

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



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

R.21-06-017
(Filed June 24, 2021)

**COMMENTS OF UTILITY CONSUMERS' ACTION NETWORK ON ASSIGNED
COMMISSIONER'S RULING ON TRACK 1 AND TRACK 2 DISTRIBUTED ENERGY
RESOURCES (DER) ORCHESTRATION**



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I. INTRODUCTION

Pursuant to the *Assigned Commissioner's Ruling on Track 1 and Track 2 Distributed Energy Resources Orchestration* issued March 23, 2026, and the email to the service list from Administrative Law Judge Jack Chang on April 3, 2026, granting the extension request of Southern California Edison Company (SCE), Pacific Gas and Electric Company (PG&E), and San Diego Gas and Electric Company (SDG&E) (jointly, the IOUs) and setting the date for filing comments to April 20, 2026, Utility Consumers' Action Network timely submits the following comments.

Working with an independent consultant, UCAN provides these comments to assist the Commission in developing a robust, cost-effective framework for Distributed Energy Resources (DER) orchestration. UCAN strongly supports the Commission's goal of leveraging DER flexibility to provide critical grid services, avoid unnecessary infrastructure upgrades, and unlock operational efficiencies. Ratepayers are currently facing an unprecedented affordability crisis, making the efficient utilization of existing grid capacity a paramount regulatory priority.

However, as the Commission develops an "IOU DSO-led" framework, UCAN believes it is critical to ensure that "DSO-led" does not become synonymous with "IOU-monopolized." To protect ratepayers from funding redundant, unnecessarily expensive utility information

technology (IT) systems, the orchestration framework must actively facilitate the participation of third-party aggregators, Community Choice Aggregators (CCAs), and customer-owned technologies. An open, protocol-neutral framework will foster competition, drive down implementation costs, and accelerate the deployment of grid flexibility far more effectively than relying exclusively on centralized utility enterprise systems.

II. DISCUSSION

A. Primary Objectives and Guiding Principles (Responses to Questions 1, 2, and 4)

In response to Question 1, UCAN believes the primary objective of an IOU DSO-led DER orchestration framework should be the minimization of total system costs for ratepayers. Orchestration should be explicitly defined as a mechanism to avoid or defer traditional capital-intensive infrastructure upgrades (e.g., substation expansions, secondary transformer replacements) by utilizing the latent flexibility of customer-sited DERs.

Regarding Question 2, UCAN notes that the recent draft Electrification Impact Study (EIS) Part 2 reports demonstrated that the most significant impending grid constraints involve secondary distribution systems (service transformers and service drops) and primary feeder thermal overloads. Therefore, the orchestration framework should prioritize operational improvements that directly address these specific localized constraints. By managing peak loads at the grid edge, DER orchestration can solve the exact thermal bottlenecks that are currently driving multi-billion-dollar forecast increases in the utilities' distribution plans.

In response to Question 4, UCAN supports the Commission's proposed set of guiding principles, particularly the emphasis on "Ratepayer benefit and protection" and "Technology-neutral, performance-based" implementation. However, to ensure the framework functions efficiently, UCAN recommends adding two additional guiding principles:

Additional Guiding Principle 1:

Fostering Third-Party Competition and Market Access is a major consideration. The framework should explicitly promote a competitive ecosystem where third-party aggregators and CCAs can offer orchestration services. An overly centralized, IOU-exclusive model restricts innovation and typically results in higher software and administrative costs being passed on to ratepayers.

Additional Guiding Principle 2:

Protocol Neutrality and Scalability is necessary. The framework should not mandate a single, proprietary, or overly burdensome communications protocol (such as requiring exclusive use of direct IEEE 2030.5 to the device level) if mutually agreed-upon, secure, and scalable alternatives (such as OpenADR via cloud aggregators) can reliably deliver the required grid service.

B. Valuation Frameworks and Shared Savings (Responses to Questions 3 and 6)

In response to Question 3, UCAN recommends that the Commission utilize the Avoided Cost Calculator (ACC) and robust Locational Net Benefits Analysis (LNBA) to quantify ratepayer value. The valuation framework must accurately reflect the highly locational value of orchestration. A kilowatt of demand flexibility provided on a heavily constrained feeder scheduled for an imminent upgrade holds exponentially more value to ratepayers than flexibility on a feeder with ample existing headroom.

Regarding Question 6, UCAN urges the Commission to exercise extreme caution when considering a Shared Savings Mechanism (SSM) for DER orchestration. IOUs already have a fundamental regulatory and statutory obligation to pursue least-cost planning and operate the grid efficiently. Ratepayers should not be required to pay utility shareholders a premium or "bonus" simply for choosing a cost-effective software solution over an unnecessarily expensive hardware solution. If the Commission does explore an SSM, UCAN believes it must be strictly

tied to verified, realized ratepayer savings that go above and beyond the baseline requirements of the Distribution Planning Process (DPP).

