



## OFFICE OF THE GOVERNOR

OCT. 3 2025

To the Members of the California State Assembly:

I am returning Assembly Bill 740 without my signature.

This bill would require the California Energy Commission (CEC) to adopt a virtual power plant deployment plan in the 2027 update of the Integrated Energy Policy Report. This bill would also require each electric investor-owned utility to annually report to the CEC its contribution toward meeting the state's load-shift goal.

California has enacted many policies over the past decade to facilitate the deployment of cost-effective distributed energy resources and seamlessly integrate them into our evolving and dynamic electric grid. These energy resources have the potential to lower customer electric bills, improve electric grid reliability and resiliency, and lower electric grid emissions. Virtual power plants represent one of the latest advances in coupling the output and controllability of solar photovoltaic and battery energy storage systems to deliver on these outcomes.

While I support efforts to realize the potential of these energy resources and others, this bill results in costs to the CEC's primary operating fund, which is

currently facing an ongoing structural deficit, thereby exacerbating the fund's structural imbalance.

For this reason, I cannot sign this bill.

Sincerely,



Gavin Newsom