

Calif. Power Market Law Is A Clean Energy Game-Changer

By **Keith Goldberg**

Law360 (September 26, 2025, 9:03 PM EDT) -- California's recent passage of a law further expanding its electricity markets beyond its borders could catalyze clean energy project development in the Golden State, as well as other states throughout the West.

Assembly Bill 825, one of a suite of energy bills California Gov. Gavin Newsom signed into law Sept. 19, authorizes the state's grid operator to collaborate with utilities and utility regulators in neighboring states to create a regional market where electricity can be traded the day before it's needed.

California energy attorneys tell Law360 that A.B. 825 is a significant step toward transforming the California Independent System Operator, or CAISO, into a true, Western regional transmission organization. Even if that day remains a long way off, a regional, day-ahead market will create more opportunities for California project developers to export their power to neighboring states, and allow more non-California developers to tap the lucrative Golden State market.

"It allows power to flow more easily, or planned to be flowed more easily, going in both directions," said Morgan Lewis & Bockius LLP energy partner Bill Kissinger, who served on a gubernatorial task force during California's 2001 electricity crisis. "This will simplify the ability to buy and sell electricity, which is obviously the mother's milk of being able to finance facilities."

CAISO, whose board of governors is appointed by the California governor, has already taken steps to expand its reach, including the creation of an energy imbalance market, which allows for real-time electricity trading to balance supply and demand on the grid. Since its 2014 inception, that market has expanded to 11 Western states and produced \$7.4 billion worth of benefits that include electricity cost savings, increased transmission efficiency and getting more renewable energy on the grid, according to a July CAISO report.

And CAISO has spent several years drafting a proposed day-ahead market. But only now, with the passage of A.B. 825, does the grid operator have the blessing of California state lawmakers. The law directs CAISO's board to adopt a proposed market structure in 2028.

A regional day-ahead market would be a major leap forward, and a major boon for renewable energy development, attorneys say. It would allow California and other Western states to lean on a broader array of electricity resources to meet their demands, whether it's the solar power that's more predominant in the Southwest or the wind power that's more prevalent in the Rocky Mountains and Pacific Northwest.

"It's easier to match those resources to meet [demand] in ways that are more cost-effective than if you're solely focused on a CAISO footprint," said Seth Hilton, who co-chairs Stoel Rives LLP's energy industry group and focuses on California energy matters.

An expanded day-ahead market also means more potential customers for more clean energy developers both inside and outside California. Orrick Herrington & Sutcliffe LLP energy development partner Patrick Ferguson said developers have traditionally focused on selling as much of their power to utilities and other consumers in California, given the state's size and aggressive clean energy policies, but face limits on grid access and other constraints.

"This new expansion gives projects in the greater West more potential offtakers, because there will be the ability to deliver energy at different points on the grid, and also to new buyers that would be touching this regional market," Ferguson said.

More buyers for project developers means more investors willing to bankroll projects, attorneys say.

"With the greater certainty, that helps banks be more willing to lend to these projects and finance them," said Nossaman LLP partner Willis Hon. "It's not as much of a shot in the dark of whether they will get a return or not."

And if a regional day-ahead market leads to more clean energy project construction, more transmission project construction will follow, said Kissinger of Morgan Lewis.

"The limit of transmission coming into California turns on whether you can support the payment of that infrastructure investment," Kissinger said. "This will make the case that the infrastructure investment is worth making."

Clean energy advocates have been pushing to expand CAISO into a full-blown regional electricity market for years. But previous expansion efforts have faltered in the California state Legislature, most recently in 2018. Persistent concerns are that regionalization would allow fossil fuels to get onto California's grid from neighboring states that don't share the same clean energy goals, and that a regional CAISO would place California more at the mercy of the federal government, namely, the Federal Energy Regulatory Commission.

Attorneys say what got A.B. 825 over the finish line were provisions ensuring that California's participation in the day-ahead market would be conditioned on whether the state's climate change policies, including renewable energy requirements and a 2045 zero-carbon goal, are unaffected.

Hilton of Stoel Rives said another key part of the law is the creation of an independent board within CAISO that would dictate the market's rules and oversee its operation.

"The issue always was, how do we change the [CAISO] governance such that we can make states feel comfortable with joining that organization, and also preserve what California is concerned about?" Hilton said. "[A.B. 825] provides structures that will make states comfortable with joining these markets."

That doesn't mean the law will eliminate concerns over state energy policy differences affecting the market, attorneys say. Nor does it eliminate concerns that California could invite further battles with a

federal government that, under the Trump administration, has moved aggressively to limit renewable energy development in favor of fossil fuels and attempted to invalidate California climate and clean energy policies.

But attorneys told Law360 that the battle lines between California and the Trump administration are so clearly drawn that laws like A.B. 825 won't redraw them.

"That challenge ... exists whether we have a broader, West-wide market that's overseen by an independent regional operator or not," Hilton said.

Creating a regional day-ahead electricity market by 2028 that will get sufficient support from California, neighboring states, utilities and other stakeholders will be a complex and laborious process. But attorneys say that A.B. 825's passage was a major, and essential, hurdle to get over, and clean energy developers will reap the benefits of the regionalized electricity path the law puts California on.

"It's continued momentum across the West toward renewable development, really [power] development in all forms," Ferguson of Orrick said.

--Editing by Kelly Duncan and Michael Watanabe.