C. Integration of EIS Part 2 Findings (Response to Question 5)

In response to Question 5, UCAN believes the findings from the EIS Part 2 studies are highly relevant and should directly inform the DER Orchestration applications. The EIS Part 2 results visually and geographically identified the specific substations, primary feeders, and secondary networks expected to experience the most severe thermal overloads due to electrification.

UCAN recommends that the IOUs be required to use these specific, highly constrained areas as the initial geographic targets for piloting and phasing in DER Orchestration. Rather than deploying orchestration randomly across the system, the IOUs should target the precise locations where the EIS Part 2 identified the highest avoided-cost potential.

D. Interoperability and the Role of Aggregators (Responses to Questions 10 and 15)

In response to Questions 10 and 15, UCAN believes the proposed DER Orchestration applications must address aggregators as co-equal participants in grid management.

Currently, the IOUs frequently position their centralized Advanced Distribution Management Systems (ADMS) and Distributed Energy Resources Management Systems (DERMS) as the sole mechanisms capable of orchestrating load, often pushing for exclusive reliance on the IEEE 2030.5 protocol down to the individual device level. However, requiring all DERs to integrate directly into a centralized utility DERMS creates an unnecessary IT bottleneck and drives up compliance costs. Third-party aggregators effectively operate as Virtual Power

Plants (VPPs) and already possess sophisticated cloud-based software capable of managing thousands of end-use devices using protocols like OpenADR.

UCAN recommends that the IOU applications establish clear performance standards and data exchange requirements at the point of common coupling (the "grid edge"). If an aggregator can verifiably ensure that a fleet of electric vehicles or batteries maintains net load within a specified dynamic envelope, the utility should not micromanage the specific internal protocols the aggregator uses to achieve that outcome. This decentralized approach protects ratepayers by shifting IT development and maintenance costs away from the utility rate base and onto the competitive market.

E. Real-Time Pricing and DER Orchestration (Response to Question 14)

In response to Question 14, UCAN recommends that the implementation of DER Orchestration (specifically Variable Operating Envelopes) be kept strictly complementary to, but separate from, the rollout of real-time or dynamic pricing.

An operating envelope is a physical, technical constraint designed to protect local grid assets, whereas dynamic pricing is an economic signal designed to influence behavior. Customers who willingly accept a flexible connection to provide physical grid relief should not be "double penalized" by being forcefully defaulted onto volatile dynamic rates. UCAN urges the Commission to ensure that participation in dynamic pricing remains strictly optional for orchestrated customers, thereby preventing customer confusion and avoiding a chilling effect on the adoption of flexible grid connections.

F. Technology Investments, Readiness, and Cost Recovery (Responses to Questions 8, 16, and 17)

In response to Questions 8, 16, and 17, UCAN urges the Commission to apply rigorous cost-effectiveness scrutiny to any utility proposals for new ADMS/DERMS technology investments.

The development of Enterprise DERMS has historically been characterized by prolonged deployment timelines and substantial capital cost overruns. While foundational ADMS capabilities are necessary for grid visibility, the Commission should exercise caution before authorizing billions of dollars in new utility-owned communications infrastructure and software enhancements under the guise of orchestration.

To protect ratepayers from utility overspending, UCAN recommends the following requirements for the IOUs' formal applications:

1) Mandatory Alternatives Analysis is suggested. IOUs must demonstrate why existing, customer-owned, or aggregator-managed technologies (e.g., smart electrical panels, existing broadband networks, and aggregator-led dispatch) cannot fulfill the orchestration requirement before requesting ratepayer funds for utility-owned communications infrastructure or device-level controls.

2) Total Resource Cost (TRC) Evaluation is a necessary step toward the right direction. Any proposed technology investment for DER orchestration must be accompanied by a comprehensive TRC analysis. The applications must prove that the cost of the proposed utility DERMS and communications upgrades is less than the projected savings from the traditional infrastructure upgrades those systems are designed to defer.

3) IOUs should not be permitted to use the ongoing development of complex, next-generation Enterprise DERMS as an excuse to delay the implementation of near-term flexible connections. UCAN believes the IOUs should be required to propose interim orchestration solutions utilizing existing Advanced Metering Infrastructure (AMI 1.0) and third-party aggregation while longer-term systems are being developed.

III. CONCLUSION

UCAN appreciates the opportunity to provide these comments on the development of the Track 2 DER Orchestration Framework. A carefully designed, DSO-led orchestration framework has the potential to save ratepayers billions of dollars by maximizing the efficiency of the existing distribution grid.

To achieve these savings, UCAN respectfully urges the Commission to ensure that the forthcoming IOU applications prioritize protocol neutrality, leverage third-party aggregator capabilities, and avoid authorizing redundant or unnecessarily expensive utility-owned IT systems. By fostering a competitive, decentralized approach to demand flexibility, the Commission can advance California's electrification goals while fulfilling its mandate to protect ratepayer affordability.

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