Assembly Bill No. 1408

Passed the Assembly September 4, 2025

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Chief Clerk of the Assembly

Passed the Senate September 3, 2025

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Secretary of the Senate

This bill was received by the Governor this _____ day of _____, 2025, at _____ o'clock ___M.

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Private Secretary of the Governor

CHAPTER _____

An act to amend Sections 345.5, 454.52, and 9621 of, and to add Chapter 11 (commencing with Section 8420) to Division 4.1 of, the Public Utilities Code, relating to electricity.

LEGISLATIVE COUNSEL'S DIGEST

AB 1408, Irwin. Electricity: interconnections.

Existing law establishes the Independent System Operator (ISO) as a nonprofit, public benefit corporation and requires the ISO, among other duties, to ensure the efficient use and reliable operation of the transmission grid consistent with the achievement of planning and operating reserve criteria, as provided.

This bill would require the ISO to integrate surplus interconnection service considerations into its long-term transmission planning and enhance transparency around surplus interconnection service opportunities, as specified.

Existing law vests the Public Utilities Commission with regulatory authority over public utilities, including electrical corporations, while local publicly owned electric utilities are under the direction of their governing boards.

Existing law requires the commission to adopt a process for each load-serving entity to file an integrated resource plan, adopt a schedule for periodic updates to the plan, and ensure each load-serving entity take specified actions, as specified. Existing law also requires the governing board of each local publicly owned electric utility with an annual electrical demand exceeding 700 gigawatthours to adopt an integrated resource plan and a process for updating the plan at least once every 5 years to ensure the utility achieves certain goals, as specified.

This bill would require each electrical corporation, and each local publicly owned utility with an annual electrical demand exceeding 700 gigawatthours, to require the evaluation of surplus interconnection service options and to consider surplus interconnection service options, for purposes of its integrated resource plan.

This bill would also require each electrical corporation or local publicly owned electric utility to use available grid infrastructure

through surplus interconnection service to use any available interconnection capacity, as specified.

Under existing law, a violation of the Public Utilities Act or any order, decision, rule, direction, demand, or requirement of the commission is a crime.

Because certain provisions of this bill would be part of the act and a violation of a commission action implementing the bill's requirements would be a crime, the bill would impose a state-mandated local program.

Additionally, by imposing new duties on local publicly owned electric utilities, the bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for specified reasons.

The people of the State of California do enact as follows:

SECTION 1. Section 345.5 of the Public Utilities Code is amended to read:

345.5. (a) The Independent System Operator, as a nonprofit, public benefit corporation, shall conduct its operations consistent with applicable state and federal laws and consistent with the interests of the people of the state.

(b) To ensure the reliability of electric service and the health and safety of the public, the Independent System Operator shall manage the transmission grid and related energy markets in a manner that is consistent with all of the following:

(1) Making the most efficient use of available energy resources. For purposes of this section, "available energy resources" include energy, capacity, ancillary services, and demand bid into markets administered by the Independent System Operator. "Available energy resources" do not include a schedule submitted to the Independent System Operator by an electrical corporation or a local publicly owned electric utility to meet its own customer load.

(2) Reducing, to the extent possible, overall economic cost to the state's consumers.

(3) Applicable state law intended to protect the public's health and the environment.

(4) Maximizing availability of existing electric generation resources necessary to meet the needs of the state's electricity consumers.

(5) Conducting internal operations in a manner that minimizes cost impact on ratepayers to the extent practicable and consistent with this chapter.

(6) Communicating with all balancing area authorities in California in a manner that supports electrical reliability.

(c) The Independent System Operator shall do all of the following:

(1) Consult and coordinate with appropriate state and local agencies to ensure that the Independent System Operator operates in furtherance of state law regarding consumer and environmental protection.

(2) Ensure that the purposes and functions of the Independent System Operator are consistent with the purposes and functions of nonprofit, public benefit corporations in the state, including duties of care and conflict-of-interest standards for officers and directors of a corporation.

