THIRD READING

Bill No: SB 1295
Author: Stern (D), et al.
Amended: 4/28/26
Vote: 21

SENATE ENERGY, U. & C. COMMITTEE: 15-2, 4/21/26
AYES: Allen, Ochoa Bogh, Archuleta, Arreguín, Becker, Caballero, Gonzalez, Grove, Hurtado, McNerney, Reyes, Richardson, Rubio, Stern, Wahab
NOES: Dahle, Strickland

SENATE APPROPRIATIONS COMMITTEE: 6-1, 5/14/26
AYES: Cervantes, Seyarto, Cabaldon, Grayson, Richardson, Wahab
NOES: Dahle

SUBJECT: Electrical corporations: distributed energy storage systems and nonwire alternatives

SOURCE: Deploy Action

DIGEST: This bill requires 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 can meet the identified reliability or capacity need, as provided.

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

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

5) 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 an electrical corporation, for any proposed distribution or transmission infrastructure investment above a threshold established by the CPUC, to evaluate whether distributed energy storage systems or other nonwire alternatives can meet the identified reliability or capacity need, as provided.

2) Requires 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.

3) Prohibits 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.

4) Authorizes 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 requires the CPUC to authorize an electrical corporation to recover the reasonable costs of, and earn a return on, those distributed energy storage systems, as provided.

Background

About nonwire alternatives. Nonwire alternatives are utility-led strategies to defer or avoid traditional distribution or transmission system upgrades needed to resolve network constraints. These can be delivered by distributed energy resources (DERs) or by other non-traditional solutions – such as advanced grid software or controls.

Distribution Investment Deferral Framework (DIDF). In 2018, the CPUC established the DIDF, via CPUC decision (D.18-02-004), and modified subsequently in 2024 (D.24-10-030), which required the electric IOUs to identify opportunities for nonwire alternatives (namely DERs) to defer or avoid traditional grid upgrades as part of the distribution resource planning (DRP) process. The DIDF is one of the first U.S. initiatives to systematically consider DER-provided distribution services as part of the distribution planning process, in the context of California's rapidly growing DER penetration. The electric investor-owned utilities (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 electric 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 decision provides guidance regarding grid modernization investments. CPUC decision (D. 18-03-023, March 22, 2018) provided guidance for utility "grid modernization" investment requests in their general rate cases (or separate applications). 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 described whether any of the GMP investments could be met instead by DERs. 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

Need for this bill. The author expresses frustration that the CPUC pivoted from the DIDF requirements. They note that 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. This bill attempts to require the DIDF approach.

DIDF struggled to procure DERs. The DIDF struggled to procure DER-provided distribution services as viable alternatives to traditional grid upgrades. These challenges prompted a series of incremental DIDF reforms in subsequent years. In 2024, the CPUC effectively suspended the requirement for electric IOUs to identify distribution service alternatives and conduct annual competitive procurements from third-party providers. According to a 2025 White Paper by Electric Power Research Institute (EPRI), across 112 distribution service opportunities considered over seven annual cycles, only 9% resulted in a successful distribution service contract. Although solicitations were technology-neutral, every project that reached either the operational or development stage was a standalone battery storage system.

Not seeing eye-to-eye. The author of the bill notes that further changes to the DIDF process were likely beneficial, they are frustrated that the current processes continue to require multiple long-term studies that may not focus enough on the immediate need for identifying cost-effective locations for DER solutions. The utilities opposed to the bill raise concerns that California learned through the DIDF experience that a deferral-first construct can consume significant time and resources without delivering meaningful affordability benefits. They support the state's efforts to pivot towards a "customer-centric planning model" that integrates demand flexibility upfront and accelerates customer energizations, rather than deferring necessary infrastructure.

Related/Prior 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 Senate.

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.

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.

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 was vetoed.

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

According to the Senate Appropriations Committee, 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.

SUPPORT: (Verified 5/14/26)

Deploy Action (Source)

OPPOSITION: (Verified 5/14/26)

Pacific Gas and Electric Company
San Diego Gas and Electric Company

Southern California Edison

ARGUMENTS IN SUPPORT: According to Deploy Action:

> SB 1295 improves the ability for the California Public Utilities Commission (CPUC) to consider cost-effective distributed storage technologies in load-serving entities' distribution planning processes. By identifying where distributed storage might provide cost-effective non-wires alternatives to new distribution or transmission infrastructure, or where it can provide other flexibility benefits, SB 1295 provides new tools to ensure Californians have access to affordable energy in a timely and reliable manner.

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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5/16/26 12:13:43

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