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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.	R.21-06-017

CALIFORNIA COMMUNITY CHOICE ASSOCIATION'S COMMENTS ON THE PROPOSED DECISION ADOPTING AN APPLICATION PROCESS FOR UTILITY DISTRIBUTED ENERGY RESOURCES ORCHESTRATION AND ORDERING UTILITIES TO INCORPORATE LOAD FLEXIBILITY SCENARIOS INTO THEIR DISTRIBUTION PLANNING AND EXECUTION PROCESSES

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SUMMARY OF RECOMMENDATIONS[1]

CalCCA recommends that the Proposed Decision be modified to:

- Address the scoped issues of IOU conflicts of interest and potential market power concerning grid investments versus demand flexibility solutions as required by sections 1701.1 and 1701.5;
- Adopt CalCCA's six guiding principles on conflict of interest and market power concerns to inform the working group's efforts;
- Extend Track 2 of the proceeding for the duration of the proposed working group process, with Energy Division hiring a consultant (rather than the IOUs) to facilitate the working group process;
- Split the Track 2 working group process into two consecutive phases:
    - Phase 1 will address the conflict of interest and market power issues and governance and oversight rules, including through an evaluation of lessons learned from jurisdictions where demand flexibility markets have been successfully deployed. Phase 1 will culminate in a report, formal party comments, and a Commission decision establishing the governance and oversight rules to be incorporated into the Phase 2 orchestration framework;
    - Phase 2 will address the orchestration framework, culminating in a consultant report to be submitted to the record of this proceeding or as envisioned in the Proposed Decision, to the successor application proceeding.
- If the Commission fails to adopt CalCCA's recommendations, it should, at a minimum, acknowledge in the Proposed Decision's findings and conclusions the existence of IOU conflicts of interest and potential market power concerns and establish the need and venue to address these issues.

[1] Acronyms used herein are defined in the body of this document.

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The California Community Choice Association[2] (CalCCA) submits these comments pursuant to Rule 14.3 of the California Public Utilities Commission (Commission) Rules of Practice and Procedure[3] on the proposed *Decision Adopting an Application Process for Utility Distributed Energy Resources Orchestration and Ordering Utilities to Incorporate Load Flexibility Scenarios into Their Distribution Planning and Execution Processes*[4] (Proposed Decision or PD), dated September 25, 2026; and Administrative Law Judge Jack Chang's procedural email dated October 6, 2026, clarifying the date for party opening and reply comments.

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[2] California Community Choice Association represents the interests of 24 community choice electricity providers in California: Apple Valley Choice Energy, Ava Community Energy, Central Coast Community Energy, Clean Energy Alliance, Clean Power Alliance of Southern California, CleanPowerSF, Desert Community Energy, Energy For Palmdale's Independent Choice, Lancaster Energy, Marin Clean Energy, Orange County Power Authority, Pico Rivera Innovative Municipal Energy, Pioneer Community Energy, Pomona Choice Energy, Rancho Mirage Energy Authority, Redwood Coast Energy Authority, San Diego Community Power, San Jacinto Power, San José Clean Energy, Santa Barbara Clean Energy, Silicon Valley Clean Energy, Sonoma Clean Power, Valley Clean Energy, and WestLight Energy.

[3] *State of California Public Utilities Commission, Rules of Practice and Procedure, California Code of Regulations Title 20, Division 1, Chapter 1* (May 2021): https://webproda.cpuc.ca.gov/-/media/cpuc-website/divisions/administrative-law-judge-division/documents/rules-of-practice-and-procedure-may-2021.pdf.

[4] Proposed *Decision Adopting an Application Process for Utility Distributed Energy Resources Orchestration and Ordering Utilities to Incorporate Load Flexibility Scenarios into Their Distribution Planning and Execution Processes*, Rulemaking (R.) 21-06-017, (Sept. 25, 2026), https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M620/K524/620524441.PDF.

I. INTRODUCTION

The PD takes meaningful steps towards establishing an application framework for investor-owned utility (IOU)[5] orchestration of distributed energy resources (DER) and incorporating load flexibility into the distribution planning and execution process (DPEP). It directs a working group series, facilitated by the IOUs' consultant, to develop the application framework, resulting in a report to be included with the IOUs' Joint Application for a DER orchestration framework (Joint IOU Application). CalCCA appreciates the PD's adoption of initial guiding principles for IOU distribution system operator (DSO)-led orchestration, and its direction to refine those principles through a working group process.

The PD nevertheless leaves a critical gap: the guiding principles and directives to the working group fail to address the IOUs' inherent conflicts of interest in DSO orchestration, their potential to exercise market power, or the governance and oversight safeguards needed to address those concerns. These omissions are despite the Order Instituting Rulemaking (OIR) and the 2021 Scoping Memo expressly placing the conflict of interest and market power concerns within the scope of this proceeding.[6] In fact, the recent Amended Scoping Memo assigned the role of DSO to the IOUs and highlighted potential market power concerns, but neglected to address the conflict of interest issues raised in the OIR and the 2021 Scoping Memo.[7] CalCCA's Response[8] to the Motion of the Center for Biological Diversity (CBD) and Utility Consumer Action Network (UCAN)[9] to Address Unaddressed Issues (*i.e.*, the conflict of interest issue) addresses the need for the Commission to address these

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[5] As used herein, "IOUs" refer collectively to Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), and Southern California Edison Company (SCE).

[6] *See Order Instituting Rulemaking to Modernize the Electric Grid for a High DER Future* (OIR), R.21-06-017 (July 2, 2021), at 10-12, https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M390/K664/390664433.PDF; *see also Assigned Commissioner's Scoping Memo and Ruling*, R.21-06-017 (Nov. 15, 2021) (2021 Scoping Memo), at 6, https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M422/K949/422949772.PDF.

