
**SENATE COMMITTEE ON ENERGY, UTILITIES AND
COMMUNICATIONS**
Senator Ben Hueso, Chair
2019 - 2020 Regular

Bill No: AB 56 **Hearing Date:** 7/10/2019
Author: Eduardo Garcia
Version: 7/3/2019 As Amended
Urgency: No **Fiscal:** Yes
Consultant: Nidia Bautista

SUBJECT: Electricity: procurement by the California Alternative Energy and Advanced Transportation Financing Authority

DIGEST: This bill would require the California Public Utilities Commission (CPUC) to empower the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) to undertake backstop procurement of electricity that would otherwise be performed by an electrical corporation to meet state resource adequacy, integrated resource planning, and renewable portfolio standard goals not satisfied by retail sellers or load-serving entities.

ANALYSIS:

Existing law:

- 1) Establishes the CPUC has regulatory authority over public utilities, including electrical corporations. (California Constitution, Article XII)
- 2) Requires the CPUC, in consultation with the California Independent System Operator (CAISO), to establish resource adequacy (RA) requirements for all load-serving entities (LSEs), as defined, in accordance with specified objectives. Further requires each LSE to maintain physical generating capacity adequate to meet its load requirements, including peak demand and planning and operating reserves, deliverable to locations and at times as may be necessary to provide reliable electric service. Requires the CPUC to determine and authorize the most efficient and equitable means for LSEs to achieve specified purposes when meeting their RA requirements. Defines “load-serving entity” to mean an electrical corporation (also known as an investor-owned utility (IOU)), energy service provider (ESP) or Community Choice Aggregator (CCA). Requires the CPUC, in consultation with the CAISO, to establish RA requirements for all LSEs. (Public Utilities Code §380)

- 3) Authorizes customers of an IOU to aggregate their electric loads as members of their local community with CCAs. Designates a CCA as solely responsible for all generation procurement activities on behalf of the CCA's customers, except where other generation procurement arrangements are expressly authorized by statute. (Public Utilities Code §366.2)
- 4) Authorizes the CPUC to fix the rates and charges for every public utility and requires that those rates and charges be just and reasonable. (Public Utilities Code §451)
- 5) Establishes a renewables portfolio standard (RPS) and requires all retail sellers, including IOUs, ESPs, and CCAs, to procure a minimum quantity of electricity products from eligible renewables energy resources, as defined, so that total kilowatt hours of those products sold to their retail end-use customers achieves 25 percent of retail sales by December 31, 2016, 33 percent by December 31, 2020, 44 percent by December 31, 2024, 52 percent by December 31, 2027, and 60 percent by December 31, 2030. (Public Utilities Code §399.15)
- 6) Establishes a policy of the state that eligible renewable energy resources and zero-carbon resources supply 100 percent of retail sales of electricity to California end-use customers and 100 percent of electricity procured to serve all state agencies by December 31, 2045. (Public Utilities Code §454.53)
- 7) Requires the CPUC to adopt a process for each LSE, defined as IOU, ESP, or CCA, serving end-use customers in the state, to file an integrated resource plan (IRP) and a schedule for a periodic updates to the plan to ensure that LSEs accomplish specified objectives. Requires each LSE to prepare and file an IRP consistent with those objectives on a time schedule directed by the CPUC and subject to CPUC review. (Public Utilities Code §454.52)
- 8) Requires that the IRP of each LSE contribute to a diverse and balanced portfolio of resources needed to ensure a reliable electricity supply that provides optimal integration of renewable energy resources in a cost-effective manner, meets the emissions reduction targets for greenhouse gases (GHG) established by the State Air Resources Board (ARB) for the electricity sector, and prevents cost shifting among LSEs. (Public Utilities Code §454.54)
- 9) Establishes the CAEATFA to advance the state's goals of reducing emissions of GHG, increasing the deployment of sustainable and renewable energy sources, implementing measures that increase the efficient use of energy, creating high quality employment opportunities, and lessening the state's dependence on fossil fuels. (Public Resources Code §26000, et seq.)

