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**AB-825 Independent System Operator: independent regional organization.** (2025-2026)

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**Assembly Bill No. 825**

**CHAPTER 116**

An act to amend Section 337 of, to add Sections 345.1, 345.2, 345.6, and 399.16.5 to, to repeal Section 352 of, and to repeal Article 4 (commencing with Section 355), Article 5 (commencing with Section 359), and Article 5.5 (commencing with Section 359.5) of Chapter 2.3 of Part 1 of Division 1 of, the Public Utilities Code, relating to electricity.

[ Approved by Governor September 19, 2025. Filed with Secretary of State September 19, 2025. ]

**LEGISLATIVE COUNSEL'S DIGEST**

AB 825, Petrie-Norris. Independent System Operator: independent regional organization.

(1) Existing law provides for the establishment of an Independent System Operator (ISO) as a nonprofit public benefit corporation and requires the ISO to ensure efficient use and reliable operation of the electrical transmission grid consistent with achieving planning and operating reserve criteria no less stringent than those established by the Western Electricity Coordinating Council and the North American Electric Reliability Council. Existing law, the Clean Energy and Pollution Reduction Act of 2015, provides for the transformation of the ISO into a regional organization, with the approval of the Legislature, pursuant to a specified process. That process provides that modifications to the ISO's governance structure, through changes to its bylaws or other corporate governance documents, will not become effective until the ISO, the Public Utilities Commission (PUC), the State Energy Resources Conservation and Development Commission (Energy Commission), the State Air Resources Board (state board), the Governor, and the Legislature take specified actions on or before January 1, 2019.

This bill would delete the above-described provisions providing for the transformation of the ISO into a regional organization. The bill would authorize the ISO and the electrical corporations that are participating transmission owners whose transmission systems are operated by the ISO to use voluntary energy markets governed by an independent regional organization, only if specified requirements are satisfied. The bill would authorize the ISO, on or after January 1, 2028, to implement tariff modifications accepted by the Federal Energy Regulatory Commission to operate the energy markets whose rules are governed by an independent regional organization if the governing board of the ISO has adopted a resolution, as specified, finding that each of the specified requirements have been, or will be, adopted by the independent regional organization. The bill would require the PUC to make a determination through a formal decision in an existing or new proceeding that these requirements have been satisfied before electrical corporations participate in an energy market governed by an independent regional organization. The bill would require the ISO to maintain the necessary technical capability to operate energy markets, as specified, and would require the ISO to continue its functions and responsibilities as a balancing authority, as provided.

This bill would require the ISO to develop, publish, and annually update a report on certain activities of the ISO and, if applicable, an independent regional organization, as provided. The bill would require the chair of the board of governors and the chief executive officer of the ISO to annually appear before the appropriate policy committees of the Legislature to present the report, as specified.

(2) Existing law establishes the California Renewables Portfolio Standard Program, which requires the PUC to establish a renewables portfolio standard requiring all retail sellers, as defined, to procure a minimum quantity of electricity products from eligible renewable energy resources, as defined, at specified percentages of the total kilowatthours sold to their retail end-customers during specified compliance periods. The program, consistent with the goals of procuring the least-cost and best-fit eligible renewable energy resources that meet project viability principles, requires that all retail sellers procure a balanced portfolio of electricity products from eligible renewable energy resources, as specified, referred to as the portfolio content category requirements.

This bill would require the PUC and the Energy Commission to coordinate to revise any relevant rules, regulations, or guidance to ensure that the transition to a regional energy market governed by the ISO or the independent regional organization does not expand the types of transactions that meet the portfolio content category requirements, as compared to the transactions that would otherwise meet those requirements on December 31, 2025.

(3) Existing law requires the Power Exchange to provide an efficient competitive auction, open on a nondiscriminatory basis to all suppliers, that meets the loads of all exchange customers at efficient prices, and authorizes the Power Exchange governing board to form appropriate technical advisory committees composed of market and nonmarket participants to advise the governing board on relevant issues.

This bill would delete these provisions.

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

Because certain provisions of this bill would be part of the act and a violation of a PUC action implementing the bill's requirements would be a crime, 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 a specified reason.

