BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Implement Assembly Bill 825 Related to Independent Regional Organization.	FILED PUBLIC COMMISSION SEPTEMBER 17, 2026 SAN MARCOS, CALIFORNIA RULEMAKING 26-09-009

ORDER INSTITUTING RULEMAKING

Summary

The California Public Utilities Commission (Commission) opens this Order Instituting Rulemaking to implement Assembly Bill (AB) 825 (Petrie-Norris, 2025). AB 825 provides for the California Independent System Operator to operate regional electricity markets on behalf of a new, regional organization. AB 825 also requires the Commission to make a determination through a formal decision that certain requirements have been satisfied before an electrical corporation can participate in an energy market governed by an independent regional operator. AB 825 maintains the Commission's authority to direct an electrical corporation to withdraw from an energy market governed by an independent regional operator.

Comments on preliminary matters pertaining to the scope, schedule, and administration of the proceeding are due no later than 20 days after the issuance of this Order Instituting Rulemaking. Reply comments may be filed no later than 30 days after the issuance of this Order Instituting Rulemaking.

1. Background

On September 19, 2025, the Governor signed Assembly Bill (AB) 825, which authorizes the California Independent System Operator (CAISO or ISO) and the electrical corporations that are participating transmission owners whose transmission systems are operated by the CAISO to use a voluntary energy market governed by an independent regional organization (RO), if specified requirements are satisfied. AB 825 requires the Commission to make a determination through a formal decision that the specified requirements have been satisfied before an electrical corporation can participate in an energy market governed by an independent RO. AB 825 authorizes the CAISO, on or after January 1, 2028, to implement tariff modifications accepted by the Federal Energy Regulatory Commission (FERC) to operate the energy markets whose rules are governed by the independent RO, if the CAISO governing board has adopted a resolution finding that the specified requirements have been adopted by the RO.

AB 825 maintains the Commission's authority to direct an electrical corporation to withdraw from an energy market governed by an RO. AB 825 also maintains that the Commission has authority over an electrical corporation's participation in any additional products or services offered by the RO. AB 825 further requires the Commission and the California Energy Commission (CEC) to coordinate to revise any relevant rules or guidance to ensure that the transition to an energy market governed by the CAISO or the RO does not expand the types of transactions that meet the portfolio content category requirements, as compared to the transactions that would meet those requirements on December 31, 2025.

2. Preliminary Scoping Memo

As required by Rule 7.1(d) of the Commission's Rules of Practice and Procedure (Rules), this Order Instituting Rulemaking (OIR) includes a preliminary Scoping Memo as set forth below, and preliminarily determines the category of this proceeding and the need for hearing.

In this preliminary Scoping Memo, we describe the issues to be considered in this proceeding and the timetable for the proceeding. In response to this OIR, parties will have an opportunity to provide comments on the scope of issues identified. After a prehearing conference (PHC), an Assigned Commissioner's Scoping Memo and Ruling will be issued that lays out the issues and procedural schedule in greater detail.

2.1. Preliminary Issues

The issues preliminarily determined to be within the scope of the proceeding are as follows. Note that the relevant statutory language is included in Appendix A for reference.

Issue 1. Participation Authorization.

1. Have all of the requirements of Public Utilities (Pub. Util.) Code § 345.6(a)[1] been satisfied such that the Commission can allow electrical corporations to use voluntary energy markets governed by an RO?

[1] All statutory references are to the Public Utilities Code unless otherwise noted.

2. Have all of the requirements of § 345.6(b) been satisfied such that the Commission can allow electrical corporations to use voluntary energy markets governed by an RO?

Issue 2. Withdrawal Authorization.

1. What are the requirements according to which the Commission may direct an electrical corporation to withdraw from an RO-governed energy market under § 345.6(d)?
2. What process should be established for the Commission to determine whether to direct an electrical corporation to withdraw?

Issue 3. Additional Product/Service Participation.

1. How should the Commission determine whether to authorize an electrical corporation's participation in any additional products or services offered by the RO, and what process should be established to determine this?

Issue 4. Rule Revisions.

