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AB-1117 Electricity: rates: optional dynamic rate tariffs. (2025-2026)

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CALIFORNIA LEGISLATURE— 2025–2026 REGULAR SESSION

ASSEMBLY BILL

NO. 1117

Introduced by Assembly Member Schultz
(Coauthors: Assembly Members Irwin and Rogers)
(Coauthor: [Senator Stern](#))

February 20, 2025

An act to add Section 729.3 to the Public Utilities Code, relating to electricity.

LEGISLATIVE COUNSEL'S DIGEST

AB 1117, as amended, Schultz. Electricity: rates: optional dynamic rate tariffs.

Existing law vests the Public Utilities Commission with regulatory authority over public utilities, including electrical corporations. Existing law authorizes the commission to fix the rates and charges for every public utility and requires that those rates and charges be just and reasonable. Existing law requires each electrical corporation to identify a separate rate component to fund certain programs that enhance system reliability and provide in-state benefits, and requires that the rate component be a nonbypassable element of the local distribution service.

This bill would require the commission, through a new or existing proceeding, to develop optional dynamic rate tariffs applicable to each large electrical corporation for the large electrical corporation's customers. The bill would require at least one optional dynamic rate tariff for each segment of medium and large commercial and industrial customers ~~no later than~~ [on or before](#) July 1, 2028, and at least one optional dynamic rate tariff for each segment of residential and small commercial customers ~~no later than~~ [on or before](#) July 1, 2030. The bill would require each optional dynamic rate tariff to include, at minimum, ~~specified components, including a time-varying transmission and distribution rates rate that reflect~~ [reflects](#) dynamic grid ~~constraints~~ [constraints, a time-varying generation rate that reflects wholesale market conditions](#), and nonbypassable charges, as specified. The bill would require the commission to ensure, among other things, any overcollection of transmission-, distribution-, and generation-related revenue requirements from participating bundled customers is returned to the participating bundled customers and any

undercollection of those revenue requirements is borne by those same customers. The bill would additionally require that any overcollection of transmission- or distribution-related revenue requirements from unbundled customers be returned to the same unbundled customers, and any undercollection of those revenue requirements be borne by those same customers. The bill would require that any customer of an electrical corporation with an installed smart meter who chooses to take service under an optional dynamic rate tariff be provided access to their own interval usage data directly from the smart meter as that data is generated, as provided. The bill would also require *the commission to determine whether* each large electrical corporation *would be required* to allow medium and large commercial and industrial customers taking service under an optional dynamic rate tariff to also participate in supply-side resource demand response programs, as provided. ~~The bill would require that any new medium and large commercial and industrial customer energized on or after July 1, 2028, that opts to take service under an optional dynamic rate tariff be eligible to receive generation service from an electric service provider, if specified conditions are met.~~ The bill would require the commission to consider rules or conditions on participation by vulnerable residential customers to ensure adequate protection for those customers, as provided. The bill would require the commission to incorporate the load shift and load reduction effects of dynamic rate adoption in proceedings on revenue requirement cost recovery, as provided. The bill would require the commission to ensure load-serving entities provide adequate electricity bill comparison information to residential and small business customers interested in taking service under an optional dynamic rate tariff.

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

Because a violation of a commission action implementing this 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

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

SECTION 1. (a) The Legislature hereby finds and declares all of the following:

- (1) The transformation of California's electrical grid system to support the state's decarbonization goals will be most affordable for the state's businesses and residents through improved use of grid infrastructure and demand flexibility.
- (2) Lowering electricity bills is critical to maintaining the competitiveness of California businesses and alleviating overall cost pressures on individual households.
- (3) The electrical grid supporting California's economy is subject to dynamically shifting conditions due to factors such as weather-driven electricity demand, variable generation output, and line capacity constraints.
- (4) Dynamic grid conditions often result in widely fluctuating wholesale electricity prices. The volatility of wholesale prices affects the overall cost of electricity that is ultimately borne by the state's ratepayers.
- (5) Enabling greater demand flexibility through dynamic retail pricing, based on the conditions of the grid and the wholesale market, ~~will~~ *can* minimize the short-term and long-term costs of electricity by reducing electricity demand during high-price periods and shifting demand to time periods when renewable energy is low cost and abundant.

(b) It is the intent of the Legislature to do all of the following:

(1) Ensure approximately \$4.5 billion of smart meter infrastructure investments already paid for by the customers of the Pacific Gas and Electric Company, the Southern California Edison Company, and the San Diego Gas and Electric Company provide cost saving through the provision of optional dynamic rates.

~~(1)~~

(2) Establish at least one optional dynamic rate tariff for each customer segment of medium and large commercial and industrial customers by 2028 and at least one optional dynamic rate tariff for each customer segment of residential and small commercial customers by 2030.

~~(2)~~

(3) Ensure that customers who do not want to or cannot participate in dynamic retail pricing have the right to continue to be subject to flat rates or time-of-use rates.

~~(3)~~

(4) Ensure participation in dynamic retail pricing does not create cost shifts between bundled and unbundled ratepayers.

(5) Ensure customers have real-time access to their electricity usage data directly from their smart meters to maximize the ability of participating customers to adjust their electricity usage in response to dynamic prices if they choose to take service under a dynamic rate tariff.

~~(4)~~

(6) Allow voluntary demand flexibility through dynamic retail pricing to be complemented with mandatory supply-side demand response programs that contribute to resource adequacy.

