Date of Hearing: April 8, 2026

ASSEMBLY COMMITTEE ON UTILITIES AND ENERGY
Cottie Petrie-Norris, Chair
AB 2516 (Petrie-Norris) – As Amended March 24, 2026

SUBJECT: California Grid Manufacturing Initiative

SUMMARY: Establishes the California Grid Manufacturing Initiative within the GO-Biz, Energy Unit, in coordination with specified state entities, to aggregate demand, coordinate procurement, and incentivize in-state manufacturing of critical electricity grid components.

Specifically, **this bill**:

1) Defines:

   a) Critical electricity grid components to mean any electricity grid components identified pursuant to subdivision (a) of Section 12100.83, which may include, but are not limited to, transformers, cables, wires, circuit breakers, reconductors, and switchgears.

   b) High road employment" means employment that is consistent with the job quality standards and employment practices set forth in subdivision (s) of Section 14005 of the Unemployment Insurance Code.

   c) Energy Unit as the Energy Unit created within the GO-Biz.

2) Requires the Energy Unit, in coordination with the California Public Utilities Commission (CPUC), California Energy Commission (CEC), California Independent System Operator (CAISO), and California Infrastructure and Economic Development Bank (I-Bank), to establish the California Grid Manufacturing Initiative.

3) Requires the Energy Unit to serve as the state's central entity for aggregating demand, coordinating procurement of electricity grid components, and incentivizing new or existing in-state manufacturing of electricity grid components.

4) Requires the Energy Unit to identify electricity grid components

5) Requires the Energy Unit to develop a process for each public utility, on or before January 1, 2028 and regularly thereafter, to submit a projection of its purchasing needs for critical electricity grid components for which the public utility has not entered into a purchase agreement.

6) Requires the Energy Unit, based on the projections, to determine the statewide aggregate purchasing needs for critical electricity grid components, which shall serve as the basis for procurement and manufacturing incentives.

7) Requires a public utility that purchases electricity grid components identified by the initiative to purchase those components through the initiative, unless the initiative is unable to provide them.

8) Authorizes an electrical corporation, and requires the CPUC, to approve recovery of costs incurred pursuant to this article.

9) Authorizes a local publicly owned electric utility to recover its costs from ratepayers.

10) Requires the associated offtake obligation to apply regardless of whether the equipment is utilized.

11) Prohibits a public utility from using alternative procurement mechanisms in place of participation in the initiative if doing so would undermine the demand signal to manufacturers.

12) Authorizes the Energy Unit to issue requests for proposals or other competitive solicitations to procure critical electricity grid components based on the state's aggregate purchasing needs for critical electricity needs.

13) Requires the Energy Unit, in evaluating proposals, to prioritize those that promote in-state manufacturing and high road employment.

14) Requires the Energy Unit to evaluate whether the market can meet demand in a timely and cost-effective manner without intervention.

15) Requires the Energy Unit to identify any critical electricity grid components for which cost, supply constraints, or other limitations inhibit the state's ability to achieve its energy goals.

16) Authorizes the I-Bank, on behalf of the Energy Unit, to issue revenue bonds to finance the procurement and manufacturing of electricity grid components.

17) Requires the Energy Unit to work with suppliers to identify barriers to production that can be addressed through regulatory assistance, incentives available through existing programs, or any other forms of assistance.

18) Requires the Energy Unit, in providing financial assistance to evaluate projects based on specified criteria, including

    a) The extent to which the project will further the state's energy goals, including by reducing delays and costs.

    b) The extent to which the project will create long-term high road employment in California.

19) Requires financial incentives to be conditioned on measurable public benefits, including high-road job creation, community benefits, workforce development, affordability, and capacity expansion.

20) Requires the Energy Unit to issue one or more requests for qualifications to identify entities that are qualified and willing to enter into production joint ventures with the state to manufacture critical electricity grid components in California.

21) Requires the Energy Unit to issue a request for qualifications that solicits information that includes the following:

    a) Evidence of the experience, competency, capability, and capacity to complete and operate manufacturing projects of similar size, scope, or complexity, including financial condition, relevant technical expertise, and demonstrated management competency.

    b) High road employment commitments, history of compliance with workplace laws and regulations, and safety record.

22) Authorizes the Energy Unit, after evaluating responses to a request for qualifications, to:

    a) select one or more qualified suppliers to enter negotiations for production joint ventures;
    b) Invite selected respondents to submit proposals or bids; or
    c) Decline to proceed if market conditions improve.

23) Provides that the Energy Unit is not obliged to enter into a joint venture or provide incentives to an entity that responds to a request for qualifications.

