

**CONTRACTORS STATE LICENSE BOARD**  
**DEPARTMENT OF CONSUMER AFFAIRS**  
**INITIAL STATEMENT OF REASONS (ISOR)**  
**California Code of Regulations (CCR)**  
**Title 16, Division 8**

**Hearing Date:** No hearing has been scheduled for the proposed action.

**Subject Matter of Proposed Regulations:** Battery Energy Storage Systems

**Section affected:** Amend Section 832.46 of Article 3 of Division 8 of Title 16 of the California Code of Regulations (CCR).

Background and Statement of the Problem:

The Contractors State License Board (Board) licenses, regulates, and investigates complaints regarding four different contractor license categories in California, totaling approximately 287,000 licenses (active and inactive status). The four categories are general engineering contracting, general building contracting, residential remodeling contracting, and specialty contracting (Bus. & Prof. Code (BPC), § 7055.) This rulemaking involves specialty contracting as it relates to the installation, maintenance, and repair of battery energy storage systems relative to photovoltaic solar energy systems.

The Board administers and enforces the Contractor State License Law (CSLL) BPC section 7000, et seq. BPC section 7008 authorizes the Board to establish necessary rules and regulations for the administration and enforcement of the CSLL. BPC section 7000.6 requires the Board to prioritize public protection in all its licensing, regulatory, and disciplinary functions.

The Board sets the minimum standards for contractor licensing qualifications in California. The Board is authorized to adopt reasonably necessary rules and regulations to affect the classification of contractors in a manner consistent with the established usage and procedures found in the construction business BPC, § 7059.) This proposed regulation affects one of those specialty license classifications CCR § 832.46, "Class C-46 – Solar Contractor".

The C-46 Solar Contractor installs, modifies, maintains, and repairs thermal and photovoltaic solar energy systems. A license classified as a solar contractor may not

perform other building or construction trades, crafts, or skills, except when required to install a thermal or photovoltaic solar energy system.

The Board historically viewed the classification's ability to perform work on battery energy storage systems (BESS) as limited, and in 2024, it amended the classification regulation to expressly differentiate between BESS and photovoltaic solar energy systems (PV systems). The amended regulation specified that (1) a C-46 solar contractor may only install a BESS as incidental and supplemental to the installation of a PV system, (2) a C-46 contractor may do so only if the BESS rating capacity does not exceed 80 kilowatt hours (kWh), and (3) other installation, connection, modification, or repair of a BESS was prohibited.

On June 5, 2024, the Office of Administrative Law approved the amended regulation and filed the action with the California Secretary of State, with an effective date of October 1, 2024 (OAL File no. 2024-0423-01).

A lawsuit captioned *California Solar Energy Industries Assn, Inc., et al. v. Contractors State License Board, et al.*, was subsequently filed in San Diego County Superior Court (case number 37-2024-00029818) to challenge the rulemaking action, and the Superior Court granted a preliminary injunction enjoining the Board from enforcing the amended regulation.

The gravamen of the lawsuit was that the Board's 2024 rulemaking action did not adequately explore the amended regulation's impacts on two classes of C-46 solar contractors: (1) those that retrofit an existing PV system with a BESS, and (2) those that perform maintenance and repairs on BESS.

The Board also received public comment on these issues during its 2024 rulemaking action. The main thrust of public comment was that C-46 solar contractors had for years engaged in retrofitting PV systems with BESS, and maintaining and repairing BESS, and the amended rule would severely curtail these construction activities that C-46 contractors already performed, and harm existing construction warranties and businesses.

This rulemaking action responds to the concerns by amending the solar contractor classification to allow a solar contractor to: (1) install a BESS, within the 80 kWh rating limitation, to a PV system they previously installed; and (2) maintain and repair a BESS that is 80 kWh or less and is connected to a PV system that the licensee previously installed.

More specifically, this action would:

Revise the existing section 832.46 by adding a (1) after (c) for formatting and enumeration purposes, and adopting two new paragraphs, (2) and (3), which state:

(2) A licensee classified in this section may install a battery energy storage system that does not exceed a rating of 80 kWh to a photovoltaic solar energy system that the licensee previously installed.

(3) A licensee classified in this section may maintain and repair a battery energy storage system that does not exceed a rating of 80 kWh and is connected to a photovoltaic solar energy system that the licensee previously installed.

The rulemaking action responds to important policy concerns raised by public commenters in the previous rulemaking action, and it incidentally enables the Board to resolve a pending lawsuit.

### **Anticipated benefits from this regulatory action:**

The proposed amendments will eliminate stated confusion about when a C-46 solar contractor can and cannot install, maintain, and repair a BESS relative to a PV system they previously installed.

The proposal preserves important distinctions between contractor license classifications by maintaining an 80 kWh rating limit for BESS installations, maintenance, and repair by a C-46 solar contractor. It also benefits the public by eliminating a temporal restriction on C-46 solar contractors performing BESS work on systems they install, but without sacrificing public safety. And it ensures that C-46 solar contractors can fulfill their contract and warranty obligations now, and in the future.

Finally, this proposal ensures the continuation of the businesses of C-46 solar contractors who are currently installing PV systems paired with BESS. CSLB recognizes deployment of renewable energy systems in residential and light commercial applications is required by the California Energy Code. The population primarily affected by this proposal is the small share of contractors holding a C-46 classification and no other license classification that authorizes them to install BESS.

