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

Bill No:	AB 2266	**Hearing Date:**	6/16/2026
Author:	Schultz		
Version:	4/13/2026 Amended		
Urgency:	No	**Fiscal:**	Yes
Consultant:	Nidia Bautista		

SUBJECT: Electricity: load-serving entities

DIGEST: This bill requires the California Public Utilities Commission (CPUC), and after January 1, 2030, when setting certain resource procurement obligations for load-serving entities (LSEs), to use the same capacity valuation method to assess the reliability contribution of each resource type.

ANALYSIS

Existing law:

1) Establishes and vests the CPUC with regulatory authority over public utilities, including electrical corporations. (Article 12 of the California Constitution)

2) Establishes the California Independent System Operator (CAISO) as a nonprofit, public benefit corporation and requires the CAISO, among other duties, to ensure the efficient use and reliable operation of the electrical transmission grid consistent with the achievement of planning and operating reserve criteria, as provided. (Public Utilities Code §§345 and 345.5)

3) Requires the CPUC to work with the CAISO to establish resource adequacy (RA) requirements for LSEs, which include electrical corporations, electric service providers (ESPs), and community choice aggregators (CCAs). Specifies the criteria the CPUC must consider when establishing RA requirements and specifies that an electrical corporation's reasonable costs for meeting RA are recoverable from customers through non-bypassable charges. Defines LSEs as electrical corporations, CCAs and ESPs. (Public Utilities Code §380)

4) Establishes the Renewable Portfolio Standard (RPS) program which requires retail sellers (including LSEs) to procure at least 60% eligible renewable energy resources by December 31, 2030. (Public Utilities Code §§399.11-399.33)

5) Requires the CPUC to identify a diverse and balanced portfolio of resources needed to ensure a reliable electricity supply that provides optimal integration of renewable energy and resource diversity in a cost-effective manner. Requires the CPUC to establish integrated resource planning-based procurement requirements that rely on zero-carbon-emitting resources to the maximum extent reasonable and be designed to achieve the state policy specified in Section 454.53 and any statewide greenhouse gas emissions (GHG) limit. (Public Utilities Code §454.51)

6) Requires the CPUC to adopt a process for each LSE to file an integrated resource plan (IRP) and schedule periodic update to the plan and require that LSEs ensure system and local reliability and require sufficient, predictable resource procurement and development to avoid unplanned energy supply shortfalls, as provided.

7) Requires the CPUC, beginning in 2017, and to be updated regularly thereafter, to adopt a process for each LSE to file an IRP, and a schedule for periodic updates to the plan, and requires LSEs meet the GHG reduction targets, procure the renewable energy resource compliance obligations, ensure just and reasonable rates and minimize impacts on ratepayers' bills. (Public Utilities Code §454.52)

This bill:

1) Makes findings and declarations regarding the Legislature's intent to align valuation methods across electricity supply procurement programs, improve information and transparency, minimize the state's reliance on backstop procurement mechanisms; while stating it is not the intent of the Legislature to prescribe any specific technical method or compliance structure.

2) Defines "capacity valuation method" to mean the method used to quantify the reliability contribution that a resource provides to the grid.

3) Requires the CPUC, on and after January 1, 2030, when setting certain RA and IRP resource procurement obligations for LSEs, to use the same capacity valuation method to assess the reliability contribution of each resource type.

4) Requires the CPUC, on or before January 1, 2030, to initiate a process to consolidate compliance reporting for LSEs across RA, IRP, and RPS programs into a single compliance reporting process.

5) Requires the CPUC to finalize any compliance reporting requirements or template issued by the CPUC at a minimum of 20 calendar days before a compliance report submission by a LSE.

6) Requires the CPUC, if the CAISO exercises its backstop procurement authority to ensure sufficient resources to operate the electrical grid in a calendar year, to include in the RA annual report an explanation of why the need for the backstop procurement arose, whether the need arose due to any noncompliance by LSEs or due to differences in methodology between the CPUC and CAISO.

