

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

**ENERGY DIVISION**

**RESOLUTION E-5311**

**March 21, 2024**

**R E S O L U T I O N**

Resolution E-5311. Continuation of Notification-Only Approach Pilot by Southern California Edison Company, San Diego Gas & Electric Company, and Pacific Gas and Electric Company.

**PROPOSED OUTCOME:**

- Approves the modified utility requests included in Pacific Gas and Electric Company's Advice Letter 6888-E, Southern California Edison Company's Advice Letter 4992-E, and San Diego Gas & Electric Company's Advice Letter 4175-E and associated documents.
- Continues the notification-only pilot for an additional 18 months, keeping the original program design and project eligibility requirements as specified in Decision D.21-06-002.

**SAFETY CONSIDERATIONS:**

- Safety and reliability issues were addressed in the original decision D.21-06-002 by limiting the number of notification-only projects per feeder per developer, requiring a minimum level of developer experience for utilizing the notification-only approach, limiting the pilot to resulting systems that are non-export, and allowing a high percentage of projects to be audited by the utility.

**ESTIMATED COST:**

- There are no additional costs associated with this resolution.

By Advice Letters 4992-E, 4175-E, and 6888-E submitted on March 20, 2023.

## **SUMMARY**

Southern California Edison Company (SCE), San Diego Gas & Electric Company (SDG&E), and Pacific Gas and Electric Company (PG&E) (“The Joint Utilities”) in their Joint Reply to protests of Joint Advice Letters 4992-E, 4175-E, and 6888-E (“Joint Advice Letters”), recommend the continuation of the Notification-Only Pilot for an additional 18 months. We find justification for continuing the pilot, keeping the original program design and project eligibility requirements as specified in Decision D.21-06-002.

## **BACKGROUND**

Decision D.21-06-002 (“Original Decision”), issued on June 4, 2021, authorized a two-year Notification-Only Pilot (“Pilot”) as one of the remaining issues to streamline the interconnection application process for distributed energy resources through Proceeding R.17-07-007. The Pilot commenced on July 19, 2021.

The Pilot was intended to streamline interconnection by allowing certain types of eligible non-export projects to interconnect with only a notification from the customer to the utility of the interconnection, forgoing the ordinary screening, study, and approval process.

OP 5 of the Original Decision required the Joint Utilities to submit via advice letter data from the first 18 months of the Notification-Only Pilot and, based on the data, a recommendation regarding continuation (or not) of the notification-only approach. These submissions were made in the Joint Advice Letters.

On January 17, 2023 the Joint Utilities circulated a survey to the R.17-07-007 service list requesting comments on the Pilot. The remarks of Tesla in response to this survey (“Tesla Survey Comments”) are memorialized in Table 2 of the Joint Advice Letters.<sup>1</sup>

On February 14, 2023, the Joint Utilities conducted a workshop to review and assess the results from the first 18 months of the Pilot.<sup>2</sup> The goal of this workshop was for the Joint Utilities to make a data-based recommendation on whether to continue a

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<sup>1</sup> Joint Advice Letters at 6-7.

<sup>2</sup> The workshop is memorialized in the Joint Advice Letters.

notification-only approach on a permanent basis, continue the Pilot with modifications, or discontinue the notification approach. Key takeaways from the Workshop included:

- Due to lack of participation, much of the Notification-Only data to identify impacts of the Notification-Only Pilot was unavailable.
- The Joint Utilities provided a recommendation not to continue the Pilot, consistent with the Original Decision.
- The Joint Utilities each presented their populated Notification-Only Data Collection Templates.
- The Joint Utilities presented a draft of the Tier 3 Advice letter, per D.21-06-002, Ordering Paragraph (OP) 5.

During the workshop, stakeholders voiced concern over the eligibility criteria of the notification-only approach as it currently stands as being too restrictive and argued that there is a distinction between the success of the pilot as implemented versus how the notification process should work to make it successful. Further, stakeholders requested the Joint Utilities to reconsider how the “Joint-IOU Comment” column in Table 2 of the Joint Advice Letters is framed.<sup>3</sup> The Joint Utilities stated that they have implemented the Notification-Only Approach process consistent with the mandates of the Original Decision.

