Date of Hearing: August 5, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS
Buffy Wicks, Chair
SB 1138 (Padilla) – As Amended June 15, 2026

Policy Committee: Utilities and Energy Vote: 18 - 0

Urgency: No State Mandated Local Program: Yes Reimbursable: No

**SUMMARY**:

This bill authorizes a load-serving entity (LSE), such as an electrical investor-owned utility (IOU) or a community choice aggregator (CCA), to demonstrate compliance with resource adequacy (RA) requirements by transacting with another LSE to meet the LSE's RA compliance obligation.

More specifically, this bill directs the California Public Utilities Commission (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 the LSE's RA compliance obligation with short-term contracts. The bill empowers the CPUC to suspend or adjust such authorization if the CPUC demonstrates the use of these transactions prevents the electrical system from meeting the planning reserve margin established by the CPUC.

**FISCAL EFFECT**:

This bill requires the CPUC to establish an hourly RA compliance obligation trading mechanism. This will entail significant analytical, administrative and regulatory work. Implementation costs will be significant, likely in the millions of dollars.

For its part, the CPUC estimates it will require $8.6 million (Public Utilities Commission Utilities Reimbursement Account) for seven positions split between the Energy Division and the Information Technology Division, and a contract with an external vendor to build a dedicated software platform, as follows:

1) **Energy Division—$654,000 annually:** three regulatory analysts ($218,000 annually each) to track hourly load obligation trading, support monthly RA compliance reviews, oversee IOU use of the compliance product, support the development and implementation of any modifications to true up mechanisms, such as the power charge indifference amount (PCIA), manage a trading software platform contract and oversee technical changes to existing tools and templates.

2) **Information Technology Division—$1.2 million for two years, then $824,000 annually:** two permanent IT specialists ($412,000 annually each) and two limited-term IT specialists ($188,000 annually for two years only) to support development, operation and maintenance of a platform to collect and validate trades across LSEs.

3) **External Vendor—$4.2 million one time:** contract to design, build and host a dedicated software platform to collect and validate trades across load-serving entities.

**COMMENTS**:

Statute defines an LSE as any IOU, electric service provider (ESP) or CCA serving end-use electricity customers in the state. Through its RA program, the CPUC requires each LSE it regulates to demonstrate the LSE has secured from electric resource providers sufficient quantities of electricity to meet anticipated demand for electricity, which is known as RA capacity. Traditionally, the RA program has required each LSE to demonstrate its RA capacity as it applies to a given month, or series of months. More recently, however, the CPUC has required each LSE to demonstrate its RA capacity on an hourly basis, which the CPUC terms "slice of day" and contends better reflects existing and emerging conditions.

Under the RA program, LSEs may trade RA capacity products, such as commitments from physical electricity generating resources, to meet monthly RA obligations. However, LSEs may not trade RA obligations, nor may they do so on an hourly basis.

The CPUC has several times considered allowing hourly RA capacity trading within the slice-of-day RA framework. Each time, it has rejected such trading, finding, among other things, such hourly trading would increase exposure to RA shortfalls, would not necessarily lead to savings and might increase costs.

The California Community Choice Association (CalCCA), which has formally requested the CPUC to allow hourly RA obligation trading, contends the current restriction on hourly RA obligation trading creates a "mismatch" that "forces LSEs to purchase more RA than they need to meet their obligations, creating artificial market scarcity and unnecessarily driving up RA demand (and prices)…These unnecessary costs fall directly on California ratepayers, totaling tens of millions of dollars annually." A long list of other supporters—many of them CCAs—make similar arguments.

There is no opposition formally registered against this bill. Nonetheless, the CPUC expresses "significant concerns" with the bill and notes it continues to consider authorization of hourly obligation trading.

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