BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Implement Assembly Bill 825 Related to Independent Regional Organization.	Rulemaking 26-09-009 (Filed September 17, 2026)

REPLY COMMENTS OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION ON ORDER INSTITUTING RULEMAKING

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I. Introduction

The California Independent System Operator Corporation (CAISO) submits these reply comments on the Order Instituting Rulemaking issued by the California Public Utilities Commission (Commission) in the above-captioned proceeding pursuant to California Assembly Bill No. (AB) 825 (2025-2026).[1] This proceeding addresses the requirements established by AB 825 regarding participation by electrical corporations within the CAISO's balancing authority area in an energy market governed by an independent regional organization on or after January 1, 2028. Among other things, AB 825 directs the Commission to make determinations through a formal decision that specified statutory requirements have occurred before electrical corporations can participate in such an energy market.[2]

Parties recommend the Commission undertake this proceeding in phases, with the initial phase focused on developing a record to support a decision addressing the requirements

[1] The CAISO submits these reply comments pursuant to the Assigned Administrative Law Judge's September 28, 2026 Ruling Modifying Comment Schedule on Order Instituting Rulemaking.

[2] California Public Utilities Code Section 345.6 (c) referencing statuary requirements enumerated in California Public Utilities Code Section 345.6 (a) and (b).

necessary to authorize electrical corporations to participate in an energy market governed by an independent regional organization on or after January 1, 2028.[3] Several parties recommend the Commission issue a proposed decision in the third quarter of 2027 to provide sufficient time for the remaining actions necessary to support implementation. Certain parties further recommend that the Commission condition its authorization on subsequent confirmation that any outstanding requirements have been satisfied, including through a Tier 1 advice letter to confirm any necessary requirements have occurred. The CAISO supports these recommendations.

Some parties advocate expanding the scope of this proceeding to address issues that are not necessary to the initial participation authorization determination.[4] Although some of these issues may warrant consideration, they should not delay the Commission's threshold determination under section California Public Utilities Code Section 345.6(c). Assessment of these issues may be appropriate in separate Commission proceedings or in other venues.

II. The CAISO Supports Addressing the Scope of This Proceeding in Phases.

The CAISO supports recommendations of most parties to manage the scope and schedule of this proceeding in phases, so long as any phased approach will allow the Commission to develop a record necessary to support a determination that can authorize electrical corporations within the CAISO's balancing authority area to participate in an energy market governed by an independent regional organization beginning January 1, 2028. The initial phase should prioritize

[3] Comments of San Diego Gas & Electric Company at 3-4; Comments of Southern California Edison Company and Pacific Gas and Electric Company at 2-3; Comments of the Regional Organization for Western Energy, Inc.(ROWE) at 2-5; California Community Choice Association at 3-4; California State Association of Electrical Workers, Natural Resources Defense Council, Coalition of California Utility Employees, Environmental Defense Fund at 5-7; Comments of the Public Advocates Office at the California Public Utilities Commission (Cal Advocates) at 7-8; American Clean Power – California at 2; Comments of the Balancing Authority of Northern California at 3-4.

[4] *See e.g.* Comments of Cal Advocates; Comments of Alliance for Retail Energy Markets.

development of a record necessary for the Commission to determine whether the requirements specified in California Public Utilities Code Sections 345.6(a) and (b) have occurred. Issues that are not necessary for that determination can be addressed in a second phase of this proceeding, a separate Commission proceeding, or another appropriate venue. Taking this approach will allow the Commission and parties to prioritize developing a record necessary to support a Commission decision on authorization to participate and help make workshop discussions and comment procedures more efficient.

III. The Commission Should Not Add Issues Recommended by Parties That Exceed the Statutory Criteria the Commission Needs to Address.

The CAISO discourages the Commission from expanding the scope of issues recommended by parties that exceed the statutory criteria the Commission needs to address in this proceeding under AB 825.

By way of example, Cal Advocates argues the Commission should add an issue to the scope of the proceeding relating to contingencies for which the CAISO should prepare in order to ensure its ability to provide separate market services in the event an electrical corporation elects to withdraw from a regional market or the Commission requires it to do so.[5] Cal Advocates recognizes this preparation may take significant work and coordination among the CAISO, the Commission, and other entities. AB 825 provides that the CAISO must 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

[5] Comments of Cal Advocates at 4.

and provide separate market services for those entities.[6] Although AB 825 establishes this obligation, it does not require the Commission to evaluate detailed withdrawal contingencies as part of authorizing participation by electrical corporations in a regional energy market. The Commission, Cal Advocates, electrical corporations, local publicly owned electric utilities, and other applicable market participants have a legitimate interest in understanding the mechanism of how the CAISO will meet this requirement but that issue need not be resolved before the Commission determines whether the requirements necessary to authorize participation have occurred.

Likewise, Cal Advocates argues the Commission should add an issue to the scope of this proceeding relating to cost allocation of ROWE and CAISO administrative costs.[7] Again, the Commission, Cal Advocates, and other stakeholders have a legitimate interest in understanding how these costs will be allocated and how they may affect California customers. The Commission, however, will not adjudicate those cost allocation rules, which are related to the provision of transmission service in interstate commerce.

The Alliance for Retail Energy Markets (AreM) expresses concerns about proliferation of resource adequacy standards that may require load serving entities operating within the CAISO balancing authority area to comply with multiple programs.[8] Cal Advocates recommends that regional resource adequacy participation be removed from the initial scope or addressed in a later track.[9] The CAISO concurs with Cal Advocates that the Commission need not consider these

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6 California Public Utilities Code Section 345.6(e)(1).

7 Comments of Cal Advocates at 7.

8 Comments on AReM at 3-4.

9 Comments of Cal Advocates at 5.

issues in this proceeding and certainly not in any initial phase. Regional resource adequacy discussions remain in their initial stages. Attempting to scope resource adequacy issues into this proceeding is premature and could distract from the statutory determinations necessary to authorize electrical corporations to participate in a regional energy market.

IV. Conclusion

The CAISO supports parties' recommendations to adopt a phased approach to this proceeding that prioritizes developing a record to support a decision addressing the requirements necessary to authorize electrical corporations to participate in an energy market governed by an independent regional organization on or after January 1, 2028. The CAISO discourages the Commission from adding to the scope of this proceeding issues recommended by parties that exceed the statutory criteria the Commission needs to address.

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