BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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Order Instituting Rulemaking Regarding Microgrids Pursuant to Senate Bill 1339 and Resiliency Strategies.	Rulemaking 19-09-009 (Filed September 12, 2019)

TESLA, INC.'S OPENING COMMENTS ON THE PROPOSED DECISION GRANTING PETITION FOR MODIFICATION OF DECISION 20-06-017 BY CALIFORNIA SOLAR AND STORAGE ASSOCIATION IN PART

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Pursuant to Section 14.3 of the Rules of Practice and Procedure, Tesla, Inc. (Tesla) respectfully submits these Opening Comments addressing the Proposed Decision, issued on October 26, 2026, that partially grants the Petition for Modification of the California Solar and Storage Association (CALSSA) to modify Decision 20-06-017. Attachment A, appended to these comments, includes recommended amendments to the Findings of Fact, Conclusions of Law and Ordering Paragraphs to reflect Tesla's recommendations discussed in these Comments.

I. INTRODUCTION

On June 13, 2025, CALSSA filed the instant Petition for Modification, asking that the Commission permanently remove the 150% system size limit (where the 150% refers to the power rating of the storage system relative to the power rating of net-energy metering (NEM) or net billing tariff (NBT) solar with which it may be paired) above which storage projects, paired with solar systems enrolled in NEM or the NBT would no longer be considered an addition or enhancement to a NEM or NBT system and thus no longer eligible for the various benefits that

come with being deemed part of that NEM or NBT system. In making this request, CALSSA suggested that while the 150% size threshold should be removed for purposes of determining whether a storage system is deemed an addition or enhancement to a paired NEM or NBT system, the 150% threshold should be retained for purposes of determining whether any upgrade costs triggered by storage projects are the responsibility of the customer deploying the storage system or if those costs should be socialized across the broad body of ratepayers. Under CALSSA's proposal, storage projects that exceed the threshold would be responsible for any upgrades triggered by the project while those sized at or below the threshold would be allowed to socialize those costs consistent with existing policy governing cost responsibility for upgrades triggered by NEM or NBT projects.

In a Response submitted on July 15, 2025, Tesla supported CALSSA's Petition, finding that the proposal reasonably balanced the legitimate interest, on one hand, of ensuring that the NEM and NBT programs and rules governing the deployment of paired storage systems cannot be gamed (such that they allow comparatively large storage systems, that are only nominally operated as part of a co-located NEM/NBT systems to socialize any upgrades costs they may trigger), with equally legitimate interests in not erecting undue barriers that allow customers to deploy storage for a broad array of purposes and recognizing how the storage market has evolved since the sizing limit was initially instituted. As Tesla articulated in our Response in support of CALSSA's Petition, reintroduction of the size limit would materially impact a significant share of Tesla's project volume in California given the specifications of our residential battery solution, Powerwall 3, which has a power rating of 11.5 kW[1] relative to the average size of a

[1] See Response of Tesla, Inc. on the California Solar and Storage Association's Petition to Modify D.20-06-017 to Remove an Energy Storage Sizing Limit, July 15, 2026, pgs. 1-3 for a discussion regarding the market and other factors that motivated the substantial increase in the power rating of Powerwall 3 relative to earlier Powerwall variants; https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M573/K507/573507599.PDF

solar system in California. According to California DGStats, the average size solar project is a little over 6 kW. This means that the maximum rated capacity of a storage system that could be deployed while still being considered an addition or enhancement to a typical solar system would have to be 10 kW or less (since the 150% size threshold, as currently formulated only applies in cases where the storage system is greater than 10 kW). This is meaningfully less than the rated capacity of a single Tesla Powerwall 3. While Tesla could derate these systems or potentially leverage certified Power Control Systems to stay at or below the 150% threshold, we would be doing so without any discernible policy benefit, particularly given that CALSSA's proposal addresses the principal cost responsibility issue that the proposal to eliminate the threshold for sizing purpose might otherwise engender. In the absence of deliberately degrading the capabilities of these systems to stay within the size threshold or at or below 10 kW, these systems would have to be deployed as NEM-multi-tariff projects and would thus be subject to Rule 21's existing $800 application fee, which, depending on utility, is anywhere from approximately 6 to 9 times the currently applicable NEM interconnection application fee, and approximately 4 to 6 times the utilities' reported costs for reviewing NEM applications.[2] Additionally, it is Tesla's understanding that these systems would not be able to export as NEM-multi-tariff applications are currently limited to non-export additions. Lastly, having to deploy a significant number of storage systems as NEM multi-tariff projects will significantly draw out the approval timelines and increase costs for these projects where both the solar and storage elements of a project are new as the current application process only allows one application per