[7] *Assigned Commissioner's Amended Scoping Memo and Ruling* (Amended Scoping Memo), R.21-06-017 (Aug. 11, 2023), at 6, https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M516/K786/516786462.PDF.

[8] *CalCCA's Response to Center for Biological Diversity Utility Consumer's Action Network Motion to Address Unaddressed Issues* (Response), R.21-06-017 (Sep. 25, 2026), at 4-6, https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M620/K720/620720792.PDF

[9] *CBD UCAN Motion to Address Unaddressed Issues* (Motion), R.21-06-017 (Sep. 10, 2026), https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M617/K649/617649890.PDF.

unresolved *scoped issues* consistent with California Public Utilities Code[10] sections 1701.1 and 1701.5.

While the IOUs have statutory authority to operate the distribution system and to propose mechanisms for deploying cost-effective DER programs, incentives, and tariffs pursuant to sections 399.2 and 769, respectively, neither section expressly grants the IOUs blanket authority to dispatch customer-owned DERs. The Commission should therefore consider DER orchestration separately from the IOUs' authority to operate the distribution grid. This distinction is important because any orchestration of customer-owned DERs could enable the deferral or avoidance of conventional utility capital investments. This orchestration of DERs, therefore, may contradict the IOUs' financial incentives under the existing regulatory model, in which they earn an authorized rate of return on their capital investments. As the Commission recognized in the OIR and the 2021 Scoping Memo, these circumstances raise material conflict of interest and market power concerns that must be addressed before the orchestration framework is established.

The Commission should, therefore, establish governance and oversight rules *before* the Joint IOU Application is submitted. The Proposed Decision authorizes the IOUs to hire a consultant to facilitate an informal series of working groups and to prepare a report to be submitted as an attachment to the proposed Joint IOU Application. This gives the IOUs substantial control over the process for developing a framework that could shape their own authority, the participation rules for third-party providers, and the evaluation of DERs as alternatives to grid upgrades. Governance and oversight are therefore threshold issues that should be in place prior to the Joint IOU Application to ensure DER orchestration maximizes ratepayer benefits, facilitates nondiscriminatory participation, and accounts for avoided capital investments. Developing governance and oversight rules *in parallel with* the DER orchestration framework risks embedding IOU economic and institutional preferences into the framework's architecture and operating rules before the Commission has established adequate safeguards. Correcting these potential deficiencies after the fact would likely be more difficult and costly.

The Commission should therefore modify the PD to enable a structured process to ensure these issues are addressed. *First,* the PD should adopt CalCCA's proposed guiding principles addressing the conflict of interest issues to provide guidance during the working group process and beyond. *Second,*

[10] All subsequent code sections cited herein are references to the California Public Utilities Code unless otherwise specified.

Track 2 of the proceeding should be extended for the duration of the working group process, with Energy Division hiring a consultant (rather than the IOUs) to facilitate the working group. *Third,* the working group process should be split into two phases. Phase 1 should address the conflict of interest and market power concerns identified in the OIR, allowing Energy Division and the parties to discuss how to address these issues through proposed governance and oversight rules that will serve as the basis for the common DER orchestration framework. Phase 1 will include a consultant report, formal party comments on the record, and a Commission decision on the governance and oversight rules. Phase 2 should begin after Phase 1 is complete, with Energy Division and the consultant facilitating the working group in establishing a DSO framework. Phase 2 will culminate in a consultant's report to be submitted to the record of this proceeding or as envisioned in the PD, to the successor application proceeding.

If the Commission fails to adopt the recommendations contained herein, it should, *at a minimum*, acknowledge the conflicts of interest and market power concerns raised in the OIR and 2021 Scoping Memo in the Proposed Decision's findings and conclusions. Failure to do so violates sections 1701.1 and 1701.5 and risks undermining confidence in the adopted framework and diminishing potential ratepayer benefits.

In summary, CalCCA recommends that the Commission modify the PD to:

- Address the scoped issues of IOU conflicts of interest and potential market power concerning grid investments versus demand flexibility solutions as required by sections 1701.1 and 1701.5;
- Adopt CalCCA's six guiding principles on conflict of interest and market power concerns to inform the working group's efforts;
- Extend Track 2 of the proceeding for the duration of the proposed working group process, with Energy Division hiring a consultant (rather than the IOUs) to facilitate the working group process;
- Split the Track 2 working group process into two consecutive phases:
    - Phase 1 will address the conflicts of interest and market power issues and governance and oversight rules, including through an evaluation of lessons learned from jurisdictions where demand flexibility markets have been successfully deployed. Phase 1 will culminate in a report, formal party comments, and a Commission decision establishing the governance and oversight rules to be incorporated into the Phase 2 orchestration framework;
    - Phase 2 will address the orchestration framework, culminating in a consultant report to be submitted to the record of this proceeding or as envisioned in the Proposed Decision, to the successor application proceeding.

- If the Commission fails to adopt CalCCA's recommendations, it should, at a minimum, acknowledge in the Proposed Decision's findings and conclusions the existence of IOU conflicts of interest and potential market power concerns and establish and the venue to address these issues.

II. FAILURE TO ADDRESS SCOPED ISSUES ON THE IOU CONFLICTS OF INTEREST CONCERNING GRID INVESTMENTS VERSUS DEMAND FLEXIBILITY SOLUTIONS VIOLATES SECTIONS 1701.1 AND 1701.5

Section 1701.5 requires the Commission to "issue by order or ruling a scoping memo that describes the issues to be considered and the applicable timetable for resolution . . . ." Section 1701.5 states that the Commission "shall resolve the issues raised in the scoping memo within 18 months of the date the proceeding is initiated . . . ." If the Commission is unable to meet that deadline, section 1701.5 requires it to "make[] a written determination that the deadline cannot be met, including findings as to the reason, and issue[] an order extending the deadline."