(3) Maintain open meeting standards and meeting notice requirements consistent with the general policies of the Bagley-Keene Open Meeting Act (Article 9 (commencing with Section 11120) of Chapter 1 of Part 1 of Division 3 of Title 2 of the Government Code) and affording the public the greatest possible access, consistent with other duties of the corporation. The Independent System Operator's Open Meeting Policy, as adopted on April 23, 1998, and in effect as of May 1, 2002, meets the requirements of this paragraph. The Independent System Operator shall maintain a policy that is no less consistent with the Bagley-Keene Open Meeting Act than its policy in effect as of May 1, 2002.

(4) Provide public access to corporate records consistent with the general policies of the California Public Records Act (Division 10 (commencing with Section 7920.000) of Title 1 of the Government Code) and affording the public the greatest possible access, consistent with the other duties of the corporation. The Independent System Operator's Information Availability Policy, as adopted on October 22, 1998, and in effect as of May 1, 2002,

meets the requirements of this paragraph. The Independent System Operator shall maintain a policy that is no less consistent with the California Public Records Act than its policy in effect as of May 1, 2002.

(5) (A) Integrate surplus interconnection service considerations into its long-term transmission planning and enhance transparency around surplus interconnection service opportunities, including to maximize the adoption of the federal investment tax credit and the federal production tax credit.

(B) For purposes of this section, "surplus interconnection service" means any unneeded portion of interconnection service capacity established in a large generator interconnection agreement such that if surplus interconnection service is used the total amount of interconnection service capacity at the point of interconnection would remain the same.

SEC. 2. Section 454.52 of the Public Utilities Code is amended to read:

454.52. (a) (1) Beginning in 2017, and to be updated regularly thereafter, the commission shall adopt a process for each load-serving entity to file an integrated resource plan, and a schedule for periodic updates to the plan, and shall ensure that load-serving entities do all of the following:

(A) Meet the greenhouse gas emissions reduction targets established by the State Air Resources Board, in coordination with the commission and the Energy Commission, for the electricity sector and each load-serving entity that reflect the electricity sector's percentage in achieving the economywide greenhouse gas emissions reductions pursuant to Section 38566 of the Health and Safety Code.

(B) Procure at least 60 percent eligible renewable energy resources by December 31, 2030, consistent with the state policy specified in Section 454.53 and Article 16 (commencing with Section 399.11) of Chapter 2.3.

(C) Enable each electrical corporation to fulfill its obligation to serve its customers at just and reasonable rates.

(D) Minimize impacts on ratepayers' bills.

(E) (i) Ensure system and local reliability on a short-term, midterm, and long-term basis, including meeting the short-term and forecast long-term resource adequacy requirements of Section 380, and require sufficient, predictable resource procurement and

development to avoid unplanned energy supply shortfalls by taking into account impacts due to climate change, forecasted levels of building and transportation electrification, and other factors that can result in those shortfalls.

(ii) In furtherance of avoiding unplanned energy supply shortfalls or expensive emergency procurement and ensuring a more accurate understanding of electrical grid operational needs, the commission shall aggregate reported short-term and midterm resource procurement from all load-serving entities conducted under Section 380 or this section and assess midterm resource sufficiency, and annually provide anonymized reports to the Independent System Operator. The commission shall report forward resource procurement using counting conventions that provide the data to the Independent System Operator to be used in its grid planning.

(iii) To accomplish clause (i), the commission shall, as part of the integrated planning process, assess short-term, midterm, and long-term reliability by conducting probabilistic reliability modeling, including if there is sufficient capacity available for procurement in the short term and midterm by all load-serving entities to meet their procurement requirements. The commission shall review the results of that reliability modeling in a public proceeding at the same frequency as the forecast conducted in accordance with this section. When modeling short-term and midterm reliability, the commission shall model all procurement consistent with clause (ii) and may rely upon or incorporate probabilistic reliability modeling conducted by the Energy Commission into the commission's public process. The commission shall also report the modeling results in the joint Reliability Planning Assessments conducted under Section 25233 of the Public Resources Code.

(F) Comply with paragraph (1) of subdivision (b) of Section 399.13.

(G) Strengthen the diversity, sustainability, and resilience of the bulk transmission and distribution systems, and local communities.

(H) Enhance distribution systems and demand-side energy management.

