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Tesla, Inc. Comments on CAISO Straw Proposal – Demand and Distributed Energy Market Integration (DDEMI) Initiative, Track 1 Policy Development

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I. Introduction

Tesla, Inc. ("Tesla") respectfully submits these comments on the California Independent System Operator's ("CAISO") Straw Proposal for the Demand and Distributed Energy Market Integration (DDEMI) Initiative, Track 1 Policy Development. Tesla is a leading developer and operator of behind-the-meter (BTM) battery storage resources and has a strong interest in ensuring that CAISO's market participation frameworks support the full operational capabilities of inverter-based BTM storage assets.

We appreciate CAISO's substantive engagement with stakeholders on the Proxy Demand Resource (PDR) program and the significant step forward represented by the Straw Proposal's recommendation to allow exported energy from BTM storage aggregations to be recognized in PDR performance evaluation. This reform addresses one of the most consequential structural barriers facing BTM battery participation in CAISO markets. At the same time, we respectfully request reconsideration of the proposed aggregate-level export floor as described more fully in our Comments below.

It is also imperative to note that Track 1 of the Straw Proposal is only one small step that must come together with many more to unlock BTM resources to support affordability by transparently providing capacity and services to the CAISO grid. Some of these additional requirements are under the purview of CAISO and some are under the purview of the CPUC.

As related to CAISO's DDEMI process, we urge CAISO to continue advancing several additional PDR reforms identified in our December 17, 2025, comments as critical to making the PDR program accessible to BTM storage assets. We believe these issues are well-scoped for resolution within Track 1 and should not be deferred, if possible.

Some other larger and fundamental topics that must be addressed in coordination with the CPUC include coordination of wholesale participation and retail rates and how the pathway for BTM resources are going to avoid double compensation. We recognize this is an important issue to resolve, and there are several approaches to be explored. It is critical that all parties continue to push for the forums to develop the solution so that California can move forward to unblock these valuable grid resources. It is also critical that we do not use the fact that this topic is complex, is multi-jurisdictional, and may require iterative conversations and changes as an excuse to slow or block the incremental progress that the DDEMI stakeholders have been seeking and collaboratively working on over the past year.

We look forward to being an ongoing collaborator in this process to identify and implement the solutions needed to allow CAISO to leverage the vast grid benefits that BTM resources can provide.

II. Recognition of Exported Energy in PDR – Reconsideration of the Proposed Aggregate Export Floor

A. Tesla Supports Enabling BTM Storage Exports in PDR

We strongly support CAISO's proposal to remove the zero-floor restriction at the individual customer level and to allow BTM storage exports to be counted toward PDR performance evaluation. This reform directly addresses the most significant near-term barrier to unlocking the full dispatchable capacity of California's growing fleet of BTM batteries represents a material improvement in market efficiency and system reliability.

B. The Proposed Aggregate-Level Export Floor Is Unnecessary and Operationally Burdensome

While we support the direction of the proposal, we respectfully request that CAISO reconsider the imposition of an aggregate-level export floor that would cap net exports from a PDR aggregation at zero. We do not believe this restriction is justified, for the following reasons:

- **No demonstrated congestion risk:** It has not demonstrated that allowing exports from PDR resources will cause unmodeled congestion to any greater degree than any other large demand response dispatch event.
- **Operational burden on aggregators:** For an aggregation composed of customers with exporting technology (e.g., residential batteries and/or bidirectional EVs), achieving the full value of the exports subject to the aggregate-level zero floor could encourage aggregators to recruit and register additional non-flexible customers with adequate non-dispatchable capability, solely to "sink" aggregate exports and hold the aggregation at or above zero net load. This is solely an administrative exercise that is costly, administratively burdensome, and provides no real system value.
- **Degraded performance precision:** Inverter-based BTM storage resources can provide a precise, sub-metered, highly controllable response. If these resources are commingled with uncontrolled, non-flexible load within the same aggregation to achieve full credit while subject to an artificial zero floor, that additional load will introduce unnecessary noise into aggregate performance measurement and settlement, undermining the very measurement accuracy that PDR reforms are intended to improve.

