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 PROPOSED DECISION ADDRESSING TRACK 3 ISSUES DIRECTING LARGE INVESTOR-OWNED UTILITIES TO SUPPORT AFFORDABILITY THROUGH FLEXIBLE SERVICE CONNECTIONS

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I. INTRODUCTION

Pursuant to Rule 14.3 of the California Public Utilities Commission's ("Commission") Rules of Practice and Procedure, Clean Coalition submits these reply comments on the *Proposed Decision* ("PD") *Addressing Track 3 Issues Directing Large Investor-Owned Utilities to Support Affordability Through Flexible Service Connections* ("FSCs"), issued on October 20, 2026.

The opening comments reinforce the substantial potential for FSCs to avoid unnecessary distribution infrastructure investments but propose differing approaches to implementation. Clean Coalition urges the Commission to preserve the PD's non-bridging pathways, establish a timely framework for compensation based on verified ratepayer savings, and coordinate FSC development with Track 2 distributed energy resource ("DER") orchestration without delaying implementation. These efforts must be supported by enforceable milestones and a formal regulatory process that remains open until outstanding issues are resolved.

II. COMMENTS

A. The Commission Must Retain and Implement Non-Bridging FSC Pathways Rather Than Defer Them to Track 2

Southern California Edison Company ("SCE") recommends eliminating the PD's persistent and durable non-bridging requirements and instead addressing these solutions through Track 2 DER orchestration.[1] Clean Coalition strongly opposes this recommendation. Transferring the requirements to Track 2 would eliminate a clear near-term implementation pathway and make non-bridging FSC development dependent on a substantially broader process that has not yet established the necessary valuation and implementation standards. It would also add complexity to an already packed working group schedule.

However, coordination between Tracks 2 and 3 is essential. Non-bridging FSCs can provide valuable distribution capacity services through individual DERs or aggregated portfolios, and

[1] SCE Opening Comments on PD, at pp. 2–3.

should be integrated into a broader framework that recognizes and compensates the distinct grid services DERs provide. The Commission should therefore harmonize the two processes without making FSC implementation or compensation dependent on completion of a Track 2 framework.

The PD appropriately recognizes that non-bridging FSCs can do more than accelerate energization: they can eliminate, defer, or right-size infrastructure investments. The Commission should not abandon standardized pathways for achieving these savings merely because additional policy questions remain concerning durable contractual arrangements. Indeed, the PD already distinguishes persistent non-bridging solutions that can be implemented through existing FSC offerings from durable solutions requiring further policy development.

SCE argues that customers have little incentive to accept indefinite operating limitations without compensation.[2] Clean Coalition agrees with the concern but not the proposed remedy; ***the absence of compensation is a reason to establish a compensation framework, not to eliminate the non-bridging pathway.*** Deferring implementation would also delay the collection of operational and cost data necessary to develop that framework.

Clean Coalition supports Advanced Energy United's ("AEU") recommendations to establish a 90-day disposition target for the initial FSC Implementation Advice Letters ("ALs") and require persistent non-bridging ALs to be filed within 90 days of the initial AL filings, rather than conditioning the latter on their disposition.[3] The Commission should also prohibit unsupported participation caps that would unnecessarily constrain deployment. **Establishing clear filing and disposition timelines is essential to ensure that the PD's requirements result in actual FSC offerings rather than another prolonged regulatory process.**

The Commission should therefore retain Ordering Paragraphs ("OPs") 11 and 14, establish enforceable implementation milestones, and preserve customer choice among feasible FSC options. As the Interstate Renewable Energy Council ("IREC") and AEU explain, customers should be presented with available options and their associated operating limits and costs, rather than directed toward a theoretically preferable arrangement they may be unable or unwilling to adopt.[4] Preserving these pathways will allow customers to benefit from FSCs immediately, while

[2] *Ibid., at p. 3.*
[3] AEU Opening Comments on PD, at pp. 13–15.
[4] IREC Opening Comments on PD, at pp. 2–4; AEU Opening Comments on PD, at pp. 11–12.

establishing the foundation for compensated, long-term flexibility that can avoid unnecessary infrastructure investments.

B. Compensation and Shared Savings Are Necessary to Realize the Full Ratepayer Value of Non-Bridging FSCs

EDF and VGIC identify a central gap in the PD: customers may incur significant equipment costs and accept long-term operating restrictions to avoid ratepayer-funded upgrades, yet receive no compensation for those benefits.[5] As AEU observes, even an FSC offering substantial theoretical savings produces little value if customers cannot justify participating.[6] ***Compensation is therefore not simply a distribution of benefits after an upgrade is avoided; it is a mechanism for procuring the flexibility necessary to avoid the upgrade in the first place.***

Clean Coalition therefore supports EDF's recommendation to develop a compensation framework for both persistent and durable non-bridging FSCs.[7] A shared-savings mechanism should compensate qualifying customers for a reasonable portion of verified net ratepayer savings, comparing the conventional upgrade baseline against FSC implementation costs, performance obligations, and residual infrastructure needs. It should be technology-neutral and avoid duplicate compensation. Consistent with AEU's recommendations, aggregator-assembled portfolios should be eligible to provide dependable capacity relief, while retaining opportunities to provide other distinct grid services.[8]

VGIC also recommends using persistent non-bridging offerings to test compensation and gather customer participation and performance data.[9] Clean Coalition supports limited compensated deployment that informs, rather than delays, a standardized framework. Accordingly, the Commission should amend OP 14 to require the durable non-bridging workshops to recommend specific valuation, compensation, eligibility, and performance requirements—including aggregator participation and near-term compensated options—for subsequent Commission action.

