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# SENATE COMMITTEE ON APPROPRIATIONS

Senator Sabrina Cervantes, Chair  
2025 - 2026 Regular Session

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## SB 1138 (Padilla) - Load-serving entities: resource adequacy requirements

**Version:** April 9, 2026

**Urgency:** No

**Hearing Date:** April 27, 2026

**Policy Vote:** E., U. & C. 13 - 0

**Mandate:** Yes

**Consultant:** Ashley Ames

**Bill Summary:** This bill would require the California Public Utilities Commission (CPUC) to allow load-serving entities (LSEs) to satisfy 25 percent of their resource adequacy (RA) requirements by trading energy capacity with other LSEs, as provided. It would also allow the CPUC to suspend or adjust the authority an LSE to sell to, or otherwise make transactions with, another LSE if the CPUC demonstrates the use of these transactions prevents the electrical system from meeting the planning reserve margin, as specified.

### **Fiscal Impact:**

- The CPUC estimates ongoing costs of about \$8.6 million annually (ratepayer funds) for seven positions, contracts, and operational funds to support implementation and administration of a new hourly load trading mechanism within the existing Slice of Day compliance framework and otherwise implement the provisions of this bill.

### **Background:**

*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 electric supply. The statute directs the CPUC, in consultation with the CAISO, to establish RA requirements for all LSEs, including electric investor-owned utilities (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. There are two types of filings: Annual filings (filed on or around October 31st) and Monthly filings (filed 45 calendar days prior to the compliance month). For the monthly filings, LSEs must demonstrate they have procured 100% of their monthly System and Flexible RA obligation. For the Annual filings, 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. The CPUC has adopted changes to RA program in recent years, including increasing the planning reserve margin from 15% to 17% by 2024 for all LSEs and in the case of electric IOUs upwards of 20-22% effective planning reserve margin. The CPUC has required a multi-year local capacity RA requirement and adopted local capacity requirements for the upcoming three years. The CAISO conducts a *Local Capacity Technical Analysis* to identify the minimum local resource capacity required in each local area to meet energy needs used a 1-in-10 weather year and N-1-

1(emergency) contingency. 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.

*Slice-of-Day Framework.* The CPUC is also amid 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 in 2025 implemented the first year of the slice-of-day framework. The CPUC adopted a 17% planning reserve margin for the slice-of-day framework, consistent with previous planning reserve margins. to procure enough RA to meet load obligations in each hour rather than monthly. Under the slice-of-day framework, LSEs receive a 24-hour obligation for each of the 12 months of the year.

**Proposed Law:** This bill would require the CPUC to authorize an LSE to demonstrate compliance with RA requirements by selling to, or otherwise making transactions with, another LSE to meet not more than 25% of its compliance obligations with contracts that are of a short-term duration, and to authorize those transactions to be denominated in the same unit of time used to denominate resource adequacy compliance requirements. It would also authorize the CPUC to suspend or adjust that authority of a load-serving entity to sell to, or otherwise make transactions with, another load-serving entity, as specified.

#### **Related Legislation:**

SB 913 (Becker) of 2026, proposes several changes to the RA program in order to authorize and expand the use of aggregated distributed energy resources.

AB 2368 (Petrie-Norris, Chapter 713, Statutes of 2024) made various changes to the RA program and integrated resources plan (IRP) at the CPUC in order to address challenges with electricity supply reliability.

AB 1373 (E. Garcia, Chapter Statutes of 2023) made numerous changes to electricity policy, most notably, authorized the Department of Water Resources (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 included numerous related and additional provisions.

AB 205 (Committee on Budget, Chapter 61, Statutes of 2022) 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, Chapter 367, Statutes of 2022) among its provisions, required the CPUC as part of the RA program to require every LSEs to annually report information regarding the sources of electricity and the emissions of greenhouse gases associated with those sources of electricity for RA requirements.

SB 1136 (Hertzberg, Chapter 851, Statutes of 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, Chapter 431, Statutes of 2017) required, explicitly, the IRPs of all LSEs to contribute to a diverse and balanced portfolio of resources needed to ensure a reliable electricity supply, meet certain environmental goals, and prevent cost shifting among LSEs.

SB 350 (De León, Chapter 737, Statutes of 2015), among other things, increased the RPS and directed the CPUC to develop a process by which LSEs submit IRPs to the CPUC for review or for certification.

SB 1414 (Wolk, Chapter 627, Statutes of 2014) required utilities and regulators to include demand response in resource adequacy plans.

AB 380 (Nuñez, Chapter 367, Statutes of 2005) codified the CPUC's authority to establish RA standards for electric utilities and other LSEs.

**Staff Comments:** The CPUC notes that this bill would introduce a new product type – the transfer of RA compliance obligations themselves, rather than physical capacity products – that does not currently exist in the RA program. It further notes that the Commission is actively evaluating this same mechanism in its current proceeding, R.25-10-003. The CPUC Energy Division issued a [Report on Transactability within the Slice of Day Resource](#) (February 2025) wherein the analysis that found no structural barrier to LSEs meeting hourly RA requirements using existing market trading mechanisms, and concluded that potential costs savings are uncertain and may not translate to ratepayer savings. Additionally, the CPUC notes that hourly load obligation trading is a complex program design question that the Commission is better positioned to implement through rulemaking, allowing additional flexibility to consider and refine rules over time.

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