility-management/ed-white-paper---advanced-strategies-for-demand-flexibility-management.pdf> at p. 1.

Increased Dispatch Risk Reinforces the Need for Incentive Adjustments

Incentive adequacy must evolve over time to also reflect increased dispatch risk and uncertainty. As the Pending MCR notes, changes made to CAISO's Operating Procedure 4420 effectively increased both the frequency risk and unpredictability of dispatch events, thereby elevating the participants' operational risk. Increased risk of more frequent or extended dispatch without corresponding compensation undermines long-term participation and places increased pressure on remaining participants, accelerating attrition and weakening program effectiveness.¹² These dynamics are likely to persist, and possibly further intensify during the bridge years, especially with continued growth in large loads within PG&E's and SCE's service territories.

Modest Incentive Adjustments Are Effective and Proportionate

PG&E correctly observes that current BIP enrollment has unfortunately fallen to less than half of the authorized Reliability Demand Response Cap.¹³ Historically, BIP reached full enrollment when compensation was adequate on a risk-adjusted and inflation-adjusted basis. Without timely incentive adjustments, participation erodes, not because of a lack of willingness to support grid reliability, but because incentives no longer align with the operational realities faced by large industrial facilities.

Modest incentive adjustments can effectively rebuild and maintain enrollment. For example, incentive adjustments adopted in 2023 produced measurable growth in participation during 2024 and 2025, confirming that incentive levels directly influence enrollment

¹² *California Large Energy Consumers Association Response Supporting PG&E Advice Letter 7738-E*, Nov. 12, 2025 (CLECA Response to Pending MCR) at 3.

¹³ *Pending MCR* at 3.

outcomes.¹⁴ PG&E's request to raise the BIP incentives is a reasonable and proportionate refinement within the existing program structure and budget.

Allowing Adjustment Is Prudent, Since the Next Opportunity for Further Revisions Is 2029

Absent approval of PG&E's Pending MCR requests, the Commission risks entering the bridge years with weakened enrollment in one of its most reliable and cost-effective demand response programs. Approving the incentive increases now is a prudent and proactive step, especially if the Commission extends the application for the next proceeding to January 1, 2029, as considered in Question 4.1.e.

Mid-Cycle Review Advice Letter for 2028 and 2029

While approving PG&E's Pending MCR requests is necessary, it is not sufficient on its own. The Commission should also establish a clear mechanism for considering targeted budget and incentive adjustments during the 2028 and 2029 bridge years.

The considerations discussed above supporting incentive adjustments for 2026 and 2027 will remain equally relevant and may become more acute during the bridge years. Maintaining existing participation and attracting new enrollment will continue to be essential for grid reliability as demand response plays an increasingly important role in managing peak demand, system stress events, and decarbonization goals.

While PG&E's proposed incentive increases for 2026 and 2027 can be accommodated within the existing authorized budget,¹⁵ additional adjustments may be needed for 2028 and

¹⁴ *CLECA Response to Pending MCR* at 2.

¹⁵ *Pending MCR* at 3.

2029. A fixed budget over the extended bridge period risks constraining the IOUs' ability to respond to enrollment growth, increased dispatch frequency, or changing grid conditions.

Accordingly, the Commission should provide a workable pathway for the IOUs to seek targeted DR budget and incentive adjustments during the bridge years, such as through a subsequent Mid-Cycle Review, via Tier 1 or Tier 2 Advice Letters. Providing flexibility does not diminish Commission oversight; rather, it preserves the Commission's ability to ensure DR programs remain predictable, reliable, and cost-effective during a transitional period.

Question 4.1.d. Is there any other substantive feedback, not addressed above, that parties have on the Staff Proposal's recommendation to authorize 2028-2029 bridge year funding?

If the Commission authorizes the bridge years and extends the ELRP as considered under Question 4.1.h. below, it should also modify the rules for BIP-ELRP dual participation. Currently, the rules only permit compensation for non-overlapping ELRP events for load reductions beyond a drop to the BIP customer's FSL. Because no BIP event is active during non-overlapping ELRP dispatches, the Commission should modify the rules to compensate BIP customers for curtailment that is incremental to their normal operating load, rather than requiring reductions below the customer's FSL as a precondition for ELRP compensation.

Some BIP customers may be willing and able to provide additional value to the grid depending on their operational schedule, inventory levels, market conditions, labor contracts, and a multitude of possible considerations unique to each customer.¹⁶ A particular customer may not be able to provide any curtailment beyond its historic BIP commitment, while other

¹⁶ Direct Testimony of Sam Harper on behalf of the California Large Energy Consumers Association, A.22-05-002, April 21, 2023 at 29.

customers may be able to provide incremental curtailment under limited circumstances, i.e., only on certain days of the week, during the slow season, or only if inventory levels are sufficient to satisfy customer needs.¹⁷ This additional value should be tapped through program design to achieve incremental and complementary grid value based on modified, reasonable dual participation rules.