Due to the absence of a recording for the February 14, 2023 Workshop, the Joint Utilities on March 7, 2023 circulated draft “2/14/23 Workshop Recap” text to allow stakeholders the opportunity to review and recommend any changes to accurately reflect workshop discussions. The Joint Utilities did not receive responses to this request. The workshop recap text was incorporated into the final versions of the Joint Advice Letters.

On March 20, 2023, the Joint Utilities submitted the Joint Advice Letters, presenting the results of the February 14, 2023 workshop, as well as the Joint Utilities’ recommendation to discontinue the Pilot.

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<sup>3</sup> Joint Advice Letters at 6-7.

## **NOTICE**

Notice of AL 4992-E, AL 4175-E, AL 6888-E was made by publication in the Commission's Daily Calendar. SCE, SDG&E, and PG&E state that a copy of the Advice Letter was mailed and distributed in accordance with Section 4 of General Order 96-B.

## **PROTESTS**

Timely protests to the Joint Advice Letters were filed by CALSSA, CESA, and Tesla on April 10, 2023. The protests argue for continuing the Pilot for an additional 18-month period and propose changes to the program's design and eligibility requirements for the Pilot, including changes to the project cap per feeder, the audit percentage, developer qualifications, and project eligibility criteria.

The Joint Utilities issued a Reply to these protests on April 17, 2023. In that Reply, the Joint Utilities agree to recommend the Commission extend the pilot for another 18 months, but maintain that all program design and eligibility requirements should remain the same as the original pilot.

## **DISCUSSION**

We find that the utilities have met the following requirements of the Original Decision:

- OP 2 required the Joint Utilities to provide a website location where interested developers could find instructions regarding how to request eligibility for participating in the Notification-Only Approach Pilot.
  - On June 21, 2021, SCE submitted Advice Letters 4526-E, PG&E submitted Advice 6233-E, and SDG&E submitted Advice 3791-E. These Advice Letters provided website information with instructions for the Pilot, and further provided that the pilot would commence July 19, 2021, and that interested developers could submit eligibility requests on that date.
- OP 4 required the Joint Utilities to host a workshop to solicit recommendations on the data to be collected during the pilot to measure the impacts from the Notification-Only Approach Pilot and to inform proposals for an interconnection

fee for the Notification-Only Approach that is commensurate with the costs to administer the approach.

- On July 6, 2021, the Joint Utilities hosted a workshop in accordance with OP 4.
- OP 4 required the Joint Utilities to identify the data they will collect to study the impacts of the Notification-Only Approach Pilot.
  - On November 19, 2021, the Joint Utilities submitted Joint Advice Letter SDG&E 3843-E-A, PG&E 6315-E-A, and SCE 4582-E-A, with Attachment A, the Notification-Only Data Collection Template.
  - These Advice Letters supplemented previously submitted Joint Advice Letter SDG&E 3843-E, PG&E 6315-E, and SCE 4582-E in their entirety, originally submitted on September 2, 2021.
  - In October 2021, the Joint Utilities met with Commission Energy Division staff to discuss their Data Collection Plan for the Notification-Only Approach Pilot per OP 4, during which Energy Division staff recommended changes to Attachment A.
- OP 5 required the Joint Utilities to submit an AL providing data from the first 18 months of the Notification-Only Approach Pilot and, based on the data, a recommendation regarding continuation (or not) of the notification approach, as well as a proposal for the Notification-Only Approach application fee.
  - Joint Advice Letters 4992-E, 4175-E, and 6888-E complying with the requirements of OP 5 were filed on March 10, 2023.
- OP 6 required the Joint Utilities to host a workshop no later than 30 days prior to submitting the AL required in OP 5 and to provide and discuss a draft of the required AL.
  - The Joint Utilities hosted the required workshop on February 14, 2023.

