

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



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Order Instituting Rulemaking to
Enhance Demand Response in
California.

R. 25-09-004
September 18, 2025

**TESLA, INC.'S REPLY COMMENTS REGARDING STAFF BRIDGE FUNDING
PROPOSAL AND MODIFYING THE SCHEDULE FOR BRIDGE YEAR FUNDING
ISSUE**

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Pursuant to the Administrative Law Judge's Ruling issued on March 10, 2026 ("Administrative Law Judge's Ruling Seeking Comments On Demand Responses Staff Proposal on Bridge Year Funding and Modifying the Schedule for the Bridge Year Funding Issue") and April 8, 2026 ("Administrative Law Judge Ruling Modifying Schedule on Bridge Year Funding Issue and Posing Supplemental Questions"), Tesla, Inc. (Tesla) respectfully submits these Reply Comments. In these Reply Comments, Tesla addresses the recommendations and perspectives of a subset of Parties, specifically as their Opening Comments relate to the Emergency Load Reduction Program (ELRP).

Appended to these Reply Comments, Tesla has also included responses to the table that PG&E requested parties fill out and include as part of their Replies in an email PG&E sent on May 8, 2026. The table is slightly modified from what PG&E sent to include an additional column to further explain Tesla's responses where we deemed necessary to help avoid misinterpretations as to what Tesla is, or is not, stipulating to.

I. RESPONSES TO PARTY RECOMMENDATIONS REGARDING ELRP AND BRIDGE FUNDING

A. Proposals to dramatically reduce the compensation rate are premature and would undermine program efficacy in mobilizing capacity to address grid emergencies.

A number of parties suggest dramatic reductions in the per kWh compensation rate provided to program participants, generally coalescing around a proposal to reduce the rate from \$2/kWh to \$1/kWh. These proposals appear motivated by the desire to improve the cost effectiveness of the program, with the apparent presumption being that ELRP is not currently cost effective, despite the fact that no definitive evidence has been presented to support that contention. The fact is, as some of these same parties have pointed out, the program, as a pilot, has not been subject to a cost-effectiveness evaluation. Although some parties suggest looking to benchmarks that in their view suggest the compensation rate currently offered by the program is too high, Tesla submits there are other benchmarks or analyses that one could look to that suggest the opposite.

For example, for an average Tesla customer enrolled in the program over the six-month summer season, ELRP would provide emergency capacity at a price of \$40/kW-Summer under the existing compensation rate.¹ In contrast, the Base Interruptible Program (BIP) provides \$75/kW-Summer to \$90/kW-Summer.² Under the BIP program that compensation is paid regardless of an event being called or not whereas ELRP, even if a true emergency doesn't occur, can still call on those resources to support the grid during high stress or high price periods thereby offsetting some costs and ensuring the resource is actually capable of delivering when an

¹ This assumes an average system size of 1.7 PWs, a backup reserve of 20%, baseline hourly consumption of 2.5 kWh, and 20 hours of total dispatch under the program per summer season.

² See PG&E's Base Interruptible Program fact sheet available here: <https://www.pge.com/assets/pge/docs/save-energy-and-money/energy-savings-programs/bip-fact-sheet.pdf>

emergency is called. While these aren't exactly apples-to-apples comparisons (given differences in program design, the duration of events, etc.) these programs are intended to address similar circumstances and so would seem to provide a reasonable basis of comparison. On average, based on how the program has been dispatched to date, ELRP compensates significantly less than BIP on a kW-Summer basis, which, to the extent BIP provides a reasonable basis for comparison, suggests it is no less cost effective than BIP and is likely more cost effective.

