

AMENDED IN SENATE APRIL 2, 2014

SENATE BILL

No. 1277

Introduced by Senator ~~Padilla~~ Steinberg

February 21, 2014

~~An act to amend Section 454.55 of the Public Utilities Code, relating to energy. An act to add Section 346.5 to the Public Utilities Code, relating to electricity.~~

LEGISLATIVE COUNSEL'S DIGEST

SB 1277, as amended, ~~Padilla~~ Steinberg. ~~Energy efficiency. Electricity: electrical restructuring: Independent System Operator.~~

Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including electrical corporations, as defined. The Public Utilities Act imposes various duties and responsibilities on the Public Utilities Commission with respect to the purchase of electricity and requires the commission to review and adopt a procurement plan and a renewable energy procurement plan for each electrical corporation pursuant to the California Renewables Portfolio Standard Program.

The existing restructuring of the electrical industry within 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 make certain filings with the Federal Energy Regulatory Commission and to seek authority from the Federal Energy Regulatory Commission as needed to give the Independent System Operator the ability to secure generating and transmission resources necessary to guarantee achievement of planning and operating reserve criteria no less stringent than those established

by the Western Electricity Coordinating Council and the North American Electric Reliability Council.

This bill would prohibit the Independent System Operator from submitting any proposal to the Federal Energy Regulatory Commission that seeks approval of a new auction or market-based mechanism for forward procurement of electricity or capacity products in California unless it first obtains the formal concurrence of the Public Utilities Commission. If the Federal Energy Regulatory Commission approves the mechanism, the bill would prohibit the Independent System Operator from proposing or endorsing any modification to the approved mechanism, unless it first obtains the formal concurrence of the Public Utilities Commission. The bill would prohibit the Public Utilities Commission from formally concurring in these proposals unless it concludes that there is a *de minimus* risk that the proposal could preempt or otherwise frustrate state laws and policies relating to specified topics.

~~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 adopt a procurement plan for each electrical corporation in accordance with specified elements, incentive mechanisms, and objectives. The act requires that an electrical corporation's proposed procurement plan include certain elements, including a showing that the electrical corporation will first meet its unmet needs through all available energy efficiency and demand reduction resources that are cost effective, reliable, and feasible. Existing law requires the Public Utilities Commission, in consultation with the State Energy Resources Conservation and Development Commission, to identify all potentially achievable cost-effective electricity efficiency savings, and to establish efficiency targets for electrical corporations to achieve pursuant to their procurement plan.~~

~~This bill would make technical, nonsubstantive revisions to this provision.~~

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

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

- 1 SECTION 1. Section 346.5 is added to the Public Utilities
- 2 Code, to read:

1 346.5. (a) *The Independent System Operator shall not submit*
2 *any proposal to the Federal Energy Regulatory Commission that*
3 *seeks approval of a new auction or market-based mechanism for*
4 *forward procurement of electricity or capacity products in*
5 *California unless it first obtains the formal concurrence of the*
6 *commission. If the Federal Energy Regulatory Commission*
7 *approves the mechanism, the Independent System Operator shall*
8 *not propose or endorse any modifications to the approved*
9 *mechanism unless it first obtains the formal concurrence of the*
10 *commission.*

11 (b) *In considering any proposal described in subdivision (a),*
12 *the commission shall issue a decision pursuant to a proceeding*
13 *initiated pursuant to Section 1701.1. The commission shall not*
14 *formally concur unless it concludes that there is a de minimus risk*
15 *that the proposal could preempt or otherwise frustrate any of the*
16 *following:*

17 (1) *Any state law or policy relating to the promotion of*
18 *environmentally preferred resources, demand response, energy*
19 *efficiency, eligible renewable resources, or electric storage.*

20 (2) *Any state law or policy relating to reducing emissions of*
21 *greenhouse gases.*

22 (3) *State efforts to ensure the timely development of new*
23 *generating sources needed to ensure local reliability.*

24 (4) *The ability of the commission to establish procurement*
25 *requirements or practices for electrical corporations.*

26 (5) *The ability of the commission to ensure just and reasonable*
27 *retail electric rates.*

28 ~~SECTION 1. Section 454.55 of the Public Utilities Code is~~
29 ~~amended to read:~~

30 ~~454.55. The commission, in consultation with the Energy~~
31 ~~Commission, shall identify all potentially achievable cost-effective~~
32 ~~electricity efficiency savings and establish efficiency targets for~~
33 ~~an electrical corporation to achieve pursuant to Section 454.5.~~