

**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

**RESPONSE OF JOINT PARTIES IN SUPPORT OF CENTER FOR BIOLOGICAL
DIVERSITY UTILITY CONSUMER'S ACTION NETWORK MOTION TO ADDRESS
UNADDRESSED ISSUES**

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I. INTRODUCTION

Pursuant to Rule 11.1(e) of the California Public Utilities Commission's ("Commission") Rules of Practice and Procedure, Clean Coalition, 350 Bay Area, and Vote Solar (collectively, "Joint Parties") submit this response in support of the *Center for Biological Diversity* ("CBD") *Utility Consumer's Action Network* ("UCAN") *Motion to Address Unaddressed Issues* ("Motion"), filed on September 10, 2026.

The Joint Parties support the Motion because Track 2 cannot be meaningfully completed unless the Commission determines what safeguards are necessary to ensure that cost-effective distributed energy resource ("DER") alternatives can be fairly considered in a framework where the incumbent utility distribution system operator ("DSO") has financial incentives tied to traditional capital investment. The Motion does not require the Commission to find that utility incentives have caused any particular past failure. Rather, it asks the Commission to resolve what safeguards are necessary within the utility-operated DSO model to ensure that DERs needed to meet state policy objectives are identified, valued, enabled, procured, dispatched, and compensated through a transparent, non-discriminatory, and cost-effective framework capable of producing verifiable ratepayer savings.

That determination is needed before Track 2 is closed or the investor-owned utilities ("IOUs") are directed to submit applications or other formal proposals to perform DER orchestration functions. If the Commission proceeds without resolving these safeguards, the central governance question identified at the outset of this proceeding will be deferred into utility-designed applications after the basic structure has already been set.

II. COMMENTS

A. The Motion Addresses Unresolved Governance Issues That Remain Central to Completing Track 2

The Motion does not introduce a new issue; it asks the Commission to resolve a governance question that has been present since the outset of R. 21-06-017 and that remains central to completing Track 2. In the order instituting rulemaking (“OIR”), the Commission recognized that the current cost-recovery and investment structures for electric distribution systems focus on large capital investments, that a high-penetration DER structure could reduce IOU rates of return, and that an IOU-administered DSO may require performance incentives not tied to capital investment or a third-party DSO administrator.¹

The original Scoping Memo carried that concern forward by asking how alternative DSO models compare in their ability to plan and operate a high-DER grid, unlock DER economic opportunities, limit market power, reduce ratepayer costs, increase equity, support resiliency, and meet state policy objectives. It also asked whether utilities should be incentivized to cost-effectively prepare for widespread DER deployment.²

The 2023 Scoping Ruling reframed Track 2 around the current utility-operated DSO model, but it did not eliminate the governance issue. Instead, it asked what operational needs are necessary to efficiently operate a high-DER grid and what “existing gaps and barriers” exist within the current DSO model.³ That formulation makes the Motion directly relevant: once the Commission assumes that utilities will serve as DSOs, it must determine whether utility capital-investment incentives, data-control practices, and existing planning/procurement processes are among the gaps or barriers that must be addressed.

The Future Grid Study (“Study”) confirms that this inquiry remains unresolved. The Study explains that the amended Track 2 scope asks how to ensure additional DERs provide maximum grid value through effective distribution system operations, including by identifying the operational needs necessary to unlock DER economic opportunities, limit market power, reduce ratepayer costs, and identify gaps and barriers within the current utility-operated DSO model.⁴ The Study then identifies unresolved issues directly related to the Motion, including data sharing, open access, DER deferral, non-discriminatory procedures for procuring, dispatching,

¹ R. 21-06-017 OIR to Modernize the Electric Grid for a High DER Future, July 2, 2021, at pp. 11-12.

² R. 21-06-017 Assigned Commissioner’s Scoping Memo and Ruling, November 15, 2021, at p. 6.

³ R. 21-06-017 Assigned Commissioner’s Amended Scoping Memo and Ruling, August 11, 2023, at pp. 6-7.