[2] Tesla calculated the average review cost per application using the information provided by each utility in their most recent NEM interconnection cost reports, as reflected in Advice Letters 7988-E for PG&E, 5891-E for SCE and 4899-E for SDG&E. The calculations assume that the fee is intended to recover the following cost categories: NEM Processing and Administrative Costs, Distribution Engineering Costs, and Metering Installation/Inspection and Commissioning Costs. The average for each utility was calculated by summing these cost categories and then dividing by the total interconnection applications received over the reporting period.

customer account to be pending before the utilities at a time. In contrast where the storage system is considered an addition or enhancement to the solar system, the project can be submitted via a single application. Thus, developers deploying storage projects that are greater than 10 kW and exceed the threshold would need to submit one application (and pay the associated fee) for either the solar or storage system and then another for the storage or solar system (paying another application fee) once the application for the technology covered by the initial application has been completed, again without advancing any clear policy objective.

On October 26, 2026, the CPUC issued the Proposed Decision granting CALSSA's Petition in part. Under the terms of the Proposed Decision, the size limit would remain suspended through January 1, 2030, after which, barring action to suspend it again, the size limit would come back into force, with the proviso that storage projects that exceed the size limit during the suspension period would bear cost responsibility for any upgrades they may trigger. Although Tesla supports the direction of the Proposed Decision, we do have a number of concerns. As discussed in more detail in the body of these Opening Comments, Tesla recommends the following changes to the Proposed Decision:

- Permanently remove the size limit as proposed by CALSSA rather than merely suspending it for approximately three more years.
- If the Commission retains the time delimited period within which the size limit suspension is merely extended, the Proposed Decision should establish that any application submitted before January 1, 2030, shall not be subject to the size limit once it comes back into effect.
- The cost responsibility treatment established by the Proposed Decision and associated with any upgrades triggered by NEM/NBT-paired battery systems that exceed the

150% threshold should be confined to those upgrades identified as a result of the anticipated discharge behavior of the battery system; the cost responsibility associated with any upgrades that are necessitated as a result of the charging of the battery should be governed by the utilities' existing Electrical Rules addressing load impacts on the grid.

- Language should be added to make clear that storage projects that are less than or equal to 10 kW are exempt from the cost responsibility obligations that the Proposed Decision would establish for storage projects that exceed the 150% size threshold.

II. RECOMMENDED CHANGES TO THE PROPOSED DECISION

a. The size limit used to determine if a storage system is an addition or enhancement to a co-located NEM or NBT solar system should be permanently removed, not merely suspended.

As Tesla understands the context within which the 150% size threshold was initially established, there was a desire to ensure that some of the advantages that were deliberately conferred onto NEM and now NBT systems were not inappropriately extended to storage projects that cannot be reasonably deemed an "addition or enhancement" to an associated NEM/NBT solar system. These advantages include reduced interconnection application fees, the ability to socialize the cost of all non-dedicated distribution system upgrades that the project might trigger, as well as, to the extent applicable, standby charges.[3] Tesla submits that of these benefits the most significant is the ability to socialize the costs of distribution system upgrade costs. Given the potential scale of these upgrade costs, the potential risk of entities gaming the regulatory regime by associating a storage project regardless of its relative size to a co-located/paired NEM or NBT-participating projects and use that association to pass these costs

