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## SENATE COMMITTEE ON APPROPRIATIONS

Senator Anthony Portantino, Chair  
2021 - 2022 Regular Session

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### SB 887 (Becker) - Electricity: transmission facility planning

**Version:** April 4, 2022

**Urgency:** No

**Hearing Date:** April 18, 2022

**Policy Vote:** E., U., & C. 13 - 0

**Mandate:** Yes

**Consultant:** Ashley Ames

**Bill Summary:** This bill would adjust the planning horizon for the annual electricity transmission plan from 10-years to 15-years, and would require consideration of approval of at least two transmission projects as part of the California Independent System Operator (CAISO) 2022-23 transmission planning process.

#### **Fiscal Impact:**

- The California Public Utilities Commission (CPUC) estimates ongoing costs of \$463,000 annually and one-time costs of \$1.6 million spread over four years (PUC Utilities Reimbursement Account) to implement the provisions of this bill.

#### **Background:**

*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 federal reliability requirements. As a general matter, BAs may contain transmission operators. As with other BAs, the CAISO is regulated by federal statute and regulations with oversight by FERC and the North American Energy Reliability Corporation (NERC).

*Transmission planning process.* Each year, the CAISO conducts its transmission planning process to identify potential system limitations as well as opportunities for system reinforcements that improve reliability and efficiency. The transmission plan fulfills the CAISO's core responsibility to identify and plan the development of solutions, transmission or otherwise, to meet the future needs of the electricity grid. The CAISO Transmission Plan provides a comprehensive evaluation of the CAISO transmission grid to address grid reliability requirements, identify upgrades needed to successfully meet California's policy goals, and explore projects that can bring economic benefits to consumers. The plan relies heavily on key inputs from state agencies in translating legislative policy into actionable policy driven inputs. The development of the transmission plan entails annual public stakeholder process that is conducted pursuant to the CAISO's FERC-approved tariff. It includes a three phase process that leads to annual CAISO Board of Governor approval of transmission plan and associated transmission projects. The plan is prepared in the larger context of supporting important energy and environmental policies while maintaining reliability through a resilient electric system.

There are three main categories of CAISO approved transmission projects:

- Reliability projects to meet federal standards;
- Policy projects to meet state policy goals (i.e., renewable portfolio standard);
- Economic projects that reduce congestion, production costs, transmission losses, capacity requirements or other electric supply costs.

Additionally, there are other transmission planning efforts, including local capacity requirements, special studies, interregional transmission project, and others. Transmission owners recover the costs of ISO-approved projects through the Transmission Access Charge (TAC). The transmission owner submits an application to FERC to recover project costs. FERC approves just and reasonable costs and rate of return. CAISO charges transmission customers based on FERC-approved costs.

*CAISO 20-year Transmission Outlook.* The CAISO embarked on creating a 20-Year Transmission Outlook for the electric grid, in collaboration with the CPUC and the CEC, with the goal of exploring the longer-term grid requirements and options for meeting the State's greenhouse gas (GHG) reduction and renewable energy objectives reliably and cost-effectively. The CAISO also intends for the expanded planning horizon to provide valuable input for resource planning processes conducted by the CPUC and CEC, and to provide a longer-term context and framing of pertinent issues in the CAISO's ongoing annual 10-Year Transmission Plan.

### **Proposed Law:**

This bill would:

- 1) Require the CPUC, on or before January 15, 2023, to request the CAISO to identify the highest priority transmission facilities that are needed to allow for reduced reliance on carbon-emitting electrical generation resources in transmission-constrained urban areas by delivering renewable energy resources or zero-carbon resources that are expected to be developed by 2035 into those areas and to consider approval of at least two of the identified transmission projects as part of the CAISO's 2022–23 transmission planning process.
- 2) Require the CPUC, in consultation with the CEC and the California Air Resources Board (CARB), to provide transmission-focused guidance to the CAISO about resource portfolios of expected future renewable energy resources and zero-carbon resources to allow the CAISO to identify and approve transmission facilities needed to allow for full deliverability of those resources to load centers.
- 3) Express the policy of the state that new transmission facilities incorporate into their planning wildfire risk reduction and increased system-wide reliability and cost efficiency, among other goals.

### **Related Legislation:**

SB 1174 (Hertzberg) requires specified reporting related to electric transmission projects, and also requires the CPUC in coordination with other state agencies to identify and advance all interconnections or transmission approvals necessary, as specified. The bill is scheduled to be heard in this committee on March 28<sup>th</sup>.

SB 1032 (Becker, 2022) creates the Clean Energy Infrastructure Authority as a public instrumentality of the state for the purpose of leading the state's efforts to build critical electrical transmission infrastructure necessary to enable the state to transition to 100 percent clean energy, as specified. The bill is pending in this committee.

SB 1274 (McGuire, 2022) would include, as a project eligible for streamlining benefits related to CEQA certification, a clean energy transmission project that upgrades existing transmission infrastructure to bring renewable energy from an offshore wind project located within or adjacent to the County of Humboldt that meets specified requirements. The bill is pending in the Committee on Environmental Quality.

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 created 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.

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