24) Authorizes the Energy Unit to enter into production joint ventures with qualified private suppliers selected through the request for qualifications process, and provide assistance through:

    a) bond financing through the California Infrastructure and Economic Development Bank;
    b) low-cost loans or loan guarantees;
    c) advance purchase commitments or mandatory offtake agreements; and
    d) site access, leasing of public land, or permitting assistance.

25) Provides that bond proceeds may be used to fund necessary reserves, capitalized interest, and costs of issuance.

26) Provides that bonds issued do not constitute a debt or liability of the state or any political subdivision and are payable solely from the revolving fund and its assets.

27) Requires private suppliers or joint ventures to submit operating plans demonstrating how they will meet the Energy Unit's cost recovery and procurement goals.

28) Requires the Energy Unit to ensure that production joint ventures are awarded through a transparent, competitive, and merit-based process and are structured to protect public funds, support high-road jobs, and deliver community benefits.

29) Requires the CPUC, upon application by the Energy Unit, to approve recovery of costs incurred from electric ratepayers.

30) Provides that recoverable costs may include procurement payments, bond repayment obligations, storage costs, and administrative expenses, net of any offsetting revenues.

31) Requires cost recovery to be subject to commission review for reasonableness, cost-effectiveness, and alignment with state energy policy.

32) Requires the Energy Unit to submit an annual report to the Legislature detailing purchasing needs, procurements, added manufacturing capacity, ratepayer costs and savings, job impacts, and fiscal impacts associated with implementation of this article.

33) Provides that if any provision of this article or its application is held invalid, that invalidity does not affect other provisions or applications that can be given effect.

34) Creates the California Grid Manufacturing Initiative Revolving Fund in the State Treasury, and the Manufacturing Incentive Account and the Procurement Account within the revolving fund, for the purpose of providing financial assistance pursuant to the initiative.

35) Continuously appropriates moneys in the revolving fund for purposes of the initiative.

36) Requires moneys generated for purposes of the article, including proceeds from the sale of bonds to support manufacturing of electricity grid components, to be deposited into the Manufacturing Incentive Account.

37) Requires moneys generated for purposes of the article, including proceeds from the sale of bonds supporting procurement of electricity grid components and revenues from sales of those components to public utilities, to be deposited into the Procurement Account

EXISTING LAW:

1) Establishes GO-Biz within the Governor's Office and requires it to serve as the lead state entity for economic strategy, business development, private sector investment, and economic growth. (Government Code § 12100.50 et seq.)

2) Creates within GO-Biz the Energy Unit to accelerate the planning, financing, and execution of critical energy infrastructure projects, including facilitating permitting and coordinating state investment in clean energy. (Government Code § 12100.110)

3) Establishes the California Infrastructure and Economic Development Bank (I-Bank) within GO-Biz and authorizes the I-Bank to make loans, issue bonds, and provide financial assistance for projects qualifying as economic development or public development facilities. The I-Bank's Climate Catalyst Revolving Loan Fund includes a separate Clean Energy Transmission Financing Account with specific legal authority to finance transmission under specified conditions. (Government Code § 63000 et seq.)

4) Establishes the policy that all of the state's retail electricity be supplied with a mix of RPS-eligible and zero-carbon resources by December 31, 2045, for a total of 100% clean energy. (Public Utilities Code § 454.53)

FISCAL EFFECT: Unknown. This bill is keyed fiscal and will be referred to the Committee on Appropriations for its review

BACKGROUND:

Grid Infrastructure Buildout – California's electric grid is expanding to meet the state's clean energy and electrification goals, replace aging infrastructure, and support reliability and wildfire resilience.[1] This effort requires significant investment in both transmission and distribution systems, along with a steady supply of critical electricity grid components such as transformers, conductors, switchgear, and other transmission and distribution equipment, including substation components. These components are essential to bringing new generation online, upgrading existing infrastructure, and ensuring the grid operates safely and reliably. For example, large power transformers are used to move electricity over long distances, while distribution transformers deliver power to homes and businesses. Conductors and transmission lines must also be upgraded or reconductored to carry increasing loads. In addition, substation equipment and switchgear are necessary to manage and control the flow of electricity across the system. Given the scale of planned upgrades, maintaining a consistent and reliable supply of these components will be critical to keeping projects on track.

Supply Chain Constraints – The supply of critical electricity grid components remains constrained due to global supply chain disruptions, limited manufacturing capacity, and growing demand from electrification and new generation development. Demand for transformers in the United States has increased significantly in recent years, while domestic production capacity has not kept pace, contributing to extended lead times that can reach two to four years for certain large power transformers. Utilities have reported delays in obtaining large power transformers needed for transmission projects, as well as distribution transformers required for system upgrades and new customer connections. At the same time, prices for this equipment have risen substantially, with industry data showing increases of roughly 45 to 95 percent since 2019.[2] These conditions can delay transmission upgrades and, in turn, delay the interconnection of renewable energy and storage projects. As a result, limited availability of critical grid components continues to affect both the timing and cost of grid development which ultimately affect ratepayers.