C. Track 3 Must Be Coordinated With DER Orchestration Without Overburdening or Delaying the Track 2 Working Group

[5] EDF Opening Comments on PD, at pp. 2–4; VGIC Opening Comments on PD, at pp. 3–5.
[6] AEU Opening Comments on PD, at pp. 11–12.
[7] EDF Opening Comments on PD, at pp. 3–5.
[8] AEU Opening Comments on PD, at pp. 16–17.
[9] VGIC Opening Comments on PD, at pp. 5–6.

Clean Coalition agrees with the CalCCA and AEU that FSCs should be integrated with the broader DER orchestration framework to avoid duplicative systems, inconsistent valuation methodologies, and barriers to DER participation.[10] However, SCE's proposal to transfer non-bridging FSC development entirely into Track 2 would substitute delay for coordination.[11]

The Track 2 working group established by D.26-10-054 already has an extensive scope and a compressed schedule. Adding responsibility for the entire durable FSC framework would further constrain consideration of foundational DER orchestration issues. **The appropriate approach is coordination and conformance, not consolidation.**

The Commission should retain FSC-specific requirements—including operating agreements, infrastructure baselines, compensation, and implementation milestones—under Track 3, while coordinating common governance, interoperability, competitive-neutrality, and valuation principles with Track 2. Consistent standards should also allow DERs providing capacity relief through FSCs to participate in other distinct grid services where operationally feasible, without duplicate compensation.

Coordination must be built into the implementation schedule. The Commission should require early FSC workshop findings to be provided to the Track 2 working group before its draft report, and subsequent Track 3 recommendations to incorporate relevant Track 2 findings. The FSC offerings should also preserve customer choice among utility-managed, third-party, aggregator, and self-managed solutions through open, nondiscriminatory interfaces. These requirements would harmonize the two processes without making completion of either a prerequisite for the other.

D. The Commission Must Ensure That FSC Savings Are Reflected in Actual Distribution Investment Decisions

SDG&E recommends removing FSC reporting from the Grid Needs Assessment and Distribution Upgrade Project Report ("GNA/DUPR") process because some FSCs address secondary-system constraints.[12] Although reporting may need to distinguish secondary from primary distribution projects, that distinction does not justify eliminating accountability for the infrastructure investments FSCs avoid. Cal Advocates similarly calls for demonstrated net

[10] CalCCA Opening Comments on PD at pp. 3–7; AEU Opening Comments on PD, at pp. 8–9.
[11] SCE Opening Comments on PD, at pp. 2–3.
[12] SDG&E Opening Comments on PD, at pp. 10–11.

ratepayer benefits from Grid Edge DERMS proposals, rather than merely a methodology for estimating them.[13]

Reporting potential avoided costs is not equivalent to realizing savings. The Commission should strengthen OPs 2 and 20 to require utilities to link verified FSC outcomes to identifiable upgrades and reconcile changes in project need, scope, timing, and expenditures with distribution capital plans and, where applicable, revenue requirements. Appendix D reporting should distinguish projected savings from verified investment changes, including FSC implementation costs and any remaining need for an upgrade. This preserves GNA/DUPR accountability while allowing appropriate reporting of secondary-system projects.

E. The Commission Must Retain a Formal Proceeding and Establish Enforceable Milestones for Completing the Durable FSC Framework

Clean Coalition agrees with EDF and AEU that the Commission should not close R.21-06-017 while essential policy questions concerning durable non-bridging FSCs remain unresolved.[14] The PD explicitly finds that compensation, cost comparisons, and other durable FSC issues require development through a formal proceeding rather than the AL process, yet OP 22 closes the proceeding without designating a successor. Furthermore, Energy Division merely *may* develop a staff proposal following the workshops, leaving no requirement for subsequent Commission action.

Clean Coalition supports EDF's recommendation to accelerate the durable FSC workshops to within 180 days and require an Energy Division staff proposal within 90 days of the workshop report, with findings coordinated with the Track 2 working group.[15] The Commission should establish a schedule for stakeholder comments and formal consideration of the proposal.

Accordingly, the Commission should modify Conclusion of Law 50 and OP 22 to retain R.21-06-017 until the outstanding durable FSC framework is resolved, or designate a successor formal proceeding with a defined scope, mandatory deliverables, and enforceable deadlines before closure.

Respectfully submitted,

[13] Cal Advocates Opening Comments on PD, at pp. 2–4.
[14] EDF Opening Comments on PD, at pp. 6–7; AEU Opening Comments on PD, at pp. 15–17.
[15] EDF Opening Comments on PD, at pp. 4–5.

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