BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE ON THE ORDER INSTITUTING RULEMAKING TO UPDATE DISTRIBUTION LEVEL INTERCONNECTION RULES AND REGULATIONS

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In accordance with the California Public Utilities Commission's ("Commission") Rules of Practice and Procedure, the California Energy Storage Alliance ("CESA") hereby respectfully submits these comments on the *Order Instituting Rulemaking to Update Distribution Level Interconnection Rules and Regulations* ("OIR"), issued by the Joint Commissioners on August 20, 2025.

In these comments, CESA identifies numerous challenges as well as potential solutions that should be considered within the scope of this OIR. CESA's primary concern centers on Screen Q dysfunction, where projects above 1 MVA automatically fail due to speculative transmission cluster assumptions rather than their actual grid impacts, contradicting the Commission's 2019 reforms. CESA proposes urgent interim measures including raising the Screen Q threshold from 1 MVA to 5 MVA and requiring all investor-owned utilities to adopt uniform, pragmatic evaluation practices. For long-term reform, CESA recommends consideration of four major reforms: (1) an alternative cost responsibility approach allowing projects to proceed while accepting proportional network upgrade costs, (2) a new tiered interconnection framework that creates a streamlined pathway for dispatchable local export projects, (3) a modified Screen Q test to better differentiate

between network upgrades caused by distributed energy resources (DERs) versus those triggered by earlier queued projects, and (4) improved coordination between planning processes. CESA hopes the scope of this OIR encompasses consideration of all four long term reforms.

CESA also raises significant concerns about utility compliance with interconnection timelines and problematic Wholesale Distribution Access Tariff (WDAT) implementation practices, particularly Southern California Edison's (SCE's) static charging tables affecting 1.4 GW of existing storage and 6 GW under development. The comments emphasize that SCE and San Diego Gas & Electric's (SDG&E's) elimination of Independent Study Processes (ISP) forces small distributed resources into inappropriate multi-year cluster studies, creating bottlenecks when California needs accelerated deployment. Throughout, CESA stresses that current practices undermine the state's reliability goals, waste ratepayer investments, increase fossil fuel reliance through renewable curtailment, and prevent energy storage from delivering its full economic and grid benefits.[1]

I. California Energy Storage Alliance Background and Interest in Proceeding

CESA is a 501(c)(6) membership-based advocacy group committed to advancing the role of energy storage in the electric power sector. We strive to advance a more affordable, efficient, reliable, safe, and sustainable electric power system for all Californians. Representing over 70 members, CESA serves as the leading voice for energy storage in California and has a direct interest in the proceeding in shaping the policies, procedures, and rules that improve Rule 21 and certainty around interconnection processes for DERs such as energy storage. Our diverse

[1] *California Public Utilities Commission Energy Storage Procurement Study* (May 31, 2023), Lumen Energy Strategy, available at: https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/energy-storage/2023-05-31_lumen_energy-storage-procurement-study-report.pdf.

membership includes technology providers, project developers, system integrators, electrical contractors, and other clean energy leaders. These companies deliver storage solutions across residential, commercial, and industrial markets, spanning a wide range of technologies, applications, system sizes, and durations.

CESA intends to submit comments and participate in workshops and other discussions and activities on electrical independence tests, interconnection process, and related issues.

II. Responses to Preliminary Scoping Memo Topics and Questions

QUESTION 1) Electrical Independence Tests: a) Should the Commission consider any interim changes to Rule 21 Screens Q and R evaluation criteria?

Interim Screen Q reforms are urgently needed to resolve regulatory misalignments, reduce inequities across the investor-owned utilities (IOUs),[2] and provide immediate relief to stalled distributed energy resource (DER) projects. Without near-term adjustments, many projects will remain delayed, undermining California's reliability and decarbonization targets.