We find that the notification-only approach has not yet been successfully piloted because no interconnection customers elected to use the approach during the pilot period, and no developer applied for pre-approved developer status.

OP 5 of the Original Decision allows proposals to continue the pilot beyond the initial 2-year period along with potential modifications to the pilot. We find that the approach of this Pilot still has merit and should be piloted for an additional 18-month period in order to hopefully produce the data upon which further decisions can be based. We reject the Joint Utilities' original argument in the Joint Advice Letters that just because there were no customers electing to use the pilot in the first 18 months, and thus no data obtained, that this invalidates the rationale for this approach. Rather, we note intervenor comments that market conditions have changed since the original pilot, including past supply-chain disruptions that have been subsequently alleviated and new federal policies allowing standalone storage to be eligible for the 30% Investment Tax Credit.<sup>4</sup> We find it reasonable to provide more time to allow participation and collect data required for evaluation of this approach.

The Joint Utilities reverse their original position and agree in their April 17, 2023 Joint Reply to the CESA, CALSSA, and Tesla protests that the pilots should continue for another 18 months, although without any changes to the program's design or eligibility requirements.

The survey comments, workshop discussions, and protests during January through April 2023 concern four proposed changes to the program's design and eligibility requirements for the next 18-month pilot. These changes are: (a) project cap per feeder; (b) audit percentage; (c) developer qualifications, and (d) project eligibility expansion.

#### (a) Project Cap Per Feeder

As the Joint Utilities note in their Advice Letter, the Original Decision adopted a requirement of 10 notification-only projects allowed per circuit per developer. The Original Decision found that "Limiting each developer to 10 non-export projects for each distribution circuit addresses the concern of overloaded circuits."<sup>5</sup> This follows from the finding that "Safety concerns, including the unknown aggregate impact of interconnecting small, non-export systems, exist in the Tesla Proposal."<sup>6</sup>

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<sup>4</sup> CESA protest, submitted April 10, 2023, at 5; Tesla protest, submitted April 10, 2023, at 2.

<sup>5</sup> D.21-06-002 at 74.

<sup>6</sup> Ibid.

In its January 2023 survey response comments, Tesla proposed that:

The limitation of 10 notification-only projects allowed per circuit per developer should be eliminated. If maintained, then there needs to be an easily accessible means for a developer to track this as it may not always be clear what circuit different projects are connected to.<sup>7</sup>

CESA argues that the limited participation to date points to how the pilot should place less weight on the project cap per feeder if a single or smaller subset of developers can pioneer the process as early movers and help generate statistically significant data to make determinations on the future of the notification-only process.<sup>8</sup>

We find the project cap per feeder requirement in the Original Decision which addresses safety and reliability concerns should remain, but also find that utilities should provide information upon request to developers as to which feeders their proposed projects are connected so that developers can plan projects around the cap. Such information should be provided to a requesting developer within 30 days of the developer's request.

#### (b) Audit Percentage

The Original Decision allowed the utilities to audit up to 20% of notification-only projects, at their discretion, finding that:

Increasing the allowable audits from five to 20 percent of projects during the trial period will indicate to the utilities and the Commission whether the engineering study that occurs during the current Interconnection application process is necessary for this explicit subset of projects."<sup>9</sup>

Tesla proposes that the percentage of projects that can be audited should be reduced from the 20% upper bound ordered in the Original Decision to "a more reasonable amount, e.g., 5% of projects."<sup>10</sup>

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<sup>7</sup> Joint Advice Letters at 7.

<sup>8</sup> CESA protest, submitted April 10, 2023, at 6.

<sup>9</sup> D.21-06-002 at 75.

<sup>10</sup> Joint Advice Letters at 7.