1. By what process should the Commission's rules, regulations, or guidance be updated to ensure that the transition to a regional energy market governed by the ISO or RO does not expand the types of transactions that meet the portfolio content category requirements of Section 399.16(1)(b), as compared to transactions that would meet those requirements on December 31, 2025?

2.2. Additional Questions on Scope of Issues

The following are questions the Commission may consider for each scoped issue.

2.2.1. Issue 1. Participation Authorization.

Pub. Util. Code § 345.6(c) provides that the Commission shall make a determination that the requirements in § 345.6(a) and (b) have been satisfied before electrical corporations can participate in an energy market governed by an RO.

a. When evaluating § 345.6(a)(1), how should the Commission assess whether the RO's governance documents and tariff include a requirement to respect the authority of each state "to set its own procurement, resource adequacy, environmental, reliability, and other public interest policies and exercise oversight over its regulated entities"?
b. When evaluating § 345.6(a)(6), how should the Commission assess whether the RO maintains access to independent market analysis "on the impacts of market dynamics or rule changes to minimize overall costs to end-use consumers"?
c. When evaluating § 345.6(a)(9), how should the Commission assess whether the RO has satisfied this requirement? For example, how should the Commission assess whether the RO's open process and transparency obligations are "substantially similar to those that apply to the Independent System Operator at the time a resolution is adopted under subdivision (b)"?
d. When evaluating § 345.6(b)(7), how should the Commission assess whether this requirement has been satisfied?
e. When evaluating § 345.6(a)(12), how should the Commission assess whether each participant retains its decision-making autonomy regarding the extent of its participation in the voluntary services offered by the independent regional organization, while simultaneously ensuring that the Commission retains its authority over an electrical corporation's

participation in any additional products or services offered by the RO, as maintained by § 345.6(h)(4)?

f. What process and schedule should be established for the Commission to determine whether the requirements for § 345(a) and (b) have been satisfied? What modifications should be made to the preliminary schedule outlined in Section 3 below?

g. What process or actions, if any, should be taken in the event the Commission finds that an element of § 345.6(a) and/or (b) has not been met?

h. What RO and ISO information or documentation should inform the determination that § 345.6(a) and (b) requirements have been satisfied? When and how should the information or documentation be submitted to the Commission?

i. Should the determination be based on final ISO resolutions and/or FERC-approved tariff modifications, or can the Commission rely on draft tariff and governance terms?

j. Section 345.6(c) requires the Commission to determine that subdivisions (a) and (b) have been satisfied before electrical corporations may participate, while subdivision (b) allows the ISO to implement tariff modifications and begin operating under the RO's rules on or after January 1, 2028. If the ISO completes its subdivision (b) resolution and begins operating under the new tariff and the Commission has not completed its § 345.6(c) determination, should an interim process be developed?

k. Should the RO or ISO submit regular updates to the Commission on the workstreams associated with satisfying subdivisions (a) and (b), particularly if a potential timing mismatch arises, as discussed above?

l. What other terms or requirements in § 345.6(a) require further clarification?

m. What other terms or requirements in § 345.6(b) require further clarification?

2.2.2. Issue 2. Withdrawal Authorization.

Pub. Util. Code § 345.6(d) provides that the Commission maintains its authority to direct an electrical corporation to withdraw from an energy market governed by an RO. Section 345.6(e) provides that the ISO shall maintain the necessary technical capability to operate energy markets to enable electrical corporations and other market participants to withdraw from an energy market governed by an RO.

a. Pursuant to § 345(e)(1), how should the Commission consider whether the ISO has maintained the "necessary technical capability to operate energy markets in a manner that enables" withdrawal, for purposes of the Commission's authority to direct an electrical corporation to withdraw under § 345.6(d)?

b. Pursuant to § 345(e)(2), the ISO is to provide "separate market services for those entities" that withdraw. How should the Commission consider this for purposes of its authority to direct an electrical corporation to withdraw under § 345.6(d)?

c. How can the Commission ensure that its withdrawal procedures, and any potential future withdrawal directive(s), do not frustrate compliance with § 362, which requires an electrical corporation subject to Decision 98-01-053 to participate in the ISO?

