

AMENDED IN SENATE MAY 1, 2014
AMENDED IN SENATE APRIL 10, 2014

SENATE BILL

No. 1078

Introduced by Senator Jackson

February 19, 2014

An act to amend Section 345.5 of, and to add Section 636 to, 379.2 to the Public Utilities Code, relating to electricity.

LEGISLATIVE COUNSEL'S DIGEST

SB 1078, as amended, Jackson. Electricity: ~~Emissions~~ *emissions* of greenhouse gases.

Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including electrical corporations, as defined. The Public Utilities Act requires the Public Utilities Commission to review and accept, modify, or reject a procurement plan for each electrical corporation in accordance with specified elements, incentive mechanisms, and objectives. Existing law requires that in any long-term plan adopted by an electrical corporation, or in a procurement plan implemented by a local publicly owned electric utility, that the utility adopt a strategy applicable to both newly constructed or repowered generation owned and procured by the utility to achieve efficiency in the use of fossil fuels and to address carbon emissions.

The Warren-Alquist State Energy Resources Conservation and Development Act establishes the State Energy Resources Conservation and Development Commission, *commonly known as the Energy Commission*. The act requires the ~~State Energy Resources Conservation and Development Commission~~, *Energy Commission*, beginning November 1, 2003, and by November 1 of every odd year thereafter, to adopt an integrated energy policy report ~~which~~ *that* includes an

overview of major energy trends and issues facing the state, an assessment and forecast of system reliability, and the need for resource additions, efficiency, and conservation.

~~This bill would require the Public Utilities Commission and the State Energy Resources Conservation and Development Commission, by July 1, 2015, to calculate and identify an anticipated target for reducing emissions of greenhouse gases for the electrical industry to be achieved statewide by 2030, in order to reach anticipated statewide targets to be established for reducing emissions of greenhouse gases from the electrical industry by the year 2050. The bill would require that the targets be established consistent with 2 specified executive orders. The bill would require the State Energy Resources Conservation and Development Commission and the Public Utilities Commission to develop joint long-term electrical demand and generational resource portfolio forecasts to develop scenarios to achieve the anticipated targets.~~

The California Global Warming Solutions Act of 2006 requires the State Air Resources Board to determine what the statewide greenhouse gas emissions level was in 1990 and to approve a statewide greenhouse gas emissions limit that is equivalent to that level to be achieved by 2020. That act requires the state board to make recommendations to the Governor and the Legislature on how to continue reductions of greenhouse gas emissions beyond 2020.

This bill would require, if the state board establishes a post-2020 statewide greenhouse gas emissions limit beyond the 1990 greenhouse gas emissions level, as authorized or required by the Legislature, the Public Utilities Commission and the Energy Commission to convene a joint public proceeding to develop and make recommendations to the state board for compliance actions for the electricity and natural gas sectors to help achieve that limit.

The Public Utilities Act provides for the establishment of an Independent System Operator as a nonprofit, public benefit corporation. Existing law requires the Independent System Operator to manage the transmission grid and related energy markets in a manner that is consistent with (1) making the most efficient use of available energy resources, (2) reducing, to the extent possible, overall economic cost to the state's consumers, (3) applicable state law intended to protect the public's health and the environment, and (4) maximizing the availability of existing electric generation resources necessary to meet the needs of the state's electricity consumers.

~~This bill would require the Public Utilities Commission to transmit to the Independent System Operator to consider the joint long-term electrical demand and generational resource portfolio forecasts developed by the State Energy Resources Conservation and Development Commission and the Public Utilities Commission when undertaking long-term transmission planning and to advise the State Energy Resources Conservation and Development Commission and the Public Utilities Commission of any long-term resource actions that it recommends that would facilitate its management of the electrical grid in order to achieve compliance with the state’s long-term policy goals of reducing emissions of greenhouse gases. The bill would require the Independent System Operator to undertake its transmission planning consistent with the requirements of the bill. The bill would require the Public Utilities Commission to consider any recommendations made by the Independent System Operator when acting on a long-term procurement plan submitted by an electrical corporation and would require the State Energy Resources Conservation and Development Commission to consider any recommendations made by the Independent System Operator when adopting an integrated energy policy report. the recommended compliance actions for the Independent System Operator’s consideration in its transmission planning.~~

