Date of Hearing: April 8, 2026

ASSEMBLY COMMITTEE ON UTILITIES AND ENERGY
Cottie Petrie-Norris, Chair
AB 2266 (Schultz) – As Amended March 16, 2026

SUBJECT: Electricity: load-serving entities

SUMMARY: Requires the California Public Utilities Commission (CPUC), by January 1, 2030, to use a single, uniform capacity valuation method when setting the resource adequacy (RA) and resource procurement obligations of each load-serving entity (LSE), and to initiate a process to consolidate LSE compliance reporting across the RA, Integrated Resource Plan (IRP), and Renewables Portfolio Standard (RPS) programs into a single reporting framework. Specifically, **this bill**:

1) Requires the CPUC by January 1, 2030, to use a single method for measuring the reliability contribution of each resource type when setting both RA (PUC § 380) and IRP (PUC § 454.52) procurement obligations.

2) Requires the CPUC to begin consolidating LSE compliance reporting across the three major energy programs – RA, RPS (PUC § 399.15), and IRP – into a single reporting framework. The CPUC is required to initiate the process by January 1, 2030, not necessarily complete it.

3) Requires the CPUC to finalize any compliance reporting templates or requirements at least 20 calendar days before an LSE's submission deadline.

4) Requires the CPUC, whenever the California Independent System Operator (CAISO) exercises its backstop procurement authority, to publicly explain in its annual RA report whether the backstop need was caused by LSE noncompliance or by methodological inconsistencies between the CPUC and CAISO in how they value resource reliability.

5) Defines "capacity valuation method" to mean the method used to quantify the reliability benefit that a resource provides towards meeting grid reliability needs.

6) Makes numerous findings and declarations related to the numerous legislative policies aimed at decarbonizing the grid.

EXISTING LAW:

1) Requires the CAISO to ensure the efficient use and reliable operation of the transmission grid consistent with the achievement of planning and operating reserve criteria that are no less stringent than those established by the Western Electricity Coordinating Council and the North American Electric Reliability Council. (Public Utilities Code § 345)

2) Requires the CPUC, in consultation with the CAISO, to establish RA requirements for LSEs, facilitate the development of resources, equitably allocate costs of generating capacity, minimize enforcement requirements and costs, and maximize the ability of community choice aggregators (CCAs) to determine the generation resources used to serve their customers. (Public Utilities Code § 380)

3) Establishes rules related to the Renewables Portfolio Standard Program (RPS). (Public Utilities Code §§ 399.11-399.33)

4) Requires LSEs to file an IRP to the CPUC that meets greenhouse gas (GHG) emissions reduction targets and clean energy targets; enables each electrical corporation to fulfill its obligations to serve its customers at just and reasonable rates; minimizes impacts on ratepayers' bills; strengthens the diversity, sustainability, and resilience of the bulk transmission and distribution systems; enhances distribution systems and demand-side energy management; and maintains a diverse portfolio of energy resources. (Public Utilities Code § 454.52)

FISCAL EFFECT: Unknown. This bill is keyed fiscal and will be referred to the Assembly Committee on Appropriations for its review.

BACKGROUND:

Current Statewide Resource Planning: the Integrated Resource Plans (IRP), the Integrated Energy Policy Report (IEPR), and the Resource Adequacy (RA) Program – California's electricity planning and procurement regime is administered jointly by the CPUC, CEC, and CAISO through three complementary frameworks – the Integrated Resource Plan (IRP), the Integrated Energy Policy Report (IEPR), and the Resource Adequacy (RA) program – that together govern short-, mid-, and long-term procurement by load-serving entities (LSEs).