If the compensation rate for ELRP is reduced to \$1/kWh and minimum event hours are reduced to 10, as has been proposed by several parties, all else equal, this would result in the per kW-Summer compensation declining by 50%, to \$10/kW-Summer for the typical Powerwall customer. While reducing compensation rates might improve cost-effectiveness, it would result in the program compensating significantly less than BIP even though ELRP is arguably a more flexible, higher value product than BIP. It would also reduce the appeal of the program in terms of customer participation and program performance. Even if customers continue to enroll in ELRP despite such a dramatic reduction in the compensation level, Tesla would expect higher opt-out rates during events given the substantial decline in the benefit of participating and the opportunity cost that participation imposes on customers. It is easy to overlook the fact that customers that elect to enroll their battery system in ELRP are effectively choosing between preserving the battery system's capacity for their own use in the event of an outage or allowing that capacity to be dispatched for the benefit of the grid to safeguard the system more broadly against the risk of blackouts. If the compensation rate is dramatically reduced, it seems plausible that it tilts the balance toward one where the opportunity cost to customers exceeds the financial benefit of participating.

Tesla further observes that the DSGS program offers compensation of \$96.88/kW-Summer for a 3-hour resource in 2025 and 2026.³ Again, this is significantly higher than what we would expect customers to realize given that ELRP has not been dispatched more than the minimum number of required events over the past several years. Despite the significantly higher compensation amounts under DSGS, a recent Brattle Group report commissioned by Tesla and Sunrun estimates the DSGS program has a benefit cost ratio of 1.1:1 under a base case, and 2:1 under a high case.⁴ Similar to the comparison to the Base Interruptible Program, this would seem to bode well for the cost effectiveness of ELRP as currently designed given the similar emergency capacity services it provides and the lower compensation that most customers can be expected to receive for providing those services under ELRP.

For all of these reasons, Tesla opposes reducing the incentive rate as a number of parties have suggested. As discussed above, comparisons to other emergency programs suggest that ELRP is currently cost effective, or at least no less cost effective than those other programs. Furthermore, in the absence of an actual cost-effectiveness evaluation of the ELRP program itself, dramatically cutting the compensation rate appears to be addressing a problem that may not exist and would do so at the risk of undermining the program's efficacy in delivering capacity when it is needed. That said, as discussed further below, if ELRP is to be extended beyond 2029, subject to some caveats, Tesla is not opposed to conducting a cost-effectiveness

³ "Demand Side Grid Support (DSGS) Program Guidelines" Fourth Edition, pgs. 39-40; <https://efiling.energy.ca.gov/GetDocument.aspx?tn=262658>; note that this amount includes a 30% bonus for compensation in 2025 and 2026. Without the bonus the compensation rate is \$74.52/kW-summer.

⁴ "The Demand Side Grid Support Program: An Assessment of Scale and Value"; Ryan Hledik, Kate Peters, Purvaansh; Brattle Group; December 1, 2025; see pg. 5; <https://www.brattle.com/wp-content/uploads/2025/12/The-Demand-Side-Grid-Support-Program-An-Assessment-of-Scale-and-Value-December-2025-Update.pdf>

evaluation of the program and consideration of potential program reforms in light of the conclusions of that evaluation.

B. Proposals to dramatically reduce ELRP minimum dispatch hours should be rejected.

A number of stakeholders argue that the minimum dispatch hours for ELRP should also be reduced, with PG&E and SDG&E both suggesting that the minimum dispatch hours for subgroup A.4 and A.5 be reduced to 10 hours, from the current 20 and 30 hours, respectively, and SCE suggesting that reductions in the minimum number of dispatch hours should be considered. Having a minimum number of dispatches is a critical customer recruitment tool for the program as it ensures that customers that go through the trouble of learning about and enrolling in the program have some assurance that they will have a baseline opportunity to earn something through their participation. In the absence of some minimum number of events, or if the number of events is too low, the ability to engage customers becomes compromised. As discussed above, a typical Powerwall customer would be able to earn a minimum ~\$40/kW-Summer under ELRP with the current number of dispatch hours. Factoring in typical baseline usage and backup reserve, we estimate that this customer would receive about \$144 if the system is only dispatched the minimum number of times under the program today. While this payment is not a lot, it has proven to be sufficiently compelling to motivate customers to sign up for the program, making their storage available for dispatch should an event be called. In some respects, the minimum dispatch requirement serves a similar function as capacity payments do in the context of wholesale generation. It helps ensure that the capacity embodied in a customer's battery system is being made available in the event it is needed. In the case of ELRP, customers are only paid if they do, in fact, dispatch their systems, but having some reasonable expectation of an opportunity to earn some minimum amount of compensation plays an important part in