Vote: majority. Appropriation: no. Fiscal committee: yes.
 State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 379.2 is added to the Public Utilities
- 2 Code, to read:
- 3 379.2. If the State Air Resources Board establishes a post-2020
- 4 statewide greenhouse gas emissions limit beyond the 1990
- 5 greenhouse gas emission level, as authorized or required by the
- 6 Legislature, the commission and the Energy Commission shall
- 7 convene a joint public proceeding to develop and make
- 8 recommendations to the state board for compliance actions for
- 9 the electricity and natural gas sectors to help achieve that limit.
- 10 The commission shall transmit the recommended compliance
- 11 actions to the Independent System Operator for the Independent
- 12 System Operator’s consideration in its transmission planning.
- 13 SECTION 1. Section 345.5 of the Public Utilities Code is
- 14 amended to read:

1 ~~345.5. (a) The Independent System Operator, as a nonprofit,~~
2 ~~public benefit corporation, shall conduct its operations consistent~~
3 ~~with applicable state and federal laws and consistent with the~~
4 ~~interests of the people of the state.~~

5 ~~(b) To ensure the reliability of electric service and the health~~
6 ~~and safety of the public, the Independent System Operator shall~~
7 ~~manage the transmission grid and related energy markets in a~~
8 ~~manner that is consistent with all of the following:~~

9 ~~(1) Making the most efficient use of available energy resources.~~
10 ~~For purposes of this section, “available energy resources” include~~
11 ~~energy, capacity, ancillary services, and demand bid into markets~~
12 ~~administered by the Independent System Operator. “Available~~
13 ~~energy resources” do not include a schedule submitted to the~~
14 ~~Independent System Operator by an electrical corporation or a~~
15 ~~local publicly owned electric utility to meet its own customer load.~~

16 ~~(2) Reducing, to the extent possible, overall economic cost to~~
17 ~~the state’s consumers.~~

18 ~~(3) Applicable state law intended to protect the public’s health~~
19 ~~and the environment, including undertaking its transmission~~
20 ~~planning consistent with the requirements of Section 636.~~

21 ~~(4) Maximizing availability of existing electric generation~~
22 ~~resources necessary to meet the needs of the state’s electricity~~
23 ~~consumers.~~

24 ~~(5) Conducting internal operations in a manner that minimizes~~
25 ~~cost impact on ratepayers to the extent practicable and consistent~~
26 ~~with the provisions of this chapter.~~

27 ~~(6) Communicating with all balancing area authorities in~~
28 ~~California in a manner that supports electrical reliability.~~

29 ~~(e) The Independent System Operator shall do all of the~~
30 ~~following:~~

31 ~~(1) Consult and coordinate with appropriate state and local~~
32 ~~agencies to ensure that the Independent System Operator operates~~
33 ~~in furtherance of state law regarding consumer and environmental~~
34 ~~protection.~~

35 ~~(2) Ensure that the purposes and functions of the Independent~~
36 ~~System Operator are consistent with the purposes and functions~~
37 ~~of nonprofit, public benefit corporations in the state, including~~
38 ~~duties of care and conflict-of-interest standards for officers and~~
39 ~~directors of a corporation.~~

1 ~~(3) Maintain open meeting standards and meeting notice~~
2 ~~requirements consistent with the general policies of the~~
3 ~~Bagley-Keene Open Meeting Act (Article 9 (commencing with~~
4 ~~Section 11120) of Chapter 1 of Part 1 of Division 3 of Title 2 of~~
5 ~~the Government Code) and affording the public the greatest~~
6 ~~possible access, consistent with other duties of the corporation.~~
7 ~~The Independent System Operator's Open Meeting Policy, as~~
8 ~~adopted on April 23, 1998, and in effect as of May 1, 2002, meets~~
9 ~~the requirements of this paragraph. The Independent System~~
10 ~~Operator shall maintain a policy that is no less consistent with the~~
11 ~~Bagley-Keene Open Meeting Act than its policy in effect as of~~
12 ~~May 1, 2002.~~

