

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

Order Instituting Rulemaking to Modernize the
Electric Grid for a High Distributed Energy
Resources Future.

Rulemaking 21-06-017
Filed June 24, 2021

**CLEAN COALITION REPLY COMMENTS ON ASSIGNED COMMISSIONER'S AND
ADMINISTRATIVE LAW JUDGE'S RULING SEEKING ADDITIONAL
INFORMATION FROM PARTIES, SETTING FORTH FURTHER DIRECTION, AND
MODIFYING SCHEDULE FOR TRACK 3**

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I. INTRODUCTION

Pursuant to Rule 6.2 of the Rules of Practice and procedure of the California Public Utilities Commission (“the Commission”), the Clean Coalition respectfully submits these reply comments on the *Assigned Commissioner’s and Administrative Law Judge’s (“ALJ”) Ruling Seeking Additional Information from Parties, Setting Forth Further Direction, and Modifying Schedule for Track 3*, issued on February 7, 2025 and the *Email Ruling Granting Schedule Amendment*, issued on February 20, 2025. Clean Coalition notes overwhelming consensus amongst parties on the value that flexible connections can provide and makes the following recommendations:

- Parties agree that maximizing the use of the existing grid and avoiding future projects can save the ratepayers billions of dollars.
- Experiences from the Distribution Investment Deferral Framework (“DIDF”) should not be used to exclude Flexible Service Connection Agreements (“FSCAs”) as a tool to defer grid upgrades.
- FSCAs have important equity implications which should propel a swift rollout.
- Accurate and actionable ICA data is a prerequisite for successful FSCAs
- Clean Coalition agrees with CalCCA that the Commission should ensure a level playing field for IOU and CCA flexibility solutions to promote customer choice.¹

II. DESCRIPTION OF PARTY

¹ Opening Comments of CalCCA on High DER Track 3 Assigned Commissioner Ruling, at p. ii.

The Clean Coalition is a nonprofit organization whose mission is to accelerate the transition to renewable energy and a modern grid through technical, policy, and project development expertise. The Clean Coalition drives policy innovation to remove barriers to procurement and interconnection of DER— such as local renewables, demand response, and energy storage—and we establish market mechanisms that realize the full potential of integrating these solutions for optimized economic, environmental, and resilience benefits. The Clean Coalition also collaborates with utilities, municipalities, property owners, and other stakeholders to create near-term deployment opportunities that prove the unparalleled benefits of local renewables and other DER.

III. COMMENTS

a. Parties agree that FSCAs can avoid grid upgrades and increase utilization of the existing grid.

Public Advocates Office notes that between \$26 and \$52 billion in distribution grid upgrades will be required to achieve electrification and suggests in the context of FSCAs, “To the extent possible, the Commission should seek new approaches to maximize the use of the existing distribution grid and minimize the need for costly upgrades.”² Given the extremely high price tag associated with California’s clean energy goals, it is important to maximize the number of strategies available to keep costs down and promote affordability. The Interstate Renewable Energy Council (“IREC”) argues that Flexible grid connections can play a critical role in enabling rapid decarbonization while keeping ratepayer costs down by maximizing the use of existing transmission and distribution infrastructure,” saving ratepayers billions of dollars.³ Green Power Institute (“GPI”) raises the notion that in addition to avoiding expensive transmission infrastructure, FSCAs have the potential to reduce line losses as well, increasing the efficiency of the existing grid.⁴ Each of these organizations sees the value in flexible connections as a bridge solution to speed up the interconnection process (and potentially reduce costs), but also as a long-term option that can have a real impact on the size of the grid buildout that will be necessary to achieve clean energy goals and maintain reliability. Clean Coalition urges the Commission to ensure that ratepayers have the option to help avoid upgrades via FSCAs,

² Opening Comments of the Public Advocates Office on High DER Track 3 Assigned Commissioner Ruling, at p. 3.

³ Opening Comments of IREC on High DER Track 3 Assigned Commissioner Ruling, at p. 8.