Screen Q Dysfunction in the "Supercluster" Environment

In the current "supercluster" environment, DER projects greater than 1 MVA are evaluated under Screen Q against California Independent System Operator (CAISO) transmission base cases that include large portfolios of speculative bulk power transmission-connected projects. The quantity of projects in the CAISO queue is significantly higher than what is needed or will end up getting built. Assuming that all queued projects will come online at the same time when performing Screen Q overstates the magnitude of network upgrades that will eventually be needed and does not accurately depict the incremental grid impact of new DERs.

[2] The IOUs are Pacific Gas and Electric Company (PG&E), SCE, and SDG&E.

This causes DER projects to fail Screen Q due to modeled interactions with resources that may never materialize, rather than their own reliability impacts. Many of the projects being studied by the CAISO will drop out of the queue or fail to move forward due to natural project attrition, which can result in the need for restudy and further delays. Thereby, Screen Q has become nearly an automatic barrier that captures nearly all projects over 1 MVA, treating them as transmission problems rather than allowing distribution-focused review.

Inconsistent IOU Implementation

Current practices vary significantly across IOUs. SCE has adopted pragmatic interim measures using Cluster 14 Phase 2 as the base case until a scaled-down Cluster 15 base case becomes available, enabling some projects to pass Screen Q. Other IOUs have not adopted similar approaches, creating inequitable outcomes across California and exacerbating development uncertainty.

Jurisdictional Misalignment

There exists a fundamental regulatory gap between CPUC Rule 21 and CAISO's Generator Interconnection Procedures (GIP). While Rule 21 allows projects up to 5 MVA to pursue Fast Track review under CPUC jurisdiction for distribution-level interconnections, the CAISO's GIP Requires all wholesale-exporting projects larger than 1 MVA to interconnect under CAISO's Federal Energy Regulatory Commission (FERC)-jurisdictional tariff. This creates developer uncertainty, queue inefficiencies, and underutilization of distribution system capacity for projects in the 1-5 MVA range.

Recommended Reforms for Consideration

While longer-term comprehensive reforms are necessary, CESA believes immediate interim steps are essential to address current acute market challenges.

1. INTERIM CHANGE: Expedite Screen Q Reform Process

Place Screen Q reforms on an accelerated track within the forthcoming DER interconnection proceeding. Direct all IOUs to adopt uniform, pragmatic practices similar to SCE's approach[3], such as using the most recent cluster study results rather than submitted interconnection requests as the Screen Q base case. Commonsense base case adjustments can enable project progression without compromising grid reliability. This should be completed in addition to, and not in leiu of other interim changes.

2. INTERIM CHANGE: Raise the Screen Q Eligibility Threshold to 5 MVA

The Commission should increase the Screen Q threshold from 1 MVA to 5 MVA for the following reasons:

- **Regulatory consistency**: Aligns with Rule 21's existing 5 MW Fast Track capacity limit, harmonizing thresholds within the Rule 21 framework.
- **Appropriate scale**: DERs up to 5 MW are generally distribution-level resources that do not create bulk transmission system reliability issues in isolation. Subjecting them to Screen Q introduces disproportionate costs and delays relative to their actual impact.

[3] *SCE's Interim Methodology for Rule 21 Screen Q*, presented at the May 14, 2024 Interconnection Discussion Forum, pp. 3-7.

- **Evidence-based rationale**: Widespread failures at 1 MVA are evidence of flawed upstream transmission assumptions rather than a reflection of actual DER impacts on the grid. Raising the threshold would reduce the number of projects unnecessarily flagged by Screen Q while preserving the ability to study larger projects that may pose legitimate transmission concerns.
- **Policy alignment**: Supports the accomplishment of California's SB 100 goal and reliability goals by enabling critical DER projects to proceed predictably without being stalled by transmission cluster assumptions unrelated to their own impacts.

CESA recommends that the Commission initiate data requests to the IOUs to quantify how many projects are failing Screen Q, the degree to which failures are caused by upstream bulk power assumptions, and how raising the threshold might alleviate the current bottleneck without compromising reliability.