(I) Minimize localized air pollutants and other greenhouse gas emissions, with early priority on disadvantaged communities identified pursuant to Section 39711 of the Health and Safety Code.

(J) Maintain a diverse portfolio of energy resources, which may include eligible energy resources procured by the Department of Water Resources.

(2) (A) The commission may authorize all source procurement for load-serving entities that includes various resource types including demand-side resources, supply-side resources, and resources that may be either demand-side resources or supply-side resources, taking into account the differing load-serving entities' geographic service areas, to ensure that each load-serving entity meets the goals set forth in paragraph (1).

(B) The commission may approve procurement of resource types that will reduce the overall emissions of greenhouse gases from the electricity sector and meet the other goals specified in paragraph (1), but due to the nature of the technology or fuel source may not compete favorably in price against other resources over the time period of the integrated resource plan.

(3) In furtherance of the requirements of paragraph (1), the commission shall consider the role of existing renewable generation, grid operational efficiencies, energy storage, and distributed energy resources, including energy efficiency, in helping to ensure each load-serving entity meets energy needs and reliability needs in hours to encompass the hour of peak demand of electricity, excluding demand met by variable renewable generation directly connected to a California balancing authority, as defined in Section 399.12, while reducing the need for new electricity generation resources and new transmission resources in achieving the state's energy goals at the least cost to ratepayers.

(4) (A) On or before September 1, 2024, and consistent with the process and schedule adopted pursuant to paragraph (1), the commission, in consultation with the Energy Commission and the Independent System Operator, shall determine if there is a need for the procurement of eligible energy resources based on a review of the integrated resource plans submitted by load-serving entities in compliance with the requirements of this section and Section 454.53 and the progress towards meeting the portfolio of resources identified pursuant to subdivision (a) of Section 454.51.

(B) If the commission determines that there is a need for the procurement of eligible energy resources, the commission shall specify the eligible energy resources that should be procured to meet that need.

(C) Within six months of determining that there is a need for the procurement of eligible energy resources, the commission may request the Department of Water Resources to exercise its central procurement function to procure those eligible energy resources specified pursuant to subparagraph (B) that meet the portfolio of resources identified in subdivision (a) of Section 454.51.

(D) (i) Upon receiving a request pursuant to subparagraph (C), the Department of Water Resources, before January 1, 2035, may exercise its central procurement function to conduct one or more competitive solicitations and enter into contracts to procure eligible energy resources in order to achieve the policy of the state specified in Section 454.53.

(ii) Any contract entered into by the Department of Water Resources pursuant to clause (i) and approved by the commission pursuant to Section 80821 of the Water Code before January 1, 2035, shall remain in force for the duration of the contract.

(E) The Department of Water Resources' exercising of its central procurement function to procure eligible energy resources pursuant to this paragraph shall be conducted in accordance with Division 29.5 (commencing with Section 80800) of the Water Code.

(b) (1) Each load-serving entity shall prepare and file an integrated resource plan consistent with paragraph (2) of subdivision (a) on a time schedule directed by the commission and subject to commission review.

(2) (A) Each electrical corporation's plan shall follow Section 454.5.

(B) Each electrical corporation shall do both of the following for purposes of its integrated resource plan:

(i) Require evaluation of surplus interconnection service options.

(ii) Consider surplus interconnection service options.

(3) The plan of a community choice aggregator shall be submitted to its governing board for approval and provided to the commission for certification, consistent with paragraph (5) of subdivision (a) of Section 366.2, and shall achieve all of the following:

(A) Economic, reliability, environmental, security, and other benefits and performance characteristics that are consistent with the goals set forth in paragraph (1) of subdivision (a).

(B) A diversified procurement portfolio consisting of short-term, midterm, and long-term electricity, electricity-related, and demand reduction products.

(C) The resource adequacy requirements established pursuant to Section 380.

(4) The plan of an electric service provider shall achieve the goals set forth in paragraph (1) of subdivision (a) through a diversified portfolio consisting of short-term, midterm, and long-term electricity, electricity-related, and demand reduction products.