Background

SB 100 (De León, Chapter 312, 2018). SB 100 established the state's target to meet 100% of the state's electricity retail load with renewable and zero-carbon resources by 2045. SB 1020 (Laird, Chapter 361, Statutes of 2022) established interim goals to meeting the SB 100 target, specifically requiring 90% of retail sales by 2035, 95% by 2040 to be met with renewable and zero-carbon energy resources. SB 100 Joint Agency Report evaluates the challenges and opportunities in implementing SB 100. It includes an initial assessment of the additional energy resources and the resource building rates needed to achieve 100% clean electricity, along with the associated costs. It uses a computer model to analyze these factors under various conditions and technologies. The report is scheduled to be updated every four years. The first report issued March 2021 identified preliminarily that on average the state may need six gigawatts of new renewable and energy storage annually to meet the SB 100 goals. The California Energy Commission (CEC) is developing the 2025 report.

IRP process. SB 350 (De León, Chapter 547, Statutes of 2015) required each LSE to file a biennial IRP for approval or certification by the CPUC. The CPUC combines all LSEs' IRPs to ensure the state is on its path to meet its clean energy procurement goals. Public owned utilities (POUs) are required to file their own IRPs with the CEC. The goal of the IRP is a two-year planning process to ensure that LSEs are meeting targets that allow the electricity sector to contribute to California's economy-wide GHG emissions reductions goals and that helps to reduce overall costs. The CPUC adopted a 2023 portfolio that reduces 25 million metric ton (MMT) of GHG emissions by 2035, as compared to the previously adopted 38 MMT by 2030 planning target. The IRP is intended to forecast needs on a 10-year horizon. In this regard, the IRP is a forward-looking activity. As part of the IRP process, the CPUC has issued several procurement orders on LSEs to address near-term and mid-term procurement needs. Within the procurement orders, the CPUC has directed central procurement for local RA and mid-term

reliability by electric investor-owned utilities (IOUs) for customers, including those of other LSEs.

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 electricity generation supply. The statute directs the CPUC, in consultation with the CAISO, to establish RA requirements for all LSEs, including electric IOUs, ESPs, and 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. 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. In recent years, the CPUC has adopted changes to the RA program, including increasing the planning reserve margin for all LSEs. 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 requirement. 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.

RA Slice-of-Day (SOD) Framework. The CPUC has implemented a significant change to the RA program by implementing a SOD framework that assesses the hourly use of resources. The CPUC has been developing the new structure for a few years and in 2025 implemented the first year of compliance for the SOD. The CPUC adopted a 17% planning reserve margin for the SOD framework, consistent with previous planning reserve margins, to procure enough RA to meet load obligations in each hour rather than monthly. Under the SOD framework, LSEs receive a 24-hour obligation for each of the 12 months of the year. The new RA framework requires that resources, including energy storage resources, demonstrate their ability to provide capacity during specific, critical hours rather than just a daily peak.

CAISO backstop procurement. If California RA rules fail to provide sufficient resources, the CAISO is compelled to utilize centralized backstop procurement mechanisms in order to maintain electric system reliability. Backstop procurement is whereby the CAISO contracts with a generator to address the shortfall. Under Federal Energy Regulatory Commission (FERC) rules, the CAISO, like all other

balancing authorities, must ensure system reliability or face penalties by FERC. The CAISO has two mechanisms for centralized backstop procurement: Reliability Must Run (RMR) and Capacity Procurement Mechanism (CPM). As this procurement can be due to an emergency supply shortfall, they can be more expensive than planned procurement.

Comments

Need for this bill. According to the author:

> AB 2266 would streamline overlapping CPUC procurement and compliance processes, improve transparency, and help align how resource reliability is evaluated across programs. As California has built on its success as a clean-energy leader, separately enacted programs have created a patchwork of CPUC processes over time. This bill seeks to reduce duplicative reporting, provide clearer procurement signals, and improve confidence in whether the state is procuring the right mix of resources. AB 2266 would minimize California's reliance on expensive backstop procurement by directing the CPUC to resolve inconsistent reliability valuation methods used for compliance review across key energy resource programs. The bill would require the CPUC to explain, in its annual resource adequacy report, whether any backstop procurement was driven by LSE noncompliance or by methodological inconsistencies. Taken together, these changes are intended to support continuous process improvements, more efficient planning, better accountability, and better outcomes for ratepayers.

