

April 10, 2023

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**Re: Protest of the California Energy Storage Alliance to Advice Letter 4992-E of Southern California Edison Company, Advice Letter 4175-E of San Diego Gas & Electric Company, and Advice Letter 6888-E of Pacific Gas and Electric Company**

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Dear Sir or Madam:

Pursuant to the provisions of General Order 96-B, the California Energy Storage Alliance (“CESA”) hereby submits this protest to the above-referenced Advice Letter 4992-E of Southern California Edison Company (“SCE”), Advice Letter 4175-E of San Diego Gas & Electric Company (“SDG&E”), and Advice Letter 6888-E of Pacific Gas and Electric Company (“PG&E”), *Notification-Only Approach Pilot Pursuant to Decision 21-06-002* (“Joint Advice Letter”), submitted on March 20, 2023.

## **I. INTRODUCTION & BACKGROUND.**

The Commission issued Decision (“D.”) 21-06-002 on June 4, 2021 that, among other things, adopted a two-year trial of a Rule 21 notification-only pilot process for projects meeting certain criteria in lieu of the standard interconnection application process, all in an effort to expedite and streamline the process for small energy storage systems. Despite our contentions with some of the specifics of the eligibility criteria and process, CESA strongly supported the pilot process as the first of its kind to our knowledge, as well as a potential key step toward a true plug-and-play system for small, standardized energy storage systems.

Pursuant to Ordering Paragraphs (“OP”) 5 and 6 of D.21-06-002, the investor-owned utilities (“IOUs”) held a workshop on February 14, 2023 and submitted the Joint Advice Letter reporting that they saw no participation in the pilot in the form of developer pre-approval requests or application submissions despite their good-faith efforts. Without testing the process and without data to report, the IOUs contended that it is unknown on what part of the process should be modified. As such, the IOUs recommended discontinuation of the pilot.

Upon reviewing the Joint Advice Letter, CESA submits this protest because the pilot should not be prematurely discontinued without considering any appropriate modifications that could be

made to spur participation and gather the needed data to make a more informed determination on the merits of the notification-only process on a permanent basis. While the IOUs cite the lack of participation and thus the lack of data as reasons to discontinue, the Commission also provided the IOUs with the option to continue the pilot with modifications:<sup>1</sup>

“No later than 20 months from the implementation of the Notification-Only Approach Pilot adopted in Ordering Paragraph 1, Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company shall submit a Tier 3 Advice Letter providing the data from the first 18 months of the Notification-Only Approach pilot, and, based on the data, a request to continue the notification approach on a permanent basis as adopted herein, *continue the pilot with modifications*, or discontinue the notification approach. This advice letter shall contain a proposal for the notification-only approach application fee to cover the costs of administering the approach post-pilot phase.” [*emphasis added*]

Pilots are intended for this very purpose – *i.e.*, to learn, iterate, and then modify and scale if appropriate, not just give up at the first instance of failure. Otherwise, CESA believes that the Commission and the IOUs would waste tremendous efforts made in Rulemaking (“R.”) 17-07-007 and R.19-09-009 in developing the technical and participation criteria to test out an innovative method to interconnect small energy storage systems when resource capacity is sorely needed, and interconnection staff and resources are stretched thin to deploy new resource capacity at all scales. Yet, the IOUs narrowly choose one option allowed by D.21-06-002 without a critical consideration of the other option to propose pilot continuation with potential modifications.

In this protest, CESA points to the difficult macroeconomic conditions during large portions of the pilot period and the broad policy drivers seeking new incremental clean capacity as reasons to continue the pilot for an additional 18 months and identify and implement the modifications necessary to spur participation, but we also recommend the following modifications to the pilot:

- The time period of the pilot coincided with a tough macroeconomic environment that likely impacted customer-sited energy storage deployments.
- The notification-only pilot should be given more time (18 months) given its tremendous potential to streamline interconnection and deployment.
- The infrastructure and setup of the notification-only approach is already in place to continue the pilot.
- The eligibility criteria should not be limited to combined non-exporting solar and energy storage systems to support a broader range of use cases, such as non-exporting energy storage retrofits to existing exporting solar.

