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**SENATE COMMITTEE ON ENERGY, UTILITIES AND  
COMMUNICATIONS**

**Senator Ben Hueso, Chair**

**2019 - 2020 Regular**

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<b>Bill No:</b>	SB 708	<b>Hearing Date:</b>	4/10/2019
<b>Author:</b>	Hueso		
<b>Version:</b>	2/22/2019 As Introduced		
<b>Urgency:</b>	No	<b>Fiscal:</b>	Yes
<b>Consultant:</b>	Nidia Bautista		

**SUBJECT:** Electricity: Independent System Operator

**DIGEST:** This bill would require additional transparency of the operations of the California Independent System Operator (CAISO) and require specified annual reporting requirements by the CAISO to the Legislature.

**ANALYSIS:**

Existing law:

- 1) Provides for the restructuring of the electricity industry and creates several entities: the Energy Oversight Board (defunct), the Power Exchange (defunct) and CAISO. (Public Utilities Code §334 et seq.)
- 2) Establishes the CAISO governing board with five members appointed for three-year terms by the governor and subject to confirmation by the Senate. (Public Utilities Code §337 et seq.)
- 3) Charges CAISO with management of the transmission grid and related energy markets in order to ensure the reliability of electric service and the health and safety of the public. Requires the CAISO to maintain open meeting standards and meeting notice requirements consistent with the general policies of the Bagley-Keene Open Meeting Act and states that specified policies adopted by the CAISO meet this requirement. Requires the CAISO to provide corporate records consistent with the general policies of the California Public Records Act and states specified policies adopted by the CAISO meet this requirement. (Public Utilities Code §345.5)
- 4) Requires the CAISO to ensure efficient use and reliable operation of the electrical transmission grid consistent with achieving planning and operating reserve criteria no less stringent than those established by the Western

Electricity Coordinating Council and the North American Electric Reliability Council (NERC). (Public Utilities Code §360)

- 5) Establishes that U.S. Federal Energy Regulatory Commission (FERC) as exclusive jurisdiction over the transmission of electric energy in interstate commerce. Also establishes the process and procedures for establishing transmission of electric energy in interstate commerce by public utilities, i.e., the rates, terms & conditions of interstate electric transmission by public utilities. (Federal Power Act §§201, 205, 206 (16 USC 824, 824d, 824e))
- 6) Sales of electric energy at wholesale in interstate commerce by public utilities, i.e., the rates, terms and conditions of wholesale electric sales by public utilities – Federal Power Act §§201, 205, 206 (16 USC 824, 824d, 824e)

This bill:

- 1) Requires that the CAISO maintain open meeting standards and meeting notice requirements consistent with the requirements of the Bagley-Keene Open Meeting Act, rather than requiring that those standards meet the general policies of that act, and would strike references to specified policies adopted by the CAISO.
- 2) Requires that the CAISO provide public access to corporate records consistent with the requirements of the California Public Records Act, rather than requiring that the CAISO provide public access consistent with the general policies of that act, and would strike references to specified policies adopted by the CAISO.
- 3) Requires the CAISO to work with specified state agencies to support state policy goals, to make data available to state agencies, and to assist with the development of long-term resource planning objectives.
- 4) Requires CAISO to publicly disclose specified information relating to tariff or rule of conduct violations by market participants.
- 5) Requires the chief executive officer and the chair of the governing board to appear annually before specified committees of the Legislature, as specified.
- 6) Subjects the books, records, and financial documents of the CAISO to inspection by the Joint Legislative Audit Committee and the State Auditor.

## Background

*About the CAISO.* The CAISO is a nonprofit public benefit corporation created by California statute as part of the effort to deregulate the electricity market in the late 1990s. The CAISO manages the flow of electricity across the high-voltage bulk power system that makes up 80 percent of California's and a small part of Nevada's electric grid. CAISO is registered as both a transmission operator and balancing authority (BA) under the NERC reliability functional model. As a general matter, BAs may contain transmission operators. As with other BAs, the CAISO is FERC and NERC regulated. However, unique to the CAISO, as compared to other regional transmission organizations, is the appointment of the CAISO governing board members who are appointed by the governor and require confirmation by the Senate.