Dual participation rules allow participants to simultaneously participate in two DR programs while ensuring that customers do not receive two payments for the same load reduction.¹⁸ These rules are: 1) duplicative payments for a single instance of load reduction or load drop are prohibited; 2) dual participation is permitted in two DR activities, if one provides an energy payment and the other provides capacity payments; and 3) dual participation in two Day-Ahead or two Day-Of programs is prohibited.¹⁹

Since BIP is an emergency capacity program, and ELRP is an energy program, the requested modification conforms to current rules permitting dual participation only between a capacity program and an energy program.²⁰ The proposed change to dual participation only affects compensation rules during non-overlapping events; therefore, it is not relevant to the prohibition on duplicative payments for the same load reduction.²¹ Furthermore, BIP is activated on the day of the event, while ELRP can be activated a day prior, which is consistent with other eligible dual-participation programs.

¹⁷ Direct Testimony of Sam Harper on behalf of the California Large Energy Consumers Association, A.22-05-002, April 21, 2023 at 29.

¹⁸ D.12-04-045 at 47-48.

¹⁹ D.23-12-005 at 17.

²⁰ Direct Testimony of Sam Harper on behalf of the California Large Energy Consumers Association, A.22-05-002, April 21, 2023 at 30.

²¹ *Id.*

Approving this modification would encourage such incremental load reduction during standalone ELRP events and for reductions during ELRP periods before or after a BIP event.²² In addition, this rule change could help increase resources available during ELRP events and improve reliability without exacerbating customer fatigue and risking the loss of BIP participants unable to curtail beyond their existing obligations.²³

Question 4.1.e. Should the Commission authorize an extension of time for the IOUs' 2030-2034 applications until January 1, 2029?

Yes. The Commission should authorize an extension of time for the IOUs' 2030-2034 demand response applications until January 1, 2029.

The Commission instituted this Rulemaking to enhance demand response so that it is more consistent, predictable, reliable, and cost-effective.²⁴ However, as discussed in response to Question 4.1.a. above, the current schedule creates a misalignment between the timing of this proceeding and the filing deadline for the next DR application cycle. Requiring the IOUs to file applications before policy determinations are finalized in the current proceeding would undermine this proceeding's purpose and may result in applications that do not fully reflect the Commission's adopted policies.

Authorizing a filing extension to January 1, 2029, coupled with the adoption of bridge years for 2028 and 2029, sets a coherent and practical path forward. The extension would allow

²² Direct Testimony of Sam Harper on behalf of the California Large Energy Consumers Association, A.22-05-002, April 21, 2023 at 29.

²³ *Id.*

²⁴ *Order Instituting Rulemaking to Enhance Demand Response in California*, R.25-09-004, Sept. 29, 2025 at 1.

for the timely implementation of critical enhancements established by this Rulemaking²⁵ while preserving DR program continuity.

Program continuity is essential to maintaining demand response participation and ensuring these resources remain available for grid operations.²⁶ Reliability-oriented programs such as BIP depend on long-term customer planning, operational integration, and confidence that programs will remain stable over time. Industrial customers make investment and operational decisions based on expectations of continuity and program stability. Even when programs remain cost-effective and operationally valuable, abrupt program transitions or prolonged uncertainty regarding future program design can discourage participation and erode enrollment. Extending the current DR framework through the bridge years, while allowing sufficient time for thoughtful development of the 2030-2034 portfolio, mitigates these risks.

In short, extending the 2030-2034 application deadline to January 1, 2029, is a necessary and logical companion to the adoption of the bridge years. Together, these actions preserve program continuity, avoid premature and incomplete applications, and ensure that the next DR portfolio fully reflects the Commission's policy objectives developed in this proceeding.

Question 4.1.f. Should the Commission exempt the bridge year portfolios from the SCT requirement?

CLECA does not have any comments on this question at this time.

²⁵ Staff Proposal at 2.

²⁶ *California Large Energy Consumers Association Comments On Order Instituting Rulemaking To Enhance Demand Response In California*, R.25-09-004, Nov. 13, 2025 at 4.

Question 4.1.g. **Is there any other procedural feedback, not addressed above, that parties have on the Staff Proposal’s recommendation to authorize 2028-2029 bridge year funding?**

CLECA does not have any comments on this question at this time.

Question 4.1.h. **Should the ELRP pilot be extended as-is or with modifications? Should there be a sunset date?**

CLECA does not have any comments on this question at this time beyond the suggested modifications to the dual participation rules for BIP and ELRP discussed above.

Question 4.1.i. **If the ELRP pilot should be extended with modifications, should there be design changes made to it that align with the “Guiding Principles” staff proposal? Please explain any specific design changes recommended as part of the response.**

CLECA does not have any comments on this question at this time.

Question 4.1.j. **Are there lessons or elements from DSGS that could inform improving ELRP pilot design to benefit all ratepayers?**

CLECA does not have any comments on this question at this time.

III. CONCLUSION

The California Large Energy Consumers Association appreciates the opportunity to provide these comments.

Respectfully submitted,

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