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: yes

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## THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

### **SECTION 1.** Section 337 of the Public Utilities Code is amended to read:

**337.** (a) The Independent System Operator governing board shall comprise a five-member independent governing board of directors appointed by the Governor and subject to confirmation by the Senate. Any reference in this chapter or in any other provision of law to the Independent System Operator governing board means the independent governing board appointed under this subdivision.

(b) A member of the independent governing board appointed under subdivision (a) may not be affiliated with any actual or potential participant in any market administered by the Independent System Operator.

(c) (1) All appointments shall be for three-year terms.

(2) There is no limit on the number of terms that may be served by any member.

(d) The Oversight Board shall require the articles of incorporation and bylaws of the Independent System Operator to be revised in accordance with this section, and shall make filings with the Federal Energy Regulatory Commission as the Oversight Board determines to be necessary.

(e) For purposes of the initial appointments to the Independent System Operator governing board, as provided in subdivision (a), the Governor shall appoint one member to a one-year term, two members to a two-year term, and two members to a three-year term.

### **SEC. 2.** Section 345.1 is added to the Public Utilities Code, to read:

**345.1.** The chair of the board of governors and the chief executive officer of the Independent System Operator shall appear annually before the appropriate policy committees of the Assembly and Senate to present the report required pursuant to Section 345.2.

### **SEC. 3.** Section 345.2 is added to the Public Utilities Code, to read:

**345.2.** (a) The Independent System Operator shall develop, publish, and annually update a report that includes all of the following information:

- (1) Any changes to its federal tariff sought, and those changes approved, by the Federal Energy Regulatory Commission.
- (2) The status of policy initiatives and recurring processes considered by the Independent System Operator during the prior year.
- (3) Actions undertaken by the Independent System Operator governing board and, if applicable, the governing board of an independent regional organization whose electricity market California entities participate in.
- (4) An assessment of market activity during the prior year by any independent market monitor and, if applicable, independent market analysis maintained by an independent regional organization used by the Independent System Operator.
- (5) Actions undertaken within the transmission planning process of the Independent System Operator and the implementation of projects approved in that process.

(b) If the Independent System Operator uses a voluntary energy market governed by an independent regional organization, that organization shall provide the Independent System Operator with the information required for the report required by this section, as applicable.

(c) (1) The Independent System Operator shall submit the report required pursuant to subdivision (a) to the Governor and the Legislature, in compliance with Section 9795 of the Government Code, no later than February 1 of each year.

- (2) The Independent System Operator shall post the report in a conspicuous area of its internet website and shall have a program to disseminate the information in the report using computer mailing lists to provide regular updates on the information to those members of the public and organizations that request that information.

**SEC. 4.** Section 345.6 is added to the Public Utilities Code, to read:

**345.6.** (a) Notwithstanding the requirements related to energy markets in subdivision (b) of Section 345.5, the Independent System Operator and the electrical corporations that are participating transmission owners whose transmission systems are operated by the Independent System Operator may use voluntary energy markets governed by an independent regional organization only if all of the following requirements are satisfied:

- (1) The independent regional organization is a nonprofit corporation whose governance documents, and the tariff approved by the Federal Energy Regulatory Commission, include a requirement to respect the authority of each state that has a load-serving entity or balancing authority participating in the market to set its own procurement, resource adequacy, environmental, reliability, and other public interest policies and exercise oversight over its regulated entities.
- (2) The governing board of the independent regional organization maintains a public policy committee consisting of members of the governing board of the independent regional organization that engages with states, local power authorities, and federal power marketing administrations about potential impacts to state, local, or federal policies before it approves a tariff change for filing at the Federal Energy Regulatory Commission.
- (3) The governing board of the independent regional organization maintains a relationship with and seeks input from a body of state regulators or similar body to receive the views of state regulators.
- (4) The independent regional organization makes funding available for a consumer advocate organization that represents the interests of one or more consumer advocate offices authorized in state law, including the Public Advocate's Office of the Public Utilities Commission, and facilitates engagement by those offices with the independent regional organization.
- (5) The independent regional organization maintains an office of public participation to provide information and education to members of the public about issues and initiatives at the independent regional organization, including facilitating engagement in those processes.
- (6) In addition to any independent market monitoring activity required by a Federal Energy Regulatory Commission order, the independent regional organization maintains access to independent market analysis for the governing board of the independent regional organization on the impacts of market dynamics or rule changes to minimize overall costs to end-use consumers.
- (7) Subject to reasonable confidentiality provisions, market data is available to the commission and the Public Advocate's Office of the Public Utilities Commission, and other states' commissions and public advocate offices, to the same or greater extent as existed on December 31, 2024, for the markets governed by the Independent System Operator.