Juridictional Issues

CESA also acknowledges that while the CPUC has full jurisdiction to modify the Rule 21 Screen Q threshold—without any action required from CAISO—it cannot unilaterally modify CAISO's 1 MVA wholesale-export threshold. Any change to that threshold may require a CAISO stakeholder initiative, followed by a CAISO Board of Governors vote, and ultimately, a tariff filing at FERC for approval. CESA proposes that the Commission take the following actions:

A. Enhanced CPUC-CAISO Coordination

The Commission should direct staff to engage jointly with CAISO and stakeholders to develop alignment mechanisms that reduce barriers for 1-5 MVA projects while maintaining system reliability. A formal Memorandum of Understanding (MOU) between the Commission and the CAISO could be an effective tool. The Commission could consider recommending that CAISO initiate a stakeholder process to evaluate raising its 1 MVA threshold to align with Rule 21's 5 MVA Fast Track threshold, or create a tailored study pathway for smaller wholesale-exporting projects.

B. Support for FERC Filing

The Commission could urge CAISO to submit appropriate tariff amendments at FERC following stakeholder consensus to formalize threshold changes or small-project carve-outs.

QUESTION 1) Electrical Independence Tests: b) Should the Commission consider a long term reform for Screens Q and R or consider replacing Screens Q and R with another type of screening process, and why?

Yes, CESA strongly supports the consideration of long-term reforms in this proceeding. CESA puts forward four substantial reform options for consideration: (1) an alternative cost responsibility approach, (2) an alternative interconnection pathway for dispatchable local export projects, (3) a modified Screen Q test to better differentiate between network upgrades caused by DERs versus those triggered by earlier queued projects, and (4) improved coordination between planning processes. CESA hopes the scope of this OIR encompasses consideration of all four long term reforms, which would of course need to be further refined with staff and stakeholder input.

REFROM 1: Alternative Cost Responsibility Pathway

The Commission could establish a conditional passage with cost responsibility. The current binary nature of Screen Q—where projects either pass and proceed or fail and must withdraw—creates unnecessary barriers for otherwise viable DER projects.

Under this new framework, projects that fail Screen Q but do not individually trigger network upgrades would be offered the option to:

- Proceed with interconnection without entering the cluster study process
- Accept responsibility for their proportional share of eventual network upgrade costs
- Execute appropriate cost responsibility agreements with the interconnecting utility

There are two key benefits of this approach. First, this alternative cost responsibility pathway would result in economic efficiencies by ensuring appropriate cost allocation without imposing disproportionate study costs on smaller projects and reducing administrative burden and timeline delays associated with cluster studies. Second, it would improve market function because would be able to make decisions based on known cost responsibilities. CESA believes this pathway would reduce project abandonment due to study process uncertainty. Importantly, this approach would preserve utility planning flexibility for eventual network upgrades and maintain cost recovery mechanisms for infrastructure investments.

Considerations for Implementation of the Alternative Cost Responsibility Approach:

CESA acknowledges that while the cost responsibility framework presents significant opportunities to improve DER interconnection processes, careful design and implementation are

essential to address these potential complexities. The mitigation strategies outlined below suggest that most risks can be managed through appropriate regulatory safeguards, but the complexity of implementation should not be underestimated.

The framework may work best as a pilot program applied to specific project types or geographic areas, allowing for refinement before broader deployment. Success will depend heavily on stakeholder engagement, robust data collection, and iterative improvement based on real-world experience.