them making that capacity available at all. Tesla is concerned that if the minimum dispatch hours are reduced to 10 hours, all else equal it would reduce the minimum summer compensation that we would expect a typical customer to earn in total to ~\$72, hardly a compelling amount for most customers. And if the proposal discussed in the prior section were also implemented, such that the compensation rate is reduced to \$1/kWh, the minimum summer compensation would decline to a mere \$36. Whether it's \$36 or \$72, if that is all customers can reasonably expect to earn over the course of the summer season, Tesla is concerned that it will materially erode interest in the program and impact our ability to enroll new customers. As with the discussion above regarding the compensation rate, to the degree these changes are being suggested as a way to improve the program's cost effectiveness, absent actually conducting a cost-effectiveness analysis of ELRP, it seems premature and unreasonable to make changes that appear likely to undermine the program's efficacy in the near term.

C. ELRP should serve as a vehicle for testing the ability of distributed energy resources to provide grid services beyond system-level capacity.

The IOUs suggest that the dispatch triggers in the program should be expanded to include localized grid challenges that a subset of VPP-enrolled resources can address. Tesla supports this proposal. As distributed energy resources (DERs) like behind-the-meter battery storage systems become more ubiquitous, the opportunity to use these systems to provide and be compensated for a broader range of grid services, including dispatching these resources to address more localized grid challenges, increases. Leveraging ELRP to prove out the opportunity to utilize DERs to address more localized issues would represent a critical step in unlocking the vast potential Tesla sees in VPPs to offer distribution-level grid services. Should the Commission find merit in this proposal, Tesla looks forward to working with the utilities and other stakeholders to identify the specific localized needs that ELRP-enrolled systems can address and

how use of these systems for this purpose will be factored into the overall program design.

Consistent with this, Tesla also supports increasing the maximum number of events allowed under the program as suggested by PG&E to accommodate this additional application/use case.

In addition to expanding the scope of services that ELRP enrolled resources can be dispatched to address to include localized grid services, PG&E also requests that it be authorized to explore opportunities to test CAISO market integration of ELRP via an Advice Letter. Tesla generally supports opportunities to expand the scope of grid services that ELRP enrolled resources can be dispatched to provide. However, the details matter, so while Tesla is able to offer its support for this proposal in concept now, whether that translates into specific support for what PG&E has in mind will depend on what PG&E actually proposes in this regard. Similar to the discussion above regarding dispatching ELRP-resources to address localized grid needs, if PG&E's request is granted, we hope that PG&E will work closely with stakeholders in developing its proposal and its Advice Letter.

D. Tesla supports SCE's proposal pursuant to which the IOUs would be authorized to submit Advice Letters to make changes to ELRP during the bridge period.

Tesla supports SCE's recommendation that the Commission authorize the utilities to submit advice letters to propose changes to ELRP over the bridge funding period. Providing this flexibility is important for a variety of reasons, as articulated by SCE in its Opening Comments, not least of which, from Tesla's perspective, is enabling the utilities to expand the scope of grid services that ELRP resources can be dispatched to provide. While established as a system-level emergency resource program, as a pilot, ELRP provides an invaluable opportunity to prove out the ability to utilize enrolled systems to address a more expansive set of grid needs. Enabling changes to the program to be considered via an Advice Letter process can facilitate that.

