
SENATE COMMITTEE ON APPROPRIATIONS

Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

AB 2266 (Schultz) - Electricity: load-serving entities

Version: June 22, 2026

Urgency: No

Hearing Date: August 3, 2026

Policy Vote: E., U. & C. 14 - 2

Mandate: Yes

Consultant: Ashley Ames

Bill Summary: This bill would require the California Public Utilities Commission (CPUC), on and after January 1, 2030, when setting certain resource procurement obligations for load-serving entities (LSEs), to use the same capacity valuation method to assess the reliability contribution of each resource type.

Fiscal Impact:

- Unknown but significant ongoing CPUC costs, possibly around a million dollars annually (ratepayer funds), to implement the provisions of this bill. Potential CPUC workload could include rulemaking, methodology development, reconciliation with the Slice-of-Day framework, compliance and other reporting, and coordination with the CEC and utilities.

Background:

SB 100 and clean energy targets. SB 100 (De León, 2018) established the state's target to meet 100% of the state's electricity retail load with renewable and zero-carbon resources by 2045. SB 1020 (Laird, 2022) established interim goals toward that target, requiring 90% of retail sales by 2035 and 95% by 2040 to be met with renewable and zero-carbon energy resources. The SB 100 Joint Agency Report evaluates the challenges and opportunities in implementing SB 100, including an initial assessment of the additional energy resources and resource building rates needed to achieve 100% clean electricity, along with the associated costs. It uses a computer model to analyze these factors under various conditions and technologies, and is scheduled to be updated every four years. The first report, issued March 2021, preliminarily identified that on average the state may need six gigawatts of new renewable and energy storage annually to meet the SB 100 goals. The CEC is developing the 2025 report.

IRP process. SB 350 (De León, 2015) required each LSE to file a biennial IRP for approval or certification by the CPUC. The CPUC combines all LSEs' IRPs to ensure the state is on its path to meet its clean energy procurement goals. POUs file their own IRPs with the CEC. The goal of the IRP is a two-year planning process to ensure that LSEs are meeting targets that allow the electricity sector to contribute to California's economy-wide GHG emissions reduction goals and that help reduce overall costs. The CPUC adopted a 2023 portfolio that reduces GHG emissions to 25 MMT by 2035, as compared to the previously adopted 38 MMT by 2030 planning target. The IRP is intended to forecast needs on a 10-year horizon, making it a forward-looking activity. As part of the IRP process, the CPUC has issued several procurement orders on LSEs to address near-term and mid-term procurement needs. Within those orders, the CPUC has directed central procurement for local RA and mid-term reliability by electric IOUs for customers, including those of other LSEs.

Resource adequacy. Following the California energy crisis of 2000-01, the Legislature enacted legislation to prevent future incidents of widespread blackouts and rolling brownouts due to lack of electric generating capacity. Among the reforms adopted in response was Public Utilities Code §380, an effort to better ensure reliability of electricity generation supply. The statute directs the CPUC, in consultation with the CAISO, to establish RA requirements for all LSEs, including electric IOUs, ESPs, and CCAs, which did not exist at the time of the crisis.

The current RA program consists of system, local, and flexible requirements for each month of a compliance year. In October of each year, LSEs must demonstrate that they have procured 90% of their system RA obligations for the five summer months (May through September) of the following year, as well as 100% of their local requirements, and 90% of their flexible requirements for each month of the coming compliance year. In recent years, the CPUC has adopted changes to the RA program, including increasing the planning reserve margin for all LSEs. The CPUC also assesses penalties on LSEs that fail to satisfy their RA obligations, including limiting the expansion of CCAs if they are deficient in their RA requirement. The CAISO conducts a Local Capacity Technical Analysis to identify the minimum local resource capacity required in each local area to meet energy needs, using a 1-in-10 weather year and N-1-1 (emergency) contingency.