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<sup>1</sup> D.21-06-002 at OP 5.

- Caps on project count and audit percentage per developer and developer requirements to have completed at least 20 projects under the status quo interconnection process should be reduced to spur participation in the pilot given other guardrails in place.

## II. DISCUSSION.

In the Joint Advice Letter, the IOUs provided the first 18-month data on the pilot and recommended discontinuation of the pilot for all the reasons cited above and as shared at the workshop. Due to the lack of participation, the IOUs' recommendation to discontinue the pilot negated the need for a proposal for a notification-only approach application fee, or for a proposed requirement to review project impacts during the application process and other mitigation issues (e.g., transformer loading, equipment sizing issues). In this section, CESA discusses the basis for continuation of the pilot for an additional 18 months, with certain modifications. Overall, modifications are warranted because D.21-06-002 explicitly allowed for the IOUs' to propose changes to the process or criteria and since the cause of lack of participation should be more critically examined.

### A. **The time period of the pilot coincided with a tough macroeconomic environment that likely impacted customer-sited energy storage deployments.**

When the pilot launched on July 19, 2021, the state was still in the midst of the COVID-19 pandemic, and the period between pilot launch and now have been marked with various precautions and restrictions being eased over time. Many of the major Executive Order provisions were only lifted in February 2022,<sup>2</sup> and the Governor's COVID-related State of Emergency only ended just a year later in February 2023.<sup>3</sup> Though improving, the environment made energy storage deployments more difficult as a result of customer precautions and broader recessionary impacts. In addition, Summer 2021 was the start of unprecedented inflation,<sup>4</sup> raising the cost of labor and capital, which coincided with the global supply chain constraints for all things, including battery energy storage systems, components, and materials, as the global economy gradually emerged from pandemic conditions in the 2021-2022 timeframe.

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<sup>2</sup> See Office of Governor Press Release on February 25, 2022: <https://www.gov.ca.gov/2022/02/25/as-california-enters-next-phase-of-pandemic-response-governor-newsom-continues-to-wind-down-executive-orders-while-maintaining-states-preparedness-and-flexibility/>

<sup>3</sup> See Office of Governor Press Release on February 28, 2023: <https://www.gov.ca.gov/2023/02/28/governor-newsom-marks-end-of-californias-covid-19-state-of-emergency/>

<sup>4</sup> See "Monthly 12-month inflation rate in the United States from February 2020 to February 2023" from Statista at: <https://www.statista.com/statistics/273418/unadjusted-monthly-inflation-rate-in-the-us/>

For all of the above reasons, developers and customers faced tough conditions that likely slowed behind-the-meter (“BTM”) energy storage deployments at large. With larger issues at hand, the focus on this pilot and navigating the initial steps of the pre-approval process could have been overlooked or deprioritized. In such an environment, CESA does not believe that the lack of participation points to reasons to discontinue the pilot, but rather, it may highlight how the pilot was unfortunately launched at a time period of unprecedented economic stress.

**B. The notification-only pilot should be given more time (18 months) given its tremendous potential to streamline interconnection and deployment.**

In adopting the notification-only approach as a pilot, the Commission recognized its potential in response to “current and continuing circumstances” such as COVID-19 and annual wildfires.<sup>5</sup> In the same spirit, while the impacts of COVID-19 have waned, the continuation of the pilot would provide critical data on whether this process could be leveraged to support persistent annual wildfire risks and address additional and emerging circumstances, such as the need for incremental resource capacity in the face of higher electrification loads and extreme heat events, as well as the recent adoption of the Net Billing Tariff (“NBT”) pursuant to D.22-12-056 that is intended to and will likely drive significant storage attachments as a result of more granular time-dependent export compensation rates.<sup>6</sup> With record levels of interconnection requests and unprecedented resource buildout rates required through 2045,<sup>7</sup> CESA believes the pilot could present unique opportunities to enable more efficient allocation of precious and limited IOU interconnection staff, allowing them to refocus their attention to larger and/or more complex projects while streamlining the interconnection process for smaller energy storage systems with a “light-touch” notification-only process that still maintains reliability and safety.

