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11/09/26
04:59 PM
R2106017

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)

ENVIRONMENTAL DEFENSE FUND OPENING COMMENTS ON PROPOSED DECISION ADDRESSING TRACK 3 ISSUES DIRECTING LARGE INVESTOR-OWNED UTILITIES TO SUPPORT AFFORDABILITY THROUGH FLEXIBLE SERVICE CONNECTIONS

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November 9, 2026

I. INTRODUCTION

On July 7, 2026, the Assigned Commissioner and Administrative Law Judge issued the Assigned Commissioner's and Administrative Law Judge's Ruling Requesting Comment on Assigned Commissioner's Proposal on Flexible Service Connections ("ACP").[1] The ACP sought comment on a framework designed to enable and scale Flexible Service Connections ("FSCs") to the distribution grid while maintaining system reliability, preserving operational flexibility, and making more efficient use of existing grid capacity. Several parties, including Environmental Defense Fund ("EDF") filed comments on the ACP. On October 20, 2026, Commissioner Darcie L. Houck released the Proposed Decision Addressing Track 3 Issues Directing Large Investor-Owned Utilities to Support Affordability Through Flexible Service Connections ("PD"). Consistent with CPUC Rule of Practice and Procedure 14.3, these comments are timely filed within 20 days of service of the PD.

EDF broadly supports the directives set out in the PD. As discussed at length in EDF's prior comments on this topic, FSCs can provide meaningful benefits to participating customers and to ratepayers as a whole, addressing both affordability and speed-to-power challenges.[2] EDF therefore strongly supports the Commission's efforts to expand, strengthen, and standardize the investor-owned utilities' ("IOUs") FSC offerings. EDF remains concerned, however, that further work is needed to support the widespread use of more complex FSC offerings, namely persistent and durable non-bridging FSCs. To address this, EDF recommends the following modifications to the PD, which are discussed in greater detail in Section II below:

- Sections 9.1 and 14 – The Commission should specify a process for developing a valuation and compensation framework for non-bridging FSCs;
- Section 9.1 – The Commission should require Energy Division staff to develop a staff proposal regarding the implementation of durable non-bridging solutions;
- Section 7.2 – The Commission should specify the criteria for when SCE and SDG&E must begin offering VOEs for secondary distribution constraints;
- The Commission should keep open the High DER proceeding or identify a successor proceeding to resolve the above topics.

[1] R. 21-06-017, Order Instituting Rulemaking to Modernize the Electric Grid for a High Distributed Energy Resources Future, Assigned Commissioner's and Administrative Law Judge's Ruling Requesting Comment on Assigned Commissioner's Proposal on Flexible Service Connections (July 7, 2026). [hereinafter "ACP"].

[2]

II. DISCUSSION

A. The Commission should specify a process for developing a valuation and compensation framework for non-bridging FSCs.

The PD states that as part of the Durable Non-Bridging Solutions Workshop(s), the IOUs are directed to address, among other things:

- Methodologies that could be used to generate the scope and cost of a wires baseline;
- Methodologies that could be used to determine the equivalent upgrade cost or allowance amount;
- Any appropriate cost offsets or in-kind contribution for participants that ensure cost-effectiveness for ratepayers; and
- Any appropriate portion of the upgrade cost or allowance amount that could support cost offsets or in-kind contributions.[3]

The PD also states that "this decision adopts reporting requirements that are meant to gather data that could in the future inform the development of a valuation framework by the Commission in a future proceeding."[4]

As EDF and other parties have repeatedly emphasized in this proceeding, valuation and compensation methodology is critical for scaling non-bridging solutions.[5] This is true for both durable solutions, which may remain in place indefinitely, and persistent solutions, which may remain in place for an indeterminate amount of time. Customers selecting either of these options instead of waiting for a grid upgrade that would be fully or partially ratepayer funded are providing a clear benefit to ratepayers for which the participating customer is uncompensated under the PD's proposed framework. In the case of a customer selecting a persistent solution, there is no guarantee there will ever be excess capacity available to them to move off of the FSC, meaning that when the FSC is implemented there may be no way to distinguish that customer from one on a durable solution. Without any compensation framework, these persistent FSC customers will be providing an uncompensated benefit to ratepayers indefinitely, which results in an unreasonable cost shift. Durable FSCs, which are even more likely to remain in place, will see an even greater cost shift.