⁴ California Future Grid Study, September 30, 2024, at p. 8.

and compensating DERs, distribution-level grid services, and diverging visions between an IOU-conducted orchestration model and a bottom-up, open-access high-DER future.⁵

The 2026 Track 2 ruling did not resolve that governance question. Rather, it proceeded from the assumption that the IOUs would continue serving as DSOs and focused the next stage of the proceeding on DER orchestration under that assumed structure.⁶ That assumption makes the Motion more important, not less. If the Commission is no longer comparing alternative DSO models, then it must resolve the safeguards question within the utility-operated DSO model. The Commission must determine what safeguards are necessary to ensure that DER alternatives are identified, valued, enabled, procured, dispatched, and compensated on a transparent, non-discriminatory, and cost-effective basis. Without that determination, Track 2 would leave unresolved the very “gaps and barriers” the 2023 Scoping Ruling directed the Commission to identify and solve.⁷ The Commission need not find that utility incentives have caused any particular past failure to recognize that a utility-operated DSO framework requires safeguards responsive to the structural incentive concern the Commission identified at the outset of this proceeding.

B. Data Access, Open Access, and DER Deferral Will Determine Whether DER Orchestration Delivers Meaningful Ratepayer Savings

The governance question raised by the Motion is not abstract. It will determine whether DER orchestration produces meaningful ratepayer savings or merely adds another layer of utility-administered programs without ensuring that cost-effective DER alternatives are identified, valued, enabled, procured, dispatched, compensated, and verified before traditional infrastructure investments move forward. A DSO framework can only reduce costs if the structure creates incentives to maximize cost-effective DER orchestration and includes safeguards responsive to the structural incentive concern the Commission identified at the outset of this proceeding, along with transparency and accountability measures that allow the Commission, stakeholders, and policymakers to evaluate whether the IOUs are faithfully implementing the adopted framework.

⁵ *Ibid.*, at pp. 24-29.

⁶ R. 21-06-017 Assigned Commissioner’s Ruling on Track 1 and Track 2 DER Orchestration, March 23, 2026, at pp. 1, 5.

⁷ R. 21-06-017 Assigned Commissioner’s Amended Scoping Memo and Ruling, August 11, 2023, at pp. 6-7.

This is consistent with the bottom-up architecture identified in the Future Grid Study. 350 Bay Area emphasized that the distribution system is no longer a one-way flow from substations to loads, but a multidirectional interaction among DERs and loads, and that efficient operation requires utilization of all available DERs, enabling systems for DERs to receive and respond to information, layered aggregation, least net cost, and pricing for energy and services.⁸

Data access, open access, and DER deferral are therefore practical governance issues. The Study identifies open access as an operational need that includes improving opportunities for DERs to avoid or defer infrastructure upgrades and using dynamic distribution prices to delay or reduce distribution upgrades. It also identifies limited mechanisms for capacity deferral, the need for distribution-level grid services from flexible load, and gaps related to non-discriminatory procedures for procuring, dispatching, and compensating DERs.⁹ These are not peripheral issues; they are the mechanisms through which DER orchestration can avoid unnecessary infrastructure investment and reduce ratepayer costs.

Other parties have proposed the same type of safeguards. CalCCA has recommended governance principles including nondiscriminatory market access, independent monitoring and oversight, optimization of existing distribution capacity before authorization of capital investments, competitive neutrality, fair compensation, and timely access to accurate customer, DER, ICA, and grid data.¹⁰ UCAN has similarly proposed enforceable open-access mechanisms, including Commission-approved terms for data-access rights and independent monitoring with direct reporting to the Commission.¹¹

The Distribution Investment Deferral Framework (“DIDF”) is instructive for the same reason. Joint Parties do not raise DIDF to relitigate past procurement results, but to show why Track 2 must resolve the governance safeguards needed before DER orchestration is implemented through a utility-operated DSO model. DIDF’s limited procurement results should not be treated as dispositive evidence that DER deferral lacks value. Those results instead illustrate why the design of the procurement framework matters, particularly within a utility-operated DSO model where the utility identifies the need, shapes the procurement structure,

⁸ California Future Grid Study, September 30, 2024, at pp. 22-23; Appendix A, Table A-9, pp. 78-80.