**C. The infrastructure and setup of the notification-only approach is already in place to continue the pilot.**

In earlier advice letters submitted on March 7, 2023,<sup>8</sup> the IOUs did not report any costs related to processing applications, audits, or other elements of the process given the absence of participation, but they did report IT set-up costs associated with the pilot, which entails website setup, intake structures for applications, among other things. If the IT

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<sup>5</sup> D.21-06-002 at Finding of Fact (“FOF”) 1.

<sup>6</sup> D.22-12-056 at FOF 90, 96, 111, 177, and 231 and Conclusion of Law (“COL”) 16.

<sup>7</sup> See, e.g., Rand, *et al.*, “Queued Up: Characteristics of Power Plants Seeking Transmission Interconnection As of the End of 2022,” published by LBNL in April 2023: <https://emp.lbl.gov/publications/queued-characteristics-power-plants-1>. See also 2023 Interconnection Process Enhancements Issue Paper and Straw Proposal at 6: <http://www.caiso.com/InitiativeDocuments/Issue=Paper-and-Straw-Proposal-Interconnecton-Process-Enhancements-2023-Mar132023.pdf>

<sup>8</sup> See PG&E Advice 6875-E, SCE Advice 4981-E, and SDG&E Advice 4172-E.

infrastructure has already been established, CESA believes that the Commission and the IOUs should take advantage of the upfront investments made to stand up the notification-only approach rather than wasting the time and resources already put into developing the notification-only approach and criteria and the infrastructure to implement the process.

**D. The eligibility criterion should not be limited to combined non-exporting solar and energy storage systems to support a broader range of use cases, such as non-exporting energy storage retrofits to existing exporting solar.**

In response to comments to the Proposed Decision leading to the adoption of D.21-06-002, there were many late-stage revisions that, among other things, eliminated the eligibility to the notification-only process for non-exporting energy storage retrofits to existing Net Energy Metering (“NEM”) solar systems. While the Commission has the authority to take the evidence on the record to make these determinations on the eligibility criteria for the notification-only approach, CESA recommends that the Commission and IOUs reconsider and make modifications to the eligibility criteria that enable non-exporting energy storage retrofits to existing exporting solar to spur participation yet still maintain safety and reliability. As discussed above, decisions made in the NEM proceeding (R.20-08-020) aim to encourage energy storage adoption and retrofits,<sup>9</sup> and access to the notification-only process for non-exporting energy storage retrofits to existing exporting solar will accelerate the realization of the benefits to the customer and the grid in terms of cost effectiveness and, in many cases, onsite resiliency as well – the latter of which was one of the key motivations of the Commission in adopting this process in the first place. Furthermore, among the reasons we might see more participation going forward is the ability of standalone storage to now take advantage of the 30% federal tax credit.<sup>10</sup> All else equal, this will make truly standalone projects more viable and provide some reasonable expectation that more customers will be able to take advantage of the notification only pilot.

The IOUs are empowered via D.21-06-002 to make modifications to the eligibility criteria to these ends without jeopardizing reliability and safety. With exporting NEM solar already studied and approved for interconnection, the addition of non-exporting energy storage would only reduce the existing system impacts. To illustrate, consider the following example: when considering a circuit with a customer that has an exporting NEM solar system installed and operational, the current eligibility criteria would allow for a neighboring customer on the same circuit to add a non-exporting standalone energy storage system under the notification-only process but make ineligible for the same process the installation of the same system at the same site as the exporting NEM solar system – a distinction that is seemingly arbitrary and should not make a difference in the safety and reliability of the grid,

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<sup>9</sup> D.22-12-056 at FOF 87.