*CAISO Energy Imbalance Market (EIM).* As part of its management of the wholesale electric market, the CAISO also operates a voluntary EIM. The EIM is a real-time bulk power trading market involving eight western states that trades the difference between the day-ahead forecast of power and the actual amount of energy needed to meet demand in each hour. Energy trade in the EIM is limited and intermittent. Currently, the EIM handles generation that a participating utility considers surplus at the last minute. However, the CAISO is in the midst of active proposal to expand the EIM functions, including potential inclusion of day-ahead transactions.

*This bill.* This bill proposes several changes to provide more transparency of the operations of the CAISO and requires additional reporting to the Legislature. Specifically, this bill would require the CAISO to adhere to Bagley-Keene Open Meetings Act provisions and the California Public Records Act. This bill would also require specified reporting to relevant committees of the Legislature and authorize the Joint Legislative Audit Committee.

*Desire for greater understanding of CAISO operations.* As noted above the CAISO was created by state statute as a public benefit corporation as part of the state's efforts to restructure the electricity market. The CAISO plays a critical role in ensuring a large portion of the state's electric grid operates reliably and the CAISO operates a wholesale energy market. In recent years, there has been increased attention on the role of the CAISO, including a debate about expanding its grid to other states in the western United States. Additionally, recent activity concerning the CAISO has further increased the desire to better understand the CAISO operations. These include: proposals to have the CAISO procure resources, including a proposal last year for 2,000 megawatts of pumped storage through a first-of-its-kind transmission access charge, the increased use of back-

stop procurement by the CAISO for resource adequacy, the continued expansion of the CAISO's EIM, and the replacement of PEAK reliability coordinating services with those of the CAISO. According to the author, these and other issues have contributed to the desire to better understand the CAISO's operations.

*Similar to a state agency?* Although the CAISO is not a state agency, it has always occupied an in-between space with the appointment of its governing board members by the governor and required confirmation by the Senate. The CAISO has also often been confused as a state agency. Since the CAISO is not a state agency, many of the provisions that would apply to a state agency do not automatically apply to the CAISO unless specified in statute. As such, this bill attempts to apply many of the provisions currently applied to state agencies, including Open Meetings Act, Public Records Act, oversight of the budget and authority to conduct an audit. The author has noted this bill is intended as an effort to dialogue as to which of these and the other provisions of this bill should apply to the operations of the CAISO. To that end, as this bill progresses in the legislative process the author may wish to limit the disclosure of information to that which is not market sensitive. The author is also in discussions with the CAISO as to how their current policies and operations may satisfy some of the proposed requirements in this bill and whether some do not adequately address the desired transparency.

*Double referral.* Should this bill be approved by this committee, it will be re-referred to the Senate Committees on Judiciary for their consideration.

### **Prior/Related Legislation**

SB 497 (Bradford, 2019) requires the chair of the California Energy Commission to appear annually before the appropriate policy committees of the Legislature to report on the agency's activities.

AB 1735 (Committee on Utilities and Commerce, Chapter 452, Statutes of 2003) established deadlines for certain CPUC proceedings and required the President of the CPUC to annually appear before the relevant policy committees of the Legislature.

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

**SUPPORT:**

Coalition of California Utility Employees (Sponsor)  
Public Citizen  
Sierra Club California  
The Utility Reform Network

**OPPOSITION:**

None received

**ARGUMENTS IN SUPPORT:** The organizations in support of this bill express the proposals in this bill will help ensure the CAISO is working more closely with state agencies and the Legislature to achieve the state's policy goals. They further argue for the benefits of increased transparency of the CAISO's operations to provide the public greater understanding of the role and responsibilities of the CAISO.

**-- END --**