
THIRD READING

Bill No: AB 2266
Author: Schultz (D)
Amended: 8/13/26 in Senate
Vote: 21

SENATE ENERGY, U. & C. COMMITTEE: 14-2, 6/16/26

AYES: Allen, Ochoa Bogh, Archuleta, Arreguín, Becker, Gonzalez, Grove,
Hurtado, McNERNEY, Reyes, Richardson, Rubio, Stern, Wahab

NOES: Niello, Strickland

NO VOTE RECORDED: Caballero

SENATE APPROPRIATIONS COMMITTEE: 5-2, 8/13/26

AYES: Cervantes, Cabaldon, Grayson, Richardson, Wahab

NOES: Seyarto, Dahle

ASSEMBLY FLOOR: 73-0, 5/22/26 - See last page for vote

SUBJECT: Electricity: load-serving entities

SOURCE: Author

DIGEST: This bill requires the California Public Utilities Commission (CPUC), and after January 1, 2030, when setting certain resource adequacy procurement requirements and evaluating the compliance status for load-serving entities (LSEs), to use the same capacity valuation methodology, to ensure consistent and predictable compliance standards.

ANALYSIS:

Existing law:

- 1) Establishes and vests the CPUC with regulatory authority over public utilities, including electrical corporations. (Article 12 of the California Constitution)

- 2) Establishes the California Independent System Operator (CAISO) as a nonprofit, public benefit corporation and requires the CAISO, among other duties, to ensure the efficient use and reliable operation of the electrical transmission grid consistent with the achievement of planning and operating reserve criteria, as provided. (Public Utilities Code §§ 345 and 345.5)
- 3) Requires the CPUC to work with the CAISO to establish resource adequacy (RA) requirements for LSEs, which include electrical corporations, electric service providers (ESPs), and community choice aggregators (CCAs). Specifies the criteria the CPUC must consider when establishing RA requirements and specifies that an electrical corporation's reasonable costs for meeting RA are recoverable from customers through nonbypassable charges. Defines LSEs as electrical corporations, CCAs and ESPs. (Public Utilities Code § 380)
- 4) Establishes the Renewable Portfolio Standard (RPS) program which requires retail sellers (including LSEs) to procure at least 60% eligible renewable energy resources by December 31, 2030. (Public Utilities Code §§ 399.11-399.33)
- 5) Requires the CPUC to identify a diverse and balanced portfolio of resources needed to ensure a reliable electricity supply that provides optimal integration of renewable energy and resource diversity in a cost-effective manner. Requires the CPUC to establish integrated resource planning-based procurement requirements that rely on zero-carbon-emitting resources to the maximum extent reasonable and be designed to achieve the state policy specified in Section 454.53 and any statewide greenhouse gas emissions (GHG) limit. (Public Utilities Code § 454.51)
- 6) Requires the CPUC to adopt a process for each LSE to file an integrated resource plan (IRP) and schedule periodic update to the plan and require that LSEs ensure system and local reliability and require sufficient, predictable resource procurement and development to avoid unplanned energy supply shortfalls, as provided. (Public Utilities Code § 454.52)

This bill:

- 1) Makes findings and declarations regarding the Legislature's intent to align valuation methods across electricity supply procurement programs, improve information and transparency, 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) Defines “capacity valuation methodology” to mean the analytical framework used to quantify the reliability contribution that different resource types provide to the grid.
- 3) Requires the CPUC, on and after January 1, 2030, when setting certain RA procurement requirements and evaluating a LSE’s compliance statutes to the IRP and RA obligations for LSEs, to use the same capacity valuation methodology to ensure consistent and predictable compliance standards.
- 4) Authorizes the CPUC to use different capacity valuation methodologies when setting the planning reserve margin and evaluating short-term, mid-term, and long-term reliability.
- 5) Requires the CPUC, on or before January 1, 2030, to complete a process to consolidate plans submitted by LSE to the CPUC pursuant to the IRP and RPS programs into a single procurement plan.
- 6) Requires the CPUC, when feasible, to consolidate compliance reporting for reliability requirements pursuant to the RA and IRP programs.
- 7) Requires 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 in assessing the reliability contribution of different resource types.

