SENATE COMMITTEE ON ENERGY, UTILITIES AND COMMUNICATIONS
Senator Benjamin Allen, Chair
2025 - 2026 Regular

Bill No:	SB 1295	**Hearing Date:**	4/21/2026
Author:	Stern		
Version:	4/9/2026 Amended		
Urgency:	No	**Fiscal:**	Yes
Consultant:	Nidia Bautista		

SUBJECT: Distributed energy storage systems: procurement

DIGEST: This bill proposes to increase procurement of distributed energy storage systems. This bill requires the California Public Utilities Commission (CPUC), on or before January 1, 2030, to consider procurement strategies to support the installation of distributed energy storage systems. Requires the California Energy Commission (CEC), by July 1, 2028, and biennially thereafter, to identify and evaluate constrained distribution areas.

ANALYSIS:

Existing law:

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

2) Requires the California Independent System Operator (CAISO), as a nonprofit, public benefit corporation, to conduct its operations consistent with applicable state and federal laws and consistent with the interests of the people of the state. (Public Utilities Code §345.5)

3) Requires the CAISO to ensure the efficient use and reliable operation of the transmission grid, as provided. (Public Utilities Code §345)

4) Requires the CAISO to perform a review following a major outage that affects at least 10% of customers of the entity providing the local distribution service, as provided. (Public Utilities Code §349)

5) Requires the CPUC, in consultation with the CAISO, to establish resource adequacy (RA) requirements for all load-serving entities (LSEs) and requires the CPUC in establishing those requirements to ensure the reliability of electrical service in California. Requires the RA program to facilitate the development of new generating, nongenerating, hybrid capacity and retention of

existing generating, nongenerating, and hybrid capacity that is economical and needed for reliability. (Public Utilities Code §380)

6) Requires that the RA program achieve specified objectives, including that it establishes new or maintains existing demand response products and tariffs, as specified. (Public Utilities Code §380)

7) Defines LSE, for that purpose, as an electrical corporation, electric service provider (ESP), or community choice aggregator (CCA). (Public Utilities Code §380)

8) Defines "distributed resources" to mean distributed renewable generation resources, energy efficiency, energy storage, electric vehicles, and demand response technologies. (Public Utilities Code §769)

9) Creates the Demand Side Grid Support Program and requires CEC to implement and administer the program to incentivize dispatchable customer load reduction and backup generation operation as on-call emergency supply and load reduction for the state's electrical grid during extreme events. (Public Resources Code §25792)

This bill:

1) Requires the CPUC, on or before January 1, 2030, to consider procurement strategies to support the installation of distributed energy storage systems, as provided.

2) Requires the CEC, in consultation with the CPUC and the CAISO, on or before July 1, 2028, and biennially thereafter, to identify and evaluate constrained distribution areas, as defined, and local capacity areas, as defined, for those purposes, as provided. As part of the procurement strategies considered by the CPUC, this bill requires the CPUC to require each LSE to demonstrate that identified localized reliability vulnerability areas will be addressed within a reasonable planning horizon and using the least-cost portfolio of resources, including distributed energy storage systems and other nonwire alternatives, as specified.

3) Authorizes, if the CPUC imposes an energy storage system procurement target on LSEs, each LSE to meet up to 50% of its procurement target through energy storage systems that it owns, that are interconnected at the transmission or distribution level, or that are located on the customer side of the meter, as specified.

4) Requires the CPUC to reconsider procurement strategies and appropriate targets not less than once every three years.

5) Authorizes the CPUC to approve, or modify and approve, electrical corporation programs to deploy, and investments in, distributed energy storage systems that include appropriate energy storage management systems and reasonable mechanisms for cost recovery.

6) Requires the CPUC, on or before January 1, 2028, to amend its tariffs that govern the deployment of energy storage systems, as provided.

7) Requires the CPUC to authorize an electrical corporation to earn a return on investments in and operation of distributed energy storage systems and other nonwire alternatives deployed to address localized reliability vulnerability areas.

8) Requires the CPUC to establish performance-based mechanisms that allow an electrical corporation to earn incentives for achieving measurable outcomes, including, but not limited to, integration of cost-effective distributed energy resources (DERs), as provided.