d. Should the Commission assess the ISO's role to both govern the RO market and provide "separate market services" to a withdrawing entity under § 345.6(d)? If so, how?

e. Pursuant to § 345.6(e)(2) and the ISO's report to the Commission, how should the report be submitted to the Commission?

f. Pursuant to § 345.6(e)(3), if the Commission finds that the report required under § 345.6(e)(2) is not in compliance, should any additional process be developed?

g. What schedule and process should be adopted to allow for sufficient process and time for the Commission to effectuate a § 345.6(d) withdrawal determination, and to allow parties to sufficiently participate? Should that schedule and process be developed before the Commission makes its § 345.6(c) determination? Should an ongoing process be developed?

h. What other terms or requirements in § 345.6(d)-(g) require further clarification?

2.2.3. Issue 3. Additional Product/Service Participation.

Pub. Util. Code § 345.6(h)(4) provides that the Commission maintains its authority over an electrical corporation's participation in any additional products or services offered by an RO.

a. How, and by what process, should the Commission determine whether to authorize an electrical corporation's participation in any additional products or services offered by the RO? For example, how should the Commission consider whether to authorize an electrical corporation's participation in a potential RO-administered resource adequacy program (in consideration of the Commission's existing resource adequacy program)?

b. What other terms or requirements in § 345.6(h) and (j) require further clarification?

2.2.4. Issue 4. Rule Revisions.

a. By what process should the Commission consider revisions of relevant rules, regulations, or guidance to ensure that the transition to a regional energy market governed by the ISO or RO does not expand the types of transactions that meet the portfolio content category requirements of Section 399.16(b)(1), as compared to transactions that would meet those requirements on December 31, 2025?

3. Preliminary Schedule

Based on comments, reply comments and discussion at the PHC, the Scoping Memo may add to or otherwise modify the preliminary schedule. Accordingly, the preliminary schedule for the proceeding is as follows:

EVENT	DATE
Opening Comments on OIR filed and served	20 days from the issuance of OIR
Reply Comments on OIR filed and served	30 days from the issuance of OIR
Prehearing Conference	November 12, 2026 10:00 a.m. Via WebEx
Scoping Memo issued	December 2026
Workshop on Scoped Issues	February 2027
Comments on Scoped Issues	March /April 2027

EVENT	DATE
Proposed Decision	3rd Quarter 2027

The PHC will be held remotely on November 12, 2026, at 10:00 a.m. via Webex. A PHC will be held for the purposes of (1) taking appearances, (2) discussing schedule and process, and (3) informing the Scoping Memo.

This is a preliminary schedule, and is subject to change. The assigned Commissioner and the assigned Administrative Law Judge (ALJ) have the authority to make any and all necessary changes to the schedule during the course of the proceeding to promote the efficient and fair resolution of the rulemaking. Based on this schedule, the proceeding will be resolved within 24 months.

There may be a workshop in this proceeding. Notice of workshops or webinars will be noticed to the service list of this proceeding and posted on the Commission's Daily Calendar to inform the public that a decisionmaker or an advisor may be present at those meetings or workshops. Parties should check the Daily Calendar regularly for such notices.

4. Comments on Preliminary Determinations and Scoping Memo

This OIR serves as a solicitation for parties to comment on the preliminary determinations and the scope of issues identified in this order. The entities named as respondents shall, and all other entities may, file and serve comments.

Comments are due to be filed and served no later than 20 days after the issuance of this OIR. Reply comments may be filed and served no later than 30 days after the issuance of this OIR. Comments are limited to no more than 25 pages per party, with replies limited to 15 pages per party.

5. Category of Proceeding; *Ex Parte* Communications; Need for Hearing

The Commission's Rules require that an OIR preliminarily determine the category of the proceeding and the need for hearing.[2] The category of the proceeding is preliminarily determined to be quasi-legislative. Accordingly, *ex parte* communications are permitted per Article 8 of the Rules of Practice and Procedure. However, parties are reminded not to contact the assigned ALJ outside of a publicly-noticed forum, except that parties may send procedural questions by email to the assigned ALJ (with service to the service list of the proceeding).