As noted in caselaw interpreting these scoping memo requirements, "[i]dentifying the issues under consideration facilitates informed participation—including presentation of arguments and evidence—by those who may have a stake in the resolution of those issues."[11] The court went on to state that "[i]f the Commission cannot fairly be said to have complied with the statutory scoping memo requirement, it has failed to regularly pursue its authority."[12] The Commission cannot simply ignore issues that have been scoped into the proceeding.[13]

The OIR recognized that existing IOU cost-recovery structures focus on large capital investment and that increased DER deployment could reduce IOU rates of return.[14] The OIR further recognized that, "[f]or an IOU-administered DSO to be successful, performance incentives not tied to capital investments may be needed, or there may be a need for a third-party DSO administrator."[15]

The 2021 Scoping Memo[16] placed this issue at the center of Track 2 by directing consideration of alternative DSO models and limits on market power:

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11 *Golden State Water Co. v. Public Utils. Comm'n* (2024) 15 Cal.5th 380, 394-395.

12 *Ibid.*

13 *See Southern California Edison Co. v. Pub. Utils. Comm'n* (2006) 140 Cal.App.4th 1085, at 1106-07 (Commission's failure to comply with its scoping memo constitutes reversible error if the failure to do so was prejudicial); *see also Bullseye Telecom, Inc. v. California Pub. Utils. Comm'n* (2021) 66 Cal.App.5th 301, 324 (even if the Commission deviates from the Scoping Memo, petitioner must show that the deviation was significant or that it was prejudiced by it).

14 *OIR,* at 11.

15 *Id*. at 11-12.

16 2021 Scoping Memo, at 6.

> How do alternative DSO models compare in their ability to plan and operate a high DER grid, unlock economic opportunities for DERs to provide grid services, limit market power, reduce ratepayer costs, increase equity, support grid resiliency, and meet State policy objectives?[17]

The 2021 Scoping Memo also asked whether the IOUs should be "incentivized to cost-effectively prepare for widespread DER deployments."[18] The Amended Scoping Memo, however, narrowed Track 2 by *presuming* that the IOUs would serve as DSOs, but kept limits on IOU market power within the scope of the proceeding.[19] It also included in scope the gaps, barriers, and solutions to meet the operational requirements for operating the grid with high DER penetration, while omitting the investigation of alternative DSO models and IOU incentives for cost-effectively integrating DERs.[20]

IOUs own and operate the distribution infrastructure on which they earn a rate of return. Orchestrating customer- and third-party-owned DERs is distinct from an IOU's traditional function of maintaining and operating the distribution grid. Under an IOU-led DSO model, the IOUs will determine distribution system needs at specific locations on the grid, control critical system information, and may administer or participate in programs, markets, or other mechanisms through which DERs compete with traditional utility investment. DER orchestration therefore gives IOUs influence over which resources may participate, how they are dispatched, what service they provide, how they are compensated, and whether they may be used to defer or avoid IOU investments. IOUs under the IOU-led DSO model can also exert market power over customer- and third-party-owned DER because they have real-time and forecast data and operational visibility into the grid that is not available to non-IOU entities. Since IOUs earn authorized returns on capital investments, potentially including IOU-owned DER, they have an inherent bias against procuring demand flexibility services from customers or third-party aggregators.

As noted above, the OIR identified concerns regarding the IOU conflict of interest and market power and correctly scoped them into the proceeding. The 2021 Scoping Memo reinforced the importance of addressing these concerns by calling for an evaluation of alternative DSO business models. While the Amended Scoping Memo recognized the market power issue, it assigned the IOUs the role of DSOs without adequately addressing conflicts of interest or market power issues. By

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17 *Id.*
18 *Ibid.*
19 Amended Scoping Memo, at 6.
20 *Ibid.*

designating the IOUs as DSOs without resolving these concerns, the Commission failed to address: (i) the need for protection against IOU exertion of market power; (ii) the need for guardrails to ensure competitive neutrality; and (iii) the evaluation of mechanisms to maximize DER participation. Designating the IOUs to perform the DSO function as the starting point for determining a DER orchestration framework makes resolving these issues more, not less, important.

The Commission should not close Track 2 of this proceeding before identifying and resolving outstanding governance and market power issues scoped into the OIR, as required by sections 1701.1 and 1701.5. The Commission should instead modify the PD to address these issues in the working group process, to be held during an extended Track 2 of this proceeding.

III. THE PD SHOULD BE MODIFIED TO ADDRESS CONCERNS ABOUT GOVERNANCE AND OVERSIGHT OF AN IOU-LED DER ORCHESTRATION FRAMEWORK

The PD should be modified to address unresolved issues regarding the scoped IOU conflict of interest between grid investments and demand flexibility solutions, including those raised in the Motion. The PD errs in failing to address the governance and oversight issues *prior to* the submission of the Joint IOU Application, which risks allowing the IOUs to embed their economic and institutional imperatives into the DSO framework. The PD should be modified to address these concerns, by:

- Adopting the six additional guiding principles proposed by CalCCA to address competitive neutrality and oversight
- Extending Track 2 for the duration of the working group series;
- Requiring Energy Division, rather than the IOUs, to retain a consultant to lead the working group series; and
- Beginning the working group series with a Phase 1 focusing on establishing rules for governance and oversight of the DER orchestration framework, culminating in a report, formal party comments, and a Commission decision; and
- Following the Phase 1 working group (Phase 1 WG) with a Phase 2 developing the DER orchestration framework, culminating with a report to either be submitted in the record of the proceeding or attached to the Joint IOU Application.