[3] PD at 107.
[4] PD at 151.
[5] R.21-06-017, Order Instituting Rulemaking to Modernize the Electric Grid for a High Distributed Energy Resources Future, EDF Opening Comments on Assigned Commissioner's Proposal, 12-13 (July 27, 2026).

The categories outlined above for consideration during the Durable Non-Bridging Solutions Workshops begin to address this topic, but do not go far enough. An agreed-upon methodology for calculating the ratepayer costs the utility would incur without the use of an FSC is a necessary component of a valuation framework the Commission should adopt. The Commission should also direct the utilities to propose a methodology for estimating and allocating the ratepayer costs to implement and maintain a customer's FSC. And, it should specific that "cost offsets or in-kind contribution" can include direct compensation to the participating customer, which could take the form of up-front payments or recurring bill credits, for example.

The Commission should also specify that it will use this information to develop a valuation *and compensation* framework. The PD's current language suggests that a valuation framework is a potential future development, while remaining silent on the topic of compensation. EDF agrees with PG&E's recommendation that the Commission should avoid "new or increased cost shifts" in implementing FSCs,[6] but Final Decision should acknowledge that this includes cost shifts borne by non-participants and those borne by participants. Failure to quantify and address the cost shift unfairly carried by non-bridging FSC participants is unjust and unreasonable for those participants and sets up non-bridging FSCs for failure from the start. To address this, EDF recommends that the Commission direct the utilities to recommend, as part of the Durable Non-Bridging Solutions Workshop Report a compensation mechanism for customers implementing non-bridging FSCs that 1) appropriately compensates participating customers, 2) avoids unreasonable cost shifts between participants and non-participants, and 3) supports net ratepayer benefits from FSCs.

Finally, given the importance of this issue for the success of non-bridging solutions, the Commission should move up the timeline for the hosting of the Durable Non-Bridging Solutions Workshop from 1 year after the issuance of the Decision, as currently proposed,[7] to 180 days after issuance.

[6] PD at 144
[7] PD at 154.

B. The Commission should require Energy Division staff to develop a staff proposal regarding the implementation of durable non-bridging solutions.

The PD states that "Energy Division staff may develop a staff proposal [related to IOU implementation of durable non-bridging solutions] following the service of the [Durable Non-Bridging Solutions] workshop report. Regardless of whether a staff proposal is developed, this is an issue that will continue to come up as we move into the high DER future."[8] The Commission should make this directive mandatory, rather than optional.

As discussed above, durable FSCs do not inherently differ from the persistent FSCs that the IOUs are already directly to implement by the PD. And, the technical and operational questions related to non-bridging FSCs largely mirror those for bridging solutions, meaning little in the way of additional staff action is needed. The action that is needed by the Commission and Energy Division staff is addressing the valuation and compensation questions relevant to both of these categories. As discussed in the previous section, leaving these questions unresolved with no clear timeline or venue for resolution is likely to result in unreasonable cost shifts onto non-bridging FSC participants, or the lack of use of non-bridging FSCs entirely. Therefore, EDF recommends that the Commission affirmatively direct Energy Division Staff to file a staff proposal within 90 days of the IOUs' filing of the Durable Non-Bridging Solutions Workshop Report. This staff proposal should address the topics listed for consideration as part of the Durable Non-Bridging Solutions Workshop.[9]

C. The Commission should specify the criteria for when SCE and SDG&E must begin offering VOEs for secondary distribution constraints.

The PD states that "SCE and SDG&E's [variable operating envelope] offerings need not be applied to secondary distribution constraints at this time, pending technical development and demonstration and showing of liquidity of resources."[10] EDF agrees that applying VOE requirements to SCE and SDG&E is not appropriate or necessary at this time, and agreed with IREC that technical limitations may mean such requirements are not appropriate or necessary in the future. But, the Commission should specify how it will reevaluate this decision and the information it needs for this reevaluation.

[8] PD at 108.
[9] PD at 107.
[10] PD at 71.

In particular, the Commission should specify the "technical development and demonstration" that it expects to see prior to returning to this question. For example, this could include a minimum number of primary distribution VOE deployments by each utility, as reported in their annual GNA/DUPR filing. The Commission should use this data in this or a successor proceeding to review the effectiveness of VOE offerings at addressing primary distribution constraints when considering whether to extend these offerings to secondary voltage customers.