[3] D.14-05-03; pg. 5

onto to other ratepayers is a reasonable concern. Though it remains unclear to Tesla that the utilities socialized a meaningful amount of upgrade costs associated with storage projects that were paired with comparatively negligible amounts of NEM or NBT solar prior to the establishment of the 150% rule, we are nonetheless sympathetic to the concern that this rule was intended to address. Notably, CALSSA expressly acknowledged this issue and, in addition to proposing to remove the size limit for purposes of determining if a storage system can be deemed an addition or enhancement to a NEM system, also advocated for retaining the 150% size threshold for purposes of determining cost responsibility for grid upgrades, with projects that exceed the threshold bearing that cost responsibility. In light of this approach, which the Proposed Decision adopts, it's unclear what value there is in only extending the suspension of the size limit as opposed to permanently removing it recognizing that under this updated framework, the risk of very large storage systems using the fig leaf of a co-located but comparatively small NEM/NBT solar system to avoid grid upgrade costs has been eliminated.

The Proposed Decision, in electing to only extend the suspension (while also adopting the approach whereby projects that exceed the 150% size threshold would be responsible for any grid upgrades they trigger) appears to rely on a number of concerns expressed by PG&E which, as stated in the Proposed Decision, included that "the 150% power-rating threshold may lead to adverse consequences, such as distribution upgrades at ratepayers' expense, and PG&E states that there is insufficient data to confirm or refute this concern"; "the need for further discussion on issues such as distribution upgrade costs versus benefits, how storage may be used to generate additional export credits (potentially exacerbating the cost shift), and whether fees in place in

Electric Rule 21 cover the cost of interconnection processes for paired storage over the 150% cap."[4]

None of these concerns justify the Proposed Decision's determination to merely extend the suspension of the 150% size threshold rather than permanently removing it as proposed by CALSSA. As already explained, the concerns regarding the risk of socializing upgrade costs triggered by projects that exceed the 150% size threshold are fully addressed in CALSSA's proposal by explicitly requiring that any upgrades triggered by storage projects that exceed this threshold be paid for by the customer. Additionally, the concern regarding whether the existing fees in place under Rule 21 are sufficient to cover the costs associated with administering these applications is, in Tesla's view, out of scope here given other venues where issues related to application and other review/process fees can or are being addressed. This issue is squarely within scope of the interconnection proceeding, R.25-08-004 where the issue of what fees should apply to what projects is actively being litigated. Furthermore, to the extent PG&E is concerned that the NEM application fees are not appropriately calibrated to recover their costs, they already have the ability, via the Commission's Advice Letter process, to propose changes to those fees. The remaining issue PG&E raises, specifically that storage could be exacerbating the cost shift by increasing export credits is tangential to the 150% size threshold and the policy issue it was established to address, namely to ensure that certain benefits accorded to NEM/NBT projects are not inappropriately extended to storage projects that cannot reasonably be viewed as an addition or enhancement to a NEM or NBT project with which it is paired. It was not intended as a vehicle to determine how storage can be utilized to shift when and how solar is used – if there are concerns that the deployment of storage with solar is exacerbating the cost shift issue by

[4] Proposed Decision, pg. 10.

increasing export credits, that would appear to be something that needs to be addressed via the Commission's policy on export compensation, not by preserving or reinstating a policy that was intended to address a very different issue. The 150% size limit policy should not be used as way of collaterally addressing a nebulous and alleged cost shift issue that can be more directly addressed if that concern ultimately proves to have any merit. As an aside, Tesla is skeptical of the legitimacy of this concern since the role of storage coupled with time-of-use rates as well as the evolution from full retail NEM to the NBT is to shift the use of solar, whether onsite or exported, to higher value hours, which should increase the value of solar relative to a scenario when storage deployments are disincentivized.