A. The Six Additional Guiding Principles Proposed by CalCCA Should Be Adopted

The PD should be modified to adopt the following six additional guiding principles proposed in CalCCA's Comments on the Track 1 and Track 2 Ruling to inform the development of governance and oversight rules:[21]

- Nondiscriminatory market access, operations, and dispatch;
- Independent monitoring and oversight of the DSO and market functions;
- Optimization of existing distribution grid capacity before authorization of capital investments;
- Competitive neutrality of the DSO and marketplace operator;
- Fair compensation for flexibility services; and
- Timely access to accurate customer usage, DER, integration capacity analysis, and grid data.

Guiding principles provide alignment and focus to shape decision-making and serve as the foundation for the rules of governance and oversight, as well as the DER orchestration framework. The additional guiding principles proposed by CalCCA are squarely focused on addressing potential conflicts of interest, market power, and open access considerations.

The PD adopted eleven guiding principles to shape the development of the DER orchestration framework but declined to "adopt suggestions to modify and refine guiding principles in proceedings where IOU applications are being reviewed."[22] Since the PD failed to address governance and oversight before the submission of the Joint IOU Application, the Commission should adopt the additional guiding principles listed above.

B. Track 2 Should Be Extended for the Duration of a Working Group Series Led by Energy Division Rather Than the IOUs

Governance and oversight are foundational to developing an IOU-led DER orchestration framework and should be established within a formal proceeding to allow for the development of a more fulsome record before the submission of the Joint IOU Application. The Commission should extend Track 2 of this proceeding for the duration of the working group series to allow the working

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[21] *See CalCCA's Comments in Response to the Assigned Commissioner's Ruling on Track 1 and Track 2 DER Orchestration*, R.21-06-017 (Apr. 20, 2026), at 12, https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M605/K328/605328509.PDF; and *Assigned Commissioner's Ruling on Track 1 and Track 2 Distributed Energy Resources Orchestration* (Track 1 and Track 2 Ruling), R.21-06-017 (Mar. 23, 2026), https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M602/K997/602997407.PDF.

[22] Proposed Decision at 21.

group and the Commission to resolve the conflict of interest and market power concerns, and establish appropriate guardrails such as reporting requirements, data transparency protocols, and policies that enable ongoing stakeholder review. Once these rules have been established, the working group can begin vetting proposals for a common DER orchestration framework.

In addition, the Proposed Decision should be modified to require Energy Division, rather than the IOUs, to retain the consultant to lead the working group and prepare reports. The Commission, not the IOUs, should lead the process for developing the rules that will govern utility authority, competitive neutrality, and oversight of DER orchestration. Delegating this responsibility to the IOUs, whose conduct and decision-making will be subject to these rules, introduces bias into the process and undermines efforts to minimize grid investments and deliver ratepayer benefits.

The consultant will play a critical role in leading the working groups and preparing recommendations based on stakeholder input during those sessions. The consultant can shape the agenda, prioritize issues for deliberation, frame available alternatives, and influence which recommendations are included in the final reports. Allowing Energy Division to select and manage the consultant ensures balanced stakeholder participation and increases confidence in the process and resulting findings and recommendations.

C. The Working Group Series Should Begin with a Phase 1 Aimed at Resolving Concerns About Potential IOU Conflicts and Anti-Competitive Behavior

The proposed working group series should begin with a Phase 1 to address concerns about potential IOU conflicts of interest and anti-competitive behavior before establishing a common DER orchestration framework in Phase 2. The Commission should establish governance and oversight measures to protect against conflicts of interest, as well as rules and requirements for competitive neutrality, data access, cost allocation, and evaluation of demand-flexibility solutions relative to traditional grid investments. Without stakeholder discussion, the Commission should not prematurely determine that the IOU DSO requires dispatchable control over DERs participating in the DER orchestration framework,[23] nor establish subjective criteria for the participation of non-IOU DER aggregators.[24] The authority to establish a DER orchestration framework, under which non-IOU resources must be allowed to participate, should not be delegated to the IOUs until the Commission first establishes these rules and safeguards.

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[23] OIR at 36, Finding of Fact 9, Conclusion of Law (COL), Ordering Paragraph (OP) twenty-seven.

[24] OIR at 39, COL 25, OP 25.

As discussed in greater detail below, the Proposed Decision should be modified to require that: (1) the working group conduct an evaluation of lessons learned from other jurisdictions in which demand flexibility markets have been successfully deployed to inform governance and oversight of the DER orchestration framework; (2) a working group report with recommendations to address IOU conflicts of interest and market power concerns be submitted into the record to allow formal stakeholder comments; and (3) the Commission issue a decision resolving these issues before the working group begins vetting proposals for a common DER orchestration framework in Phase 2.

1. An Evaluation Should Be Performed of Lessons Learned From Jurisdictions That Have Successfully Deployed Demand Flexibility Markets

Phase 1 should include an evaluation of lessons learned from other jurisdictions that have successfully deployed demand flexibility markets, including the United Kingdom, to inform governance and oversight rules for a DER orchestration framework. The purpose of this evaluation is not to overlay another jurisdiction's model onto the proposed framework, but rather to identify implementation and regulatory challenges, regulatory safeguards, and ratepayer cost and benefit outcomes. Although demand flexibility markets are distinct from DER orchestration, their governance requirements offer valuable insights for developing rules tailored to California's regulatory structure and market conditions. Moreover, since the proposed DER orchestration framework may ultimately encompass the platforms, operational processes, data-sharing arrangements, and safeguards used in demand flexibility markets, evaluating this experience will help inform a California-centric approach.

