SENATE COMMITTEE ON ENERGY, UTILITIES AND COMMUNICATIONS
Senator Ben Hueso, Chair
2021 - 2022 Regular

Bill No:	SB 646	**Hearing Date:**	4/26/2021
Author:	Hertzberg		
Version:	3/10/2021 Amended		
Urgency:	No	**Fiscal:**	Yes
Consultant:	Nidia Bautista		

SUBJECT: Electricity: integrated resource planning

DIGEST: This bill modifies the statute governing the integrated resources planning program by the California Public Utilities Commission (CPUC).

ANALYSIS:

Existing law:

1) Establishes the CPUC has regulatory authority over public utilities, including electrical corporations. (Article XII of the California Constitution)

2) Establishes the Public Utilities Act which requires the CPUC to review and accept, modify, or reject a procurement plan for each electrical corporation and requires the procurement plan to include specified elements, among them a showing that it will achieve certain objectives. (Public Utilities Code §454.5)

3) Requires the CPUC to identify a diverse and balanced portfolio of resources needed to ensure a reliable electricity supply that provides optimal integration of renewable energy in a cost-effective manner. Requires the CPUC to ensure the net costs of any incremental renewable energy integration resources procured by an electrical corporation are allocated on a nonbypassable basis, as specified. Requires that all costs resulting from nonperformance, as specified, are borne by the electrical corporation or community choice aggregator (CCA) that failed to perform. Specifies the role of CCAs in satisfying the portfolio needs for renewable integration. (Public Utilities Code §454.51)

4) Requires the CPUC to adopt a process for each load-serving entity (LSE), defined as including electrical corporations, electric service providers (ESPs), and CCAs, to file an integrated resource plan (IRP) and a schedule for 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.

Requires that, to the extent additional procurement is authorized for the electrical corporation in the IRP, the CPUC shall ensure the costs are allocated in a fair and equitable manner, as specified, including that CCAs may self-provide renewable integration resources. (Public Utilities Code §454.52)

This bill:

1) Requires the CPUC to ensure the net costs of any incremental renewable energy integration resources procured by any LSE designated by the CPUC to serve as a central procurement entity are allocated on that basis.

2) Requires that all costs from nonperformance, as specified, are borne by the LSE that failed to perform.

3) Specifies the role of ESPs as the same as that of CCAs in satisfying the portfolio needs for renewable integration.

4) Requires the CPUC to ensure that LSEs are enabled by an IRP to procure the necessary resources to meet their customers' needs.

5) Requires that, to the extent additional procurement is authorized for the electrical corporation in the IRP, the CPUC shall ensure the benefits, as well as the costs, are allocated in a fair and equitable manner as specified, and that ESPs, like CCAs, may self-provide renewable integration resources.

Background

Integrated Resources Plan (IRP). The CPUC characterizes the IRP as an "umbrella" planning proceeding to consider all of the CPUC's electric procurement policies and programs and ensure California has a safe, reliable, and cost-effective electricity supply. Pursuant to SB 350 (De León, Chapter 547, Statutes of 2015), the IRP process required the CPUC to identify a portfolio of resources for electricity procurement that provides optimal integration of renewable energy in a cost-effective manner, and minimize impacts on ratepayer's bills. As part of the IRP planning cycle, the CPUC adopts a reference system plan, which identifies the energy procurement needed to help the LSEs meet specific greenhouse gas (GHG) emissions reduction goals that support the electricity sector to contribute to California's economy-wide GHG emissions reduction goals. The reference system plan is a guide – not a mandate. In its most recent IRP, the CPUC adopted a GHG reduction goal of 46 million metric tons (MMT) by 2030. To meet this target, the CPUC identified specific procurement for LSEs, noted in the IRP reference system plan. The CPUC also included a scenario at the 38 MMT

GHG target in 2030 to serve as an optimal portfolio guide for LSEs required to file individual IRPs.

SB 100 (De León, Chapter 312, Statutes of 2018). SB 100 establishes the 100 Percent Clean Energy Act of 2017, which increases the Renewables Portfolio Standard (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. SB 100 also required California Air Resources Board (CARB), California Energy Commission (CEC), and CPUC to issue a joint report by January 1, 2021, and at least every four years, that describes technologies, forecasts, affordability, and system and local reliability. The report is required to include an evaluation of costs and benefits to customer rate impacts, as well as, barriers to achieving the SB 100 policy.

Need for integration of renewables. Ensuring that each LSE is collectively meeting their customer and system needs is of significant importance to the state. Procurement portfolios indicate that LSE's future procurement is not leveraging the potential benefits of renewable diversity in location and fuel source. RPS goals are based on kilowatt hours (kWh) – the utilities and other LSEs are required to procure a percentage of kWh delivered which is stated as retail sales, although the program has always required procurement to be based on "least-cost/best-fit." The challenges of planning for best fit has significantly contributed to the duck curve - which reflects the high amount of solar resources in the middle of the day coupled with a decline of solar in the afternoon as the sun goes down, and high demand for electricity in the evening. The CAISO's projections of a 15,000 to 20,000 MW three hour increase in generation demand during sunset. Also important, to factor in that there are at times several days when solar energy's maximum production may be much less than its installed capacity. Therefore, there is a need to ensure other energy resources can provide energy when intermittent resources – such as solar – are not able.

SB 646. This bill ensures the net costs of any incremental renewable energy integration resources procured by any LSE designated by the CPUC to serve as a central procurement entity are allocated on that basis, instead of only designating the electric investor-owned utilities (IOUs) as responsible for procuring the identified incremental renewable energy resources. This bill also makes clarifying changes to the statute regarding CPUC IRP implementation, including specifying the role of ESPs is the same as that of CCAs in satisfying the need for renewable integration.

Need for greater oversight? The Utility Reform Network (TURN) notes in its letter regarding this bill that the author may wish to consider whether the CPUC has sufficient oversight authority over non-IOU LSEs, namely ESPs and CCAs, to ensure the clarifying and modifying changes proposed in this bill would be sufficiently enforceable. Should this bill move forward, the author may wish to engage with the CPUC to assess whether additional oversight authority is necessary.

Prior/Related Legislation

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.

SB 350 (De Leon, Chapter 547, Statutes of 2015) created the requirements governing the statutes related to integrated resource planning at the CPUC by LSEs and requires the CPUC to focus energy procurement decisions on reducing GHG emissions by 40 percent by 2030, including efforts to achieve at least 50 percent renewable energy procurement, doubling of energy efficiency, and promoting transportation electrification.

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

SUPPORT:

None received

OPPOSITION:

None received

ARGUMENTS IN SUPPORT: According to the author:

> California's electric grid must meet the state's clean energy goals while maintaining reliability and affordability, protecting public health and the environment, and distributing benefits of clean energy to all Californians – all in the face of fiercer and more frequent wildfires, droughts, and heatwaves. To meet this challenge, the state's planning processes need to evolve; SB 646 aligns electricity resource procurement activities with the state's clean energy and reliability goals.

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