Resource capacity valuation methods vary by program. The IRP program aims to model optimal future electricity resource portfolios to achieve state policy goals, including GHG reduction goals, and requires LSEs to submit long-term plans demonstrating their intent to meet expected future obligations. The RA program functions as a near-term compliance program to ensure reliability with a one- to three-year time horizon. RA resources are subject to a must-offer obligation in the CAISO market to help ensure they will be available. Both programs plan for a 1-in-10-year loss of load (0.1 LOLE). However, due to the varied time horizon and goals of each program, the resource capacity valuations vary for each program. The RA program established Maximum Cumulative Capacity buckets to prevent over-reliance on use-limited resources and utilized Effective Load Carrying Capacity (ELCC) methodologies for wind and solar to limit their capacity counting value. ELCC uses probabilistic grid modeling to measure the reliable capacity a resource actually contributes to the grid, expressed as the equivalent amount of capacity it could substitute while maintaining the same level of system reliability. For example, a 100 megawatts (MW) solar resource with an ELCC of 30%

contributes the same reliability value as 30 MW of perfect, firm capacity. However, under the SOD framework, the CPUC has established a 24 hour/day RA obligation with an hourly resource accreditation accounting framework. The SOD framework divides each day in each month into hourly time slices to specifically evaluate how well an LSE's portfolio matches its load, plus the reserve margin, resulting in 288 slices (12 months x 24 hours) per year that require LSEs to show compliance. Under SOD, LSEs must demonstrate sufficient capacity to satisfy their specific managed load profile (plus planning reserve margin) in all 24 hours of the worst day in each month, defined as the day of the month that contains the highest coincident peak load forecast per the CEC's forecast. Resource accreditation is dependent upon the portfolio interactions with each LSE's portfolio and varies by type with renewable using a probabilistic method, firm resources using installed capacity, and storage using energy charging sufficiency. Marginal ELCC takes a different, system-wide approach. Rather than evaluating each LSE against its own worst-day load profile, marginal ELCC measures every resource type's reliability contribution against a "perfect capacity" benchmark during the critical hours when the system is at greatest risk of loss of load. This common currency puts all resources (renewables, storage, demand response, thermal) on a level playing field by capturing weather-driven variability, dispatch limitations, outage rates, and interactions with the broader CAISO portfolio. Need determination, LSE allocation, and resource accreditation are all measured during the same critical hours, calibrated to the one in ten days-per-year LOLE reliability standard.

CPUC proposes new framework, Reliable and Clean Power Procurement Program (RCPPP). As part of existing proceedings, including those related to RA and IRP, specifically R. 25-10-003, the CPUC is actively exploring a more formal programmatic approach for how procurement may be ordered or authorized, in lieu of the current ad hoc, order-by-order approach. Beginning in 2020 to April 2025, CPUC staff papers have proposed a RCPPP to support affordability in both reliability and GHG reductions by giving LSEs a more predictable regulatory framework to procure their share of resources needed to meet electric system reliability and GHG emissions reduction goals at least cost. The CPUC's proposed RCPPP offers two options: one that allows LSEs to procure both new and existing resources to fill system reliability gaps, and one limited to new resources only. Both options are designed to address procurement shortfalls that LSEs cannot or do not fill on their own. The proposal will undergo extensive stakeholder review in the coming months through the IRP proceeding. As part of the CPUC's 2025 staff proposal on RCPPP, the CPUC staff noted the two accounting approaches are analytically complementary rather than mutually exclusive: marginal ELCC is oriented toward system-level reliability optimization, while SOD is oriented toward ensuring each LSE meets its own hourly obligations, and using both in

tandem – as proposed under both RCPPP options – is speculated to provide additional reliability value overall. The CAISO is also evaluating changes to capacity accreditation methodologies for resources within the Resource Adequacy Modeling and Program Design initiative seeks amendments to its RA program to explore necessary reforms to RA rules and requirements.