An evaluation of successful demand flexibility markets is particularly relevant to California's established regulatory model, under which IOUs earn an authorized rate of return on capital assets included in the ratebase. DER orchestration and demand flexibility markets allow customer- and third-party-owned resources to provide services that could potentially reduce or eliminate grid infrastructure investments. An evidence-based evaluation of successful demand flexibility markets could help the Commission determine which governance functions remain with the IOUs, and which require oversight by an independent entity or by the Commission.

2. The Phase 1 WG Report Addressing Conflicts of Interest and Market Power Issues Should Be Submitted to the Record to Allow Formal Stakeholder Comments and a Commission Decision

The consultant, with input from Energy Division and the working group, should be directed to prepare a report with recommendations to address conflicts of interest and market power issues, to be submitted to the proceeding to allow formal stakeholder comments. The report should include the

results of the comparative evaluation of lessons learned from other jurisdictions and should accurately reflect stakeholder discussions, positions, and recommendations. After formal stakeholder comments, the Commission should issue a decision providing the governance and oversight needed to address conflicts of interest and prevent market power.

Once the final Phase 1 working group report and party comments have been submitted, the Commission should issue a decision establishing rules for governance and oversight before the working group begins vetting proposals for a common DER orchestration framework. This establishes the foundation upon which the orchestration framework will be built, minimizes the potential for conflicts of interest and anti-competitive practices, and maximizes potential ratepayer benefits. A formal decision that resolves conflicts of interest and anti-competitive practices builds confidence in the resulting DER orchestration framework, encouraging greater participation by customers and DER aggregators and amplifying potential benefits.

D. Phase 2 of the Working Group Should Begin After the Phase 1 Decision and Should Address the Common DER Orchestration Framework

After the final decision has been issued, the working group should be directed to continue deliberations, focusing on vetting proposals for a common DER orchestration framework. The final Phase 2 working group report should be submitted to the record, allowing parties to file formal comments, either at the conclusion of this proceeding or as part of the succeeding application proceeding.

IV. IF CALCCA'S TRACK 2 WORKING GROUP RECOMMENDATIONS ARE NOT ADOPTED, THE DECISION SHOULD AT A MINIMUM ACKNOWLEDGE THE EXISTENCE OF IOU CONFLICTS OF INTEREST AND ESTABLISH A VENUE TO ADDRESS THESE ISSUES

If the Commission fails to adopt the recommendations contained herein, the Proposed Decision should, at a minimum, acknowledge the potential conflicts of interest and market power concerns in the Findings of Fact and establish a venue to address these concerns in the Conclusions of Law. As noted in the Response, the Commission first identified these concerns in the OIR and then placed them at the center of Track 2 in the 2021 Scoping Memo.[25] The Amended Scoping Memo also recognized the market power issue but neglected to address these concerns.[26] Failure to acknowledge and address these important concerns could seriously undermine customer and DER-provider confidence in the

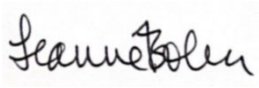
[25] Response, at 5.
[26] *Ibid.*

adopted orchestration framework, discouraging participation and diminishing potential ratepayer benefits from avoided grid investments.

V. CONCLUSION

CalCCA appreciates the opportunity to submit these comments and respectfully requests adoption of the recommendations proposed herein. For all the foregoing reasons, the Commission should modify the Proposed Decision as provided in Appendix A, attached hereto.

Respectfully submitted,



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CALIFORNIA COMMUNITY CHOICE ASSOCIATION

October 19, 2026

APPENDIX A
TO
CALIFORNIA COMMUNITY CHOICE ASSOCIATION'S COMMENTS ON THE PROPOSED DECISION ADOPTING AN APPLICATION PROCESS FOR UTILITY DISTRIBUTED ENERGY RESOURCES ORCHESTRATION AND ORDERING UTILITIES TO INCORPORATE LOAD FLEXIBILITY SCENARIOS INTO THEIR DISTRIBUTION PLANNING AND EXECUTION PROCESSES
PROPOSED CHANGES TO FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDERING PARAGRAPHS

Proposed text deletions show as ~~**bold and strikethrough**~~
Proposed text additions show as **bold and underlined**

FINDINGS OF FACT

1. Net ratepayer benefits, operational cost reductions, distribution capacity, reliability, and emissions reduction are primary objectives of DER orchestration and support the efficient and cost-effective integration of DERs into the electric grid. **Nondiscriminatory, fair, and open c**~~**C**~~ustomer and aggregation participation pathways may support achievement of these objectives.

4. Adopting the **following** DER orchestration guiding principles, **in addition to those** listed in the March 23 Ruling, as modified by this decision, ~~**together with the addition of "safe and reliable grid operation,"**~~ will help align the IOUs' Joint DER Orchestration Application with the overall goals of R.21-06-017**:**~~**.**~~

- **Safe and reliable grid operation;**
- **Nondiscriminatory market access, operations, and dispatch;**
- **Independent monitoring and oversight of the DSO and market functions;**
- **Optimization of existing distribution grid capacity before authorization of capital investments;**
- **Competitive neutrality of the DSO and marketplace operator;**
- **Fair compensation for flexibility services; and**
- **Timely access to accurate customer usage, DER, integration capacity analysis, and grid data.**

5. The existing Commission-led workshops and subsequent party comments sufficiently developed the record to establish **minimum** DER orchestration **pre-**application requirements **but did not sufficiently address conflict of interest or nondiscriminatory market access concerns**. **Additional stakeholder engagement, through a dedicated phase of the working group process, is needed to address these issues before vetting a common DER orchestration framework. Once governance and oversight issues have been resolved, additional p**~~**P**~~re-application stakeholder engagement, including through a working group, will provide important input to inform the IOUs' Joint DER Orchestration Application.