Fragmented Procurement – Procurement of critical grid components in California is primarily undertaken on a utility-specific basis, with each utility independently developing load forecasts, issuing solicitations, and executing contracts. This decentralized approach results in fragmented and often intermittent demand, which can limit opportunities to consolidate purchasing, standardize specifications, and provide the long-term certainty needed to support domestic manufacturing. This can have implications for market outcomes. Smaller, less predictable procurement volumes may weaken utilities' negotiating position with suppliers, particularly for capital-intensive, long-lead-time equipment such as large power transformers, circuit breakers, and high-voltage cables. Variability in utility specifications may also necessitate customized production runs, increasing per-unit costs and reducing the efficiencies associated with standardized manufacturing. Additionally, the absence of coordinated, forward-looking procurement commitments at a statewide level may constrain manufacturers' willingness to

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[1] California Independent System Operator, *20-Year Transmission Outlook* (Folsom, CA: California Independent System Operator, 2024), https://www.caiso.com/documents/20-year-transmission-outlook.pdf

[2] Wood Mackenzie, "Transformer troubles: manufacturing and policy constraints hit US transformer supply" https://www.woodmac.com/news/opinion/transformer-troubles-manufacturing-and-policy-constraints-hit-us-transformer-supply/#:~:text=Since%202019%2C%20unit%20costs%20have,the%20evolving%20US%20policy%20landscape.

invest in expanded production capacity or new facilities, given the significant capital investment required for grid equipment manufacturing.

GO-Biz/Energy Unit – The California Governor's Office of Business and Economic Development (GO-Biz) serves as the state's lead entity for economic development and supports businesses and project developers in navigating state requirements, particularly for projects involving multiple agencies or jurisdictions. Within GO-Biz, the Energy Unit focuses on energy and infrastructure projects, including renewable generation, energy storage, and transmission. The unit coordinates with the CPUC, CEC, and CAISO, as well as local governments and utilities, with a focus on permitting and project timelines. The Energy Unit has supported implementation of the state's Clean Energy Permitting Playbook, which outlines actions to improve interagency coordination and streamline permitting for clean energy and transmission projects. It has also been involved in efforts related to the Transmission Accelerator, which is intended to facilitate financing and cost recovery for priority transmission projects, helping address financing and cost recovery challenges associated with large, capital-intensive infrastructure. Together, these efforts are intended to help reduce delays in bringing grid infrastructure online, including projects dependent on long-lead equipment such as transformers.

COMMENTS:

1) *Author's Statement*. According to the author, "California's electricity grid faces a supply chain crisis that is driving up costs for families, delaying critical renewable energy projects, and undermining our climate goals. National and global bottlenecks for essential grid equipment, particularly transformers, have caused lead times to stretch from weeks to years and prices to spike as much as 95 percent. These cost increases are passed directly to ratepayers and will continue to compound for decades. AB 2516 establishes the California Grid Manufacturing Initiative to aggregate statewide demand for grid components, coordinate procurement to achieve economies of scale, and incentivize in-state manufacturing through public-private joint ventures, thereby lowering costs, creating thousands of high-road manufacturing jobs, and positioning California as a national leader in building the grid infrastructure our clean energy future demands."

2) *This Bill.* AB 2516 establishes the California Grid Manufacturing Initiative (CGMI) within GO-Biz to address both demand- and supply-side constraints in grid component markets:

   a) Demand-side: The Energy Unit identifies critical grid components and establishes a process requiring utilities, including IOUs, POUs, and other transmission owners, to submit projected procurement needs by January 1, 2028, and on an ongoing basis. Projections include component type, quantity, specifications, and delivery timelines. Based on aggregated statewide demand, the Energy Unit conducts centralized procurement through competitive solicitations, prioritizing in-state manufacturing and high-road employment. Utilities must procure through the initiative unless unavailable.

   b) Supply-side: The Energy Unit identifies components subject to cost or supply constraints and may provide financial assistance to support in-state manufacturing, including I-Bank bond financing, loans or loan guarantees, advance purchase commitments or offtake agreements, site access, and permitting support. It may also

enter into joint ventures with private suppliers to expand in-state production, reduce costs, and share equity. Incentives are conditioned on public benefits, including job creation, workforce development, affordability, and capacity expansion.

c) Financing: Establishes the CGMI Revolving Fund, including Manufacturing Incentive and Procurement Accounts. I-Bank may issue revenue bonds, payable solely from the fund. The CPUC must approve cost recovery, subject to reasonableness and cost-effectiveness review.

d) Reporting: Requires annual reporting to the Legislature on procurement, manufacturing capacity, ratepayer impacts, job benefits, and fiscal outcomes.