<sup>10</sup> Building A Clean Energy Economy: A Guidebook to The Inflation Reduction Act’s Investments in Clean Energy and Climate Action, (January 2023, Version 2). Pg. 108. See: <https://www.whitehouse.gov/wp-content/uploads/2022/12/Inflation-Reduction-Act-Guidebook.pdf>

holding all other things equal in terms of the process (*e.g.*, developer approval criteria, audits, etc.).

Considering the lack of participation and the technical merits, CESA recommends that the IOUs modify the eligibility criteria to include non-exporting energy storage retrofits to existing exporting solar, especially as the demand for a notification-only process for this use case will grow with the Commission's decisions made in R.20-08-020.

**E. Caps on project count and audit percentage per developer and developer requirements to have completed at least 20 projects under the status quo interconnection process should be reduced to spur participation in the pilot given other guardrails in place.**

Given the upfront costs associated with investing the time and resources to obtain pre-approval and eligibility from the IOUs in leveraging the notification-only process, CESA recommends that the cap on project count, the audit percentage, and experience requirements be reduced for each developer participating in the pilot. This would entice participation in the pilot, which would in turn help generate the data needed to more honestly weigh the merits of permanent adoption or discontinuance of the pilot, as well as other modifications needed.

First, in adopting the cap of 10 non-export projects for each distribution circuit per developer, the Commission reasoned that it would ensure a level playing field across developers.<sup>11</sup> CESA understands that this limitation was put into place to give equal access and learning opportunities for many developers, but the limited participation to date points to how the pilot should place less weight on this criterion if a single or smaller subset of developers can pioneer the process as “early movers” and help generate statistically significant data to make determinations on the future of the notification-only process. If adopted on a more permanent basis and/or lessons learned are produced and shared, the notification-only process may catalyze broader and more robust participation, but at this pilot stage, CESA does not believe that the benefits of the cap on project count for developers outweighs the potential risk of not generating sufficient participation and data to assess the merits and impacts of this novel process.

Second, due to safety concerns with various engineering aspects, the Commission adopted a higher audit percentage per developer (20%) than originally proposed in the rulemaking process (5%). Given the lack of participation to date and the offsetting costs of having a high percentage of notification-only projects subject to audit requirements, CESA recommends that the audit percentage should be reduced, down to either 5% or 10%, or at minimum chart a path to do so over time. With all of the other guardrails in place, CESA understands that the Commission intended to balance interconnection safety with

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<sup>11</sup> D.21-06-002 at 16.

streamlining convenience, but there are other guardrails in place that should maintain this balance (e.g., location limitations, sizing and operational criteria, AHJ review, removal from eligibility, developer track record).

Third, pilot should be modified to reduce developer requirements to have completed at least 20 projects under the status quo interconnection process. Given the other guardrails in place and the arbitrary nature of the 20-project threshold, one way to spur participation in the pilot would be to lower the threshold for similar projects (5-10 projects) completed under the standard interconnection process, which would sufficiently demonstrate an understanding of the rules and regulations of the interconnection process and electric grid.

In sum, at this time, the IOUs and the Commission should consider appropriate modifications to the eligibility limitations and process requirements to spur participation in the pilot that still maintains interconnection safety, such as the three proposed above in some form or some more reasonable combination thereof. If, for example, the audit percentage is maintained, then there could be some modifications to the experience requirements per developer, or vice versa.

### III. CONCLUSION.

Considering the above, CESA recommends that the pilot be continued for an additional 18 months and that modifications and clarifications should be made accordingly. CESA appreciates the opportunity to submit this protest on Joint Advice Letter and looks forward to collaborating with the Commission and stakeholders in this proceeding.

Respectfully submitted,



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Service lists R.17-07-007 and R.19-09-009