This bill:

- 1) Requires the CPUC to empower the CAEATFA to undertake backstop procurement of electricity that would otherwise be performed by an electrical corporation to meet the state RA, IRP, and RPS goals not satisfied by retail sellers or LSEs.
- 2) Authorizes the CAEATFA to undertake backstop procurement consistent with specified objectives and to manage the resale of electricity for its contracted resources. Requires the CPUC to periodically review the need for, and the benefits of, continuing to empower the CAEATFA to undertake backstop procurement responsibilities.
- 3) Provides for the reduction in procurement compliance obligations for LSEs and retail sellers for the electricity procured by the CAEATFA.
- 4) Requires the CAEATFA to develop and submit annual revenue requirements for review, modification, and approval by the CPUC to recover specified costs, would provide that the CAEATFA is entitled to recover revenue requirements approved by the CPUC for costs incurred on behalf of retail customers of a LSE or retail seller, and would provide that those costs are a direct obligation of the retail end-use customers of LSEs or retail sellers or a direct obligation of the LSE or retail seller on whose behalf the procurement was undertaken.
- 5) Requires the CPUC to approve a method for recovering revenue requirements from retail end-use customers of LSEs or retail sellers or from LSEs or retail sellers themselves, as specified.

Background

Load-serving Entities: IOUs, ESPs and CCAs. Several types of entities provide electricity service in California. Historically, the main distinction between electricity providers has been whether they are a municipal utility, rural cooperative, or an IOU. Who provides service to your home or businesses largely depends on the location of the home or business. For example, if you live in Los Angeles City, the municipal utility, the Los Angeles Department of Water and Power, provides electricity service, but if you live in East Los Angeles, just a block away from the city limits, the community is served by an IOU. In more recent years, there has been a growth in additional electricity providers within the service territory of the IOU. These entities are referred to in statute as LSEs and also provide electric service within the service territory of the IOU, although the IOU

continues to provide distribution, transmission, and billing services to all customers in their service territory. These LSEs include:

- IOUs: privately owned electrical corporations, such as Southern California Edison (SCE), that provide monopoly electric utility services in distinct, defined geographic territories. In addition to providing the distribution and transmission, and billing services, IOUs have historically provided the energy supply. IOUs are rate-regulated by the CPUC to ensure they provide service at a just and reasonable rate. IOUs also have an obligation to serve to all customers, any customers not served by ESPs or CCAs must, generally, be served by the IOU.
- ESPs: also known as direct access (DA) providers, provide electricity to end-use customers who choose the services of the ESP instead of the incumbent IOU or a CCA. An ESP uses the transmission and distribution infrastructure of the IOU to deliver electricity to the customer. ESP customers are generally large commercial customers (such as a university or large corporation) who wish to manage their own energy procurement decisions. ESP customers retain the option to return to the service of the incumbent IOU or to a CCA, if a CCA offers services in their area.
- CCAs: entities, such as MCE and Sonoma Clean Power, where local governments (either cities or counties) elect to buy or generate electricity on behalf of local residents while using the incumbent IOU's transmission and distribution infrastructure. An individual customer within the territory of a CCA is generally automatically opted-in to receive electric service from the CCA when the customer's local government elects to join the CCA. However, the customer retains the option to return to the service of the incumbent IOU. Customers, especially commercial customers, can opt to be served by an ESP, where ESP services are allowed.

Growth of LSEs. The combined procurement between CCA and DA service is anticipated to represent the majority (potentially 85 percent) of the customer load served in the IOU service territory in the coming decade or so.

- *Growth of CCAs.* While IOUs have existed for nearly a century, CCAs are a more recent entity. In 2002, statute first allowed the formation of CCAs. It was not until nearly a decade later that the first CCA—Marin Clean Energy—came into existence. Today, there are 19 CCAs operating in the state with a dozen more communities exploring the formation of a CCA. CCA growth is likely to cover substantial portions of the service territories of the state's three largest IOUs.

- *Growth of ESPs.* Last year, the Legislature passed and the governor signed SB 237 (Hertzberg, Chapter 600, Statutes of 2018) which increased the limit of the DA program by 4,000 gigawatt hours for non-residential customers. The bill also directs the CPUC to provide recommendations to the Legislature by June 2020 on the adoption and implementation of a second DA program reopening. The opening of the DA cap creates some additional competition, as well as, uncertainty for the incumbent utility and the CCAs serving energy load that might migrate to an ESP.