~~(5)~~

(7) Provide competitive dynamic rate options to newly interconnected medium and large commercial customers to encourage those new load customers to be flexible with their electrical demand to reduce cost pressures on existing customers.

SEC. 2. Section 729.3 is added to the Public Utilities Code, to read:

729.3. (a) The commission shall, through a new or existing proceeding, develop optional dynamic rate tariffs applicable to each large electrical corporation for the large electrical corporation's customers, as follows:

(1) On or before July 1, 2028, at least one optional dynamic rate tariff for each of the following customer segments:

(A) Medium commercial and industrial.

(B) Large commercial and industrial.

(2) On or before July 1, 2030, at least one optional dynamic rate tariff for each of the following customer segments:

(A) Residential.

(B) Small commercial.

(b) Each optional dynamic rate tariff shall include, at minimum, all of the following components:

~~(1) A time-varying transmission rate that reflects dynamic transmission grid constraints consistent with Federal Energy Regulatory Commission rules.~~

~~(2)~~

(1) A time-varying distribution rate that reflects dynamic distribution grid constraints in the distribution service area.

~~(3)~~

(2) A time-varying generation rate for bundled customers that reflects day-ahead hourly wholesale market conditions.

~~(4)~~

(3) Nonbypassable charges.

(c) The commission may authorize an optional dynamic rate tariff to include a time-varying transmission rate that reflects dynamic transmission grid constraints if the commission determines doing so is consistent with the Federal Energy Regulatory Commission's rules and orders.

~~(e)~~

(d) To protect customers, maintain the principle of cost causation, and prevent cost shifts between bundled customers and unbundled customers, the commission shall ensure all of the following when implementing subdivision (a):

(1) Each large electrical corporation shall make the same time-varying transmission and distribution rates available to both bundled customers and unbundled customers located in the same geographic area as delineated by the commission in consultation with the Independent System Operator. These time-varying rates shall be the same for customers with the same level of ~~service~~ *electric power demand* regardless of whether the customer is an eligible customer-generator.

(2) (A) To address the risks to nonparticipating customers, the commission shall periodically evaluate and mitigate any cost shifting from the optional dynamic rate tariffs in proceedings, which may include a large electrical corporation's general rate case.

(B) Any overcollection of transmission-, distribution-, and generation-related revenue requirements from participating bundled customers shall be returned to the participating bundled customers, and any undercollection of those revenue requirements shall be borne by those same customers.

(C) Any overcollection of transmission- or distribution-related revenue requirements from unbundled customers shall be returned to the same unbundled customers, and any undercollection of those revenue requirements shall be borne by those same customers.

(D) To minimize revenue requirement undercollections and the associated risk to participating customers, the commission shall incorporate the load shift and load reduction effects of dynamic rate adoption in proceedings on revenue requirement cost recovery, which may include a large electrical corporation's general rate case, such that the lowered cost to serve participating customers is appropriately reflected in the ratemaking process.

(3) (A) To maximize participating customers' ability to adjust their electrical consumption in response to dynamic rates, a customer of a large electrical corporation with an installed smart meter and who chooses to take service under an optional dynamic rate tariff shall be provided access to their own interval usage data directly from the smart meter as that data is generated.

(B) The commission shall ensure adequate electricity bill comparison information is provided by load-serving entities to residential and small business customers interested in taking service under an optional dynamic rate tariff to ensure participating residential and small business customers are aware of and informed on the potential price risks associated with taking service under a dynamic rate tariff.

(C) The commission shall consider rules or conditions on participation by vulnerable residential customers to ensure adequate protection for those customers, including, but not limited to, those customers served through rates established pursuant to subdivision (c) of Section 739, Section 739.1, and Section 739.12.

~~(d)~~

(e) Each load-serving entity is responsible for setting the generation rate options for a participating customer based on wholesale electricity market conditions faced by that customer's load-serving entity. This section does not authorize the commission to regulate the rates or terms and conditions of service offered by a community choice aggregator, consistent with Section 366.2, or an electric service provider, consistent with Section 394.

~~(e)(1)Each~~

(f) *The commission shall determine whether each* large electrical corporation shall allow medium and large commercial and industrial customers taking service under an optional dynamic rate tariff to also participate in any applicable supply-side resource demand response programs that qualify for resource adequacy under Section ~~380. 380 if the supply-side resource demand response baseline is adjusted to reflect the load shift effect of dynamic rate adoption to ensure there is no double-counting of demand response benefits.~~

~~(2)Notwithstanding the maximum allowable total kilowatthours annual limit established pursuant to subdivision (b) of Section 365.1, a medium or large commercial or industrial customer energized on or after July 1, 2028, that opts to take service under an optional dynamic rate tariff shall be eligible to receive generation service from an electric service provider, if the electric service provider has satisfied its obligations pursuant to Sections 380, 399.15, and 454.52.~~

~~(f)~~

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

(1) "Electric service provider" has the same meaning as defined in Section 394.

(2) "Eligible customer-generator" has the same meaning as defined in Section 2827.

~~(3)"Energize" has the same meaning as defined in Section 931.~~

~~(4)~~

(3) "Large electrical corporation" means an electrical corporation with more than 100,000 service connections in California.

~~(5)~~

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

~~(6)~~

(5) "Smart meter" means a device capable of measuring and recording energy consumption data, including interval usage data, throughout the day and communicating this data both to an information system owned by a large electrical corporation and directly to an onsite device or appliance owned by a customer.

SEC. 3. 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.