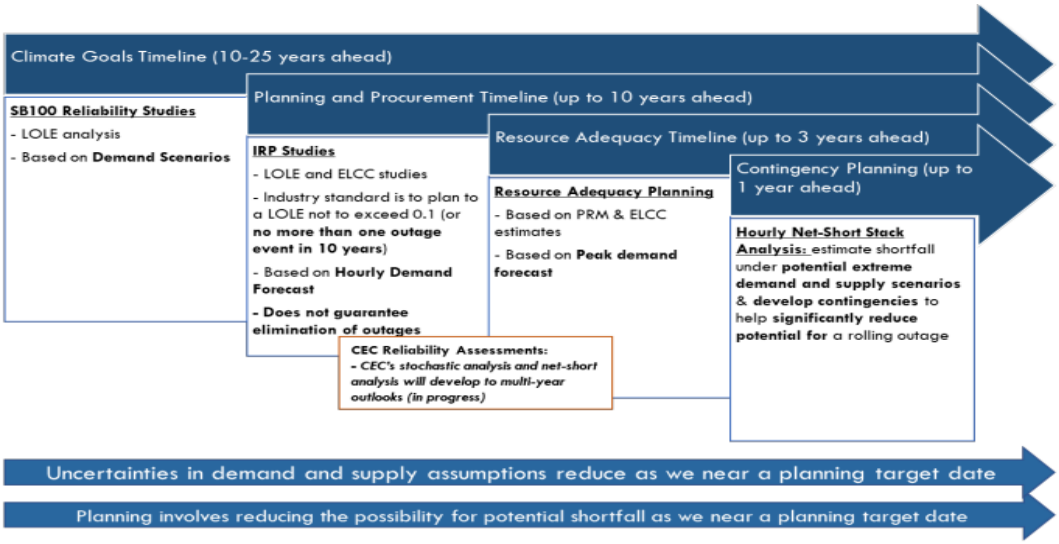

Figure 1: Resource planning across the energy agencies with associated timelines. Source: CEC.[1]

The IRP, established by SB 350 (De León, Chapter 547, Statutes of 2015), directs each LSE to file a long-term resource plan aimed at reducing GHG emissions at the lowest system-wide cost, with the most recent analysis identifying nearly 63 GW of new resources needed by 2035 across

a mix of geothermal, wind, solar, storage, and other clean technologies.[1] LSEs' RPS compliance obligations occur alongside the IRP on three-year compliance periods, ratcheting toward a 60% renewables requirement by 2030 and ultimately 100% zero-carbon electricity by 2045. Informing both the IRP and RA processes is the CEC's IEPR, a biennial demand forecast covering a 15-year planning horizon that assesses all aspects of energy supply, demand, and pricing to guide statewide energy policy.

Running concurrently with these longer-term planning streams is the RA program, which focuses on near-term reliability. Established by AB 380 (Nunez, Chapter 367, Statutes of 2005) following the 2000-01 energy crisis, RA requires each LSE to demonstrate it has procured sufficient resources to meet three categories of obligations — system, local, and flexible capacity — on a monthly basis. System requirements are set using the CEC's IEPR demand forecast plus a 15% planning reserve margin; local requirements are based on an annual CAISO study using a once-in-ten-years weather standard; and flexible requirements are derived from the largest three-hour ramp needed to reliably operate the system each month. LSEs must demonstrate 90% of summer system RA obligations and 100% of local requirements by October of the prior year, with additional monthly demonstrations of full compliance required throughout the year.

RA Reform: Transition to the Slice of Day (SOD) Framework – In 2021, the CPUC determined that a "slice of day" (SOD) approach to RA better reflected evolving supply and demand trends, and began implementing that framework in 2023 for compliance beginning in 2024.[2] In 2023, the CPUC adopted reforms to operationalize a transition to this framework.[3] Ultimately, 2024 would be a test year and not the first compliance year for SOD, and 2025 is the first year in which LSEs must comply with these new requirements.

Under the SOD framework, LSEs must demonstrate they have procured sufficient capacity to meet expected demand — including the planning reserve margin — for each hour of the peak day of each month, representing the most challenging demand conditions the system faces. The CPUC sets the methodology for valuing different resource types, but LSEs have discretion in how they meet their obligations. The SOD approach is intentionally more granular than its predecessor, reflecting the complexity of modern grid reliability rather than the conditions that existed when the RA program was created following the 2000-01 energy crisis.

Procurement in the IRP – Beginning in 2016, the CPUC used the IRP process to assess the portfolio of resources needed to cost-effectively integrate renewable energy and achieve the state's zero-carbon electricity goals. What began as primarily a decarbonization modeling exercise has since evolved into a system-wide planning tool that examines how each LSE's supply and demand decisions interact with those of all others on the grid – a natural evolution for the regulator responsible for overseeing LSEs' RA and IRP obligations. The IRP's mid- and long-term outlook complements the near-term RA program, and the two have grown increasingly

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[1] 25 MMT scenario resource stack; CPUC, *Decision Transmitting Electricity Resource Portfolios to The California Independent System Operator For 2025-2026 Transmission Planning Process,* D. 25-02-026; https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M557/K879/557879249.PDF

[2] D.21-07-014, *Decision on Track 3B.2 Issues: Restructure of the Resource Adequacy Program*, issued July 16, 2021, in Rulemaking 19-11-009.

[3] D.23-04-010, *Decision on Phase 2 of the Resource Adequacy Reform Track*, issued April 7, 2023, in Rulemaking 21-10-002.

intertwined. State law has been amended on multiple occasions to reflect that both programs are, at their core, examining the same electrical system, just across different time horizons.[4]

The IRP process now operates on two tracks: planning and procurement. In the planning track, the CPUC assesses the individual integrated resource plans of all LSEs compared to what is needed for the system. The CPUC transmits its resource portfolio to CAISO for use in the Transmission Planning Process, which produces an annual plan for expanding transmission infrastructure to meet economic, reliability, and policy needs.