Background

According to the author:

> The current framework for utilities to make distribution grid upgrade decisions is still leaving too many opportunities for the utilities to choose costly solutions that are not enhancing reliability or helping to achieve clean energy targets. The front-of-the-meter battery deployment within CAISO is rapidly expanding, with batteries comprising roughly 46 percent of total capacity in the interconnection queue as of mid-2025. From 2018 through mid-2025, battery storage capacity in California increased from 500 megawatts to more than 16,900 megawatts, with state projections envisioning 52,000 megawatts of battery storage needed by 2045. Energy storage is increasingly an affordable and attractive resource option for load-servicing entities and regulators to consider, in part due to its declining costs, its modularity, and its fast average development timelines. Distributed storage systems of not more than 10 megawatts in capacity are well-suited to meet near-term priority grid zones and high-risk grid soft spots, and can help defer new poles and wires or other upgrade investments in the near-term. However, the current framework where the CPUC oversees utilities Distribution Resource Planning (DRP) and Integrated Resource Planning (IRP) decisions fails to properly consider full grid services and resilience for Public

Safety Power Shutoff (PSPS) events; capacity constrained feeders; critical facilities; reliability and voltage regulation support; and feeders and other grid infrastructure serving primarily low-income customers.

Distribution Investment Deferral Framework (DIDF). In 2018, the CPUC established via CPUC decision (D.18-02-004), and modified subsequently in 2024 (D.24-10-030), the DIDF which required the electric IOUs to identify opportunities for nonwires alternatives (DERs) to defer or avoid traditional grid upgrades as part of the DRP process. The electric IOUs were required to provide direction on matching growth scenarios to utility "grid needs assessments" (GNA) to guide distribution investment requests to accommodate DER placement on the system. Another important element of the decision was to adopt the long-discussed DIDF – basically the process for identifying opportunities for DERs to defer or avoid traditional distribution infrastructure investments. The Decision ordered the electric IOUs to file two new annual reports, the GNA report by June 1 each year, and the Distribution Deferral Opportunity Report (DDOR) by September 1. These reports were subsequently rescheduled to coincide in a combined annual GNA/DDOR report.

CPUC decisions adds another puzzle piece. CPUC decision (D. 18-03-023, March 22, 2018) added another piece to the puzzle, in the form of commission guidance for utility "grid modernization" investment requests in their general rate cases (or separate Applications). This became another key to providing transparency into the distribution planning process, by requiring detailed explanations for "primary drivers" of grid upgrades, whether it was demand growth, DER market growth, equipment replacements, or other factors. Utilities were directed to provide a 10-year vision for their grid modernization plans (GMP), that not only justified the proposed investments based on lowest cost and highest benefits, but also would describe whether any of the GMP investments could be met instead by DER. Importantly, the Grid Modernization decision defined and broadened the scope of technologies that could be components of a utility GMP – adopting a staff proposed categorization of technologies that ranges from system analysis software and grid management systems, to sensors and controllers essential to maintain circuit stability and system reliability.

Comments

Author expresses frustration that CPUC pivoted from the DIDF requirements. Although the DER puzzle was by no means solved, the DRP proceeding and its successor High DER proceeding pieced together fundamental components and adopted frameworks to allow for initial attempts to put "nonwires alternatives" to a market test via solicitation pilots. However, the DIDF process stalled with a 2024

Ruling that paused DIDF requirements, along with D.24-10-030, which called for further changes to the DIDF process. These process changes, while likely beneficial, still continue to require multiple long-term studies that do not focus enough on the immediate need for identifying cost-effective locations for DER solutions.

Bill's provisions could benefit from streamlined recasting. The author acknowledges the desire to recast this bill's requirements to provide clearer understanding of the intended goals. Given the myriad of requirements currently in this bill, a streamlined recasting of this bill's language would be welcome to ensure greater clarity. *Specifically, the author and committee may wish to amend this bill as follows:*

- *Delete all provisions in this bill, except the findings and declarations.*
- *Require for proposed distribution or transmission infrastructure investment above a threshold established by the CPUC.*
- *Require an electrical corporation to evaluate whether distributed energy storage systems or nonwire alternatives can meet the identified reliability or capacity need.*
- *Require the evaluation to require a comparison of total system costs, including avoided or deferred costs and distributed energy storage systems.*
- *Require the CPUC to not approve rate recovery for a proposed infrastructure investment unless the electrical corporation demonstrates nonwire alternatives are not feasible or cost-effective.*
- *Maintain Section Public Utilities Code §469.5(d).*
- *Require the CPUC to authorize electrical corporation to recover to recover reasonable costs of, and earn a return on, DER storage systems.*
- *Maintain Section Public Utilities Code §469.5(f).*

Prior/Related Legislation

SB 913 (Becker) of 2026, proposes several policy changes to authorize and expand the use of aggregated DERs to satisfy RA requirements. The bill is pending in the Senate Privacy, Digital Technologies, and Consumer Protection Committee.