E. Tesla supports proposals to streamline and simplify various aspects of the program

SCE suggests that the enrollment process for ELRP be modified to match the process used in DSGS where, rather than requiring customers to submit their service account information, enrollment can be accomplished by customers simply providing their name and address. Tesla is broadly supportive of reforms to the enrollment process that reduce the burden and friction that the existing process imposes on customers currently.

In a similar vein, Tesla also supports the suggestion to combine the A.4 and A.5 subgroups to the extent that this is consistent with Tesla's recommendation in opening comments wherein we suggested that V2G systems participating in ELRP via group A.5 be subject to the same performance measurement and data reporting requirements as systems participating in ELRP via sub-group A.4. Tesla isn't entirely clear on the practical implications of combining Groups A.4 and A.5 absent harmonizing the requirements across participating systems so perhaps further explanation is needed as to what this change would mean, but as it stands, Tesla finds the requirements imposed on V2G systems participating in Group A.5, specifically the requirement to deploy a utility meter or EVSMP-certified submeter and become, or contract with, an MDMA, unnecessary in the context of ELRP performance measurement and settlement. If combining groups A.4 and A.5 would result in V2G systems being able to enroll in ELRP and rely on device-level measurement in lieu of additional metering or submetering, Tesla strongly supports this proposal.

F. If the ELRP program is extended beyond the bridge funding period, a cost-effectiveness evaluation to inform potential program design changes is reasonable.

As a pilot program, ELRP has heretofore been exempt from a cost-effectiveness evaluation. Tesla believes ELRP should continue as a pilot for 2028 and 2029 and continue to be

exempt from meeting a strict cost-effectiveness standard. As discussed above, Tesla supports the interest of the utilities in leveraging ELRP as a testbed through which the IOUs can prove out opportunities to dispatch ELRP-enrolled systems to address a broader range of grid services. As a pilot program, this is something that ELRP is well-suited for. Requiring ELRP to be cost-effective would likely undermine the ability to utilize ELRP in a more flexible manner, limiting opportunities to assess the efficacy of VPPs in delivering grid services beyond emergency load reductions. That said, if ELRP is extended beyond 2029, (e.g., the utilities include ELRP within the utilities' 2030-2034 DR portfolios), Tesla finds it reasonable that it should, at that point, be considered a full-fledged program and be subject to the requisite level of scrutiny that comes with being so defined, including an assessment of the program's cost effectiveness.

Although we support ELRP being subject to a cost-effectiveness evaluation if it is to be continued in 2030 and beyond, we do so with some qualifications. First, Tesla does not think that a cost-effectiveness evaluation should be used as a litmus test for determining if the program should be continued or not. Rather, the results, particularly if the program is found non-cost-effective, should inform potential changes to the program in order to achieve cost effectiveness rather than a pretext to simply terminate the program. Per the discussion above regarding various changes that a number of stakeholders have suggested, in the absence of a cost-effectiveness assessment of the program itself, we question the reasonableness or necessity of some of the changes being proposed. Second, any cost-effectiveness evaluation methodology needs to recognize the specific nature of the ELRP program, in particular that it is an emergency program that is triggered when the state appears at serious risk of resource/capacity shortages. To the degree the program is dispatched pursuant to the existing emergency triggers, the cost effectiveness analysis needs to appropriately recognize those circumstances and the type of

alternative resources that as a practical matter, exist on the margin at those times, or, to the extent ELRP is the capacity of last resort, the cost of allowing rolling blackouts to occur. Tesla is concerned that existing cost-effectiveness methodologies and inputs may not be well-suited for evaluating emergency programs like ELRP, thus our support for conducting a cost-effectiveness analysis of ELRP is contingent on ensuring that the methodology is up to the task given the specific role that ELRP plays.