In the IRP procurement track, the CPUC can order its jurisdictional LSEs to procure additional resources when LSE plans fall short of the preferred system plan — that is, when a gap emerges between what the CPUC's analysis says the system needs and what LSEs are actually procuring. To date, the CPUC has exercised this authority four times, most recently calling for 6GW of new, clean resources.[5]

Reliable & Clean Power Procurement Program (RCPPP) – in mid-2025, a CPUC staff paper[6] was released on an updated proposal regarding how mid-term procurement could be ordered in the IRP process, as a successor to the somewhat *ad hoc* procurement order process previously used.

The CPUC's proposed Reliable and Clean Power Procurement Program (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.

Resource Counting – The CPUC's RA program has long grappled with how to accurately value different resource types. Early approaches used Maximum Cumulative Capacity buckets and Effective Load Carrying Capability (ELCC) methodologies for wind and solar. ELCC measures the reliable capacity a resource actually contributes to the grid – expressed as the equivalent amount of "perfect," always-available capacity it could replace while maintaining the same level of system reliability. A 100 MW solar resource with an ELCC of 30%, for example, contributes the same reliability value as 30 MW of perfect, firm capacity.

With the introduction of the 24-hour SOD framework – requiring each LSE to demonstrate sufficient capacity to meet its own managed load profile, including an hourly planning reserve margin, during the worst day of each month – resource counting has varied by type:[7] renewables

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[4] SB 155 (Bradford, Statutes of 2019) provided that, through the Resource Adequacy program, the CPUC shall ensure reliability on both a near- and long-term basis, as well as serve the existing RPS long-term contracting requirements. AB 1373 (Garcia, Becker, Ting, Statutes of 2023) added resources needed to achieve the state's long-term decarbonization objectives to the scope of the Resource Adequacy program, including further linking it to the IRP process, among many other provisions.

[5] CPUC press release, "CPUC Advances Clean and Affordable Electricity with New Procurement Decision," March 2, 2026; https://www.cpuc.ca.gov/news-and-updates/all-news/cpuc-advances-clean-and-affordable-electricity-with-new-procurement-decision

[6] CPUC, "Attachment A: Staff Proposal: RCPPP" R. 20-05-003, April 29, 2025, https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M565/K140/565140169.PDF

[7] The Commission considered using ELCC for use-limited resources and renewables in RA, but declined to do so when adopting slice of day: "The Commission recognizes that the 24-hour framework departs from probabilistic planning, as is used in the IRP process. We find, however, that a more deterministic approach is necessary to

use a probability-based exceedance method, firm resources use installed capacity, and storage requires LSEs to demonstrate energy charging sufficiency from their own portfolios. Because resources are not measured against a common currency, their value under SOD depends on portfolio interactions within each individual LSE's portfolio.

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 0.1 days-per-year Loss of Load Expectation (LOLE) reliability standard. 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.[8]

COMMENTS:

1) *Author's Statement.* According to the author, "The creation of a streamlined CPUC workstream to plan, evaluate, and continuously improve the integration of clean energy resources into California's grid will deliver meaningful gains in economic efficiency, reliability, and transparency benefits for all customers and stakeholders. As we built on California's success as a clean energy leader, California's separately enacted clean energy policy programs resulted in a patchwork of CPUC processes. With the substantive policy foundation now laid, the next step is to streamline these overlapping regulatory processes. AB 2266 will reduce the regulatory burden on all load serving entities and interested stakeholders by increasing transparency of compliance data through streamlined reporting. Further, AB 2266 seeks to reduce situations in which California must rely on expensive, last minute backup resources by reconciling internal CPUC inconsistencies in the calculation of the reliability benefit of each resource type, while at the same time creating a "look back" requirement within the CPUC's annual resource adequacy reporting to ensure that procurement outcomes are evaluated against real-world performance, thereby reducing costs, and maintaining California's lead in clean energy deployment."

