

Date of Hearing: August 3, 2022

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Chris Holden, Chair

SB 887 (Becker) – As Amended June 27, 2022

Policy Committee: Utilities and Energy

Vote: 15 - 0

Urgency: No

State Mandated Local Program: Yes

Reimbursable: No

**SUMMARY:**

This bill directs the state's energy agencies to provide 15-year projections of portfolios of resources and energy demand in order to accelerate identification and development of electricity transmission facilities needed to meet the state's clean energy goals.

Specifically, this bill, directs the California Public Utilities Commission (CPUC) and the California Energy Commission (CEC), as soon as possible and not later than March 31, 2024, to annually provide to the California Independent System Operator (CAISO) projections of resource portfolios and electricity demand by region for at least 15 years into the future so as to allow CAISO to identify and approve electricity transmission facilities needed to achieve the state's renewable energy and zero-carbon energy goals. The bill also directs the CPUC to request CAISO (a) identify, based as much as possible on studies completed before January 1, 2023, by CAISO and projections provided before January 1, 2023, by the CPUC and the CEC, the highest priority transmission facilities that are needed to allow for increased transmission capacity into local capacity areas to deliver renewable energy resources or zero-carbon resources that are expected to be developed by 2035 into those areas and (b) consider whether to approve any transmission projects identified in those studies as part of CAISO's 2022-23 transmission planning process.

**FISCAL EFFECT:**

- 1) The CPUC describes the new work this bill requires of it as: (a) providing projections of resource portfolios and electricity demand by region over a planning horizon longer than the 10 years currently utilized in the transmission planning process; (b) developing an optimal portfolio of resources in specific local regions that would reduce reliance on carbon-emitting generation resources in the state's major load centers; identifying the highest priority transmission projects; and developing the inputs, methodology and coordination processes to incorporate wildfire risk into the transmission planning process.

The CPUC estimates it will need approximately \$500,000 (special fund) annually ongoing for two regulatory analysts (\$203,000 per year), one supervisory position (\$260,000 per year) and various software licensing and related costs (\$31,800). The CPUC also anticipates a cost, in the first four years following passage of this bill, of \$400,000 per year in contracting costs to develop modeling enhancements to identify optimal energy resource portfolios and the amount and location of zero-carbon resources needed in specific areas with constrained

transmission, and to develop reports, presentations and white papers.

2) Conversely, the CEC anticipates no new costs to implement this bill.

#### COMMENTS:

- 1) **Purpose.** The author contends building of electricity transmission facilities must accelerate greatly to allow the state to achieve its interrelated goals of using energy generated only from renewable resources and zero-carbon resources. According to the author:

We cannot meet the goals of SB 100 – reaching 100% renewable or zero-carbon electricity by 2045 – without building the transmission necessary to deliver that clean power to our cities. SB 887 will accelerate planning and approval of new transmission to help us get to 100% clean energy. It is urgent that we get started on this transmission build out now because major new transmission projects often take 10 years or more to build. The recent effort by CAISO, in partnership with the PUC and the CEC, to develop a 20-Year Transmission Outlook was an important step in the right direction. SB 887 will ensure these practices continue and improve. The bill requires the PUC and CEC to provide long-term forecasts to CAISO that extend at least 15 years into the future. The forecasts must include plans to reduce our reliance on gas plants caused by transmission bottlenecks and align with the state’s strategy for developing offshore wind. And to make sure we get started right away, SB 887 directs the PUC to ask CAISO to consider whether any high priority, long lead time projects should be approved right away during its 2022-23 transmission planning process based on what we already know.

- 2) **Background.** The state has ambitious clean energy goals. To achieve those goals, the state will need significant expansion of its electrical transmission system.

Planning for transmission involves several entities and several interrelated processes. CAISO—a nonprofit public benefit corporation established by state law and operating under federal regulation—directs the operations of transmission facilities and is responsible for the reliability of such facilities, and ensures electric reliability across much of California and a small part of Nevada by balancing electricity supply and demand at every moment. The electrical transmission system under CAISO’s direction is often referred to as “the grid.” Each year, CAISO conducts a transmission planning process (TPP) to identify inadequacies of the grid and upgrades needed to ensure reliability and meet state policy goals, such as renewable energy procurement.

The CPUC, as directed by statute, regularly develops integrated resource plans (IRPs) 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.” The CPUC’s IRPs are in input into CAISO’s TPP.

Foundational to the work of both the CAISO and the CPUC is the CEC’s forecast of demand for electricity and natural gas, both for California as a whole, but also for regions and

subregions. Traditionally, the CEC's demand forecast has looked out ten years but the CEC's demand forecast published in January 2022 looked out 15 years.

Building off of, but distinct from these processes, CAISO, in collaboration with the CPUC and the CEC, published its "CAISO 20-year Transmission Outlook." CAISO describes its purpose in creating the 20-year outlook as follows:

CAISO has found that a longer-term blueprint is essential to chart the transmission planning horizon beyond the conventional 10-year timeframe that has been used in the past...The CAISO embarked on creating this 20-Year Transmission Outlook for the grid in collaboration with the California Public Utilities Commission (CPUC) and the California Energy Commission (CEC) with the goal of exploring the longer-term grid requirements and options for meeting the State's greenhouse gas reduction and renewable energy objectives reliably and cost-effectively...We also intend for this 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.

Though CAISO describes the 20-year outlook as a "blueprint," it did not intend the publication to be used as a planning document. Rather, as CAISO writes, the outlook is meant to be a conceptual exploration that informs the more specific planning and forecasting efforts at CAISO, the CPUC and the CEC.

The author also acknowledges the need to significantly expand the state's transmission resources. The author has noted the 20-year outlook and asserts existing planning processes prevent CAISO from being able to plan for the coming transmission needs:

Since the CAISO must identify transmission needs that could take 10 or more years to build, a 10-year forecast does not provide enough lead time for good transmission planning...The CAISO has been highlighting the urgent need for more transmission, but without forecasts that reflect our climate ambitions from the PUC and CEC, the CAISO is unable to act.

The author intends this bill to extend the state's energy planning efforts to 15 years and explicitly directs the energy agencies to identify the highest priority transmission facilities that are needed to allow for increased transmission capacity into local capacity areas to deliver renewable energy resources or zero-carbon resources that are expected to be developed by 2035.

While not disputing the value of longer-term planning, the state's energy agencies express caution. The CPUC, for example, states the bill "generally reiterates existing processes," and notes that 15 years is an arbitrary number of years. Better, the CPUC asserts, to avoid statutory prescriptions and allow the agencies flexibility in transmission planning so they may react to conditions as they develop.