Renewable Portfolio Standard (RPS). California's ambitious RPS program is jointly implemented and administered by the CPUC and the California Energy Commission (CEC). The RPS program requires the state's energy retail-sellers (mostly LSEs) and POUs to procure 60 percent of their total electricity retail sales from eligible renewable energy resources by 2030, and a mix of RPS-eligible and zero-carbon resources by December 31, 2045, for a total of 100 percent clean energy. The RPS requires milestones on the path to 2030, including interim goals of 25 percent by 2016, 33 percent by 2020, 44 percent by 2024, and 52 percent by 2027. The state is well on its way to achieving its current RPS targets. Most POUs are on track to meet their 2020 goals and working towards their 2030 goals. The state's three largest electric utilities generally have met current procurement goals and anticipate exceeding future procurement goals, with each having procured over 40 percent eligible renewable energy resources. To the extent the IOUs continue to experience load migration to other LSEs, their percent of renewable procurement is likely to increase even without procuring new resources, since the RPS is based on a percentage of retail sales.

SB 350 IRP. SB 350 (De León, Chapter 547, Statutes of 2015) established new targets to increase retail sales of renewable electricity to 50 percent by 2030. Subsequently, SB 100 (De León, Chapter 312, Statutes of 2018) accelerated the goal to 60 percent by 2030. SB 350 also required each LSE to file a biennial IRP for approval or certification by the CPUC. The CPUC would then combine all LSEs' IRPs to ensure the state was on its path to meet the SB 350 goals, including GHG reductions and procurement of at least 50 percent of renewable resources by the year 2030.

CPUC IRP Decision. The CPUC has finalized the first two-year IRP cycle. The findings from the first IRP two-year cycle provides a sense of how LSEs are participating in the process and what potential adjustments may be needed to ensure the state remains on track to achieve its energy procurement-related goals. While recognizing that the first IRP cycle was a learning opportunity for LSEs and the CPUC, the exercise did surface a number of issues, including that the individual resource choices by the LSEs collectively did not result in a diverse and

balanced portfolio of resources needed to ensure sufficiently reliable or environmentally beneficial statewide electricity resource portfolio. Additionally, it was often difficult for the CPUC to distinguish between an LSE's plan for a resource that is aspirational and one that has an executed contract. The CPUC also declined to certify 19 IRPs and required those LSE's to re-file with the information missing from their plan – generally information about criteria pollution.

CPUC IRP procurement track. In furthering the IRP process, the CPUC has initiated a “procurement track” of the IRP proceeding. In the ruling, the CPUC has identified two broad categories: backstop or backup procurement mechanism and those resources that may require collective action to bring to fruition (such as large facilities or new type of resources). The CPUC proposal states “the need to address near- and medium-term renewable integration and reliability resources as a type most in need of the CPUC’s immediate attention.” The CPUC has outlined a timeline to provide for public comments with the goal of initiating these procurement activities by late 2019 or early 2020. Additionally, CPUC intends to address long-term reliability needs with a proposed decision in late 2020 or early 2021. With regards to the near- medium-term reliability issues, the CPUC is proposing to address concerns for a tightened bilateral market due to retirement of gas power plants in response to the once-through-cooling regulations and declining values of solar energy to count towards the LSE’s RA requirements in August and September. The CPUC is proposing to require all LSEs to procure a proportional share of a total of 2,000 megawatts (MW) new peak capacity statewide to come on line by August 1, 2021 and require SCE to solicit for 500 MW of capacity from existing resources that are without a contract past 2021 to be procured as part of a medium-term contract (two-five years).

Resource adequacy (RA). Following the California energy crisis of 2000-01, the California Legislature enacted legislation to prevent future incidents of widespread black outs and rolling brown outs due to lack of electric generating capacity. Among the reforms was the adoption of Public Utilities Code §380 as an effort to better ensure reliability of electric supply. The statute directs the CPUC, in consultation with the CAISO, to establish RA requirements for all LSEs, including IOUs, ESPs, and now also includes CCAs which did not exist at the time of the crisis. The current RA program consists of system, local, and flexible requirements for each month of a compliance year. In October of each year, LSEs must demonstrate that they have procured 90 percent of their system RA obligations for the five summer months (May-September) of the following year, as well as 100 percent of their local requirements, and 90 percent of their flexible requirements for each month of the coming compliance year.