2) *Purpose of Bill.* AB 2266 seeks to streamline how the CPUC oversees electricity procurement and resource planning. The bill has three core directives. First, it requires the CPUC to use a single, uniform capacity valuation method when setting RA and IRP procurement obligations for LSEs across its programs, so that the reliability contribution of each resource type is measured consistently. Second, it requires the CPUC to initiate a

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achieve short-term reliability needs as it assesses the needs of the grid for every hour of the day. For example, the current solar ELCC values represent aggregate contributions within the month (in the form of one value); this value, however, does not capture hourly granularity, where solar can fairly reliably meet load in the middle of the day but provide little or no contribution later in the evening." (D.22-06-050 at 75-76)

[8] Pg. 38, CPUC, "Attachment A: Staff Proposal: RCPPP" R. 20-05-003, April 29, 2025, https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M565/K140/565140169.PDF

process to consolidate compliance reporting for LSEs across its three major clean energy programs – RA, the IRP, and the RPS – into a single reporting process, with a requirement that any new or amended reporting templates be finalized at least 20 days before a compliance deadline. Third, it requires the CPUC, in any year where CAISO exercises its backstop procurement authority, to include in its annual RA report an explanation of whether the backstop need arose from LSE noncompliance or from any methodological inconsistencies between CPUC and CAISO in assessing resource reliability.

3) *Many Elephants.* There is an ancient story of several men who each touch a different part of an elephant and reach entirely different conclusions: one feels the trunk and says it's a snake, another feels the leg and says it's a tree, another feels the side and says it's a wall, and so on. Each is correct about the part he examined, but none has an accurate picture of the whole. In some ways, the story of the elephant mirrors the RA and IRP disconnect at the heart of this bill: both programs are examining the same resource and the same grid, but through different methodological lenses, and arriving at different conclusions about that resource's reliability value – not because the resource changed, but because each program is only seeing part of the picture.

   As noted above, these two counting methods exist for good reasons. In RA, SOD is designed to ensure that each LSE can meet its own load obligations on a given day. The methodology forces LSEs to match their specific portfolio to their specific load profile hour by hour. In IRP, ELCC is designed to measure a resource's marginal contribution to system-wide reliability across a probabilistic range of conditions. ELCC is better at capturing the value of resource diversity and portfolio interactions at scale. Each is well suited to the job it was designed to do.

   The risk in forcing a single method across both programs, as the current bill proposes, is that you may optimize well for one purpose while degrading the other. For example, ELCC values are portfolio-dependent and shift as the resource mix changes: a resource's ELCC today may look different in five years as more solar and storage saturate the system. That's useful for long-term planning but can create compliance uncertainty in the near-term RA context, where LSEs need stable, predictable RA values to execute contracts. SOD, on the other hand, can overvalue short-duration resources that look reliable in a single peak hour but can't sustain output across a multi-hour stress event.

   Moreover, the two programs (RA & IRP) are asking slightly different questions. RA asks, *"Can this LSE meet its load on the worst day of each month?"* (individual) while IRP asks, *"What does the system need across a range of plausible futures over the next 15 years?"* (system/group). Forcing one method onto both may produce a technically consistent answer that doesn't fully serve either question. In other words, you gain uniformity but lose the nuance that each framework was capturing about different dimensions of what the elephant can do.

   But as noted by the support for this measure, the downside in having these different methods is that it simultaneously sends contradictory market signals, causing resources to be valued differently depending on which compliance bucket they're filling. This can distort investment decisions and make it hard to know whether the system as a whole is over- or under-procured. The bill doesn't prescribe which method wins; it just says the CPUC must pick one

and apply it consistently. Whether that's worth the tradeoff in methodological precision is the core question of this bill.

4) *Minor Cleanup.* This bill defines "Capacity Valuation Method" as "the reliability benefit that a resource provides towards meeting grid reliability needs." *The committee recommends minor edits to this definition to replace "benefit" with "contribution," and "towards meeting grid reliability needs" with "to the grid."*

5) *Findings and Declarations.* This bill begins with ten formal findings and declarations, asserting as established legislative fact a detailed history of California's clean energy regulatory programs, the grid emergencies of 2020 and 2022, and (most substantively) that the layering of successive programs has produced regulatory complexity, multiple compliance structures, and resource valuation inconsistencies that increase costs, raise backstop procurement risk, and burden public participation. While some of these findings are accurate, and chronicle an important narrative, they are largely tangential to the operative provisions of the bill. *Therefore, the committee recommends striking all 10 findings and declarations but retaining the intent section in subdivision (b) of Section 1.*

6) *Prior Legislation.*

   AB 2368 (Petrie-Norris) modifies several aspects of the RA program and IRP process at the CPUC in order to address challenges with electric reliability. Earlier versions of the bill included requiring the same "counting" rules between the IRP and RA programs. Status: Chapter 713, Statutes of 2024.

   AB 205 (Committee on Budget), among other things, authorized the Department of Water Resources (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. Status: Chapter 61, Statutes of 2022.

   SB 618 (Bradford) 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. Status: Chapter 431, Statutes of 2017.

   SB 350 (de León), 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 certification. Status: Chapter 737, Statutes of 2015.

REGISTERED SUPPORT / OPPOSITION:

Support

Alliance for Retail Energy Markets
Environmental Defense Fund, Incorporated

Opposition

None on file.

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