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

COMMENTS OF THE VEHICLE-GRID INTEGRATION COUNCIL ON THE PROPOSED DECISION ADDRESSING TRACK 3 ISSUES DIRECTING LARGE INVESTOR-OWNED UTILITIES TO SUPPORT AFFORDABILITY THROUGH FLEXIBLE SERVICE CONNECTIONS

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In accordance with the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission"), the Vehicle-Grid Integration Council ("VGIC") hereby submits these comments on the *Proposed Decision Addressing Track 3 Issues Directing Large Investor-Owned Utilities to Support Affordability Through Flexible Service Connections* ("Proposed Decision" or "PD") filed by Commissioner Darcie Houck on October 20, 2026.

I. INTRODUCTION.

VGIC appreciates the PD's efforts to advance flexible service connections ("FSCs") as a mechanism to accelerate customer energization, improve distribution grid utilization, and reduce costs for California ratepayers. VGIC supports the PD's direction to expand FSC offerings across the three large investor-owned utilities ("IOUs"), including the development of persistent non-bridging solutions and further consideration of customer choice and interoperability.

However, VGIC is concerned that the PD does not establish a clear pathway for implementing durable non-bridging solutions, including a mechanism to compensate customers for the grid benefits they provide. Additionally, the PD does not sufficiently address customer choice, particularly the ability of customers to utilize third-party providers to satisfy FSC requirements. VGIC therefore recommends the following:

- The Commission should establish a clear pathway for developing and implementing compensated non-bridging flexible service connections.
- The Commission should establish clear customer-choice principles and ensure that third-party providers can support customers participating in flexible service connections.

II. THE COMMISSION SHOULD ESTABLISH A CLEAR PATHWAY FOR DEVELOPING AND IMPLEMENTING COMPENSATED NON-BRIDGING FLEXIBLE SERVICE CONNECTIONS.

a. Clear regulatory next steps are needed for durable non-bridging solutions.

VGIC appreciates the PD's recognition that non-bridging FSCs can reduce distribution system costs and its direction to expand persistent non-bridging offerings. However, VGIC is concerned that the PD declines to direct implementation of durable non-bridging solutions, including a mechanism to compensate customers for the grid benefits they provide.

The PD currently only directs Pacific Gas and Electric ("PG&E") and Southern California Edison ("SCE") to host workshops within one year, followed by a workshop report, but does not establish any concrete next steps following submission of that report. The PD states that "Energy Division staff *may* develop a staff proposal following the service of the workshop report." (*emphasis added*)[1] However, the PD does not require Energy Division to act on the report or establish a timeline for further consideration of its findings, despite acknowledging that "This is an issue that will continue to come up as we move into the high DER future."[2]

VGIC acknowledges that several policy issues remain unresolved and agrees that these issues require careful consideration. However, these outstanding questions should not justify further delay in developing a compensation framework. As VGIC and other parties, including Cal

[1] PD at 108.
[2] PD at 108.

Advocates, have previously explained, durable non-bridging solutions have the potential to generate substantial ratepayer savings by avoiding or permanently deferring distribution system upgrades.[3] However, customers must invest in the operational capabilities necessary to provide this flexibility, and many customers will be unwilling to make these investments or accept long-term operational restrictions without appropriate economic incentives. Further delays in developing a compensation framework risk leaving substantial ratepayer savings unrealized, particularly as utilities proceed with distribution upgrades that could otherwise have been avoided.

VGIC therefore recommends that the Commission modify the PD to establish a clear pathway for implementing compensated durable non-bridging FSCs. Specifically, the Commission should direct the IOUs to develop an incentive, compensation, or shared-savings framework through the durable non-bridging solutions workshop process and establish a firm deadline for submitting an implementation proposal. If the Commission determines that a formal proceeding is necessary before adopting compensation requirements, the PD should identify the appropriate proceeding or establish a process for filing an application, along with a timeline for consideration of these issues. Without such direction, the development of compensated durable non-bridging solutions could be deferred indefinitely, despite their significant potential to reduce distribution infrastructure costs.

b. Persistent non-bridging solutions provide an opportunity to develop and pilot compensation frameworks.