A. **Cost Estimate Uncertainty:** Network upgrade costs are notoriously difficult to predict accurately years in advance. Projects may agree to cost responsibility based on preliminary estimates that prove wildly inaccurate when actual construction occurs. Mitigation strategies can include:

- Require periodic cost estimate updates with opt-out rights for projects when estimates exceed predetermined thresholds
- Create standardized cost estimation methodologies with historical accuracy tracking
- Implement cost true-up mechanisms that limit exposure to cost escalation beyond reasonable bounds

B. **Complex Cost Allocation Calculations:** Determining each project's "fair share" of network upgrade costs becomes highly complex, especially when multiple projects contribute to the need for upgrades in different ways and timeframes. Mitigation strategies can include:

- Adopt simplified allocation methodologies based on capacity contribution rather than complex power flow studies

- Use existing precedents from CAISO's transmission cost allocation or other utility cost-sharing mechanisms
- Create standardized worksheets and calculation tools to ensure consistency across IOUs
- Establish dispute resolution mechanisms for cost allocation disagreements

C. **Administrative Burden on Utilities:** Utilities face increased administrative costs to track, calculate, and collect cost responsibilities from potentially hundreds of small projects over many years. Mitigation strategies can include:

- Develop automated tracking and billing systems with standardized interfaces
- Allow utilities to recover reasonable administrative costs through tariff mechanisms

D. **Reliability and Safety Concerns:** Projects proceeding without full system studies might create unforeseen reliability issues or safety hazards that only become apparent after interconnection. Mitigation strategies can include:

1. Require enhanced monitoring and real-time control capabilities for cost responsibility projects
2. Implement staged interconnection with performance validation at each stage
3. Establish clear disconnection protocols if reliability issues emerge

REFORM 2: New Interconnection Pathway for Dispatchable Local Export Projects

The current Rule 21 interconnection framework creates significant barriers for exporting DERs that fail Screen Q by requiring full CAISO deliverability studies and system-wide

transmission upgrades, even for resources that primarily serve local or even on-site loads. As documented in the Joint DER Parties' February 2022 proposal[4], these requirements create a fundamental mismatch between the inherently local nature of most DER deployments and the system-wide analysis required for interconnection approval.

The existing framework fails to recognize that:

- Most DERs are located in load-rich areas where exports are consumed locally
- Distribution-connected resources rarely inject power into the bulk transmission system
- Dispatchable DERs can provide reliability benefits through local grid management
- Current deliverability requirements create artificial barriers to resource adequacy solutions

Proposal: Tiered Interconnection Pathways

Another reform option is to create differentiated interconnection pathways that match regulatory requirements to actual grid impacts. In addition to the existing interconnection pathways, captured as Tier 1 and Tier 3 below, we recommend consideration of an additional interconnection pathway dedicated to dispatchable local export projects, or Tier 2 below.

Tier 1: Non-Export or Limited-Export Projects

- Methodology: Existing fast track process - Current screening criteria apply
- Qualifying Projects: Projects that do not export or export minimal amounts

[4] Joint DER Parties Reply Comments filed on February 24, 2022 under CPUC's Rulemaking 21-10-002

Tier 2: Dispatchable Local Export Projects

- Methodology: Streamlined interconnection based on local impact analysis (Focuses on distribution system impacts only and bypasses CAISO deliverability requirements)
- Qualifying Projects: Exporting DERs that (1) do not impact the transmission grid; and (2) are dispatchable and can respond to reliability events.

Tier 3: System Resource Projects

- Methodology: Existing cluster study process - full CAISO deliverability
- Qualifying Projects: Projects seeking system Resource Adequacy qualification

Key elements of Tier 2: Interconnection for Dispatchable Local Export Projects

If a DER is dispatchable and located in and can effectively serve the load-rich area (as determined by ICA analysis), it should be considered electrically independent for interconnection purposes, qualifying for expedited processing without triggering CAISO cluster studies.

1. Localized Deliverability Standard:

Replace the requirement for system-wide deliverability with a localized deliverability test that recognizes the operational reality of distributed resources. DERs can demonstrate their ability to serve nearby load (within the same distribution circuit or substation area) rather than deliverability to the entire CAISO grid. The screens used for WDAT projects already answer the question of whether a project exports to the transmission grid. For other projects, one option could include utilities performing a comprehensive localized grid impact analyses using existing tools and enhanced methodologies. This could be accomplished utilizing Integration Capacity

Analysis (ICA) data to assess local hosting capacity. Additionally, utilities have local load forecasts and growth projections. This analysis would determine whether DERs can support local reliability without transmission upgrades. Additionally, it could assess the local reliability benefits of dispatchable DERs.