(c) To the extent that additional procurement is authorized for the electrical corporation in the integrated resource plan or the procurement process authorized pursuant to Section 454.5, the commission shall ensure that the costs are allocated in a fair and equitable manner to all customers consistent with Section 454.51, that there is no cost shifting among customers of load-serving entities, and that community choice aggregators may self-provide renewable integration resources consistent with Section 454.51. The commission may order the procurement of resources with specific attributes by load-serving entities as a result of the integrated resource planning process and shall enforce any resource procurement requirements on a nondiscriminatory basis. Enforcement may include the assessment of penalties for noncompliance.

(d) To eliminate redundancy and increase efficiency, the process adopted pursuant to subdivision (a) shall incorporate, and not duplicate, any other planning processes of the commission.

(e) This section applies to an electrical cooperative, as defined in Section 2776, only if the electrical cooperative has an annual electrical demand exceeding 700 gigawatthours, as determined based on a three-year average commencing with January 1, 2013.

(f) (1) The commission shall not include the energy, capacity, or any attribute from Diablo Canyon Unit 1 beyond November 1, 2024, or Unit 2 beyond August 26, 2025, in the adopted integrated resource plan portfolios, resource stacks, or preferred system plans.

(2) The commission shall disallow a load-serving entity from including in their adopted integrated resource plan any energy,

capacity, or any attribute from the Diablo Canyon Unit 1 beyond November 1, 2024, or Unit 2 beyond August 26, 2025.

(g) For a thermal powerplant that uses nuclear fission technology not constructed in the 21st century, all resource attributes shall be retired on January 1, 2031, and shall be reported as a separate, line item resource for purposes of complying with Section 398.4.

(h) (1) Only a new energy resource that meets all of the following requirements is eligible to be procured by the Department of Water Resources pursuant to this section:

(A) The resource directly supports attainment of the goals specified in Section 454.53 without increasing the state's dependence on any fossil fuel-based resources.

(B) The resource is determined by the commission to not be under contract at sufficient levels as shown in load-serving entities' most recent individual integrated resource plans submitted to and reviewed by the commission pursuant to this section to achieve the goals specified in Section 454.53.

(C) The resource has a construction and development lead time of at least five years.

(D) The resource does not generate electricity using fossil fuels or fuels derived from fossil fuels.

(E) The resource does not use combustion to generate electricity, unless that combustion use is ancillary and necessary to facilitate geothermal electricity generation.

(2) Resources from a pump hydroelectric facility may be procured by the Department of Water Resources pursuant to this section if the pump hydroelectric facility does not exceed 500 megawatts and has been directly appropriated funding by the state before January 1, 2023.

(i) For purposes of this section, the following definitions apply:

(1) "Load-serving entity" has the same meaning as defined in Section 380.

(2) "Long term" means a time period that includes five or more years in the future.

(3) "Midterm" means a time period between two and five years in the future.

(4) "Short term" means a time period between the present and two years in the future.

(5) "Surplus interconnection service" means any unneeded portion of interconnection service capacity established in a large

generator interconnection agreement such that if surplus interconnection service is used the total amount of interconnection service capacity at the point of interconnection would remain the same.

SEC. 3. Chapter 11 (commencing with Section 8420) is added to Division 4.1 of the Public Utilities Code, to read:

CHAPTER 11. INTERCONNECTION CAPACITY AND SHARING

8420. For purposes of this chapter, all of the following definitions apply:

(a) "Electrical corporation" has the same meaning as defined in Section 218.

(b) "Local publicly owned electric utility" has the same meaning as defined in Section 224.3.

(c) "Surplus interconnection service" means any unneeded portion of interconnection service capacity established in a large generator interconnection agreement such that if surplus interconnection service is used the total amount of interconnection service capacity at the point of interconnection would remain the same.

8421. Each electrical corporation or local publicly owned electric utility shall use available grid infrastructure through surplus interconnection service, such as the addition of renewable energy resources or battery storage at or near fossil plants, to use any available interconnection capacity, if feasible.

SEC. 4. Section 9621 of the Public Utilities Code is amended to read:

9621. (a) This section shall apply to a local publicly owned electric utility with an annual electrical demand exceeding 700 gigawatthours, as determined on a three-year average commencing January 1, 2013.

