
SENATE COMMITTEE ON APPROPRIATIONS

Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

SB 913 (Becker) - Resource adequacy: aggregated distributed capacity resources

Version: April 16, 2026

Urgency: No

Hearing Date: May 11, 2026

Policy Vote: E., U. & C. 15 - 0

Mandate: Yes

Consultant: Ashley Ames

Bill Summary: This bill would propose several policy changes to authorize and expand the use of aggregated distributed energy resources (DERs) to satisfy resource adequacy (RA) requirements.

Fiscal Impact:

- The California Public Utilities Commission (CPUC) estimates ongoing costs of about \$7.5 million annually (ratepayer funds) to establish new Qualifying Capacity (QC) methodologies, update formal proceedings to certify exporting DERs for RA payments, establish device-level measurement protocols and technical standards, enforce participation rules and verification mechanisms to detect and prevent double-counting on dual compensation across programs, coordinate with the California Independent Systems Operator (CAISO) to align participation models, modernize data infrastructure, and otherwise implement the provisions of this bill.
- The California Energy Commission (CEC) anticipates any costs would be minor and absorbable.

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. The new RA framework, effective for the 2025 compliance year, requires that resources, including energy storage resources, demonstrate their ability to provide capacity during specific, critical hours rather than just a daily peak.

RA Compensation. Resources used to meet an LSE's RA requirement are compensated for the ability to call on the resource when needed, known as a "must-offer obligation." A resource that commits to providing RA undertakes the "must-offer obligation" to bid or self-schedule its capacity into the CAISO wholesale market, ensuring capacity is available for system reliability. When generators contract with LSEs to provide RA, they must make their capacity available or face penalties. The actual dispatch of resources to meet load in real-time is performed on an economic basis, with the lowest cost resources committed first. As such, RA resources must be offered into the wholesale market, but they may not be dispatched to serve load if there are less expensive resource bids available (including non-RA resources). The RA program provides an additional source of revenue beyond just actual energy sales. To qualify to sell RA, a resource type must first be assigned a QC from the CPUC, which represents a resource's maximum capacity eligible to be counted towards meeting its RA. The resource must then register with the CAISO and be tested to determine if it is "deliverable" to load when the transmission system is stressed by high demand. Following the deliverability assessment, each resource is assigned a net qualifying capacity ("NQC") value, which defines the amount of RA that it can sell. For intermittent resources like wind and solar, the NQC value is typically well below the nameplate capacity of the facility. Demand response and energy storage resources are eligible to provide RA value, while energy efficiency is generally subtracted from the load forecast. In the case of behind-the-meter energy storage resources, they do not receive value for their exports to the grid.

Proposed Law: This bill would:

1. Make several findings and declarations concerning the role of DERs to provide capacity value to satisfy RA requirements.

2. Require the CPUC, in coordination with the CEC and the CAISO, on or before June 30, 2027, to enhance existing market-integrated pathways for aggregated distributed capacity resources, as defined, to qualify as RA capacity.
3. Require the CPUC to allow electrical corporations, ESPs, and CCAs to include aggregated distributed capacity resources in RA filings and CPUC-ordered procurement.
4. Require the CPUC, on or before June 30, 2027, to develop recommendations for changes to the CAISO's proxy demand resource and the DER aggregation participation models to be consistent with the CPUC's requirements for aggregated distributed capacity resources pursuant to these provisions, and to request that the CAISO implement these changes in a new or existing initiative.

Related Legislation:

SB 1138 (Padilla) of 2026 would require the CPUC to allow LSEs to satisfy 25% of their RA requirements by trading energy capacity with other LSEs.

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 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 includes 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 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 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.

Staff Comments: This bill would require the CPUC to enhance existing market-integrated pathways for aggregated distributed capacity resources to qualify as resource adequacy capacity, on or before June 30, 2027. According to the CPUC, this would significantly increase Energy Division responsibilities across multiple teams, and new work would include the following:

- Establishing new QC methodologies and update formal proceedings to certify exporting DERs for RA payments.
- Establishing device-level measurement protocols and technical standards to ensure precise performance tracking and grid integration.
- Enforcing participation rules and verification mechanisms to detect and prevent double-counting or dual compensation across programs.
- Coordinating with CAISO to align participation models and develop a proposal for a joint rule change for market-wide DER integration.

- Modernizing data infrastructure by building an integrated modeling tool that synchronizes CAISO's CIRA and DRRS, with CPUC's RA and DR databases for verification and enforcement.
- Monitoring IOU implementation of these updates to assess effectiveness and refine regulatory standards as the market scales.

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