CAISO backstop procurement. RA rules require that where there is a failure to provide sufficient resources, the CAISO is compelled to utilize centralized backstop procurement mechanisms in order to maintain electric system reliability. Centralized backstop procurement is whereby the CAISO contracts with a generator to address the shortfall. Under Federal Energy Regulatory Commission (FERC) rules, the CAISO, like all other balancing authorities, must ensure system reliability or face penalties by FERC. The CAISO has two mechanisms for centralized backstop procurement: Reliability Must Run (RMR) and Capacity Procurement Mechanism (CPM). A resource receiving RMR designation must continue to operate and is compensated by a rate set by the CAISO, per FERC approved tariffs. RMR contracts can be expensive relative to procurement through the CPUC process, especially considering their limited operating parameters. The use of RMR contracts declined after implementation of the local RA program, except RMR for the Oakland peaker powerplants (~150 MW). CPM can be used for resources that may be needed in the following year and where the resource is at risk of retirement. Like RMR contracts, CPM contracts are also, generally, at a higher price relative to generation procured through the CPUC process. These costs are shouldered by ratepayers in the insufficient Local Capacity Area or by all ratepayers of the LSE(s) lacking the adequate RA.

Recent challenges meeting local RA. The Local RA requirements provide measures to mitigate market power and to address resource availability. For example, LSEs can request a waiver for the deficiency in cases where the LSE is unable to secure enough capacity to meet its local RA requirements, subject to specified conditions. The conditions include a demonstration that the LSE made a good faith effort to solicit bids and that no bids were received or bids with unreasonable terms were received. These provisions had rarely been exercised. However, in the fall of 2017, 11 LSEs filed waiver requests to cover local deficiencies totaling roughly 270 MW. Backstop procurement had been on the decline, except for the above noted contract for the Oakland peaker powerplants. However, in 2017, the CAISO contracted for resources, mostly to address local reliability shortfalls. In the fall of 2018, there were additional waivers filed. Nonetheless, the waivers themselves may not signify that entities are out of compliance, but they may be symptoms of some challenges in the RA market and rules. It's currently unclear whether the increase in waiver requests is a short-term issue due to the transitions in the energy landscape, particularly with load migrating away from IOUs to other LSEs (especially CCAs) and the retirement of natural gas power plants which have historically (and currently) served the capacity for local RA.

CPUC RA proceeding. The RA rules had largely worked in a landscape that was designed to have the three large IOUs procure the RA. However, the recent

migration of energy load to non-IOU entities has posed challenges to the existing RA framework. Over the past year or so, the CPUC has taken actions to address the challenges in the RA market. Specifically, the CPUC has adopted, via a resolution, requirements to provide a year's lead-in before a CCA can officially launch in order to ensure RA procurement is being addressed appropriately. Additionally, the CPUC has proposed new rules for RA, including a multi-year local RA requirement to ensure that resources needed for reliability are procured in the hopes of providing better incentives to generators to enter into contracts with LSEs, instead of relying on CAISO backstop procurement. The CPUC had also proposed a central buyer, namely the IOU, to procure the local RA where there is a shortfall. However, in a recent decision, the CPUC has delayed adopting the central buyer framework, opting for continued workshops and opportunity for the stakeholders to develop alternative approaches. In the decision by CPUC Commissioner Randolph stated that if the parties don't develop a workable alternative, the CPUC would adopt a final decision in the fourth quarter of 2019 with the IOU as the central buyer for Local RA.

CPUC Customer Choice Project. As part of their investigation into the changing electricity landscape, *California Customer Choice Project*, the CPUC identified a number of areas that merit attention. As it relates to a central buyer framework, the CPUC's report noted that New York and Illinois both administer central buyer frameworks. However, the CPUC's report noted the use of central buyer framework is being considered for local RA, not for broader procurement issues.