2. Dispatchability as a Deliverability Proxy

Allow DERs that export to the grid and fail Screen Q to bypass full CAISO deliverability studies if they meet dispatchability criteria that will allow the PTO to protect the integrity of its system.

Economic and Policy Benefits

This reform could deliver significant benefits:

Economic Efficiency:

- Reduced interconnection costs for appropriate DER projects
- Faster interconnection timelines
- Better utilization of distribution system investments
- Avoided transmission upgrade costs for locally-consumed generation

Grid Reliability:

- Enhanced local grid resilience through dispatchable DERs
- Improved distribution system management capabilities
- Better coordination between transmission and distribution planning

Policy Alignment:

- Support for SB 100 clean energy goals
- Enhanced Resource Adequacy through local resources[5]
- Alignment with High DER Grid objectives

REFORM 3: Modified Screen Q Testing to Differentiate DER-Caused vs. Queue-Triggered Network Upgrades

Another reform option to substantially address the problem would be the establishment of a Screen Q testing process to better distinguish whether network upgrades are actually caused by DERs or by earlier-queued CAISO transmission projects. The revised test could study DER impacts both with and without earlier-queued projects, allowing DERs that don't independently trigger significant network upgrades (less than 1-5% incremental power flow) to pass conditionally. These projects could then pay their fair share of upgrade costs if the earlier projects move forward, but could interconnect sooner rather than waiting in limbo. This maintains the "causer pays" principle while preventing DER projects from being unnecessarily blocked by transmission-level projects that may never be built.

REFORM 4: Alignment between CPUC's and CAISO's Processes

Close coordination is necessary between critical planning processes. Every year, the CPUC transmits a portfolio of new generation and storage resources that it expects to be developed over the next 15 years to the CAISO to be studied in the CAISO's Transmission

[5] Achieving RA value for Track 2 interconnection resources would likely require coordination with the RA proceeding.

Planning Process (TPP), which identifies the transmission grid upgrades that will be needed to achieve the state's climate targets at least cost while maintaining reliability.

The CPUC's Integrated Resource Planning (IRP) portfolios also serve as an input to CAISO's Distributed Generation Deliverability (DGD) process, an annual study by the CAISO to assess how much power from new and existing DERs can be delivered to the grid during peak, congested conditions, even after accounting for transmission limitations.

Distribution Resource Planning (DRP), which is largely housed in the CPUC's High DER Future Grid Proceeding, includes several interrelated initiatives spanning improvements to the distribution planning and execution process and sharing of system data, evolving distribution system operator roles and responsibilities, and smart inverters and other grid modernization technologies. The related Distribution Planning Process (DPP), aims to improve how electric utilities plan and execute upgrades to the distribution grid.

Once the IRP and DRP processes in coordination with the TPP and DGD processes result in proactive construction of transmission and distribution infrastructure upgrades to accommodate DER hosting capacity, the need for lengthy distribution and transmission system impact studies for DERs will be significantly mitigated, allowing for streamlining of the study processes and expediting DER interconnection. Additionally, process alignments would allow the proposed reforms to be most effective. Aligning IRP outputs with CAISO's work will ensure that DERs are considered in the prioritization of transmission upgrades and that their local benefits are fully recognized.

Similarly, closer coordination is required between Resource Adequacy (RA) and IRP to ensure that local RA needs are incorporated into IRP modeling. This should include identification of transmission-constrained areas where DERs can support local reliability and using IRP modeling to determine when transmission upgrades are needed to unlock additional local RA resources. By mapping DER potential to busbar-level transmission constraints, planners would understand precisely where DERs can provide the greatest value.