[3] VGIC Reply Comments on Assigned Commissioner's and Administrative Law Judge's Ruling Requesting Comment on Assigned Commissioner's Proposal on Flexible Service Connection ("ACP Ruling") at 3-4; California Public Utilities Commission Public Advocates Office Opening Comments on ACP Ruling at 5; Utility Consumers' Action Network Opening Comments on ACP Ruling at 8; Advanced Energy United Opening Comments on ACP Ruling at 2-3; San Diego Gas & Electric Opening Comments on ACP Ruling at 2.

VGIC recognizes that developing a comprehensive compensation framework for durable non-bridging FSCs requires further consideration of cost allocation, avoided distribution upgrade costs, and customer performance requirements. However, the Commission can make meaningful progress on many of these issues through the persistent non-bridging offerings already directed by the PD.

Specifically, VGIC recommends that the Commission leverage persistent non-bridging offerings to collect data and develop a standardized methodology for evaluating compensation for customers. In the PD, the Commission requires that the utilities collect information on the deployment of persistent non-bridging solutions and requires the tracking of related data metrics, including capital investment avoided or deferred through FSCs. However, the Commission declines to adopt SCE's proposal that the utilities track affordability metrics and evaluation of participation persistence, stating that these metrics are "more applicable to a valuation framework."[4] VGIC believes these metrics would provide valuable information for developing such a framework and should be collected as part of the persistent non-bridging offerings.

For customers who would not otherwise voluntarily adopt persistent non-bridging solutions, the IOUs should also develop and propose a compensation mechanism to encourage participation. Such a mechanism could initially focus on customers whose service requests would otherwise trigger distribution upgrades funded in whole or in part by ratepayers (as opposed to the individual customer triggering the upgrade). In these cases, customers may have little incentive to incur the costs of enabling flexible operations when they would not otherwise bear the full cost of the distribution upgrade. A shared-savings mechanism could address this misalignment by compensating customers for a portion of the net ratepayer savings generated by their flexibility,

[4] PD at 149.

while ensuring that ratepayers retain the remaining benefits. An initial limited rollout of this approach could be pursued to provide valuable information on customer participation, compensation levels, and performance requirements while mitigating risk.

III. THE COMMISSION SHOULD ESTABLISH CLEAR CUSTOMER-CHOICE PRINCIPLES AND ENSURE THAT THIRD-PARTY PROVIDERS CAN SUPPORT CUSTOMER FLEXIBLE SERVICE CONNECTIONS.

VGIC supports the PD's recognition that FSC frameworks must preserve customer choice and avoid favoring particular technologies, vendors, or market participants. However, VGIC is concerned that the PD does not establish sufficient protections to ensure customers can utilize third-party technology providers to satisfy FSC requirements, particularly as non-bridging offerings are expanded.

Section 11.1.2 of the PD recognizes the importance of technology and provider neutrality but declines to adopt specific customer-choice requirements, instead directing the IOUs to host a workshop on interoperability standards and protections.[5] While VGIC supports further stakeholder engagement, the Commission should establish minimum customer-choice principles to ensure that FSC offerings accommodate third-party participation from the outset.

Customers should retain the ability to satisfy FSC operating requirements through utility-managed offerings, original equipment manufacturer ("OEM") solutions, third-party providers, and/or self-managed equipment. This flexibility is particularly important for electric vehicle ("EV") customers, whose operations may already be managed by third-party providers. Requiring these customers to adopt separate utility-controlled platforms or proprietary solutions could create unnecessary costs and barriers to participation. Similarly, restricting third-party access to operating

[5] PD at 127-128.

envelope information or requiring customers to forgo participation in other grid services programs could undermine customer choice and competition.

VGIC therefore recommends that the Commission modify the PD to establish customer choice and third-party participation as foundational FSC requirements. Specifically, the PD should clarify that customers may select qualified third-party providers to manage compliance with FSC operating envelopes, subject to applicable technical, cybersecurity, and reliability requirements. The Commission should also direct the IOUs to address third-party participation in their forthcoming FSC implementation advice letters, including communication of operating envelope information, verification of third-party compliance, and compatibility with demand response and other grid services programs.

IV. CONCLUSION.

VGIC appreciates the opportunity to provide these comments on the Proposed Decision. We look forward to further collaboration with the Commission and other stakeholders on this important initiative.

Respectfully submitted,

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VEHICLE-GRID INTEGRATION COUNCIL

Date: November 9, 2026