In its April 10, 2023 protest comments, CESA states that given the lack of participation to date and the offsetting costs of having a high percentage of notification-only projects subject to audit requirements, CESA recommends that the audit percentage should be reduced, down to either 5% or 10%, or at minimum chart a path to do so over time.<sup>11</sup> With all of the other guardrails in place, CESA states it understands that the Commission intended to balance interconnection safety with streamlining convenience, but there are other guardrails in place that should maintain this balance (e.g., locations limitations, sizing and operational criteria, Authority Having Jurisdiction (AHJ) review, removal from eligibility, developer track record).

In their April 17, 2023 Reply to protests, the Joint Utilities assert that the audit percentage rate of “up to 20% of projects” was not a hindrance to participation in the pilot, nor would lowering the audit percentage lead to any more participation. There was no audit fee that created a cost burden to participants, although there would be costs as far as the time and expense by participants to demonstrate compliance with the rules and procedures of the Notification Only process. The Joint Utilities assert that most of the cost and workload of the auditing would be borne by the Joint Utilities.

The Joint Utilities further argue that none of the protests objected to the concept of audit, they just wanted a lower percentage of projects subject to audit. CESA, CALSSA, and Tesla offer no evidence to support their views that the audit provision was responsible for the lack of participation during the pilot. As a result, the Joint Utilities see no justification for altering the audit percentage.

We find that the original rationale for an audit percentage remains, although there is continued uncertainty about whether the audit percentage has an impact on developer decisions to use the notification-only approach. We find that given the pilot nature of the program, and the desirability of understanding pilot results for future decisions, that retaining the Utilities’ ability to audit up to 20% of projects is desirable.

We find, however, that auditing of notification-only projects should not place undue burden on developers and customers, and should be minimally intrusive. Therefore, the Joint Utilities shall specify in a Tier 1 Advice Letter, within 60 days of the effective

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<sup>11</sup> CESA protest, submitted April 10, 2023, at 6.



date of this resolution, what requirements are placed upon customers in the course of a notification-only project audit, and how the utilities will ensure that such requirements do not create an undue burden.

(c) Developer Qualifications

Tesla proposes to reduce the developer qualifications, which in the original Pilot required developers to have successfully deployed at least 20 non-export projects that meet the eligibility criteria for the Pilot. Tesla proposes to either reduce the requirement to a lower number or to remove the requirement entirely.<sup>12</sup> There is no evidence, however, that this 20-project threshold hindered developers from participating. in response to Tesla's comment, the Joint Utilities write they "are unaware of any developers who are interested in participating but were unable to meet this requirement."<sup>13</sup>

CESA argues that a lower threshold of 5-10 projects would sufficiently demonstrate an understanding of the rules and regulations of the interconnection process of the electric grid.<sup>14</sup>

The Joint Utilities continue to maintain that a level of 20 projects ensures that participating developers possess requisite experience with the rules and regulations governing the distribution interconnection process as well as an understanding of how to navigate the various AHJ requirements (a precursor to developing successful Notification Only and conventional projects) in multiple AHJ jurisdictions.<sup>15</sup>

Given the lack of participation in the Pilot so far, which might have provided further evidence upon which to re-assess the reasoning in the Original Decision for setting developer qualifications, we find no compelling reason to change the developer qualifications requirement from the Original Decision.

(d) Project Eligibility Expansion

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<sup>12</sup> Joint Advice Letters, Table 2, Tesla Survey Response Summary, at 6-7.

<sup>13</sup> Joint Advice Letters at 7.

<sup>14</sup> CESA protest, submitted April 10, 2023, at 7.

<sup>15</sup> Joint Utilities Reply to protests, submitted April 17, 2023, at 4.