In short, PG&E has not offered a credible basis for delaying a determination by the Commission that the size limit should be permanently eliminated as recommended by CALSSA. At this point in the Commission's deliberations on this issue, and the backdrop of the 150% size limit being suspended for more than six years without any record evidence to suggest that this has resulted in adverse outcomes, coupled with the CALSSA approach to ensuring comparatively large storage projects are held responsible for upgrade costs on a going forward basis, there is no reason why the burden should be placed on solar and storage advocates to make the case, yet again, in three years, that the size limit should be eliminated or the suspension extended for a fifth time. To the degree additional information becomes available that validates PG&E's speculative and vague concerns, the utility would retain the ability to submit its own Petition for Modification to reinstate the size limit should the facts support doing so.

b. If the Commission merely extends the suspension of the size limit rather than eliminating it as proposed by CALSSA, the PD should establish that any application submitted before the January 1, 2030, date shall not be subject to the size limit once it comes back into effect.

If, notwithstanding Tesla's concerns above, the Commission retains the approach in the Proposed Decision whereby the 150% size limit would come back into force barring further action by the Commission on January 1, 2030, Tesla ask that language be added the clarifies that any application submitted prior to that date will be subject to the sizing rules in place at the time the application was submitted. This will prevent unnecessary confusion and frustration in the marketplace by avoiding circumstances where applications involving storage projects that are greater than 10 kW and exceed the 150% size limit are submitted before the size limit is reinstituted but the utilities' interconnection review won't be completed until after the size limit comes back into effect. Installers and customers with pending applications that were submitted before January 1, 2030, should not be forced to redesign and/or resubmit these applications if PTO is not granted prior to the size limit being reinstituted as doing so would pose an undue burden on those customers and installers. Additionally, it would create significant uncertainty in the market to the degree that it is impossible for customers or contractors to effectively anticipate how long application review will take and thus it would be extremely challenging to design projects in the months leading up to January 1, 2030, after which the size limit would, under the terms of the Proposed Decision, come back into force.

c. The cost responsibility treatment established by the Proposed Decision and associated with any upgrades triggered by NEM/NBT-paired battery systems that exceed the 150% threshold should be confined to those upgrades triggered by anticipated discharge behavior of the battery system.

Although Tesla supports the CALSSA proposal pursuant to which the 150% size threshold would be retained for purposes of determining cost responsibility, it would be helpful to clarify that the upgrades that are within scope of this policy are confined to those that are

triggered as a result of the discharging behavior of the battery system, not upgrades that are identified and associated with the charging behavior of the battery. Charging impacts on the grid and any associated cost responsibility rules should be governed by the existing electrical rules governing the energization of loads. If a battery system, paired or not with NEM/NBT solar, materially alters the power a given site is drawing from the grid such that upgrades are needed, Tesla's current understanding is that the cost responsibility for those upgrades is appropriately addressed by Electric Rules 2, 15, and 16. We do not believe the intent of CALSSA's petition or the Proposed Decision is to change the applicability of existing Electrical Rules but given the dual nature of storage, which acts as both load and generation, clarification on this point would be helpful.

d. Storage projects that are less than or equal to 10 kW should be exempt from the cost responsibility obligations that the Proposed Decision would establish for NEM/NBT-paired storage projects that exceed the 150% size threshold.

Tesla believes that the intended scope of proposed changes to the existing storage sizing regime for storage systems paired with NEM/NBT solar, as proposed by CALSSA, is confined to solar-paired storage projects greater than 10 kW. This includes the applicability of proposed change whereby the existing 150% storage size limit used to determine if a storage system greater than 10 kW can be deemed an addition or enhancement to a solar system, would, in effect, be refashioned as a size threshold for purposes of determining cost responsibility for any upgrades that a NEM/NBT-paired storage project that is greater than 10 kW and which exceeds this threshold triggers. However, the language in the Proposed Decision is not as clear as it could be that the question of whether a NEM/NBT-paired storage project has cost responsibility for any upgrades it triggers is only applicable in instances where the storage system exceeds 10 kW. Tesla believes that is the intent, as reflected in the language in Ordering Paragraph 3, which in relevant part states, " It is reasonable to require PG&E, SCE, and SDG&E, within 30 days of the

date of issuance of this decision, each to submit a Tier 2 Advice Letter proposing the necessary modifications to their NEM tariffs to make the changes that temporarily remove the storage sizing limit ***for large NEM-paired storage*** [emphasis added] until January 1, 2030, replace it with cost responsibility for grid upgrades ***for systems above the same size threshold*** [emphasis added] that charge and/or discharge from the grid, while maintaining existing metering requirements. Such Advice Letters shall be served on current and prior NEM proceeding Service Lists." Tesla understands the "same size threshold" coupled with the language preceding it referring to "large-NEM paired storage" to mean that the cost responsibility language and framework only applies to storage systems that are larger than 10 kW (i.e. are large storage systems as defined in this context) but recommends clarifying this in the final order.