6. ~~**Topics covered by the pre-application working group led by an IOU-contracted facilitator would include the following:**~~

~~**(a) Guiding principles refinement;**~~
~~**(b) Valuation frameworks;**~~
~~**(c) Cost effectiveness and benefit-cost methodologies;**~~
~~**(d) Interoperability, DSO visibility, and dispatch and control;**~~
~~**(e) Role of DER aggregators;**~~
~~**(f) Flexible dispatching mechanisms;**~~
~~**(g) IOU technical readiness;**~~
~~**(h) Ownership of technology;**~~
~~**(i) Phased implementation and deployment;**~~
~~**(j) DER orchestration and real-time pricing.**~~

The pre-application working group, led be an Energy Division-contracted facilitator, would proceed in two phases. Phase 1 would address guiding principles, governance safeguards, data access, competitive neutrality, stakeholder participation, and minimum application requirements. Phase 2 would begin after a decision is issued resolving the Phase 1 issues listed above. Phase 2 would address the following topics:

a. Valuation frameworks;
b. Cost-effectiveness and benefit-cost methodologies;
c. Interoperability, DSO visibility, and dispatch and control;
d. Role of DER aggregators;
e. Flexible dispatching mechanisms;
f. TSO-DSO coordination;
g. IOU technical readiness;
h. Ownership of technology;
i. Phased implementation and deployment; and
j. DER orchestration and real-time pricing.

9. DSO-led DER orchestration requires DER visibility into the DSO ~~**and DER dispatchability and control**~~ as well as coordination with the CAISO during the application process.

10. DER aggregators may provide value by managing customer DERs and providing coordinated DER services, provided that their participation is subject to the same performance ~~**and accountability requirements as IOUs**~~**, measurement, verification, and accountability requirements appropriate to the services they provide and that do not create unnecessary barriers to competitive participation**.

17. A common DER orchestration framework approach ~~**will**~~ **can** provide efficiencies and better visibility of DER resources that will benefit customers**, provided the framework includes open and nondiscriminatory participation, competitive neutrality, decision-grade data access, transparent valuation and compensation, and Commission oversight sufficient to ensure that DER portfolios are fairly compared against traditional infrastructure alternatives**.

NEW FINDINGS OF FACT

X. Extending Track 2 of the proceeding allows for the creation of a robust record to address the unresolved conflict of interest and market power concerns identified in the OIR, and for the Commission to issue a decision establishing governance and oversight rules that will serve as the basis for the common DER orchestration framework.

X. Requiring Energy Division to retain a consultant to oversee the working group process and to prepare working group reports ensures fairness and reduces potential bias.

X. Orchestration of customer- and third-party-owned DER is separate and distinct from the IOUs' responsibility for operating and maintaining the distribution grid and requires rules for governance and oversight. A dedicated phase of the working group proceeding will allow formal stakeholder input to address concerns about potential IOU conflicts of interest and nondiscriminatory market access under an IOU-led DER orchestration framework. An evaluation of lessons learned from jurisdictions where demand flexibility markets have been successfully deployed will inform the development of governance and oversight rules applicable to California. A Phase 1 working group report, prepared by a consultant retained by Energy Division, will inform a Commission decision establishing governance and oversight, which will serve as the basis for development of the DER orchestration framework.

ALTERNATIVE FINDING OF FACT

5 The existing Commission-led workshops and subsequent party comments sufficiently developed the record to establish **minimum** DER orchestration **pre-**application requirements **but did not sufficiently address conflict of interest or nondiscriminatory market access concerns raised in the Order Instituting Rulemaking for R.21-06-017, and in subsequent Scoping Rulings. Governance and oversight issues must be addressed to resolve these concerns, ensure the DER orchestration framework's success, and maximize ratepayer benefits**. ~~**Pre-application stakeholder engagement, including through a working group, will provide important input to inform the IOUs' Joint DER Orchestration Application.**~~

CONCLUSIONS OF LAW

7. The IOU DER orchestration framework application should be guided by the following ~~**11**~~ **17** guiding principles:

- Net-Ratepayer benefits;
- Technology-neutral, performance-based;
- Locational and temporal value recognition;
- Efficient operation of the grid;
- Open access and Interoperability;
- Transparent participation pathways and compensation;
- Incremental, evidence-based implementation;
- Equity and customer protection;
- Cyber-secure and resilient;
- Preventing double compensation; ~~**and**~~

- Safe and reliable grid operation**;.**
- **Nondiscriminatory market access, operations, and dispatch;**
- **Independent monitoring and oversight of the DSO and market functions;**
- **Optimization of existing distribution grid capacity before authorization of capital investments;**
- **Competitive neutrality of the DSO and marketplace operator;**
- **Fair compensation for flexibility services; and**
- **Timely access to accurate customer usage, DER, integration capacity analysis, and grid data.**