13 ~~(4) Provide public access to corporate records consistent with~~
14 ~~the general policies of the California Public Records Act (Chapter~~
15 ~~3.5 (commencing with Section 6250) of Division 7 of Title 1 of~~
16 ~~the Government Code) and affording the public the greatest~~
17 ~~possible access, consistent with the other duties of the corporation.~~
18 ~~The Independent System Operator's Information Availability~~
19 ~~Policy, as adopted on October 22, 1998, and in effect as of May~~
20 ~~1, 2002, meets the requirements of this paragraph. The Independent~~
21 ~~System Operator shall maintain a policy that is no less consistent~~
22 ~~with the California Public Records Act than its policy in effect as~~
23 ~~of May 1, 2002.~~

24 ~~SEC. 2. Section 636 is added to the Public Utilities Code, to~~
25 ~~read:~~

26 ~~636. (a) The commission and Energy Commission shall, by~~
27 ~~July 1, 2015, calculate and identify an anticipated target for~~
28 ~~reducing emissions of greenhouse gases for the electrical industry~~
29 ~~to be achieved statewide by 2030, in order to reach anticipated~~
30 ~~statewide targets to be established for reducing emissions of~~
31 ~~greenhouse gases from the electrical industry by the year 2050.~~
32 ~~The anticipated targets shall be consistent with Governor's~~
33 ~~Executive Order S-03-05 (June 1, 2005), as modified by~~
34 ~~Governor's Executive Order B-18-12 (April 25, 2012). The~~
35 ~~statewide anticipated emissions reduction targets for greenhouse~~
36 ~~gases for the electrical industry shall be measured in tons of carbon~~
37 ~~dioxide or carbon dioxide equivalent and percentage reductions~~
38 ~~from 2014 emissions.~~

39 ~~(b) The commission and the Energy Commission shall develop~~
40 ~~joint long-term electrical demand and generational resource~~

1 portfolio forecasts to develop scenarios to achieve the anticipated
2 targets identified pursuant to subdivision (b). The long-term
3 electrical demand forecasts shall consider the effects on electricity
4 demand resulting from cost-effective and reasonably achievable
5 energy efficiency and demand response measures, shall consider
6 reasonably foreseeable future demand for electric vehicles, and
7 shall consider other factors that may shift demand to the electrical
8 industry from other industry sectors in order to reduce overall
9 statewide emissions of greenhouse gases. The long-term
10 generational portfolio forecasts shall include generation by eligible
11 renewable energy resources procured by retail sellers and local
12 publicly owned electric utilities, anticipated distributed generation,
13 hydroelectric generation, anticipated resource flexibility from
14 energy storage, and generation from burning of fossil fuels,
15 including reasonably achievable technological improvements in
16 generation.

17 (e) The Independent System Operator shall consider the joint
18 long-term electrical demand and generational resource portfolio
19 forecasts developed by the commission and the Energy
20 Commission when undertaking long-term transmission planning.
21 The Independent System Operator, when undertaking long-term
22 transmission planning, shall assess the operational characteristics,
23 locations, and combinations of cost-effective and reasonably
24 achievable energy efficiency and demand response measures and
25 generational resources, as well as expansion of, and improvements
26 to, the transmission grid, that would be needed to achieve the
27 state's long-term policy goals of reducing emissions of greenhouse
28 gases while managing the electrical grid consistent with the
29 requirements of Section 345.5. The Independent System Operator
30 shall advise the commission and the Energy Commission of any
31 long-term resource actions that it recommends that would facilitate
32 its management of the electrical grid in order to achieve compliance
33 with the state's long-term policy goals of reducing emissions of
34 greenhouse gases.

35 (d) (1) The commission shall consider any recommendations
36 made by the Independent System Operator pursuant to subdivision
37 (e) when acting on a long-term procurement plan submitted by an
38 electrical corporation pursuant to Section 454.5.

39 (2) The Energy Commission shall consider any
40 recommendations made by the Independent System Operator

- 1 ~~pursuant to subdivision (c) when adopting an integrated energy~~
- 2 ~~policy report pursuant to Section 25302 of the Public Resources~~
- 3 ~~Code.~~

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