Similarly, the Commission should detail its requirements for a "showing of liquidity of resources." As EDF understands IREC's statement on this topic, there may be too few customers served by a single segment of the secondary system for a utility to forecast load on the segment, as a single customer's demand can produce a meaningful deviation from the forecast.[11] EDF agrees in principle, but the Commission should direct SCE and SDG&E to validate this position. Specifically, the Commission should direct SCE and SDG&E to study their ability to accurately forecast demand on secondary system segments, and identify the characteristics of a segment (such as number of customers served, or customer types) that allow for forecasting accurate enough for VOE offerings. The utilities should report on their findings as part of their Flex Connect ALs.

D. The Commission should keep open the High DER proceeding or identify a successor proceeding to resolve the above topics.

Ordering Paragraph 22 of the PD states that "Rulemaking 21-06-017 is closed."[12] The Commission should keep open the High DER proceeding or identify a successor proceeding to address unresolved issues including those discussed above. For example, both the applicability of VOEs on the secondary system and the valuation and compensation of non-bridging FSCs are topics relevant to all three of the IOUs that are best resolved in a rulemaking applicable to all three. Leaving the resolution of these substantive questions to the advice letter process unreasonably delegates decision-making authority to the utilities, and relying on potential future rulemakings that do not yet exist threatens the consistent resolution of these important questions for no clear reason.

In addition, keeping this proceeding open or clearly designating a successor proceeding will support future Commission decision-making. The PD appears to direct a single utility report

[11] IREC Opening Comments on ACP at 16.
[12] PD at 177.

filing in the High DER and successor proceedings, while the rest must simply be served on the identified service lists.[13] Directing the IOUs to serve the workshop reports listed in the PD on the service list for this proceeding, but not file those reports in any proceeding, unreasonably limits their potential evidentiary value in future Commission decision-making. If the Commission does insist on closing the High DER proceeding, however, it should immediately designate the successor proceeding where unresolved issues may be addressed and where the IOUs must file their reports, as this is critical to support meaningful stakeholder engagement and Commission decision-making throughout this process.

III. CONCLUSION

EDF thanks the Commission for the opportunity to provide these comments and requests it make modifications to the PD consistent with recommendations discussed above.

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[13] PD at 169, Ordering Paragraph 6.

Appendix A: Recommended Edits and Additions to the Conclusions of Law and Ordering Paragraphs of the Proposed Decision

Conclusions of Law

27. It is reasonable to direct the IOUs to provide additional information before the Commission determines the usefulness of VOE offerings for secondary system constraints

50. It is reasonable to develop a valuation and compensation framework for persistent and durable non-bridging solutions.

~~50. It is reasonable to close this proceeding.~~

Ordering Paragraphs

8. Southern California Edison Company (SCE) and San Diego Gas & Electric Company (SDG&E) shall develop Variable Operating Envelope offerings based off Pacific Gas and Electric Company's (PG&E) Flex Connect offering. SCE shall develop an offering that aligns with PG&E's Flex Connect, and SDG&E shall initially develop a proof-of-concept. Within 180 days of the issuance of this decision, SCE and SDG&E shall hold a joint preview workshop to present their initial proposals for this offering and receive input from stakeholders. SCE and SDG&E shall additionally provide quarterly updates to Energy Division staff, starting 45 days after issuance of this decision until the disposition of their Flex Connect Advice Letters. SCE shall file a Tier 2 Advice Letter and SDG&E shall file a Tier 3 Advice Letter to propose their Variable Operating Envelope offering within one year of the issuance of this decision (Flex Connect Advice Letters). The Flex Connect Advice Letters must include the following:

    (a) SCE's AL shall align with PG&E's Flex Connect implementation including both a Flex Connect Form Agreement and providing descriptive detail at a level equivalent to PG&E's Flex Connect informational report. SCE shall articulate any divergence between its Flex Connect offering and PG&E's and describe the factors that require divergence. SDG&E's AL shall provide an implementation plan for a proof-of-concept Variable Operating Envelope that shall include no less than two sites and provide telemetry by June 1, 2028. SDG&E shall additionally detail its plan to provide a Variable Operating Envelope offering consistent with

PG&E's Flex Connect as a formalized offering, beyond the proof-of-concept sites, by June 1, 2029.