⁴ Opening Comments of GPI on High DER Track 3 Assigned Commissioner Ruling, at p. 1.

including compensation for providing ratepayer savings. Vehicle Grid Integration Council (“VGIC”) agrees with this sentiment, arguing that a clear contractual framework must be in place to enable FSCA capabilities to be used in ways that can save the ratepayers money.⁵ Building the foundation for a compensation framework requires three findings:

1. FSCAs can defer the need for grid upgrades or future infrastructure projects.
2. FSCAs can provide long-term support and are not inherently a bridging solution.
3. Projects that provide value to the ratepayers should be compensated.

Acknowledging the opportunity for value creation and the importance of compensating services provided to the grid are critical for developing that can be widely used throughout all three investor-owned utility service territories. Around two-thirds of customer bills are now comprised of delivery charges, specifically transmission and distribution related costs. Each transformer, feeder, substation, or transmission line that can be avoided helps to slow the pace of rate increases and offers the Commission the opportunity to reign in the current affordability crisis before it completely spirals out of control.

b. Lackluster results from the DIDF should not be perceived as an indicator of the amount value that FSCAs can create by increasing utilization of the existing grid and deferring upgrades.

SDG&E argues in opening comments that distribution deferral is “not commercially attractive to DER developers,” and concludes, “most upstream distribution capacity upgrades are relatively low in cost such that the economic benefits to ratepayers of deferring or avoiding these planned upgrades are usually quite small.”⁶ This assertion ignores programmatic shortcomings, including the fact that only a select few options were provided under the pilots and many contracts were cancelled for vague reasons like forecasted load growth in future years, **not because the economic benefits were small**. In addition, in instances where the DIDF resulted in an operational deferral project, the savings have been quite apparent. SCE reported that two projects that deferred transformer upgrades will have combined ratepayer savings of around \$8

⁵ Opening Comments of VGIC on High DER Track 3 Assigned Commissioner Ruling, at p. 8.

⁶ Opening Comments of San Diego Gas & Electric on High DER Track 3 Assigned Commissioner Ruling, at p. 6.

million.⁷ With opportunities for flexible connections throughout a utility’s service territory rather than a few select cherry picked sites, the potential for ratepayer savings is significant.

Moreover, 350 Bay Area raises a key point on this subject, arguing that total costs for infrastructure need to be considered in deferral savings, not just capital costs. They write, “Future ratepayer savings should consider not only avoided or deferred infrastructure investment, but also the total ROE, financing and O&M costs that would be borne by ratepayers over the life of that infrastructure.”⁸

Nominal costs		Real costs, discounted for inflation	
Asset value capital cost (\$100 base)	\$100	Discount rate	2.19%
Return	\$197	Asset value capital cost (\$100 base)	\$100
O&M	\$631	Return, discounted	\$140
Total nominal ratepayer cost per \$100 investment (50 years)	\$928	O&M, discounted	\$296
		Total discounted (real) ratepayer cost per \$100 investment (50 years)	\$536

In nominal dollars, total lifetime ratepayer cost is nearly 10x the initial capital cost; O&M accounts for 68% of this because it increases much faster than inflation. In real dollars (constant value dollars, accounting for inflation), the total lifetime cost is 5x the initial capital cost, and O&M accounts for 55% of this.

Distribution and transmission assets have decades-long lifespans. With O&M costs and the return on equity comprising so much of the true cost of infrastructure throughout the lifetime of an asset, Clean Coalition strongly agrees that true valuation of DER deferral should consider the full savings from avoiding an upgrade or new project, rather than just the initial capital cost. Reducing the amount of additional infrastructure required to meet the demand for energy is a long-term solution that will continue to benefit the ratepayers for decades. Moreover, deferring an upgrade, even if only for a short period of time, may provide the incumbent utility with a better understanding of the expected demand for capacity in subsequent years, allowing the eventual wires solution to be right sized rather than conducting a small upgrade with the intention of continually making small upgrades that need to be replaced every few years.

c. FSCAs have important equity implications which should propel a swift rollout.

⁷ CONFIDENTIAL DER PAYMENTS REPORT OF SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E) at p. A-1 – A3.

⁸ Opening Comments of 350 Bay Area on High DER Track 3 Assigned Commissioner Ruling, at p. 5.