(8) There is a stakeholder process designed to provide nonbinding advice to the governing board of the independent regional organization.

(9) The independent regional organization is obligated to conduct meetings and make decisions in an open process with transparent, documented rationales, and all meetings of the governing board of the independent regional organization are publicly noticed and, excluding executive sessions, are available to remote participants, recorded and posted on the independent regional organization's internet website, open to the public, and subject to open record requirements. The obligations in this paragraph shall be substantially similar to those that apply to the Independent System Operator at the time a resolution is adopted pursuant to subdivision (b).

(10) The Independent System Operator continues to operate the energy markets, subject to the market rules determined by the independent regional organization as accepted by the Federal Energy Regulatory Commission.

(11) The market rules of the independent regional organization provide greenhouse gas emissions information and protocols sufficient to enable compliance with the requirements of any state agency.

(12) All independent regional organization services are offered on a voluntary basis with each participant retaining its decisionmaking autonomy regarding the extent of its participation.

(13) The tariff approved by the Federal Energy Regulatory Commission for the independent regional organization provides a procedure for unilateral withdrawal from the independent regional organization's energy markets by any participant on their own accord, or as required by an applicable regulatory authority or state statute, with reasonable prior notice and without any penalties, unreasonable costs, or further discretionary approvals.

(b) On or after January 1, 2028, the Independent System Operator may implement tariff modifications accepted by the Federal Energy Regulatory Commission to operate the energy markets whose rules are governed by an independent regional organization, as provided in subdivision (a), if the governing board of the Independent System Operator has adopted a resolution finding that each of the requirements of paragraphs (1) to (13), inclusive, of subdivision (a) have been or will be adopted by the independent regional organization. The governing board of the Independent System Operator may adopt the resolution if the Independent System Operator satisfies all of the following requirements before adopting the resolution:

(1) The meeting is open to the public, available to remote participants, recorded, and posted on the Independent System Operator's internet website.

(2) The Independent System Operator issues a notice of the meeting and proposed findings not less than 90 days before the meeting.

(3) The notice explains the basis for finding that each requirement of paragraphs (1) to (13), inclusive, of subdivision (a) will be met.

(4) The notice provides an opportunity for written comments on the proposed findings.

(5) The Independent System Operator issues written responses to any comments not less than 20 days before the meeting.

(6) After issuing the written responses described in paragraph (5), but before adopting the resolution, the Independent System Operator shall offer to provide testimony to the legislative committee in each house of the Legislature with primary jurisdiction over electrical corporations on its proposed findings and responses and shall provide testimony to hearings of those committees if those committees request testimony.

(7) The Independent System Operator receives and accepts written comments from the commission, Public Advocate's Office, and Energy Commission provided pursuant to paragraph (4) regarding the proposed findings.

(c) The commission shall make a determination through a formal decision in an existing or new proceeding that the requirements in subdivisions (a) and (b) have been satisfied before electrical corporations participate in an energy market governed by an independent regional organization.

(d) This section does not diminish the commission's authority to direct an electrical corporation to withdraw from an energy market governed by an independent regional organization. The commission may direct an electrical corporation to withdraw from an energy market governed by an independent regional organization on its own volition through a proceeding or any other commission process, including if the commission identifies any activities of the independent regional organization that would undermine or jeopardize the commission's authority regarding resource adequacy, integrated resource planning, or procuring resources under Section 380, 454.51, or 454.52.