AB 740 (Harabedian) of 2025, would have required the CEC, in the next update to the biennial integrated energy policy report after January 1, 2027, and subject to available funding, to adopt a virtual power plant deployment plan. The bill was vetoed by the Governor.

AB 44 (Schultz) of 2025, would have required the CEC, on or before December 1, 2026, and in consultation with 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 upon aggregated system operation of behind-the-meter load modifying technologies and programmatic measures deemed to reliably reduce or modify the LSE's electrical demand. The bill was vetoed by the Governor.

SB 541 (Becker) of 2025, would have required the CEC, in consultation with specified entities, to analyze the cost-effectiveness of specific load flexibility programs and other types of load-shifting interventions and identify both the approximate amount of load shifting and the cost-effectiveness of each type of load-shifting intervention in the next update to the biennial integrated energy policy report after January 1, 2027, as provided. The bill would have required the CEC, as part of each integrated energy policy report, to estimate each retail supplier's load-shifting potential, giving consideration to certain factors, as specified. The bill would have required the CEC, on or before July 1, 2028, and biennially thereafter, to analyze and publish the amount of load shifting that each retail supplier achieved in the prior calendar year. The bill was vetoed by the Governor.

AB 50 (Wood, Chapter 317, Statutes of 2023) required the CPUC, by July 1, 2025, to determine the criteria for customers to receive timely electricity service when requesting new service connections or upgraded service, known as "energization." The bill proposed several policies to address delays in connecting customers to the electrical grid, including improved information sharing with local governments, reporting by electric IOUs, and other measures.

SB 410 (Becker, Chapter 394, Statutes of 2023) required the CPUC to establish by September 30, 2024, reasonable average and maximum target energization time periods in order to connect new customers and upgrade the service of existing customers to the electrical grid. The bill also requires reporting by electrical corporations and authorizes specified annual cost-recovery, subject to a cap.

SB 1347 (Stern) of 2017, would have required the CPUC, by January 1, 2020, to consider procurement strategies for the installation of up to 2,000 megawatts of energy storage systems and, as part of that consideration, consider appropriate storage procurement targets and other strategies applicable to the state's LSEs, meaning IOUs, CCAs, and ESPs. The bill directs the CPUC to reconsider procurement strategies every three years. The bill died in the Assembly.

AB 2514 (Skinner, Chapter 469, Statutes of 2010) required the CPUC to determine appropriate targets, if any, for LSEs to procure energy storage systems. The bill required LSEs to meet any targets adopted by the CPUC by 2015 and 2020. The

bill required POUs to set their own targets for the procurement of energy storage and then meet those targets by 2016 and 2021.

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), 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, including the Demand Side Grid Support program at the CEC.

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 renewable portfolio standards 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 RA plans.

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

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

SUPPORT:

None received

OPPOSITION:

Pacific Gas and Electric Company
San Diego Gas and Electric Company

ARGUMENTS IN SUPPORT: According to the author:

> California has always led the nation in building a cleaner, more reliable electric grid — and this bill takes the next critical step. Instead of defaulting to costly infrastructure upgrades, we are requiring utilities to deploy smarter, faster, and more affordable distributed energy solutions right where the grid needs them most. By strategically placing batteries and other clean resources in vulnerable areas, we can reduce outages, protect communities from power shutoffs, and save ratepayers money. This is about modernizing our grid to meet the challenges of climate change while keeping electricity affordable for Californians. With this legislation, California will continue to lead on innovation, resilience, and delivering real value to working families.

ARGUMENTS IN OPPOSITION: According to San Diego Gas & Electric:

> San Diego Gas & Electric (SDG&E) respectfully opposes Senate Bill (SB) 1295 (Stern), as it creates significant potential for delayed reliability and safety-related infrastructure deployments through rigid, arbitrary and in many cases duplicative statutory requirements. While the bill is intended to address grid constraints and promote the deployment of distributed energy resources (DER), its approach is misaligned with established planning and investment processes and does not strengthen the frameworks necessary to deliver infrastructure in a timely, safe, and reliable manner, nor does it promote disciplined management of customer costs.

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