The Commission is required to preliminarily determine if hearings are necessary. We preliminarily determine that hearings are not necessary for this proceeding.

6. Respondents

The electrical corporations in CAISO's balancing authority area are named as respondents to this proceeding: Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company.

7. Service of Order Instituting Rulemaking

This OIR shall be served on all respondents. In addition, in the interest of broad notice, this OIR will be served on: Rulemaking (R.) 20-05-003, R.24-01-017, R.25-02-005, R.25-06-019, and R.25-10-003.

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[2] *See* Rule 7.1(a).

Service of the OIR does not confer party status or place a person who has received such service on the Official Service List for this proceeding. Addition to the official service list is governed by Rule 1.9(f).

8. Filing and Service of Comments and Other Documents

Filing and service of comments and other documents in the proceeding are governed by the Rules. Parties are instructed to only serve documents on the assigned Commissioner, advisors to the assigned Commissioner, and the assigned ALJ by electronic copy and not paper copy, unless specifically instructed to do otherwise.

9. Addition to the Official Service List

Addition to the official service list is governed by Rule 1.9(f). Any entity will be added to the "Information Only" category of the official service list upon request, for electronic service of all documents in the proceeding, and should do so promptly in order to ensure timely service of comments and other documents and correspondence in the proceeding.[3] The request must be sent to the Process Office by email (process_office@cpuc.ca.gov). Please include the Docket Number of this rulemaking in the request.

Entities that file responsive comments to the OIR thereby become parties to the proceeding (*see* Rule 1.4(a)(2)) and will be added to the "Parties" category of the official service list upon such filing. In order to assure service of comments and other documents and correspondence in advance of obtaining party status, persons should promptly request addition to the "Information Only" category as

[3] *See* Rule 1.9(f).

described above; they will be removed from that category upon obtaining party status.

10. Intervenor Compensation

Intervenor Compensation is permitted in this proceeding. Any party that expects to claim intervenor compensation for its participation in this rulemaking shall file its notice of intent to claim intervenor compensation within 30 days after the filing of reply comments, except that notice may be filed within 30 days of a PHC as well.[4] Intervenor compensation rules are governed by Section 1801, *et seq.* of the Public Utilities Code.

11. Public Advisor

Any person or entity interested in participating in this rulemaking who is unfamiliar with the Commission's procedures should contact the Commission's Public Advisor in San Francisco at 415-703-2074 or 1-866-849-8390 or email public.advisor@cpuc.ca.gov. The TTY number is 1-866-836-7825.

IT IS ORDERED that:

1. This Order Instituting Rulemaking is adopted pursuant to Rule 6.1 of the Commission's Rules of Practice and Procedure.
2. The preliminary scope of issues is as stated above in Section 2.
3. The preliminary determination is that evidentiary hearings are not needed.
4. The preliminary categorization of this rulemaking is quasi-legislative.
5. Electrical corporations operating in the California Independent System Operator's balancing authority area are respondents to this Order Instituting Rulemaking.

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[4] *See* Rule 17.1(a)(2).

6. Respondents shall, and any other entity may, file and serve opening comments responding to this Order Instituting Rulemaking (OIR) within 20 days of the issuance date of this OIR. Reply comments may be filed and served within 30 days of the issuance of this OIR.

7. The Executive Director shall cause this Order Instituting Rulemaking to be served on the service lists for Rulemaking (R.) 20-05-003, R.24-01-017, R.25-02-005, R.25-06-019, and R.25-10-003.

8. A prehearing conference will be held remotely via WebEx on November 12, 2026 at 10:00 a.m.

9. Any party that expects to claim intervenor compensation for its participation in this Rulemaking must file its notice of intent to claim intervenor compensation within 30 days of the first prehearing conference held in this proceeding.

10. The relevant statutory language is attached to this Order Instituting Rulemaking as Appendix A.

This order is effective today.

Dated September 17, 2026, at San Marcos, California.

JOHN REYNOLDS
President
DARCIE L. HOUCK
KAREN DOUGLAS
MATTHEW BAKER
CHRISTINE HARADA
Commissioners