
SENATE COMMITTEE ON APPROPRIATIONS

Senator Anna Caballero, Chair
2025 - 2026 Regular Session

AB 44 (Schultz) - Energy: electrical demand forecasts

Version: July 17, 2025

Urgency: No

Hearing Date: August 18, 2025

Policy Vote: E., U. & C. 15 - 1

Mandate: No

Consultant: Ashley Ames

Bill Summary: This bill would require the California Energy Commission (CEC) on or before December 1, 2026, and in consultation with load-serving entities (LSEs) and resource aggregators, to define and publicize methodologies for load modification protocols by which a LSE may reduce or modify its electrical demand forecast.

Fiscal Impact:

- The CEC estimates one-time costs of \$250,000 and ongoing costs of \$433,000 annually (Energy Resources Program Account [ERPA]) to execute the required analysis and updated recommended protocols, among other things.

Background:

Load Modifiers, Demand Response, and Distributed Energy Resources (DER). In the context of electric service, “load,” is anything that uses electricity. LSEs, therefore, are the entities that provide the electricity to meet the electrical demand created by load. DER is a catch-all term used for a variety of generation, storage, or load modifying resources that are usually connected to the utility distribution system. DERs include both generation technologies that reduce customer load when consumed on-site (e.g., customer-sited rooftop solar) and load modifying technologies that reduce customer load by actively shifting or reducing customer energy usage (e.g., demand response programs). In other words, DERs can affect either the supply or demand of energy, but are usually located behind the customer meter; and thus to the larger grid may be viewed solely as modifying customer load.

The IEPR (demand forecast). Alongside other planning guidance focusing on energy generation needs in both the mid- and long-term, the CEC conducts an energy demand forecast on all aspects of energy industry supply, production, transportation, delivery, distribution, demand, and pricing. The demand forecast the CEC adopts in its IEPR informs the generation planning processes at the CPUC, as the supply provided by the CPUC analysis (IRP and RA) must match the customer demand (IEPR) provided by the CEC. The CEC is responsible for producing both statewide and LSE-specific demand forecasts to inform both policy and grid operations. LSEs annually submit their own year ahead peak demand forecast to the CEC, including any relevant DER load modifiers that lower their peak demand. The CEC reviews LSE forecasts, compares them to their own forecasts, and makes adjustments to resolve discrepancies between the two. The load reductions from a LSE program are then incorporated into the CEC's final adjusted forecast. The CPUC uses the CEC's forecasts to determine individual LSE RA obligations.

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 now includes 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 requirements. The CPUC has recently adopted a significant change to the RA program by implementing a slice-of-day framework that assesses the hourly use of resources. The CPUC has been developing the slice-of-day structure for a few years and is now rolling out the new framework for 2025's RA program. The CPUC also adopted a 17% planning reserve margin for the slice-of-day framework, consistent with previous planning reserve margins.

Proposed Law: This bill would require the commission, on or before December 1, 2026, and in consultation with load-serving entities and resource aggregators, to define and publicize methodologies for load modification protocols by which a load-serving entity may reduce or modify its electrical demand forecast upon aggregated system-operation of behind-the-meter load modifying technologies and programmatic measures deemed to reliably reduce or modify the load-serving entity's electrical demand, as specified. The bill would require the commission to evaluate new and existing mechanisms that can support or expand opportunities for load-serving entities to modify their hourly resource adequacy obligations through load management, and would authorize the commission to include its findings and recommendations in its integrated energy policy report.

Related Legislation:

AB 1117 (Schultz) of 2025, would create optional, dynamic electricity rates for electrical corporation customers. These rates would change based on real-time conditions of the electricity grid and market prices.

SB 541 (Becker) of 2025, would require a number of actions towards achieving a goal for electric load shifting, the concept of shifting or shedding electric load or demand away from times when electricity is expensive, polluting, and scarce.

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