Governor's Strike Force Report. In May 2018, Governor Newsom released a report titled: *Wildfires and Climate Change: California's Energy Future*. The report noted, under a heading "Evaluate Resource Adequacy Back-Stop Options Through the Legislative Process," to manage the transition, new procurement support models, "including a new state procurement entity that could enter into long-term contracts, provide credit support or otherwise facilitate purchases of electric energy, should be explored." The report further noted that "Procurement support could have a number of benefits, including providing back stop resource adequacy procurement and ancillary services needed to support reliability."

About CAEATFA. CAEATFA was established to advance the state's goals of reducing greenhouse gas emissions, increasing deployment of sustainable and renewable energy sources, implementing measures that increase the efficiency of the use of energy, creating high quality employment opportunities, and lessen the state's dependence on fossil fuels. CAEATFA works towards these goals by strategically targeting public funds to leverage private capital investment and spur market transformation. CAEATFA is housed in the State Treasurer's Office and has a board of five members, including: the State Treasurer, State Controller,

President of the CPUC, Director of the Department of Finance, and the Chair of the California Energy Commission. CAEATFA's current portfolio of programs include: Sales and Use Tax Exclusion Program for Manufacturers, California Hub for Energy Efficiency Financing Pilot Programs, Property Assessed Clean Energy Loss Reserve Program, and a Bond Program. CAEAFTA can issue revenue bonds (without voter approval), make loans, loan loss reserves, and loan guarantees.

Comments

AB 56. This bill would require CAEATFA to operate as the state's central procurement entity for RA, IRP, RPS, and managing electric generating resources previously under contract with an LSE. The bill is structured to require the CPUC to authorize CAEAFTA to undertake backstop procurement of electricity for any of the purposes identified above. The bill also requires CAEAFTA to manage the resale of electricity for its contracted resources in the wholesale markets administered by the CAISO. AB 56 would provide adjustments to LSE's compliance obligations, including RPS, RA, long-term contract requirements, based on the renewable and RA procurement procured by CAEAFTA when the customers of the LSE are charged for the procurement. The bill also requires regular reporting to the Legislature.

Ghost of procurement past. In response to the energy crisis, in 2001, the Legislature created the California Consumer Power and Conservation Authority (The Power Authority) by SB 6X (Dutton, Bowen, Chapter 10, Statutes of 2001). SB 6X was sponsored by the then-State Treasurer Phil Angelides. The Power Authority was authorized to procure energy on behalf of the state. While still listed in the statutes, it ceased operation in the 2004-05 fiscal year. The Power Authority was never successful at financing power contracts, in large part due to changes in the market that limited its ability to enter into long-term contracts.

CAISO backstop procurement. Currently, if there is a reliability shortfall in the system, the CAISO steps under its federal authority to purchase the necessary backstop procurement. In many instances, CAISO procurement is conducted at more expensive costs than might otherwise be procured. However, the CAISO procurement is done to address reliability in the system and is often narrow to the particular need (often a localized need).

Central procurement needs. AB 56 attempts to resurrect the concept of a central procurement entity to help fill in procurement gaps as may be identified by the CPUC. The electricity landscape is in the midst of significant transformation with the growth of new LSEs, increasing procurement of intermittent renewables, retirement of natural gas plants, and growth of distributed energy resources.

Coordination of procurement resources is a more difficult and complex task than it was when most power on the system was baseload – generally operating 24 hours. As California’s energy landscape continues to shift, the need for a central procurement entity may be warranted. Currently, the CPUC is actively proposing the use of central procurement in two instances: local RA needs and additional system capacity. In the case of local RA needs, as noted above, the CPUC has proposed tasking IOUs with procuring local RA needs, if the parties in the RA proceeding aren’t able to develop a workable alternative. Additionally, in the IRP procurement track the CPUC is proposing 500 MWs of procurement by SCE to serve load throughout the system, including outside SCE service territory. The proposal is currently out for stakeholder and public comment. However, should the CPUC decision determine that these resources are needed, one can imagine tasking a central procurement entity, perhaps CAEAFTA, with this responsibility. Nonetheless, it is not clear that broad procurement will be necessary in the near term. However, the CPUC’s IRP procurement track proposal also suggests tackling resources that are hard to procure by one entity in 2021 or so. Therefore, the conversation prompted by this bill is timely.