G. Annual bridge funding for ELRP should not be reduced below the amounts authorized for 2027.

In its comments, TURN suggests that given underutilization of ELRP funding to date, the ELRP budget should be reduced dramatically. TURN's comments appear to be unaware of or completely ignore the current context within which the future of ELRP is being discussed. While it is true that ELRP saw relatively limited participation in prior years, we have every reason to believe that the program will see robust participation this year and beyond in light of the limited budget of DSGS this year and its uncertain future after 2026. For various reasons, DSGS is a more appealing program than ELRP and because customers interested in participating in a VPP program had to choose between these programs, the majority gravitated toward DSGS. However, because the DSGS program budget is limited this year, and whether it will exist at all in 2027 and beyond is an open question, we expect and are already seeing significant levels of enrollment in ELRP. Tesla itself has been forced to transition thousands of customers across all three IOUs that were previously enrolled in DSGS to ELRP because of DSGS's budget shortfall. As SCE also observes, the utility expects a significant share of the 30,000-50,000 battery storage customers in its service territory that they estimate are currently enrolled in DSGS needing to be migrated over to ELRP. The same will be true in the service territories of PG&E and SDG&E. TURN's position appears to assume that past performance and participation in the program will

be indicative of future performance, an assumption that is untethered from current circumstances that surround the DSGS and ELRP programs. At a minimum the annual ELRP funding for the 2028 and 2029 bridge years should reflect the amounts that were authorized in 2027. Given the current circumstances, where we expect ELRP to quickly become the “only game in town”, Tesla also supports expanding the ELRP budget beyond the amounts authorized in 2027 by allowing unspent and unallocated budget from the 2023-2027 DR program cycle to be rolled over and added to the ELRP budget consistent with the comments of SCE. Specifically, SCE recommends that the “2028-2029 DR bridge funding period should be clarified as a continuation of the 2023-2027 program and funding cycle so that unspent 2023-2027 cycle funding can be used to support DR programs and ELRP during the 2028-2029 bridge period.”⁵

II. CONCLUSION

Tesla appreciates the opportunity to submit these Reply Comments.

Respectfully submitted,

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⁵ Comments of Southern California Edison Company (U 338-E) on Administrative Law Judge's Ruling on Demand Response Staff Proposal on Bridge Year Funding and Modifying the Schedule for the Bridge Year Funding Issue”; April 30, 2026, pg. 2