Background

SB 100 (De León, Chapter 312, 2018). SB 100 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, Chapter 361, Statutes of 2022) established interim goals to meeting the SB 100 target, specifically requiring 90% of retail sales by 2035, 95% by 2040 to be met with renewable and zero-carbon energy resources. SB 100 Joint Agency Report evaluates the challenges and opportunities in implementing SB 100. It includes an initial assessment of the additional energy resources and the resource building rates needed to achieve 100% clean electricity, along with the associated costs. The report is scheduled to be updated every four years. The first report issued March 2021 identified preliminarily that on average the state may

need six gigawatts of new renewable and energy storage annually to meet the SB 100 goals. The California Energy Commission (CEC) is developing the 2025 report.

IRP process. SB 350 (De León, Chapter 547, Statutes of 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. Public owned utilities (POUs) are required to 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 reductions goals and that helps to reduce overall costs. The CPUC adopted a 2023 portfolio that reduces 25 million metric ton (MMT) of GHG emissions 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. In this regard, the IRP is 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 the procurement orders, the CPUC has directed central procurement for local RA and mid-term reliability by electric investor-owned utilities (IOUs) for customers, including those of other LSEs.

Resource adequacy (RA). Following the California energy crisis of 2000-01, the California 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 to the crisis was the adoption of Public Utilities Code §380 as 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-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 the LSEs who fail to satisfy their RA obligations, including limiting the expansion of CCAs if they are deficient in their RA requirement. The CPUC has implemented a significant change to the RA program

by implementing a slice-of-day (SOD) framework that assesses the hourly use of resources. The CPUC has been developing the new structure for a few years and in 2025 implemented the first year of compliance for the SOD. 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 SOD framework, LSEs receive a 24-hour obligation for each of the 12 months of the year. The new RA framework requires that resources, including energy storage resources, 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 utilize centralized backstop procurement mechanisms in order to maintain electric system reliability. Backstop procurement is whereby the CAISO contracts with a generator to address the shortfall. Under Federal Energy Regulatory Commission (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). As this procurement can be due to an emergency supply shortfall, they can be more expensive than planned procurement.

Comments

Need for this bill. According to the author:

AB 2266 would streamline overlapping CPUC procurement and compliance processes, improve transparency, and help align how resource reliability is evaluated across programs. As California has built on its success as a clean-energy leader, separately enacted programs have created a patchwork of CPUC processes over time. This bill seeks to reduce duplicative reporting, provide clearer procurement signals, and improve confidence in whether the state is procuring the right mix of resources. AB 2266 would minimize California's reliance on expensive backstop procurement by directing the CPUC to resolve inconsistent reliability valuation methods used for compliance review across key energy resource programs. The bill would require the CPUC to explain, in its annual resource adequacy report, whether any backstop procurement was driven by LSE noncompliance or by methodological inconsistencies. Taken together, these changes are intended to support continuous process improvements, more efficient planning, better accountability, and better outcomes for ratepayers.

Resource capacity valuation methodologies vary by program. The IRP program aims to model optimal future electricity resource portfolios to achieve state policy goals, including GHG reduction goals, and requires LSEs to submit long-term plans demonstrating their intent to meet expected future obligations. The RA program functions as a near-term compliance program to ensure reliability with a one- to three-year time horizon. RA resources are subject to a must-offer obligation in the CAISO market to help ensure they will be available. Both programs plan for a 1-in-10-year loss of load (0.1 LOLE). However, due to the varied time horizon and goals of each program, the resource capacity valuations vary for each program.

CPUC proposes new framework, Reliable and Clean Power Procurement Program (RCPPP). As part of existing proceedings, including those related to RA and IRP, specifically R. 25-10-003, the CPUC is actively exploring a more formal programmatic approach for how procurement may be ordered or authorized, in lieu of the current ad hoc, order-by-order approach. Beginning in 2020 to April 2025, CPUC staff papers have proposed an RCPMP to support affordability in both reliability and GHG reductions by giving LSEs a more predictable regulatory framework to procure their share of resources needed to meet electric system reliability and GHG emissions reduction goals at least cost. The CPUC's proposed RCPMP offers two options: one that allows LSEs to procure both new and existing resources to fill system reliability gaps, and one limited to new resources only. Both options are designed to address procurement shortfalls that LSEs cannot or do not fill on their own. The proposal will undergo extensive stakeholder review in the coming months through the IRP proceeding. As part of the CPUC's 2025 staff proposal on RCPMP, the CPUC staff noted the two accounting approaches are analytically complementary rather than mutually exclusive: marginal ELCC is oriented toward system-level reliability optimization, while SOD is oriented toward ensuring each LSE meets its own hourly obligations, and using both in tandem – as proposed under both RCPMP options – is speculated to provide additional reliability value overall. The CAISO is also evaluating changes to capacity accreditation methodologies for resources within the Resource Adequacy Modeling and Program Design initiative seeks amendments to its RA program to explore necessary reforms to RA rules and requirements.