### **Specific Purpose of, and rationale for, each adoption, amendment, or repeal:**

#### **Amend Section 832.46, Class C-46 – Solar Contractor**

#### **Add (c)(2) to authorize a licensee under this section to install a battery energy storage system to a solar energy system that they previously installed.**

#### **Purpose:**

The purpose of this paragraph is to expressly permit C-46 solar contractors to install a battery energy storage system that is within an 80 kWh rating to a photovoltaic energy storage system that the licensee previously installed.

### Rationale:

The amendment is necessary to respond to important public concerns that the Board's previous rulemaking action needlessly curtailed construction work performed by C-46 solar contractors without perceived public benefit.

The amended rule established that C-46 solar contractors may install a BESS within a rating of 80 kWh when incidental and supplemental to the installation of a PV system. Public commenters criticized the amended rule's temporal limitation on installing (i.e., retrofitting) BESS to a PV system that a licensee previously installed as unnecessary and harmfully restricting C-46 contractors in work they already perform, and could still perform if it was done at the same time as a PV system installation.

The temporal restriction is not needed to maintain public protection. The Board has not identified any increased public harm associated with a C-46 solar contractor installing a BESS to a PV system within a rating of 80 kWh that the licensee previously installed. Additionally, eliminating the temporal restriction will assist in the Board's enforcement efforts by simplifying the standard – a C-46 solar contractor may install a BESS within a rating of 80 kWh PV systems they install, or previously installed.

Incidentally, the amendment will also enable the Board to resolve longstanding litigation over the adequacy of the prior rulemaking action.

### **Add (c)(3) to authorize a licensee under this section to maintain and repair a BESS connected to a PV system they previously installed.**

### Purpose:

Solar contractors may install BESS at the same time that a PV system is installed, and the proposed addition of paragraph (c)(2) would permit solar contractors to retrofit existing PV systems that they installed with a BESS. This purpose of this amendment is to expressly permit a solar contractor to maintain and repair a BESS connected to a PV system they previously installed.

### Rationale:

The amendment is necessary to respond to important public concerns that the Board's previous rulemaking action needlessly curtailed construction work performed by C-46 solar contractors without perceived public benefit.

The amended rule expressly barred C-46 contractors from maintaining or repairing BESS, even BESS they installed, and public commenters criticized the limitation as unnecessary and harmful in restricting C-46 solar contractors in work they already perform. Commenters complained the prohibition effectively voided existing contract warranties and needlessly restricted the ability of C-46 solar contractors to contract with

home owners on projects because they could not commit to subsequently maintaining or repairing them. Since a licensee would naturally have prior knowledge of a system they installed, the Board agrees the maintenance and repair restriction is not needed to maintain public protection.

The Board has also not identified any increased public harm associated with a C-46 solar contractor maintaining and repairing a BESS under these circumstances. Additionally, eliminating the restriction avoids the potentially detrimental consequences of upsetting existing contract warranties or limiting the ability of C-46 contractors to fulfill warranty expectations on systems they install.

Incidentally, the amendment will also enable the Board to resolve longstanding litigation over the adequacy of the prior rulemaking action.

### **Underlying Data**

- March 19, 2026, Board Meeting Agenda, Relevant Materials, and Minutes
- OAL File No. 2024-0423-01
- *Cal. Solar Energy Industries Assn., Inc., et al. v. Contractors State License Board*, Verified First Amendment Petition for Writ of Mandate and Complaint for Declaratory and Injunctive Relief (San Diego County Superior Court Case No. 37-2024-00029818)
- *Cal. Solar Energy Industries Assn., Inc., et al. v. Contractors State License Board*, October 3, 2024, Amended Order Granting Preliminary Injunction (San Diego County Superior Court Case No. 37-2024-00029818)
- *Cal. Solar Energy Industries Assn., Inc., et al. v. Contractors State License Board*, Settlement Agreement (San Diego County Superior Court Case No. 37-2024-00029818)

### **Business Impact Estimates**

The Board has made the initial determination that the proposed regulation will not have significant statewide adverse economic impact directly affecting businesses (including the inability of California businesses to compete with businesses in other states).

This initial determination is based on the following facts:

The Board has determined the only types of businesses that may be affected are licensed contractors who hold a C-46 solar contractor classification and no other license classification that authorizes the contractor to install BESS. This proposal is intended to better align the Board's regulations with current law and existing business practice.

The regulations do not result in additional workload or costs for businesses to comply with this proposal.

## **Economic Impact Assessment/Analysis**

The Board has determined that the proposed regulation will have the following effects:

- Will not significantly create or eliminate jobs within California because this proposal is intended to better align the Board's regulations with current law and existing business practice.
- Will not create new businesses or eliminate jobs within California because this proposal is intended to better align the Board's regulations with current law and existing business practice.
- Will not adversely affect the expansion of businesses currently doing business within California because this proposal is intended to better align the Board's regulations with current law and existing business practice.
- Will not affect the health and welfare of California residents because this proposal is intended to better align the Board's regulations with current law and existing business practice.
- Will benefit worker safety because it ensures that only appropriately skilled workers install BESS.
- Will not impact the California's environment because it will not affect demand for PV systems and BESS.

## **Specific Technologies or Equipment:**

This regulation does not mandate the use of specific technologies or equipment.

## **Consideration of Alternatives:**

No reasonable alternative to the regulatory proposal would be either more effective in carrying out the purpose for which this action is proposed or would be as effective or less burdensome to affected private persons and equally effective in achieving the purposes of the regulation in a manner that ensures full compliance with the law being implemented or made specific.

No such alternatives have been proposed; however, the Board welcomes comments from the public.

## **Description of reasonable alternatives to the regulation that would lessen any adverse impact on small businesses:**

No such alternatives have been proposed; however, the Board welcomes comments from the public.