In opening comments, Clean Coalition raised the known issue of less remaining hosting capacity on distribution feeders located in disadvantaged communities, as compared to wealthier communities. Under California’s current trajectory significant costs are liable to be heaped on disadvantaged communities, especially once widespread electrification begins. GPI describes the important equity benefits from FSCAs through the lens of a more efficient interconnection process, arguing that, “By reducing interconnection costs and timelines, flexible connections may make clean energy more accessible to disadvantaged communities and customers with limited resources. They also enable more community-based projects that can deliver local economic, environmental, and resilience benefits.”⁹ Deploying clean capacity and arrangements for flexibility sets the stage for Community Microgrids, which provide the trifecta of benefits that are unparalleled compared to any other energy solution. Increasing access to the grid will help hasten the deployment of clean local energy in disadvantaged communities, a critical step needed to meet the Commission’s goals in the Environmental and Social Justice Action Plan and ensure that all Californians can benefit from distributed generation. IREC specifies that “Flexible connection strategies can also help accelerate reduction of the pollution burden born by communities located near ports and other transportation corridors heavily dependent upon diesel fuel.”¹⁰ Hastening the adoption of electrification measures by large load facilities, especially those related to transportation infrastructure, will benefit communities which have little influence in reducing the biggest sources of local pollution that impact them.

d. Accurate and actionable ICA data is a prerequisite for successful FSCAs

Clean Coalition and other parties have been explicitly clear about the importance of viable ICA maps in siting/interconnection, including the development of a framework for flexible connection and grid services. Advanced Energy United (“AEU”) makes this issue abundantly clear in opening comments, advocating, “Grid data should be of sufficient quality, timeliness, and granularity to allow for customers (or solution providers) to identify potential static limits at the time of service request or initial consultation. Granular historical data may also assist customers and solution providers to estimate potential dynamic operating envelopes. In either

⁹ Opening Comments of GPI on High DER Track 3 Assigned Commissioner Ruling, at p. 3.

¹⁰ Opening Comments of IREC on High DER Track 3 Assigned Commissioner Ruling, at p. 13.

case, data are also critical to financial analysis of FSC options.”¹¹ Inaccurate data, including incorrect determinations of load or generation hosting capacity can be more than enough to falsely convince an applicant that a flexible connection is an option or make it appear as if a grid upgrade will not be required despite the actual capacity of a feeder being close to or at 0 MW. If the only way that a developer can get truly accurate and up-to-date information on grid conditions is by submitting an application with the utility, the value of a flexible connection option will be curbed. Improving the ICA maps is a short-term solution, given the almost decade of work that the utilities have done to comply with the Commission’s requirements, that must be pursued vigorously. Clean Coalition strongly advocates that the Commission hold the utilities accountable and ensure that all known issues are fixed within two years. The most recent Decision in the High DER proceeding and associated quarterly workshop are encouraging steps forward. The new resurgence in action must be paired with a Commission determination on whether statutory requirements are being complied with and within the allowed timeframe.

GPI categorizes flexible connections as a perfect opportunity for automation and asserts, “The end goal should be a process where pre-qualified developers can search an online map (most likely an expanded ICA map) for flexible capacity and claim that capacity in the map interface with a few click.”¹² Clean Coalition concurs with GPI on the importance of automating flexibility to reduce complexity for all parties. However, the success of such a plan is predicated on having accurate ICA maps that provide developers with actionable information. At this point in time, and likely for the next year at least (until IOU reforms have been implemented), it cannot be said that all three IOUs’ maps have reached that point.

IV. CONCLUSION

The Clean Coalition appreciates the opportunity to submit these reply comments and urges the Commission to work on a framework that prioritizes flexibility for interconnection and grid services (creating ratepayer savings). We note the potential equity impacts and opportunity for avoided infrastructure savings. In addition, Clean Coalition continues to raise the importance of

¹¹ Opening Comments of AEU on High DER Track 3 Assigned Commissioner Ruling, at p. 3.

¹² Opening Comments of GPI on High DER Track 3 Assigned Commissioner Ruling, at p. 2.

making ICA refinements a priority, in this case as a prerequisite to successfully implementing FSCAs.

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