IOUs have differing views. As the electricity landscape shifts, IOU perspectives are also shifting. Among the state’s three largest IOUs, SDG&E has expressed a strong desire to transition out of procurement entirely. PG&E is currently in bankruptcy and it is unclear whether procurement will remain a mainstay of the reorganized utility, particularly with about half its load is served by other LSEs. SCE, on the other hand, is vocally supportive of the current model and their continuing desire to serve procurement functions. In establishing CAEAFTA, AB 56 develops an alternative to IOU procurement.

State Treasurer expresses concerns. Treasurer Fiona Ma submitted a letter expressing several concerns with the designation of CAEAFTA as the procurement entity within this bill. Specifically, the Treasurer notes she has “several operational questions and concerns regarding the potential implementation of AB 56, and believe additional time is necessary to better assess appropriate next steps and ensure effective public policy; especially when it involves something of this magnitude.” Treasurer Ma’s letter states concerns with the lack of subject matter expertise at CAEAFTA in the complex power procurement industry. Her letter goes on to express concerns with the costs and funding liability for a state entity to be able to cost-effectively and efficiently negotiate and procure power.

Need for amendments. As currently drafted the bill is not explicit about the ability of LSEs to first procure on their behalf. The author has provided the below amendments. ***The author and committee may wish to amend the bill to incorporate***

language to make clear that ability of LSEs to procure their portion of the identified resource needs for RA and IRP.

(1) The efficient and equitable achievement of resource adequacy requirements for customers of load-serving entities pursuant to Section 380 of the Public Utilities Code. The Authority may be selected for administration of any central resource adequacy mechanism adopted by the Commission pursuant to subdivision (i) of Section 380 of the Public Utilities Code. Load serving entities may procure their portion of any identified resource adequacy obligations to the extent authorized by the Commission pursuant to Section 380 of the Public Utilities Code.

(2) The satisfaction of unmet portfolio needs identified by the Commission pursuant to Section 454.51 of the Public Utilities Code that would otherwise be procured by an electrical corporation on behalf of all customers. Community choice aggregators shall be permitted to submit proposals for satisfying their portion of identified need pursuant to the requirements of subdivision (d) of Section 454.51 of the Public Utilities Code.

Prior/Related Legislation

AB 1584 (Quirk, 2019) requires the CPUC to develop and use methodologies for allocating electrical system integration resource procurement needs to each LSE based on the contribution of that entity's load and resource portfolio to the electrical system conditions that created the need for the procurement. The bill is pending consideration by the Senate Committee on Appropriations.

SB 155 (Bradford, 2019) makes specified requirements concerning the plans for energy procurement by entities within the jurisdiction of the CPUC. The bill is pending consideration by the Assembly Committee on Appropriations.

SB 350 (Hertzberg, 2019) authorizes the CPUC to consider changes within the RA program, including the use of a multiyear centralized RA mechanism, among other options. The bill is pending consideration by the Assembly Committee on Utilities and Energy.

SB 520 (Hertzberg, 2019) establishes a provider of last resort as an electric LSE that meets specified requirements, including those determined by the CPUC, to ensure electric service for customers not otherwise served by another LSE. The bill is pending consideration by the Assembly Committee on Utilities and Energy.

SB 772 (Bradford, 2019) requires the CAISO to solicit for up to 4,400 megawatts (MWs) of long-duration bulk energy storage recovered by electric ratepayers in the CAISO grid through a federally approved rate. The bill is currently held on the Senate Floor.

SB 1136 (Hertzberg, Chapter 851, Statutes of 2018) revised existing statute that requires the CPUC, in consultation with the CAISO, to establish RA requirements for the state's electric LSEs.