C. Alternative Approach: Sub-LAP Coincident Peak Cap

Without conceding that any limit on aggregate exports is technically necessary, Tesla recognizes that iterative progress may require an interim mechanism that addresses CAISO's concern about DR resources causing unexpected net export flows. Accordingly, we propose, as an interim solution, that CAISO consider capping the exporting capacity of registered PDR resources at a level that corresponds to the

expected coincident peak load at the Sub-LAP. This approach, or a comparable mechanism designed to prevent PDR dispatches from causing net export flows at the Sub-LAP level, could satisfy CAISO's stated objectives without inadvertently encouraging aggregators to recruit unnecessary non-flexible load or artificially constraining the capacity of high-quality inverter-based resources.

We respectfully ask CAISO to revisit whether the aggregate zero floor is an appropriate or proportionate response to the congestion concerns identified.

III. Additional Track 1 Priority Issues – Request for Continued Engagement

Our December 17, 2025, comments identified several additional PDR program reforms that are critical to enabling scalable BTM storage participation. These issues are complementary to the export recognition reform and similarly well-suited for resolution within Track 1. We urge CAISO to confirm that these items remain within scope and will be addressed during the Track 1 Policy Development phase.

A. Performance Evaluation Methodology and Metering Flexibility

Current PDR performance evaluation methodologies impose metering requirements that are poorly suited to inverter-based BTM resources and create disproportionate participation costs, including the installation of revenue-grade meters (ANSI C12 standards) on individual resources. Given the scale and cost of these metering requirements, not allowing for use of device-level telemetry would effectively block nearly all BTM batteries from participating in PDR aggregations. We urge CAISO to advance reforms that allow aggregation-level performance measurement using device-level telemetry for inverter-based storage. Improving metering flexibility will expand resource eligibility, and improve the accuracy of PDR performance measurement and settlement which are objectives that are directly aligned with Track 1 goals.

B. Device-Level Registration

Existing PDR registration rules require enrollment at the service-account level, which precludes participation by BTM storage assets at locations where another demand response resource is already enrolled, and vice versa. This creates an unnecessary exclusion for a rapidly growing class of resources. We urge CAISO to begin developing device-level registration concepts within Track 1 that would allow individual BTM devices to be registered and evaluated on their own merits, rather than being blocked by existing service-account-level enrollment. This reform would expand the eligible resource pool and improve the precision of performance measurement.

C. Alignment of PDR Enhancements with Resource Adequacy Frameworks

As PDR export recognition and other program reforms are implemented, we encourage the CAISO to coordinate with the CPUC to ensure that exported energy from BTM resources participating through PDR can ultimately be credited within resource adequacy frameworks, within appropriate, reasonable constraints to protect against double compensation. The CPUC's current Demand Response Proceeding (R-20-09-004) presents a potential opportunity for CAISO and CPUC to work together to enable

Demand Response to contribute toward Resource Adequacy and provide a path for exporting BTM resources to provide Resource Adequacy value.

IV. Conclusion

We appreciate CAISO's substantive progress on BTM storage participation in the PDR program. The Straw Proposal's recommendation to recognize BTM storage exports in PDR performance evaluation is an important step forward, and we look forward to working with CAISO to refine this proposal.

We respectfully request that the CAISO: (1) reconsider the proposed aggregate-level export floor and consider on the Sub-LAP coincident peak cap alternative or another less restrictive mechanism; and (2) confirm that performance evaluation and metering flexibility, device-level registration, and RA alignment remain within the scope of Track 1 and will be addressed in this phase of policy development. Finally, we ask that the complex issues that must be resolved in coordination with the CPUC (including RA alignment and ensuring appropriate compensation) not be a barrier to achieving a near-term workable solution through the Track 1 DDEMI process.

We remain committed to working collaboratively with CAISO staff and stakeholders to develop practical solutions that unlock the full value of California's BTM storage fleet for the benefit of grid reliability, energy affordability, and market efficiency.