Bill seeks a uniform capacity valuation method to assess reliability for each resource type. This bill would require the CPUC to adopt a uniform capacity valuation methodology for energy resources. The desire for such an approach is intended to help LSEs (and the generators) better predict the value of the resources both within the RA, IRP, and RPS programs. A desire for a uniform methodology is understandable and something the CPUC and CAISO are considering with the relevant proceedings. Supporters of this bill contend the benefits of the uniform approach will ensure predictability, improve reliability, and affordability as LSEs make procurement decisions that can be certain to satisfy reliability and GHG reduction goals. However, the Independent Energy Producers Association, representing a variety of energy generating resources, contends these are issues better addressed within the CPUC and CAISO proceedings, particularly as they are actively being considered. They note that the varying goals and time horizons of the RA and IRP programs necessitate differing capacity valuation methodologies, even as they both drive towards a 0.1 LOLE. They further note that the RA program uses only existing resources which would naturally have a lower number of resources to including in the input assumptions that are used to calculate the 0.1 LOLE as compared to the IRP which is a much longer time horizon. They contend a uniform capacity valuation will not reduce over procurement or drive down costs, due to the planning reserve margin requirements that are needed for reliability.

Amendments. To address concerns raised by the California Community Choice Aggregators Association (CalCCA), *the author and committee may wish to amend this bill to clarify that the CPUC shall complete a process to consolidate reporting of procurement plans for IRP and RPS (but not including RA) by January 1, 2030, require the CPUC to consolidate compliance reporting, where feasible, for reliability requirements, and provide a minimum of 30 (instead of 20) business days before updating a compliance report submission template.*

Prior/Related Legislation

AB 2368 (Petrie-Norris, Chapter 713, Statutes of 2024.) modified several aspects of the RA program and IRP process at the CPUC in order to address challenges with electricity reliability.

AB 1373 (E. Garcia, Chapter Statutes of 2023) made numerous changes to electricity policy, most notably, authorized the 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.

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 GHG associated with those sources of electricity for RA requirements.

SB 100 (De Leon, Chapter 312, Statutes of 2018) establishes the 100 Percent Clean Energy Act of 2017 which increases the RPS requirement from 50% by 2030 to 60% and creates the policy of planning to meet all of the state's retail electricity supply with a mix of RPS-eligible and zero-carbon resources by December 31, 2045, for a total of 100% clean energy.

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 the IRP plans of all LSEs to contribute to a diverse and balanced portfolio of resources needed to ensure a reliable electricity supply that provides optimal integration of renewable energy in a cost-effective manner and meets the emissions limits for GHGs.

SB 350 (De Leon, Chapter 547, Statutes of 2015) among its provisions, the "Clean Energy and Pollution Reduction Act of 2015," established targets to increase retail sales of renewable electricity to 50% by 2030 and established the IRP process and required each LSE to file IRP plan for approval or certification by the CPUC.

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

SUPPORT:

Alliance for Retail Energy Markets
Ava Community Energy
California Community Choice Association

Environmental Defense Fund

OPPOSITION:

Independent Energy Producers Association

ARGUMENTS IN SUPPORT: According to AVA Community Energy:

> As the grid incorporates a wider range of resource types, including storage and distributed energy resources, the need for consistent and transparent valuation methodologies has become increasingly important. As a community choice aggregator (CCA), Ava and other load serving entities (LSEs) must navigate multiple capacity valuation frameworks across different programs, each with its own assumptions, metrics, and compliance requirements. This fragmentation increases administrative burden, complicates procurement decisions, and introduces uncertainty into long-term planning.
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> AB 2266 addresses these challenges by requiring the CPUC to adopt a single, standardized approach to valuing resource adequacy capacity. This reform will improve transparency, reduce duplicative compliance requirements, and enable more efficient resource procurement. By streamlining these processes, AB 2266 will help reduce administrative costs and support more cost-effective planning, ultimately benefiting customers through lower rates.

ARGUMENTS IN OPPOSITION: According to the Independent Energy Producers Association (IEP):

> IEP opposes AB 2266 for two primary reasons: (1) both the California Public Utilities Commission (CPUC) and the California Independent System Operator (CAISO) are currently contemplating the proposal put forward in this bill in the Resource Adequacy (RA) and Integrated Resource Plan (IRP) proceedings at the CPUC and the RA initiative at the CAISO; and, (2) mandating the CPUC choose one capacity valuation methodology for all resources to be used in both the RA and IRP proceedings risks reliability and will not lead to lower costs.

-- END --