SB 100 (De León, Chapter 312, Statutes of 2018) established the 100 Percent Clean Energy Act of 2017 which increases the RPS requirement from 50 percent by 2030 to 60 percent, and creates the policy of planning to meet all of the state's retail electricity supply with a mix of RPS-eligible and zero-carbon resources by December 31, 2045, for a total of 100 percent clean energy.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: Yes

SUPPORT:

The Utility Reform Network (Sponsor)
California Biomass Energy Alliance
San Diego Gas & Electric Company

OPPOSITION:

350 Bay Area Action
350 Riverside
350 South Bay Los Angeles
Benicians for a Safe & Healthy Community
California Alliance for Community Energy
California Community Choice Association
California Farm Bureau Federation
California Large Energy Consumers Association
California Solar & Storage Association
California Wind Energy Association
Carbon Free Mountain View
Center for Climate Protection
City of Encinitas
City of Monterey
City of Moorpark
City of Ojai

City of Oxnard
City of Richmond
City of San Diego
City of West Hollywood
Clean Energy
Clean Power Alliance of Southern California
County of Santa Clara
East Bay Community Energy
EDP Renewables
Enel X
Feminists in Action
Good Neighbor Steering Committee of Benicia
Hillcrest Indivisible-San Diego
Indivisible Alta-Pasadena
Indivisible California 33
Indivisible California 43
Indivisible California Green Team
Indivisible Marin
Indivisible San Francisco
Indivisible South Bay – LA
League of California Cities
Marin Conservation League
Marin County Board of Supervisors
Peninsula Clean Energy Authority
Pico Rivera Innovative Municipal Energy
Pioneer Community Energy
Rooted in Resistance
Salka Energy
San Jose Clean Energy
San Jose Community Energy Advocates
SanDiego350
Santa Barbara County Board of Supervisors
Silicon Valley Clean Energy
Silicon Valley Leadership Group
SoCal 350
Solar Frontier
Sonoma Clean Power
Southern California Edison
Sunrun
Sustainable Novato
Town of Danville
Vote Solar

30 Individuals

ARGUMENTS IN SUPPORT: According to the author:

California's progress on decarbonizing the electric grid, achieving clean energy targets and preserving system reliability is placed at risk by the increasing fragmentation of the retail market, credit challenges experienced by the IOUs, and an absence of a robust and clearly defined state-jurisdictional backstop procurement mechanism to fill unmet resource needs.

Under current law and practice, the only entities capable of performing backstop procurement are the CAISO and the existing IOUs. Since the CAISO is primarily subject to federal jurisdiction, greater reliance on the grid operator to contract for reliability and integration resources could result in significant involvement by the Federal Energy Regulatory Commission that could work at cross-purposes with California's energy policy objectives.

The increased use of the IOUs to perform this role could prove problematic given ongoing challenges with cost allocation, creditworthiness and the goal of harmonizing such a mechanism with evolving retail market realities. Moreover, the efficient achievement of certain resource planning and reliability goals may require some degree of centralized procurement activity by an entity subject to state jurisdiction as well as review and approval by state regulators. AB 56 seeks to establish a new backstop procurement agent capable of performing this role in a manner that aligns with the evolution of retail markets and prioritizes reductions of fossil fuel use, improved air quality, stable electricity rates, and the development of a safe, reliable and resilient electric grid.

ARGUMENTS IN OPPOSITION: Many of the CCAs and organizations supporting community choice programs express concerns about the lack of demonstrated need, unnecessary structure, overarching authority, and costly structure proposed by this bill. In general these entities believe this bill undermines the ability of community choice programs to make energy procurement decisions. The California Alliance for Community Energy states: "AB 56 is a powergrab by the CPUC, proposing to authorize the centralized procurement of electricity to meet a yet to be demonstrated need." In a coalition letter of 17 organizations comprised of CCAs, distributed energy resource (DER) providers, and local activist organizations, oppose the bill stating the bill would create a new central procurement bureaucracy with overly broad powers, raise customer costs, disincentivize LSE investments in reliability, which will reduce LSEs incentive to invest in DER.

California Large Energy Consumers Association, who represent large commercial energy users, expresses concerns with the bill due to the potential costs to ratepayers. They express concerns with: “Tasking an entity with no experience in procurement will likely increase electricity costs, not stabilize or lower costs.” They further note the existing processes at the CPUC to resolve any potential procurement issues in both the RA proceeding and the IRP procurement track.

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