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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 July 2, 2021)

REPLY COMMENTS OF SMALL BUSINESS UTILITY ADVOCATES ON ASSIGNED COMMISSIONER'S RULING ON TRACK 1 AND TRACK 2 DISTRIBUTED ENERGY RESOURCES ORCHESTRATION

Ariel Strauss
Regulatory Counsel
Small Business Utility Advocates
548 Market St., Suite 11200
San Francisco, CA 94104
Telephone: (310) 709-1213
Email: ariel@utilityadvocates.org

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I. INTRODUCTION

Pursuant to the *Assigned Commissioner's Ruling on Track 1 and Track 2 Distributed Energy Resources Orchestration*, filed March 23, 2026, and the *Email Ruling Granting Request for Extension on Comments and Workshop* of April 3, 2026, Small Business Utility Advocates (SBUA) provides its reply comment to select questions.

II. REPLY COMMENTS

SBUA has found several productive and constructive recommendations by various stakeholders in their Comments. The following are a few of those recommendations, and SBUA's support for them in part or in total.

A. Cost Recovery Applications

The PAO argues for the CPUC to first determine whether DER orchestration cost recovery should occur at all, and whether there is a need for IOU applications to seek that cost recovery. PAO notes that the IOUs have not yet demonstrated net ratepayer benefits from DER orchestration.[1] PAO proposes that any cost recovery should take place in the GRC for each IOU, so as to enable a holistic view of the grid modernization costs, and to avoid duplicative cost

[1] PAO Opening Comments, p. 4

recovery. SBUA supports this approach and notes that it aligns with the Commission's recommendation in the Climate Adaptation proceeding (R.18-04-019) to encourage utilities to seek climate adaptation investments in consolidated GRC applications.[2]

B. Guiding Principles

Regarding the guiding principles set forth to shape the proposed IOUs' DER orchestration framework applications, there are several helpful suggested modifications by stakeholders. SBUA agrees with UCAN that a primary objective of the IOU DSO-led framework "should be the minimization of total system costs for ratepayers."[3] SBUA notes in particular EDF's comment that the "equity and customer protection" principle should specify whether the equity it intends is for the utilities to apply in designing their proposed frameworks (e.g. equitable access to the grid for customers deploying DERs), or equity in accessing the benefits of DER orchestration. SBUA agrees this distinction is important, and supports both interpretations of the intent for this principle. Equity apparently is otherwise not addressed in detail in the DER orchestration plans, but is a vital component of grid modernization.

SBUA also supports the addition of guiding principle of "Fostering Third-Party Competition and Market Access" to "promote a competitive ecosystem."[4]

C. Shared Savings Mechanism

SBUA shares UCAN's concern that a shared savings mechanism (SSM) needs to be carefully considered to avoid weakening or distorting utility monopolies' existing duty to pursue

[2] D.24-08-005 at 65 ("The IOUs should strive to include CAVA Investment Proposals only in their GRC applications, but we do not restrict IOUs to only offering CAVA Investment Proposals in this venue.").
[3] UCAN Opening Comment, p. 2.
[4] Id., p. 3. Note: SBUA perceives UCAN's second principle, "Protocol Neutrality and Scalability," as elements of a system with a high degree of market access and minimized utility monopoly.

the most cost-effective choices for caritive customers.[5] The measurement of benefits presents serious challenges.[6] SBUA questions PG&E's argument for SSM on the basis that "Success can hinge on a variety of outside actors and risks[.]"[7] Typically, utilities take very little risk. SBUA agrees with SCE that "use of a SSM is not necessary for SCE to pursue the most cost-efficient solutions to serve its customers. . . SSM is a complex topic that would require its own proceeding and a substantial record."[8] SBUA recommends that the Commission carefully consider the use cases where SSM would be appropriate. Specifically, SBUA considers it potentially beneficial where utilities do take on cost risk.

D. Cost-Effective Mechanisms and Measures

PAO further recommends a Commission-led Track 2 working group focused on cost-benefit methodology, performance metrics, pilot evaluation standards and oversight frameworks, which could enable an evaluation of proposed use cases versus conventional alternatives.[9] SBUA supports these recommendations as an effective approach for focusing on whether DER orchestration cost recovery is justified from the ratepayer perspective.