III. CONCLUSION

Tesla appreciates the opportunity to submit these Opening Comments on the Proposed Decision partially granting CALSSA's Petition to modify D.20-06-017. As discussed in detail above, although we are directionally supportive of the Proposed Decision, Tesla believes the record supports fully removing the 150% size threshold for purposes of determining if a storage system should be deemed an addition or enhancement to a NEM/NBT system instead of merely extending the suspension if this rule for three more years. Should other stakeholders find evidence that this change, coupled with the other changes to the framework suggests the policy should be reinstated, nothing precludes them from filing a Petition to make that request. Furthermore, we ask the Commission to incorporate the additional changes enumerated in these Comments before issuing a final Order on this matter.

Respectfully,

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November 16, 2026

ATTACHMENT A

Recommended Changes to Findings of Fact, Conclusions of Law and Ordering Paragraphs

Proposed amendments to Findings of Fact

4. ~~There is insufficient record to revise the 150% power-rating threshold at this time.~~ There is no record evidence to suggest that the elimination of the 150% power rating threshold as proposed by CALSSA for purposes of determining whether a large storage system should be deemed an addition or enhancement to a paired NEM or NBT solar system would result in adverse outcomes for non-participant ratepayers.

5. Retaining the 150% threshold for purpose of determining cost responsibility for upgrades triggered by large storage projects paired with NEM/NBT solar would mitigate the risk of shifting costs onto non-participating ratepayers.

6. The impacts of battery system charging on the grid and cost responsibility associated with any upgrades that battery charging from the grid may necessitate are governed by Rule 2, Rule 15, and Rule 16.

Proposed amendments to Conclusions of Law

3. The petition should be granted ~~in part~~.

Proposed amendments to Ordering Paragraphs

1. California Solar and Storage Association's Petition for Modification of Decision 20-06-012 is granted ~~in part~~.

2. Ordering Paragraph 6 of Decision 20-06-012 is modified as follows:

> 6. Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas & Electric Company (SDG&E) shall each submit a Tier 2 Advice Letter within 30 days of the date of issuance of this decision, that propose necessary modifications, in compliance with Section 4.2.3 of this decision, to their Net Energy Metering (NEM) tariffs that ~~temporarily~~ remove the storage sizing limit for large NEM-paired storage while maintaining existing metering requirements. ~~The temporary removal of the storage sizing limit is extended until January 1, 2030.~~ In this Advice Letter submittal, PG&E, SCE, and SDG&E shall reference compliance with this decision pursuant to Ordering Paragraph 6.

3. Conclusions of Law 22 and 23 of D.20-06-017 are modified as follows:

22. It is reasonable to require PG&E, SCE, and SDG&E to modify their NEM tariffs to ~~temporarily~~ remove the storage sizing limit for large NEM-paired storage ~~until January 1, 2030~~ and replace it with cost responsibility for grid upgrades for systems above the same size threshold that charge and/or discharge from the grid, while maintaining existing metering requirements.

23. It is reasonable to require PG&E, SCE, and SDG&E, within 30 days of the date of issuance of this decision, each to submit a Tier 2 Advice Letter proposing the necessary modifications to their NEM tariffs to make the changes that ~~temporarily~~ remove the storage sizing limit for large (greater than 10 kW) NEM-paired storage ~~until January 1, 2030,~~ and replace it with cost responsibility for grid upgrades for large storage systems above the 150% ~~same~~ size threshold ~~that charge and/or discharge from the grid~~, while maintaining existing metering requirements. Such Advice Letters shall be served on current and prior NEM proceeding Service Lists.