⁹ *Ibid.*, at Appendix A, Table A-8, pp. 73-77.

¹⁰ R. 21-06-017 CalCCA Opening Comments on DER Orchestration Workshop Reports, July 27, 2026, at p. 4.

¹¹ R. 21-06-017 UCAN Opening Comments on the DER Orchestration Workshop Reports, July 27, 2026, at p. 17; R. 21-06-017 UCAN Reply Comments on the DER Orchestration Workshop Reports, July 31, 2026, at pp. 8-9.

controls relevant grid information, and determines whether a DER alternative will be allowed to compete against a traditional infrastructure investment. Without safeguards responsive to that structural incentive concern, a deferral framework that defines opportunities around narrow, utility-identified needs, recognizes only a limited portion of the DER value stack, and allows planning assumptions to change without transparent accountability can systematically understate DER value, preserve traditional infrastructure as the default path, and impose avoidable costs on ratepayers.¹²

DIDF's limited overall results should not be read to mean that DER deferral is infeasible or low-value. To the contrary, SCE has previously identified two distribution deferral projects with combined ratepayer savings of approximately \$7.56 million: the Newbury Project ("ACORN 1"), which deferred a new 16 kV circuit and saved approximately \$3.72 million, and the Eisenhower Project ("WILDCAT 1"), which deferred a transformer upgrade and saved approximately \$3.84 million.¹³ These examples show that DER deferral can provide concrete ratepayer value when the process identifies viable grid needs and enables DER alternatives to compete fairly.

The problem is not that DER deferral lacks potential; the problem is that the Commission has not yet adopted a governance framework capable of making that potential transparent, repeatable, and enforceable. Without timely access to grid data, non-discriminatory participation rules, clear valuation methods, performance verification, and independent accountability, stakeholders and regulators cannot determine whether the IOUs are maximizing cost-effective DER alternatives or whether traditional capital investment remains the default path. The Future Grid Study similarly identifies data sharing and transparency as friction points limiting broad participation in a high-DER future.¹⁴

That is why immediate action is necessary. If the Commission closes Track 2 or directs IOU DSO proposals to move forward before resolving these safeguards, the unresolved governance issue will be pushed into utility-designed applications after the basic structure has already been set. The Commission should instead grant the Motion, or at minimum preserve a Track 2 phase

¹² See Clean Coalition Comments on July 15 Workshop on DER AMI Data, CEC Docket 22-OII-01, July 29, 2026, at pp. 7–8.

¹³ R. 21-06-017, SCE DIDF Procurement Status Report, May 15, 2024, at p. 2; Confidential DER Payments Report of Southern California Edison Company (U 338-E) at pp. A-1–A-3.

¹⁴ California Future Grid Study, September 30, 2024, at p. 53.

or successor process, to determine—before implementation begins—the safeguards needed to ensure that DER orchestration produces ratepayer savings, that IOU implementation is transparent and accountable, and that DER alternatives are fairly considered before additional infrastructure investment is authorized.

III. CONCLUSION AND REQUESTED RELIEF

For these reasons, the Joint Parties respectfully request that the Commission grant the Motion. At minimum, the Commission should preserve a Track 2 phase, successor proceeding, or other procedural vehicle to determine what safeguards are necessary within the utility-operated DSO model before directing IOUs to submit applications or other formal proposals to perform DER orchestration functions. Those safeguards should ensure that DERs needed to meet state policy objectives are identified, valued, enabled, procured, dispatched, and compensated through a transparent, non-discriminatory, and cost-effective framework; that IOU implementation is subject to meaningful transparency and accountability; and that cost-effective DER alternatives are fairly considered before additional infrastructure investment is authorized.

Track 2 cannot be meaningfully completed while these governance issues remain unresolved. The Commission should therefore grant the Motion and ensure that DER orchestration is structured to deliver verifiable ratepayer savings, maximize cost-effective DER value, support state policy objectives, and provide regulators, stakeholders, and policymakers with the information needed to evaluate whether the adopted framework is being faithfully implemented.

Respectfully submitted,

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