QUESTION 2. Interconnection Process

The Commission should implement enhanced measures to improve IOUs' compliance with interconnection timeline benchmarks established in D.20-09-035. CESA recommends consideration of the following measures:

1. Performance incentives that reward IOUs for exceeding benchmark timelines
2. Financial penalties for chronic non-compliance
3. Require IOUs to demonstrate adequate staffing levels and technical resources to meet interconnection demand
4. Mandate contingency planning for handling application volume surges
5. Standardize interconnection application review processes across all IOUs to reduce variability and delays
6. Require real-time status tracking systems accessible to applicants
7. Implement automated notifications for milestone achievements and delays

To ensure IOUs properly utilize Integration Capacity Analysis (ICA) values in conducting interconnection assessments the Commission should build on the foundation that

distributed energy storage developers can utilize IOU ICA maps for distribution system analysis, and require:

- **Transmission-Level Integration**: The IOUs should publish detailed transmission queue information, particularly powerflow data, to help DER developers assess project viability earlier in the development process
- **Real-Time Data Updates**: The IOUs should update ICA maps more frequently to reflect current system conditions and pending interconnection requests
- **Standardized Methodologies**: The IOUs should adopt consistent ICA calculation methodologies and data formats

The current disconnect between available resources and Screen Q processes must also be resolved. The Commission should require:

- **Unified Data Platform**: The IOUs should create integrated platforms that combine:
    - CAISO's point of interconnection heat maps[6] (updated more frequently)
    - Transmission Plan Deliverability allocation reports,[7] including pending requests
    - Current cluster study information[8] in accessible formats

[6] CAISO Points of Interconnection Heatmap, available at: https://www.caiso.com/poi-heatmap/ and CAISO Points of Interconnection Heatmap FAQ's, available at: https://www.caiso.com/documents/points-of-interconnection-heatmap-frequently-asked-questions.pdf.
[7] CAISO's Transmission Plan Deliverability ("TPD") allocation reports, available at: https://www.caiso.com/generation-transmission/generation/generator-interconnection/transmission-plan-deliverability.
[8] See, e.g., CAISO Cluster 15 Interconnection Requests, available at: https://www.caiso.com/documents/cluster-15-interconnection-requests.xlsx.

Additionally, the Commission should consider collaborating with the CAISO to better coordinate mechanisms between distribution and transmission planning to improve ICA accuracy and utility.

QUESTION 8. Utilities' WDAT Processes and Relationship to Rule 21

CESA strongly supports the Commission's continued oversight and engagement with WDAT processes, despite their FERC-jurisdictional status. The Commission's involvement is not merely advisable but essential given the profound implications of WDAT implementations for California's energy policy objectives, ratepayer benefits, and grid modernization efforts. The Commission's inquiry into consistency between these frameworks comes at a pivotal time when DERs, particularly energy storage, are essential to California's clean energy transition and grid reliability objectives.

The Commission has established important precedent for this oversight through Decision ("D.") 12-09-018, which approved a settlement agreement requiring IOUs to conform their WDATs with Rule 21[9]. This decision recognized that consistency between these interconnection frameworks serves the public interest by promoting efficient resource deployment, reducing regulatory complexity, and ensuring that distributed energy resources can provide maximum value to the grid and ratepayers. The Commission's finding that such alignment serves the public interest[10] remains as valid today as it was in 2012, if not more so given the increased penetration of distributed resources and their growing importance to grid operations.

[9] *Motion for Approval of Settlement Agreement Revising Distribution Level Interconnection Rules and Obligation* (March 16, 2012), p. 8 and 12-13, which was adopted in full by D. 12-09-18, Ordering Paragraph 1
[10] D. 12-09-018, Conclusion of Law 4

The 2023 study by Lumen Energy Strategy produced under the direction of D.13-10-040, demonstrated the tremendous benefits that distributed energy storage resources provide to ratepayers across all scales of deployment.[11] These benefits can only be realized when interconnection processes facilitate rather than impede the development of economic storage projects. CESA member companies developing wholesale distributed energy storage have increasingly encountered barriers in the IOUs' application of WDAT tariffs that prevent these resources from delivering their full potential value to California's electric system.