- (e) (1) The Independent System Operator shall maintain the necessary technical capability to operate energy markets in a manner that enables California electrical corporations, local publicly owned electric utilities, and other applicable market participants to withdraw from the markets governed by the independent regional organization and instead the Independent System Operator would provide separate market services for those entities.
- (2) Beginning one year after the implementation of the independent regional organization's markets, and annually thereafter, the Independent System Operator, in consultation with the independent regional organization, shall report to the commission, Energy Commission, and the legislative committees with primary jurisdiction over electrical corporations, in compliance with Section 9795 of the Government Code, on the status of the development and compliance with this section.
- (3) The commission and Energy Commission shall review each report required pursuant to paragraph (2) and shall publicly post an acknowledgment to their internet websites that they have reviewed the contents of each report.
- (f) (1) The Independent System Operator shall conduct a study of the impacts of implementing subdivision (a) on the creation or retention of jobs in California. The study shall specifically include the impact on jobs constructing and maintaining powerplants in California.
- (2) The Independent System Operator shall host public workshops on the study methodology and the results of the study.
- (3) The Independent System Operator shall complete the study on or before December 31, 2026. Upon completion, the Independent System Operator shall provide the study to the legislative committee in each house of the Legislature with primary jurisdiction over electrical corporations.
- (4) The results of the study shall be included in the Independent System Operator's findings and resolution described in subdivision (b).
- (5) The study submitted pursuant to paragraph (3) shall be in compliance with Section 9795 of the Government Code.
- (g) (1) The Independent System Operator shall continue its functions and responsibilities as a balancing authority as they existed before enactment of this section, and maintain compliance with applicable reliability standards as developed, adopted, and enforced by the North American Electric Reliability Corporation, the Western Electricity Coordinating Council, or the Federal Energy Regulatory Commission.
- (2) The Independent System Operator shall not change its balancing authority area from that which existed on December 31, 2024, except as follows:
- (A) Standard addition or removal of transmission lines, substations, and other equipment by participating transmission owners or other asset owners.
- (B) The Independent System Operator may combine its balancing authority area with another California balancing authority if the combination is mutually agreed upon.
- (C) The Independent System Operator may use its subscriber participating transmission owner tariff.
- (3) Except as provided in subdivision (a) with respect to managing energy markets as provided in this section, this section does not change the responsibilities of the Independent System Operator under Section 345.5, including managing the transmission grid, planning for transmission expansion, reliability, resource adequacy, and complying with Section 25308 of the Public Resources Code.
- (h) (1) (A) This section does not change any requirement related to the California Renewables Portfolio Standard Program as provided in Article 16 (commencing with Section 399.11).
- (B) The independent regional organization is not a California balancing authority.
- (C) The geographic footprint of the independent regional organization is not a balancing authority area.
- (2) This section does not change the policy of the state to reach specified targets by specified dates for supplying eligible renewable energy resources and zero-carbon resources as provided in subdivision (a) of Section 454.53.
- (3) This section does not change the authority of the commission regarding resource adequacy, integrated resource planning, or procuring resources under Section 380, 454.51, 454.52, or any other law.
- (4) This section does not change the authority of the commission over an electrical corporation's participation in any additional products or services offered by the independent regional organization and the electrical corporations shall not participate in any additional products and services offered by the independent regional organization unless authorized by the commission.

(i) The Independent System Operator may act as a vendor, through a contract with the independent regional organization, of market operation services, generation dispatch services, transmission operation services, transmission planning services, reliability coordination, balancing authority compliance or operation services, or other electrical system services.

(j) This section does not prohibit the independent regional organization from offering additional products or services on a voluntary basis, including, but not limited to, cooptimization of ancillary services, administration of a resource adequacy program, or transmission planning or service.

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

(1) "Balancing authority," "balancing authority area," and "California balancing authority" have the same meanings as provided in Section 399.12.

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

**SEC. 5.** Section 352 of the Public Utilities Code is repealed.

**SEC. 6.** Article 4 (commencing with Section 355) of Chapter 2.3 of Part 1 of Division 1 of the Public Utilities Code is repealed.

**SEC. 7.** Article 5 (commencing with Section 359) of Chapter 2.3 of Part 1 of Division 1 of the Public Utilities Code is repealed.

**SEC. 8.** Article 5.5 (commencing with Section 359.5) of Chapter 2.3 of Part 1 of Division 1 of the Public Utilities Code is repealed.

**SEC. 9.** Section 399.16.5 is added to the Public Utilities Code, to read:

**399.16.5.** The commission and the Energy Commission shall coordinate to revise any relevant rules, regulations, or guidance to ensure that the transition to a regional energy market governed by the Independent System Operator or the independent regional organization described in Section 345.6 does not expand the types of transactions that meet the portfolio content category requirements of paragraph (1) of subdivision (b) of Section 399.16, as compared to the transactions that would meet those requirements on December 31, 2025.

**SEC. 10.** No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only 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.