In the Original Decision, one eligibility requirement was that the project:

Shall total less than or equal to an aggregate of 30 kVA capacity, where the aggregate capacity applies to the sum of existing and new capacity. A project may consist of one of the following options: (1) one new non-export energy storage system, (2) one new non-export energy storage system plus one new non-export solar system, or (3) one new energy storage system plus any existing generation systems where the combined system is non-export.<sup>16</sup>

The Original Decision found that “the eight eligibility requirements in the Notification-Only Approach pilot should appropriately address the safety concerns in the original Tesla Proposal.”<sup>17</sup>

Tesla proposes that:

Eligibility should be modified to allow non-exporting storage systems that are being retrofit to existing NEM solar to participate in the pilot. As it currently stands, NEM customers would have to agree to make their entire system, including the NEM solar, non-exporting in order for a storage deployment to be eligible, a choice that few, if any, economically rational customers would make.<sup>18</sup>

Tesla further states:

This cuts out a very large cohort of customers whose interests in obtaining robust back-up power are just as legitimate as those of customers that are either retrofitting a storage system to an existing solar system, or those that are interested in deploying standalone storage.<sup>19</sup>

CALSSA echoes these comments:

Standalone storage projects represented the only practical opportunity allowed in the pilot under the current set of eligibility requirements. As some

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<sup>16</sup> D.21-06-002 at 14.

<sup>17</sup> D.21-06-002 at 74.

<sup>18</sup> Joint Advice Letters at 7.

<sup>19</sup> SDGE AL 3843-E, PG&E AL 6315-E, and SCE AL 4582-E, pp. 2-3, citing Tesla Opening Comments on Proposed Decision at 4.

stakeholders noted during the recent workshop, because the [Original] Decision required an entire system to be non-exporting, one of the primary scenarios where a notification only process would seem to make sense, namely retrofits of non-exporting storage to existing NEM systems, was, for all practical purposes foreclosed (since few, if any, customers would sacrifice the ability under NEM to export for credit). This leaves standalone storage projects as the only scenario where the notification-only pilot, as it is currently implemented, makes sense...

Changes to the pilot's eligibility criteria and requirements are necessary to unlock and prove out the potential of a notification-only process. There are more than one million standalone solar systems grandfathered under NEM-1 and NEM-2 that currently cannot provide backup power to customers in the event of an outage. Furthermore, without storage, customers cannot leverage their solar systems to reduce electricity consumption in the evening.<sup>20</sup>

The Joint Utilities respond:

NEM projects that wish to add non-export storage already have an existing interconnection process under NEM Paired Storage, thus these types of systems have an established way of interconnecting under Rule 21. The Joint Utilities' position is ultimately greatly influenced by safety and reliability concerns. By allowing non-exporting storage retrofits to be paired with exporting solar systems, the resulting mix of resources could introduce additional safety and reliability concerns that are not typically associated with non-export systems.<sup>21</sup>

Although the above arguments by Tesla and CALSSA were not incorporated into the Original Decision, as the utilities note in their Advice Letters (and although the utilities disagree that this proposed change would increase participation in the pilot) we find there is reasonable cause to think such a change in eligibility requirements could indeed increase participation in the notification-only pilot. There are strong precedents in past Commission decisions towards the goal of promoting more NEM-paired-storage

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<sup>20</sup> CALSSA protest to Joint Advice Letters at 1-2.

<sup>21</sup> Joint Utilities Reply to protests at 4.

systems, including the addition of new storage to existing NEM and NBT solar. The decision for the successor Net Billing Tariff, Decision R.20-08-020, highlights this goal:

The Commission finds that a five-year glide path . . . minimizes any cost shift to ensure equity among all customers, while providing time for the industry to transition from a predominantly stand-alone solar system tariff to one that promotes the adoption of solar systems paired with storage . . . It is and will continue to be Commission policy to encourage solar systems paired with storage, while considering the costs and benefits.” . . . The Commission recognizes the need and requirement that customer-sited renewable distributed generation continues to grow sustainably. To attain this sustainable growth, the market must transition to one focused on solar paired with storage.<sup>22</sup>

Given the language of the Original Decision specifying that this Pilot was exclusively for non-export systems, however, we cannot change the original eligibility criteria via a Resolution due to the lack of opportunity for record development in an Advice Letter process. The Original Decision clearly spelled out that only projects for which the entire resulting system is non-exporting are eligible. Thus, addition of non-exporting storage to an existing NEM system must result in the entire system becoming non-exporting to be eligible for the Notification-Only Pilot. We find that analysis of any safety and reliability issues associated with adding non-exporting storage to an existing exporting NEM system would likely raise disputed facts and would require a formal proceeding to modify such a key provision of the Pilot. Therefore, the CESA, CALSSA, and Tesla protests proposing expanded eligibility criteria are rejected.