Current Divergence Between WDAT and Rule 21

The landscape has changed dramatically since the 2012 settlement agreement, with WDAT processes diverging significantly from Rule 21 in ways that undermine both resource economics and grid benefits. This divergence manifests in several concerning areas that warrant the Commission's attention and intervention.

Southern California Edison's implementation of static charging tables in its WDAT process beginning in 2023 represents a particularly problematic departure from rational interconnection practices that threatens the viability of California's energy storage deployment. According to data we were able to collect from some of our member companies, these static restrictions now impact approximately 1.4 GW of existing energy storage projects and put at risk an additional 6 GW of projects under development that are essential to meeting the state's clean energy goals. The tables impose blanket charging restrictions from 10:00 AM to 7:00 PM during summer months across SCE's entire distribution system, regardless of actual local distribution

[11] Find here: https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/energy-storage/2023-05-31_lumen_energy-storage-procurement-study-report.pdf

conditions, based on overly conservative planning assumptions that SCE applies without differentiation across broad timeframes.

The economic and environmental impacts of these restrictions are severe and multifaceted. First, static charging limits are leading to increased curtailment of renewable energy production, which directly increases fossil fuel use and ratepayer costs. When energy storage systems are prohibited from charging during midday hours when CAISO prices are often low, zero, or negative due to excess solar generation, this cheap renewable energy is curtailed and the grid must subsequently dispatch more expensive fossil fuels to meet later demand. This outcome not only undermines California's clean energy goals and raises system costs, but also restricts the effective use of energy storage assets that ratepayers have funded, wasting public investment and reducing the value these resources were intended to provide.

Second, these charging constraints significantly reduce flexibility for grid operators by limiting their ability to fully utilize local storage as a dispatchable tool during periods of high demand, contingency events, or excess renewable generation. Distribution-connected projects located in local reliability areas are being prevented from providing their intended grid support services precisely when they could be most valuable.

Third, the restrictions have already resulted in substantial energy storage project attrition, with over 850 MW of projects paused or cancelled due to uneconomic operation under current rules. Many projects face charging restrictions that extend beyond daylight hours to include significant limitations during off-peak periods, further reducing operational flexibility and project viability. Continued restrictions will likely lead to additional project terminations,

reducing available capacity and increasing the need for new, more expensive procurement to meet reliability requirements.

Static charging tables serve as an unwieldy and ineffective substitute for more sophisticated solutions such as DERMS. Notably, SCE's own implementation of DERMS, which the utility originally intended to use to solve charging constraints, has been severely delayed even at lower distribution voltages. There is currently no clear timeline for a solution for sub-transmission connected battery energy storage systems facing these charging constraints.

The timing of disclosure for these charging restrictions compounds the problem significantly. Storage facility operators do not learn of specific charging limitations until just prior to reaching commercial operation, creating substantial uncertainty in project financing and development. Many of these resources have already been allocated deliverability allocations, a scarce and valuable resource essential for storage financing and deployment. When charging restrictions prevent these resources from operating economically, the waste extends beyond individual project impacts to include the squandering of limited transmission capacity that could have been allocated to other projects.

SDG&E's actions also demonstrate a troubling pattern of creating barriers for energy storage project development that extends beyond reasonable grid management concerns. The rigid implementation of interconnection procedures has created a de facto moratorium on small-scale projects (1-3 MW) that are precisely the type of nimble resources needed to address San Diego's unique electrical constraints and high Local Resource Adequacy requirements. SDG&E's inflexible Fast Track screening criteria have failed nearly all recent 3 MW BESS projects

submitted by CESA members[12], often based on theoretical concerns rather than actual operational impacts. In contrast to SCE, the barrier developers face in SDG&E territory have typically been around discharging. SDG&E studies all storage projects as if they will discharge their full capacity 24 hours per day, every day of the year. If this capacity exceeds the minimum load conditions during any hour of the year (and in the 'low load' forecast case), then SDG&E declares the project to have failed the minimum load screen and thus failed fast track. This extremely and unrealistically conservative screening assumption is quite difficult for projects over 1 MW to pass, and the only option remaining for the projects that fail is to wait to interconnect under the next CAISO queue cluster.