(b) On or before January 1, 2019, the governing board of a local publicly owned electric utility shall adopt an integrated resource plan and a process for updating the plan at least once every five years to ensure the utility achieves all of the following:

(1) Meets the greenhouse gas emissions reduction targets established by the State Air Resources Board, in coordination with the commission and the Energy Commission, for the electricity sector and each local publicly owned electric utility that reflect

the electricity sector's percentage in achieving the economywide greenhouse gas emissions reductions of 40 percent from 1990 levels by 2030.

(2) Ensures procurement of at least 50 percent eligible renewable energy resources by 2030 consistent with Article 16 (commencing with Section 399.11) of Chapter 2.3 of Part 1 of Division 1.

(3) Meets the goals specified in subparagraphs (D) to (H), inclusive, of paragraph (1) of subdivision (a) of Section 454.52, and the goal specified in subparagraph (C) of paragraph (1) of subdivision (a) of Section 454.52, as that goal is applicable to each local publicly owned electric utility. A local publicly owned electric utility shall not, solely by reason of this paragraph, be subject to requirements otherwise imposed on electrical corporations.

(4) In furtherance of the carbon neutrality goals set forth in Executive Order B-55-18 To Achieve Carbon Neutrality (September 10, 2018), each updated integrated resource plan shall include, as applicable, details of the utility's electrical service rate design that support transportation electrification, and existing or planned incentives to support transportation electrification, including rebates. The rate design shall include details for all applicable transportation sectors, including, but not limited to, on-road and off-road vehicles in the light-, medium-, and heavy-duty sectors. Each integrated resource plan shall also include information about the utility's customer education and outreach efforts being implemented to inform utility customers of available incentives and decisionmaking tools, such as cost calculators or cost estimates that can assist customers in predicting the cost of paying for electricity for these vehicles.

(c) In furtherance of the requirements of subdivision (b), the governing board of a local publicly owned electric utility shall consider the role of existing renewable generation, grid operational efficiencies, energy storage, and distributed energy resources, including energy efficiency, in helping to ensure each utility meets energy needs and reliability needs in hours to encompass the hour of peak demand of electricity, excluding demand met by variable renewable generation directly connected to a California balancing authority, as defined in Section 399.12, while reducing the need for new electricity generation resources and new transmission resources in achieving the state's energy goals at the least cost to ratepayers.

(d) (1) The integrated resource plan shall address procurement for the following:

(A) Energy efficiency and demand response resources pursuant to Section 9615.

(B) Energy storage requirements pursuant to Chapter 7.7 (commencing with Section 2835) of Part 2 of Division 1.

(C) Transportation electrification.

(D) A diversified procurement portfolio consisting of both short-term and long-term electricity, electricity-related, and demand response products.

(E) The resource adequacy requirements established pursuant to Section 9620.

(2) (A) The governing board of the local publicly owned electric utility may authorize all source procurement that includes various resource types, including demand-side resources, supply side resources, and resources that may be either demand-side resources or supply side resources, to ensure that the local publicly owned electric utility procures the optimum resource mix that meets the objectives of subdivision (b).

(B) The governing board may authorize procurement of resource types that will reduce overall greenhouse gas emissions from the electricity sector and meet the other goals specified in subdivision (b), but due to the nature of the technology or fuel source may not compete favorably in price against other resources over the time period of the integrated resource plan.

(e) The governing board of a local publicly owned electric utility shall do both of the following for purposes of its integrated resource plan:

(1) Require evaluation of surplus interconnection service options.

(2) Consider surplus interconnection service options.

(f) A local publicly owned electric utility shall satisfy the notice and public disclosure requirements of subdivision (f) of Section 399.30 with respect to any integrated resource plan or plan update it considers.

(g) For purposes of this section, “surplus interconnection service” means any unneeded portion of interconnection service capacity established in a large generator interconnection agreement such that if surplus interconnection service is used the total amount

of interconnection service capacity at the point of interconnection would remain the same.

SEC. 5. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because a local agency or school district has the authority to levy service charges, fees, or assessments sufficient to pay for the program or level of service mandated by this act or because costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

Approved _____, 2025

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Governor