8. **~~The IOUs~~ Energy Division** shall contract for a facilitator to jointly convene a working group meeting series, **to be funded by the IOUs**. **The working group meeting series should begin with a Phase 1 to address IOU conflicts of interest and market power concerns. The Phase 1 working group should include an evaluation of lessons learned from jurisdictions such as the United Kingdom, where demand flexibility markets have been successfully deployed. Energy Division should direct its consultant to prepare a Phase 1 report, including recommendations to address conflicts of interest and market power issues, which should be submitted to the proceeding to allow formal stakeholder comments. The Phase 1 report should include the results of the comparative evaluation of lessons learned from other jurisdictions and should accurately reflect stakeholder discussions, positions, and recommendations. The Commission should issue a decision adopting governance and oversight rules based on the Phase 1 report and formal party comments, to serve as the basis for developing a DER orchestration framework during the next phase of the working group.** The **Phase 1 working group** topics covered should include the following:

a. Guiding principles **~~refinement~~**;
b. Governance and oversight rules;
c. Competitive neutrality;
d. Nondiscriminatory market access;
e. Data access; and
f. Minimum DER orchestration application requirements.
b. **~~Valuation frameworks;~~**
~~c. Cost effectiveness and benefit-cost methodologies;~~
~~d. Interoperability, DSO visibility, and dispatch and control;~~
~~e. Role of DER aggregators;~~
~~f. Flexible dispatching mechanisms;~~
~~g. IOU technical readiness;~~
~~h. Ownership of technology;~~
~~i. Phased implementation and deployment;~~
~~j. DER orchestration and real-time pricing.~~

The Phase 2 working group should begin vetting proposals for a DER orchestration framework after the decision establishing governance and oversight rules is issued. Energy Division should direct the consultant to prepare a Phase 2 report with recommendations for a DER orchestration framework, which should be submitted to the proceeding to allow

formal stakeholder comments. The Phase 2 working group topics covered should include the following:

a. Valuation frameworks;
b. Cost-effectiveness and benefit-cost methodologies;
c. Interoperability, DSO visibility, and dispatch and control;
d. Role of DER aggregators;
e. Flexible dispatching mechanisms;
f. TSO-DSO coordination;
g. IOU technical readiness;
h. Ownership of technology;
i. Phased implementation and deployment; and
j. DER orchestration and real-time pricing.

9. The working group meeting series, including preparing **Phase 1 and Phase 2 reports, and the issuance of a decision adopting governance and oversight rules** ~~**a report to be included with the Joint IOU DER Orchestration Application**~~, should be completed within ~~**10**~~ **12** months from the issuance of this decision. ~~**The IOUs should allow parties**~~**Parties** to this proceeding **should be allowed** to provide ~~**in**~~formal comments on the draft report**s and a proposed decision adopting governance and oversight rules** within those ~~**10**~~ **12** months. The IOUs should then include the final **Phase 2** report as part of the joint application to be filed within ~~**12**~~**14** months of the issuance of this decision.

10. As part of the working group, or in addition, the IOUs should convene at least one pre-application stakeholder workshop before filing their applications. This meeting or meetings should occur after the issuance of the draft **Phase 2** working group report. Additional engagement should occur in consultation with Energy Division and should not delay the application filing deadline.

25. IOUs should consider in their joint application the role of DER aggregators in an orchestration framework and allow aggregators to provide coordinated DER services where their participation adds value~~**,**~~ **and** is cost-effective~~**, and does not introduce unnecessary complexity**~~. Participating aggregators should be subject to ~~**the same performance and accountability requirements as the IOUs**~~ **performance, measurement, verification, and accountability requirements appropriate to the grid services they provide, and those requirements should not create unnecessary barriers to competitive participation**.

27. The IOUs should describe the operational coordination necessary to enable communication with ~~**and dispatchable control over**~~ participating DERs to respond to DSO operational needs, identifying implementation differences across the IOUs where necessary.

28. The IOUs should identify in their joint application the roles of utilities, aggregators, CCAs, customers, and other DER providers and address safeguards for competitive neutrality and appropriate Commission oversight**, informed by stakeholder input in the Phase 1 and Phase 2 working groups**.

33. The IOUs should be permitted to submit optional Tier 2 advice letters within two months of adoption of this decision to establish memorandum accounts to record administrative costs to support the development of the DER orchestration application, including support for **the consultant retained by Energy Division to facilitate the** working group and any minor studies to support the application. Across the three IOUs, the total budget for these memorandum accounts should be capped at $500,000.

40. The IOUs should seek ~~in~~formal written feedback on their proposal, which should be included in their advice letter filing.

43. It is reasonable to deny all motions related to Track 1 and Track 2 of this proceeding ~~that were not ruled on~~**, except for the September 10, 2026, Center for Biological Diversity and Utility Consumers' Action Network Motion to Address Unaddressed Issues.**

NEW CONCLUSIONS OF LAW

X. Track 2 of the proceeding should be extended for the duration of the working group series to allow for the creation of a robust record to address the unresolved conflict of interest and market power concerns identified in the Order Instituting Rulemaking for R.21-06-017.

X The Commission should issue a decision establishing governance and oversight rules to serve as the basis for the common DER orchestration framework. The decision should be based on the consultant's Phase 1 working group report and formal party comments. The issuance of the decision should conclude the first phase of the working group series and should serve as the basis for vetting a common DER orchestration framework in the second phase of the working group.

ALTERNATIVE CONCLUSIONS OF LAW

X **The working group process should address the IOU conflicts of interest and market power concerns raised in the Order Instituting Rulemaking for R.21-06-017, and in subsequent Scoping Rulings. The consultant's working group report should include recommendations for governance and oversight rules to address these concerns, ensuring the success of the DER orchestration framework and maximizing ratepayer benefits**.

ORDERING PARAGRAPHS

1. Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company shall submit a Joint Distributed Energy Resources Orchestration Application to the Commission within ~~12~~**14** months of the issuance of this decision.