Elimination of Independent Study Processes

When developers have offered to invest in additional studies and proposed reasonable industry-standard mitigations like transducer installations or dispatch limitations, SDG&E has acknowledged these solutions could be evaluated but then pointed to the eliminated ISP as the reason such studies cannot be conducted. SDG&E's recent elimination of the ISP is highly problematic, and although not yet approved by FERC, it has already been applied by SDG&E. It forces all such projects, regardless of size or impact, into the CAISO cluster study process with its multi-year timelines, substantial deposits exceeding $100,000, and procedural burdens entirely inappropriate for small, distribution-connected resources. The utilities clearly possess the engineering capacity to conduct these studies—they previously did so through the ISP—yet have

[12] Answer of the California Energy Storage Alliance to San Diego Community Power and Clean Energy Alliance's Motion for Expedited Consideration under ER10-1391, filed with FERC on August 18, 2025.

chosen to close this avenue for third-party developers, creating an artificial bottleneck that undermines both market competition and grid reliability objectives.

The proposed elimination of ISP by SDG&E and SCE represents another fundamental departure from established interconnection practices. Under these proposals, all wholesale DERs unable to qualify for Fast Track review would be forced into the CAISO's cluster study process. This shift would effectively eliminate a viable pathway for many distributed storage projects, particularly since Fast Track eligibility is limited to small projects and provides no mechanism for deliverability studies essential for resource adequacy participation.

This reorientation of DER interconnection processes threatens to create a significant bottleneck that could slow or halt development of distributed resources precisely when California needs accelerated deployment to meet its reliability and climate objectives. The cluster study process, while appropriate for transmission-level resources, was not designed to efficiently handle the volume and characteristics of DERs that provide local benefits and can contribute to distribution system resilience.

Recommendations for Commission Action

The Commission should consider several key principles in addressing consistency between WDAT and Rule 21 processes. First, interconnection procedures should facilitate rather than impede the deployment of resources that provide demonstrated value to the grid and ratepayers. This requires that restrictions and study requirements be based on actual system conditions rather than overly conservative assumptions or static limitations that fail to account for dynamic grid conditions.

Second, consistency between WDAT and Rule 21 should extend beyond procedural alignment to include substantive consistency in technical requirements, timelines, and cost allocation methodologies. Developers should not face dramatically different standards and requirements based solely on whether their project falls under state or federal jurisdiction, particularly when both types of projects provide similar services and benefits to the distribution system.

Third, transparency and predictability in interconnection processes are essential for efficient resource deployment. Requirements, limitations, and costs should be clearly disclosed early in the development process to enable informed investment decisions and efficient capital allocation. The current practice of withholding critical operational limitations until just before commercial operation creates unnecessary risk and uncertainty that ultimately increases costs for ratepayers.

While respecting FERC's jurisdictional authority over wholesale tariffs, the Commission can and should use its oversight authority to ensure that IOU practices support rather than undermine California's clean energy transition. The Commission should establish regular forums for ongoing dialogue between IOUs, industry stakeholders, and Commission staff regarding WDAT implementation and its alignment with state policy objectives.

Furthermore, the Commission should work collaboratively with the CAISO and FERC to address jurisdictional interfaces that may create barriers to efficient distributed resource deployment. The state's energy objectives are too important to be hampered by regulatory seams that prevent resources from providing their full potential value.

III. Conclusion

CESA appreciates the opportunity to submit these comments on the OIR and looks forward to working with the Commission and other stakeholders in this proceeding.

Respectfully submitted,

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