(b) SCE and SDG&E shall identify the characteristics of a secondary line segment (such as number of customers served, or customer types) that allow for forecasting accurate enough for VOE offerings, and propose whether and how to extend VOE offerings to secondary system customers.

~~13.~~ Pacific Gas and Electric Company (PG&E) shall file ~~serve~~ an informational report ~~to the Commission's Energy Division and the service list of this proceeding~~, in this proceeding and any successor proceedings, on its Flex Connect program within 90 days after of the issuance of this decision. The informational report shall include at minimum the topics listed in Appendix A. PG&E shall also serve a Grid Edge Distributed Energy Resource Management System Informational Report to the Commission's Energy Division and the service list of this proceeding on ChargeBoost and PanelBoost within nine months of the issuance of this decision. The informational report will include at minimum the topics listed in Appendix A.

14. Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company (together, the IOUs) shall jointly host a workshop or workshops to discuss outstanding policy topics related to durable non-bridging solutions within ~~one year~~ 180 days of the issuance of this decision. The IOUs shall develop a workshop report within 60 days of the workshop(s), file the report in this proceeding and any successor proceedings, and serve the report on the service lists for the following rulemakings: this proceeding [Rulemaking (R.)21-06-017]; Energization Rulemaking (R.) 24-01-018, Transportation Electrification Policy and Infrastructure (R.23-12-008), Interconnection (R.25-08-004), Advanced Rate Design (R.26-04-009), and Demand Response (R.25-09-004). The IOUs shall include in this Report a proposal for a compensation mechanism for customers implementing non-bridging FSCs that 1) appropriately compensates participating customers, 2) avoids unreasonable cost shifts between participants and non-participants, and 3) supports net ratepayer benefits from FSCs. The IOUs must solicit participation from stakeholders, coordinate with Energy Division on the agenda for the

workshop, and follow the workshop process requirements in Appendix E. The workshop report must address all of the topics covered in the workshop, summarize stakeholder feedback and presentations provided at the workshop(s), and include recommendations for IOU implementation of durable non-bridging solutions based on the workshop discussion. The topics covered in this workshop, or workshops, shall at minimum include the following:

a) Methodologies that could be used to generate the scope and cost of a wires baseline;
b) Methodologies that could be used to determine the equivalent upgrade cost or allowance amount;
c) Methodologies that could identify the technical means needed to assure operational performance;
d) Methodologies to quantify reliability impacts;
e) Rules governing recovery of prudently incurred IOU costs;
f) Duration and terms and conditions of the durable non-bridging arrangement;
g) Any appropriate cost offsets or in-kind contribution for participants that ensure cost-effectiveness for ratepayers;
h) Any appropriate portion of the upgrade cost or allowance amount that could support cost offsets or in-kind contributions; and
i) Methodologies and data collection necessary to verify net ratepayer savings.

15. Within 90 days of the filing of the durable non-bridging solutions workshop report, Energy Division Staff shall file a staff proposal regarding the implementation of durable non-bridging solutions and a valuation and compensation framework for persistent and durable non-bridging solutions.

~~19.~~ 20. Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company (together, the IOUs) shall jointly host two workshops and develop a workshop report prior to filing a joint Tier 2 Advice Letter (AL) to implement cybersecurity requirements based on the Smart Inverter Operationalization Working Group Cybersecurity Subgroup (SIO-CS) Recommendations (Joint Cybersecurity AL). The IOUs shall jointly host the first cybersecurity workshop within 180 days of the issuance of this decision. The IOUs must develop and file in this proceeding and any successor proceedings

~~serve to the service list of this proceeding~~ a workshop report within 60 days of the first cybersecurity workshop and solicit informal stakeholder comments due 35 days after the workshop report is ~~served~~ filed. The IOUs shall host a second cybersecurity workshop 60 days after the workshop report is served to discuss feedback from stakeholders that shall inform the Joint Cybersecurity AL. Each workshop must follow the guidelines in Appendix E. The IOUs shall file the Joint Cybersecurity AL within 60 days of the second cybersecurity workshop. The joint AL must include justification for any deviations from the SIO-CS recommendations in their internal practices. In any justification for a deviation, the IOUs shall address how the deviation will support improved security, interoperability, or reliability, how it aligns with California's evolving grid modernization objectives, and how it avoids being overly restrictive to customers and third parties.

~~22.~~ 23. Rulemaking 21-06-017 ~~is closed.~~ remains open.