2. ~~**Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company**~~**Energy Division** shall host a working group meeting series to address the topic areas **identified in** this decision**.** ~~**directs the utilities to include in a Joint Distributed Energy Resources Orchestration Application.**~~ **The working group meeting series shall begin with a Phase 1 to address IOU conflicts of interest and market power concerns. The Phase 1 working group shall include an evaluation of lessons learned from**

jurisdictions such as the United Kingdom, where demand flexibility markets have been successfully deployed. Energy Division shall direct its consultant to prepare a Phase 1 report, including recommendations to address conflicts of interest and market power issues, which shall be submitted to the proceeding to allow formal stakeholder comments. The Phase 1 report shall include the results of the comparative evaluation of lessons learned from other jurisdictions and shall accurately reflect stakeholder discussions, positions, and recommendations. The Commission shall issue a decision adopting governance and oversight rules based on the Phase 1 report and formal party comments, to serve as the basis for developing a DER orchestration framework in the next phase of the working group. The Phase 1 working group topics covered shall include the following: ~~**This includes the following:**~~

a. Guiding principles ~~**refinement**~~;
b. Governance and oversight rules;
c. Competitive neutrality;
d. Nondiscriminatory market access;
e. Data access; and
f. Minimum DER orchestration application requirements.

~~**a. Guiding principles refinement;**~~
~~**b. Valuation frameworks;**~~
~~**c. Cost effectiveness and benefit-cost methodologies;**~~
~~**d. Interoperability, DSO visibility, and dispatch and control;**~~
~~**e. Role of DER aggregators;**~~
~~**f. Flexible dispatching mechanisms;**~~
~~**g. IOU technical readiness;**~~
~~**h. Ownership of technology;**~~
~~**i. Phased implementation and deployment;**~~
~~**j. DER orchestration and real-time pricing.**~~

The Phase 2 working group shall begin vetting proposals for a DER orchestration framework after the decision establishing governance and oversight rules is issued. Energy Division shall direct the consultant to prepare a Phase 2 report with recommendations for a DER orchestration framework, which shall be submitted to the proceeding to allow formal stakeholder comments. The Phase 2 working group topics covered shall include the following:

a. Valuation frameworks;
b. Cost-effectiveness and benefit-cost methodologies;
c. Interoperability, DSO visibility, and dispatch and control;
d. Role of DER aggregators;
e. Flexible dispatching mechanisms;
f. TSO-DSO coordination;
g. IOU technical readiness;
h. Ownership of technology;
i. Phased implementation and deployment; and
j. DER orchestration and real-time pricing.

3. The working group and draft working group report shall be submitted to parties of this proceeding for informal comment within ~~10~~**12** months of the issuance of this decision. The final working group report, which will consider the comments on the informal report, shall be included as an attachment to the Joint Investor-Owned Utilities Distributed Energy Resources Orchestration Application.

8. Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company are ordered to follow ~~11~~**17** guiding principles as part of their distributed energy resources orchestration applications:

- Net Ratepayer benefits;
- Technology-neutral, performance-based;
- Locational and temporal value recognition;
- Efficient operation of the grid;
- Open access and interoperability;
- Transparent participation pathways and compensation;
- Incremental, evidence-based implementation;
- Equity and customer protection;
- Cyber-secure and resilient;
- Preventing double compensation; ~~and~~
- Safe and reliable grid operation~~;~~**.**
- **Nondiscriminatory market access, operations, and dispatch;**
- **Independent monitoring and oversight of the DSO and market functions;**
- **Optimization of existing distribution grid capacity before authorization of capital investments;**
- **Competitive neutrality of the DSO and marketplace operator;**
- **Fair compensation for flexibility services; and**
- **Timely access to accurate customer usage, DER, integration capacity analysis, and grid data.**

25. Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company are ordered to address in their Joint Distributed Energy Resources (DER) Orchestration Application the potential role of DER aggregators**, CCAs, customers, and other DER providers** in their proposed orchestration frameworks. ~~**If aggregators are included they must add value, not undermine the goal of cost effectiveness, nor add unnecessary complexity**~~.**The application shall allow qualified aggregators, CCAs, customers, and other DER providers to provide coordinated DER services where their participation adds value and is cost-effective. Participation requirements shall be based on the grid service provided and shall not create unnecessary barriers to competitive participation.**

27. Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company are ordered to explain in their Joint Distributed Energy Resources (DER) Orchestration Application how their proposed flexible dispatching mechanisms can schedule and dispatch DER flexibility based on identified distribution system needs and how they will ~~**exercise communication and dispatch control over**~~ **communicate with** participating DERs, including the mechanisms necessary to ensure DERs respond to distribution system operator operational needs.

41. All motions related to Track 1 and Track 2 of this proceeding that were not ruled on are denied**, except for the September 10, 2026, Center for Biological Diversity and Utility Consumers' Action Network Motion to Address Unaddressed Issues.**

NEW ORDERING PARAGRAPHS

X. Track 2 of the proceeding shall be extended for the duration of the working group series to allow for the creation of a robust record to address the unresolved conflict of interest and market power concerns identified in the Order Instituting Rulemaking for R.21-06-017.

X The Commission shall issue a decision establishing governance and oversight rules to serve as the basis for the common DER orchestration framework. The decision shall be based on the consultant's Phase 1 working group report and formal party comments. The issuance of the decision shall conclude the first phase of the working group series and shall serve as the basis for vetting a common DER orchestration framework in the second phase of the working group.

ALTERNATIVE ORDERING PARAGRAPHS

X The working group process shall address the IOU conflicts of interest and market power concerns raised in the Order Instituting Rulemaking for R.21-06-017, and in subsequent Scoping Rulings. The consultant's working group report shall include recommendations for governance and oversight rules to address these concerns, ensuring the success of the DER orchestration framework and maximizing ratepayer benefits.