Bill seeks a uniform capacity valuation methodology for procurement across each resource types. This bill would require the CPUC to adopt a uniform capacity valuation methodology for energy resources procured as part of the RA program and when evaluating compliance as part of IRP and RA, and requires the CPUC to consider such an approach for RA when feasible. The desire for such an approach is intended to help LSEs (and the generators) better predict the value of the resources both within the RA, IRP, and RPS programs. A desire for a uniform

methodology is understandable and something the CPUC and CAISO are considering within the relevant proceedings. Supporters of this bill contend the benefits of the uniform approach will ensure predictability, improve reliability, and affordability as LSEs make procurement decisions that can be certain to satisfy reliability and GHG reduction goals.

Opponents raise concerns that these issues are best addressed by regulatory processes at the CPUC and CAISO. The Independent Energy Producers Association, representing a variety of energy-generating resources, contends these are issues better addressed within the CPUC and CAISO proceedings, particularly as they are actively being considered. They note that the varying goals and time horizons of the RA and IRP programs necessitate differing capacity valuation methodologies, even as they both drive towards a 0.1 LOLE. They further note that the RA program uses only existing resources which would naturally have a lower number of resources to including in the input assumptions that are used to calculate the 0.1 LOLE as compared to the IRP which is a much longer time horizon. They contend a uniform capacity valuation will not reduce over procurement or drive down costs, due to the planning reserve margin requirements that are needed for reliability. It is not clear whether recent author amendments address the oppositions' concerns.

Prior/Related Legislation

(See Policy Committee Analysis)

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: Yes

According to the Senate Appropriations Committee, 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.

SUPPORT: (Verified 8/13/26)

Alliance for Retail Energy Markets
Ava Community Energy
California Community Choice Association
Environmental Defense Fund

NRG Energy

OPPOSITION: (Verified 8/13/26)

Independent Energy Producers Association

ARGUMENTS IN SUPPORT: According to AVA Community Energy:

As the grid incorporates a wider range of resource types, including storage and distributed energy resources, the need for consistent and transparent valuation methodologies has become increasingly important. As a community choice aggregator (CCA), Ava and other load serving entities (LSEs) must navigate multiple capacity valuation frameworks across different programs, each with its own assumptions, metrics, and compliance requirements. This fragmentation increases administrative burden, complicates procurement decisions, and introduces uncertainty into long-term planning.

AB 2266 addresses these challenges by requiring the CPUC to adopt a single, standardized approach to valuing resource adequacy capacity. This reform will improve transparency, reduce duplicative compliance requirements, and enable more efficient resource procurement. By streamlining these processes, AB 2266 will help reduce administrative costs and support more cost-effective planning, ultimately benefiting customers through lower rates.

ARGUMENTS IN OPPOSITION: According to the Independent Energy Producers Association (IEP):

IEP opposes AB 2266 for two primary reasons: (1) both the California Public Utilities Commission (CPUC) and the California Independent System Operator (CAISO) are currently contemplating the proposal put forward in this bill in the Resource Adequacy (RA) and Integrated Resource Plan (IRP) proceedings at the CPUC and the RA initiative at the CAISO; and, (2) mandating the CPUC choose one capacity valuation methodology for all resources to be used in both the RA and IRP proceedings risks reliability and will not lead to lower costs.

ASSEMBLY FLOOR: 73-0, 5/22/26

AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Ávila Farías, Bains, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Castillo, Connolly, Davies, DeMaio, Dixon, Elhawary, Ellis, Flora, Fong, Gallagher, Garcia, Gipson, Jeff Gonzalez, Mark González, Hadwick, Haney, Harabedian,

Hart, Hoover, Irwin, Jackson, Johnson, Kalra, Krell, Lackey, Lee, Lowenthal, Macedo, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Michelle Rodriguez, Rogers, Blanca Rubio, Sanchez, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Tangipa, Valencia, Wallis, Ward, Wilson, Zbur, Rivas
NO VOTE RECORDED: Arambula, Bauer-Kahan, Chen, Gabriel, Celeste Rodriguez, Ta, Wicks

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