RA Slice-of-Day framework. The CPUC has implemented a significant change to the RA program through a Slice-of-Day (SOD) framework that assesses the hourly use of resources. The CPUC developed the new structure over several years and in 2025 implemented the first year of compliance. The CPUC adopted a 17% planning reserve margin for the SOD framework, consistent with previous planning reserve margins, to procure enough RA to meet load obligations in each hour rather than monthly. Under the framework, LSEs receive a 24-hour obligation for each of the 12 months of the year, and resources, including energy storage resources, must demonstrate their ability to provide capacity during specific critical hours rather than just a daily peak.

CAISO backstop procurement. If California RA rules fail to provide sufficient resources, the CAISO is compelled to use centralized backstop procurement mechanisms in order to maintain electric system reliability. Backstop procurement is the process whereby the CAISO contracts with a generator to address the shortfall. Under FERC rules, the CAISO, like all other balancing authorities, must ensure system reliability or face penalties by FERC. The CAISO has two mechanisms for centralized backstop procurement: Reliability Must Run (RMR) and Capacity Procurement Mechanism (CPM). Because this procurement can be prompted by an emergency supply shortfall, it can be more expensive than planned procurement.

Proposed Law: This bill would:

1. Make findings and declarations regarding the Legislature's intent to align valuation methods across electricity supply procurement programs, improve information and transparency, and minimize the state's reliance on backstop procurement mechanisms, while stating it is not the intent of the Legislature to prescribe any specific technical method or compliance structure.
2. Define "capacity valuation method" to mean the method used to quantify the reliability contribution that a resource provides to the grid.

3. Require the CPUC, on and after January 1, 2030, when setting certain RA and IRP resource procurement obligations for LSEs, to use the same capacity valuation method to assess the reliability contribution of each resource type.
4. Require the CPUC, on or before January 1, 2030, to complete a process to consolidate the plans submitted by LSEs under the IRP and RPS programs into a single procurement plan, and to consolidate compliance reporting for reliability requirements under the RA and IRP programs when feasible.
5. Require the CPUC to finalize any compliance reporting requirements or template issued by the CPUC at a minimum of 30 business days before a compliance report submission by an LSE.
6. Require the CPUC, if the CAISO exercises its backstop procurement authority to ensure sufficient resources to operate the electrical grid in a calendar year, to include in the RA annual report an explanation of why the need for the backstop procurement arose, whether the need arose due to any noncompliance by LSEs or due to differences in methodology between the CPUC and CAISO.

Related Legislation:

AB 2368 (Petrie-Norris, 2024) modified several aspects of the RA program and IRP process at the CPUC in order to address challenges with electricity reliability.

AB 1373 (E. Garcia, 2023) made numerous changes to electricity policy, most notably, authorized the DWR to serve as a central procurement entity to procure energy resources in order to help the state meet its renewable and zero-carbon energy resources and reliability goals. The bill also includes numerous related and additional provisions.

AB 205 (Committee on Budget, 2022) among other things, authorized the DWR to contract for, purchase, finance or otherwise secure electrical generation to create additional capacity during extreme energy grid events, and established the Strategic Reliability Reserve to fund these actions.

SB 1158 (Becker, 2022) among its provisions, required the CPUC as part of the RA program to require every LSE to annually report information regarding the sources of electricity and the emissions of GHG associated with those sources of electricity for RA requirements.

SB 100 (De León, 2018) establishes the 100 Percent Clean Energy Act of 2017 which increases the RPS requirement from 50% by 2030 to 60% and creates the policy of planning to meet all of the state's retail electricity supply with a mix of RPS-eligible and zero-carbon resources by December 31, 2045, for a total of 100% clean energy.

SB 1136 (Hertzberg, 2018) revised existing statute that required the CPUC, in consultation with the CAISO, to establish RA requirements for the state's LSEs.

SB 618 (Bradford, 2017) required the IRP plans of all LSEs to contribute to a diverse and balanced portfolio of resources needed to ensure a reliable electricity supply that

provides optimal integration of renewable energy in a cost-effective manner and meets the emissions limits for GHGs.

SB 350 (De León, 2015) among its provisions, the "Clean Energy and Pollution Reduction Act of 2015," established targets to increase retail sales of renewable electricity to 50% by 2030 and established the IRP process and required each LSE to file an IRP plan for approval or certification by the CPUC.

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