
SENATE COMMITTEE ON APPROPRIATIONS

Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

SB 1295 (Stern) - Electrical corporations: distributed energy storage systems and nonwire alternatives

Version: April 28, 2026

Urgency: No

Hearing Date: May 11, 2026

Policy Vote: E., U. & C. 15 - 2

Mandate: Yes

Consultant: Ashley Ames

Bill Summary: This bill would require an electrical corporation, for any proposed distribution or transmission infrastructure investment above a threshold established by the California Public Utilities Commission (CPUC), to evaluate whether distributed energy storage systems or other nonwire alternatives such as batteries can meet the identified reliability or capacity need, as provided.

Fiscal Impact:

- Unknown, likely significant one-time and ongoing annual costs, both likely in the hundreds of thousands of dollars (ratepayer funds), for the CPUC to establish the investment threshold that will trigger the requirement for an evaluation, as well as review investments and approve rate recovery for the proposed infrastructure investments as needed.

Background:

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.

Proposed Law: This bill would require an electrical corporation, for any proposed distribution or transmission infrastructure investment above a threshold established by the California Public Utilities Commission (CPUC), to evaluate whether distributed energy storage systems or other nonwire alternatives such as batteries can meet the identified reliability or capacity need, as provided.

- require an electrical corporation, if it determines that a nonwire alternative may be feasible, to conduct a competitive solicitation or other transparent process to evaluate third-party solutions.
- Prohibit the CPUC from approving rate recovery for a proposed infrastructure investment unless the electrical corporation demonstrates either that nonwire alternatives are not feasible within the required timeframe or that nonwire alternatives are not cost effective, as provided.
- A an electrical corporation to procure, own, or enter into a long-term contract for distributed energy storage systems interconnected at the distribution level to meet identified reliability or capacity needs, and would require the commission to authorize an electrical corporation to recover the reasonable costs of, and earn a return on, those distributed energy storage systems, as provided.

Related Legislation:

SB 913 (Becker) of 2026, proposes several policy changes to authorize and expand the use of aggregated DERs to satisfy RA requirements.

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.

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