### **COMMENTS**

Public Utilities Code section 311(g)(1) provides that this Resolution must be served on all parties and subject to at least 30 days public review. Any comments are due within 20 days of the date of its mailing and publication on the Commission’s website and in accordance with any instructions accompanying the notice. Section 311(g)(2) provides that this 30-day review period and 20-day comment period may be reduced or waived upon the stipulation of all parties in the proceeding.

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<sup>22</sup> Decision R.20-08-020 at 99 and 147.

The 30-day review and 20-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments, and will be placed on the Commission's agenda no earlier than 30 days from today.

No comments were received on the draft comment resolution and no revisions have been made to this resolution following the comment period.

## **FINDINGS**

1. The Joint Utilities have met all requirements of the Original Decision.
2. The notification-only approach has not yet been successfully piloted because no interconnection customers elected to use the approach during the pilot period, and no developer applied for pre-approved developer status.
3. The notification-only approach still has merit and a second 18-month pilot period may produce the data upon which to base further decisions on notification-only approaches.
4. The original rationales and requirements in the Original Decision for a project-cap per feeder, for project audit percentage, and for developer qualifications remain valid and reasonable.
5. It is reasonable for utilities to provide information upon request to developers as to which feeders their proposed projects are connected, and to provide such information within 30 days of the request.
6. Auditing of notification-only projects, if done in a minimally intrusive manner, does not place undue burden on developers and customers.
7. Modification of the project eligibility criteria to include addition of non-exporting storage to existing NEM solar has the potential to increase participation in the next 18-month pilot period.
8. We cannot change the project eligibility criteria adopted in a Commission decision in a Resolution. The Original Decision was very clear that resulting systems must be

non-exporting, and such a modification would raise factual disputes inappropriate for an Advice Letter disposition.

**THEREFORE IT IS ORDERED THAT:**

1. This resolution approves the modified joint utility requests included in Pacific Gas and Electric Company's Advice Letter 6888-E, Southern California Edison Company's Advice Letter 4992-E, and San Diego Gas & Electric Company's Advice Letter 4175-E and associated documents to extend the Notification-Only Pilot.
2. Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company are ordered to submit via Advice Letter changes to their Rule 21 Tariffs, within 60 days of the effective date of this resolution with modifications to Rule 21 that comply with these orders.
3. Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company are ordered to continue the notification-only pilot for an additional 18 months from the effective date of the utility Advice Letters implementing this resolution.
4. Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company are ordered to conduct an evaluation of the pilot data after 18-months of implementation followed by a workshop as ordered in OP 5 and OP 6 of the Original Decision.
5. Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company are ordered to implement all rules and requirements from the Original Decision applicable to the original 2-year pilot for the next 18-month pilot with the following modification: To allow developers to comply with the requirement that a developer must cap the number of notification-only projects on any given feeder at 10 projects, utilities shall provide written information upon request to a developer as to which exact feeders a developer's proposed notification-only projects are connected. Such information shall be provided to a requesting developer within 30 days of the request.

6. Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company are ordered to submit a description via Tier 1 Advice Letter, within 60 days of the effective date of this resolution, of what requirements are placed upon customers in the course of a notification-only project audit, and how the utilities will ensure that such requirements do not create an undue burden.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on March 21, 2024, the following Commissioners voting favorably thereon:

/s/ RACHEL PETERSON

Rachel Peterson  
Executive Director

ALICE REYNOLDS  
President

JOHN REYNOLDS  
KAREN DOUGLAS  
Commissioners

Commissioner Matthew Baker recused himself  
and Commissioner Darcie L. Houck being absent,  
did not participate in the vote of this item.