Regarding cost effectiveness analysis to quantify ratepayer value from DER orchestration, SBUA agrees with the notion that temporal-and locational-specific costs are essential, and in the context of each use case, reflecting the unique costs and benefits of each use case as offered by each IOU.

[5] Id., p.3.
[6] PAO Opening Comments, p.14.
[7] PG&E Opening Comments, p.8.
[8] SCE Opening Comments, p. 6.
[9] PG&E Opening Comments, p. 5.

EDF encourages the Commission to consider developing a locational marginal price ("dLMP"), or flexibility market framework, which could mirror CAISO pricing processes, while adding a distribution congestion and loss element to send strong price signals to developers regarding where to cost-effectively locate their investments.[10] This is similar to UCAN's recommendation for "robust Locational Benefits Analysis (LNBA)" to encourage investments in locations that produce the highest value.[11]

EDF also recommends consideration of the Pacific Northwest National Lab (PNNL) study evaluating the potential cost savings in ERCOT from implementing a DSO+T transactive energy model, which is similar to the DSO construct being considered in the High DER proceeding.[12] Transactive energy enables electricity suppliers, energy markets, the power grid, homes, commercial buildings, and distributed energy resources (DERs), such as electric vehicles and batteries, to communicate directly or indirectly with each other to negotiate energy needs and costs.[13]

These recommended approaches to cost effective analysis could be contrasted with the current CPUC cost effectiveness tests. The Total Resource Costs (TRC) remains the primary test, while IOUs can also compare the TRC with the Program Administrator Cost (PAC) test and the Societal Cost Test (SCT). SDG&E notes that the California Standard Practice Manual provides a basic framework for cost effectiveness tests, but DER orchestration may require supplemental consideration of locational, temporal, and operational value streams specific to the

[10] EDF Opening Comments, p. 5.
[11] UCAN Opening Comments, p. 3.
[12] EDF Opening Comments, pp. 5-6
[13] PNNL, "Transactive Energy", https://www.pnnl.gov/explainer-articles/transactive-energy.

distribution services being provided.[14] SBUA agrees, while adding that the Societal Cost Test[15] could provide a useful perspective, inclusive of social benefits and cats, very relevant to DER orchestration.

To further assess cost effectiveness of various DER orchestration use cases, PG&E describes a phased implementation and deployment framework, with Commission approval of a sandbox phase, enabling a rapid evaluation of concepts and identification of solutions with ability to orchestrate and potential to generate system value. Promising applications could subsequently advance to targeted pilots, with subsequent expansion occurring incrementally based upon demonstrated performance, operational readiness, and measurable outcomes.[16] SBUA supports this approach, which enables an assessment of particular use cases before seeking to expand to full scale programs, thereby reducing the risk of deploying use cases which may not be cost effective nor provide sufficient net benefits to ratepayers. SCE proposes a similar phased implementation, and cites several planned demonstrations, pilots, and studies, which enable SCE to better understand the benefits and costs of DER orchestration.[17]

Finally, UCAN recommends that formal applications for new technology investments require an explicit, "Mandatory Alternatives Analysis" where the IOU shows

> 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.[18]

[14] SDG&E Opening Comments, p. 7.
[15] D. 24-07-015, "Decision Adopting The Societal Cost Test", 7/15/24.
[16] PG&E Opening Comments, p. 11.
[17] SCE Opening Comments, p. 7.
[18] UCAN Opening Comments, p. 6.

SBUA supports this requirement and similarly recommends that recommends applications for grid costs in general show consideration of "no-wires" alternatives.

E. Potential Applications of Benefit-Cost Methodologies

PG&E recommends early energization where a customer "may be willing to pay to get interconnected faster through the use of orchestration."[19] SBUA is concerned with the equity consequences and inappropriate profit incentives of this tiers-of-service model. While there may be instances where many other customers benefit from expedited work, typically, there are non-monetary resource constraints (e.g., supply chain, labor availability, project management staffing, engineering review, etc.) such that putting customers willing to pay extra ahead of the line does not fully expand the pie but sets other 'lower tier' customers back. Before such a model is put into action, the Commission must undertake careful analysis and obtain adequate assurances that it does not create delays or setbacks for non-'premium' customers.

III. CONCLUSION

SBUA looks forward to continuing to participate in this proceeding.

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ariel@utilityadvocates.org

[19] PG&E Opening Comments, p. 14.