May 21, 2026

PG&E Table of Issues and Factual Statements

Issues / Facts	Stipulated for Bridge Funding	Non-Stipulated	Testimony Needed?	Comments/Questions
Bridge Period, Next DR Application, and Procedural				
The current DR application cycle funds IOU DR programs through the end of 2027.	Yes		No	As a statement of fact, Tesla agrees with this. However, to the degree this saying that the current DR cycle funds should only be allowed to be used through the end of 2027, Tesla notes that we support proposals to allow unused funding, specifically unallocated and unused funds for ELRP, to be rolled over from the 2024-2027 DR program cycle and used to increase the budget for ELRP in 2028 and 2029.
A two-year bridge period for 2028-2029 provides continuity of the DR portfolio until the next DR application.	Yes		No	
Minimizing the changes to the bridge period allows for expedient CPUC approval.	Yes		No	
Advice letters are an appropriate mechanism to continue to propose program modifications until the next DR Application is filed.	Yes		No	
Deferring the next DR Application cycle to 2030-2034 allows time for enough EDROIR policy issues to be resolved for the next application cycle.				
The 2030-2034 DR Application should be filed on June 30, 2028.				
The 2030-2034 DR Application should be filed between December 15, 2028 and January 1, 2029.				
The 2030-2034 DR Application should be filed on March 1, 2029, or tied to the issuance of final policy decisions.				
OP 64 of D.23-12-005 requiring the next DR Application to be filed on November 1, 2026, should be vacated.				
Cost Effectiveness and Societal Cost Test (SCT)				
The SCT is not available today in the DR Cost Effectiveness Tool to run on any bridge year proposals.				
Updating the DR Cost Effectiveness Tool will take more time than the current Bridge Period schedule allows.				
It is prudent to also update the DR Cost Effectiveness Tool for 2026 ACC values, recalculate the A-factor, and update the energy value, as described in the IOUs' opening comments.				
A budget of \$135,000 across the three IOUs to update the DR Cost Effectiveness Tool is appropriate.				
DR Cost Effectiveness should be run for the bridge years with the SCT, including ELRP.	No	Not Stipulated		
DR Cost Effectiveness should be run for the bridge years without the SCT, including ELRP.	No	Not Stipulated		
Staff Proposal's Recommendation to Eliminate Category 5 Pilots, Closing the Emergency Load Reduction Program (ELRP) Pilot				
Eliminating Category 5 Pilots and closing ELRP is prudent.	No	Not Stipulated		
Retaining Category 5 Pilots and extending ELRP through the Bridge Period is prudent.	Yes			
Modifying ELRP to close subgroups A2, A3, B1, and B2, and keeping subgroups A1, A4, and A5 is appropriate.				
Reducing ELRP incentive levels reduces program costs.	Yes			As a statement of fact, Tesla agrees with this, however, that should not be interpreted as Tesla supporting a reduction in the ELRP incentive levels or that doing so necessarily improves cost effectiveness. Reducing incentives may adversely impact cost effectiveness if it results in customers either not enrolling at all or opting out of events which would reduce the benefits the program yields. As discussed in our reply comments, Tesla opposes reducing the incentive levels offered.
Increasing ELRP incentive levels are necessary.	No	Not Stipulated		
Reducing minimum dispatch requirement reduces program costs.	Yes			As a statement of fact, Tesla agrees with this, to the degree that the minimums to date have been binding (i.e. but for the minimum number of required dispatch hours, the program would have been dispatched less). However, that should not be interpreted as Tesla supporting a reduction in the minimum number of dispatch hour or that doing so necessarily improves cost effectiveness. Reducing the minimum dispatch hours may adversely impact cost effectiveness if it results in few customers enrolling in the program overall. As discussed in our reply comments, Tesla opposes reducing the minimum number of dispatch hours.

PG&E Table of Issues and Factual Statements

Issues / Facts	Stipulated for Bridge Funding	Non-Stipulated	Testimony Needed?	Comments/Questions
Increasing minimum dispatch requirement is necessary.	No	Not stipulated		
Increasing dispatch triggers increases program benefits.	Yes			
Increasing event hours is necessary.	Yes			Tesla interprets this as increasing the <i>maximum</i> number of event hours is necessary.
Testing market integration is reasonable to consider at this time.	Yes			Tesla supports this in concept. However, this should not be construed as carte blanche support. Tesla reserves the right to oppose a specific proposal, based on the details of that proposal.
Prohibited resources policy should be modified for ELRP at this time.				
ELRP enrollment processes should be modified at this time.	Yes			Tesla is generally supportive of changes that make it easier for customers to enroll in the program.
ELRP should transition to statewide administration during the Bridge Period.	No	Not Stipulated		
ELRP dual participation should be modified at this time.	No	Not Stipulated		
ELRP should be sunset on December 31, 2029.	No	Not Stipulated		
Non-Category 5 Budgets				
Authorize annual budgets at the same level as 2027.				
Authorize increases to annual budgets.				
Authorize decreases to annual budgets.				
CBP incentives and triggers should be updated.				
DRET funding should be increased.				
BIP incentives should be increased.				
Cost Recovery Mechanisms				
Authorize IOUs to carry over unspent prior-period funds into bridge	Yes			
Authorize IOUs to return unspent funds and authorize new funds for the bridge years.	No	Not Stipulated		
Other				
The Staff Proposal on Guiding Principles should be applied to the Bridge Period.	No	Not Stipulated		
Evidentiary hearings should be waived.				
Evidentiary hearings are needed.				
Briefs should be waived.				
Briefs are needed.				