3) *Clarifying Roles*. As already stated, AB 2516 would require the Energy Unit to serve as the state's central entity for aggregating demand for critical electricity grid components, coordinating procurement, and incentivizing new or expanded in state manufacturing. In doing so, the bill establishes a state directed procurement structure under which the Energy Unit would play a central role in determining procurement needs and overseeing procurement. While intended to coordinate procurement, and address supply constraints, this approach could add some operational complexity to utility planning and procurement, as it transfers procurement responsibilities from utilities, who currently carry out these functions through existing planning processes and subject to CPUC or local oversight, to a centralized state entity. *As such, the committee recommends revising these provisions to clarify that the Energy Unit shall identify critical electricity grid components in coordination with public utilities and determine appropriate forms of state assistance to address delays, including centralized procurement only where warranted and limited to participating public utilities*.

4) *Procurement Upon Utility Request*. This bill authorizes the Energy Unit to issue requests for proposals or other competitive solicitations to procure critical electricity grid components based on the state's aggregate purchasing needs. While intended to support coordinated procurement, this provision does not explicitly specify that procurement through the Energy Unit occurs only at the request of participating public utilities. *As such, the committee recommends clarifying that procurement under this section is limited to the needs and conditions submitted by participating public utilities, and that any resulting commitment to purchase remains binding where those conditions are satisfied, regardless of whether the equipment is ultimately utilized.*

5) *Notification.* This measure authorizes the Energy Unit to issue requests for proposals or other competitive solicitations to procure critical electricity grid components based on the state's aggregate purchasing needs. This provision does not specify the actions to be taken where the Energy Unit determines that the market cannot meet demand in a timely and cost-effective manner without intervention. *As such, the committee recommends that, where the Energy Unit determines, in coordination with the CEC, the CAISO, and the I-Bank, that the market cannot meet demand for a critical electricity grid component in a timely and cost-effective manner without intervention, the Energy Unit shall notify public utilities as soon as practicable.*

6) *Conflict of Interest Safeguards*. AB 2516 authorizes the Energy Unit to carry out procurement activities and engage in joint venture negotiations related to critical

electricity grid components. These activities involve financial decisions that warrant safeguards to ensure transparency and accountability. *As such, the committee the Energy Unit to adopt conflict of interest policies governing employees and contractors involved in procurement decisions and joint venture negotiations and consistent with the Political Reform Act*.

7) *Cost Recovery Standards*. This legislation provides that, upon application by the Energy Unit for cost recovery, the CPUC shall approve recovery of costs incurred by the Energy Unit. This requirement effectively guarantees cost recovery for a state agency to receive ratepayer dollars outside an appropriation of the Legislature, and without requiring the CPUC to evaluate whether those costs are just and reasonable. *As such, the committee recommends striking the requirement that the Energy Unit apply to the CPUC for any cost recovery, clarifying that the CPUC may authorize recovery of costs incurred under this chapter only to the extent it determines those costs are just and reasonable, consistent with Section 451 of the Public Utilities Code, and aligned with state energy policy.*

8) *Restricting Cost Recovery*. AB 2516 specifies that recoverable costs may include procurement payments, bond repayment obligations, storage costs, and administrative expenses, net of any offsetting revenues, and further provides that cost recovery shall be subject to CPUC review for reasonableness, cost-effectiveness, and alignment with energy policy. Specifying categories of recoverable costs may limit CPUC's discretion in determining which costs are appropriate for recovery. *As such, the committee recommends deleting these provisions to maintain the commission's discretion in evaluating cost recovery to the extent those costs are just and reasonable.*

9) Electricity rates in California are among the highest in the nation. Any cost savings should be reflected in customer bills. *As such, the committee recommends specifying that, to the extent procurement through the initiative results in costs below prevailing market prices for grid components, the Public Utilities Commission shall ensure that those savings are credited to ratepayers in a manner consistent with Section 451 of the Public Utilities Code*.

10) *Prior Legislation.*

SB 787 (McNerney, 2025) establishes a formal interagency MOU framework and a Senior Counselor on Industrial Policy and Clean Energy Development at the CEC to coordinate California's clean energy supply chain development efforts across batteries, offshore wind, and building decarbonization sectors. Status: Vetoed By the Governor

Assembly Bill 1373 (2023) authorized California to use the Department of Water Resources (DWR) to centrally procure long lead-time (LLT) clean energy resources, such as offshore wind and geothermal energy, to meet 2045 climate goals and ensure grid reliability. Status: Chapter 367, Statutes of 2023

11) *Double Referral.* This bill is double referred. Upon passage in this committee, it will be referred to the Assembly Committee on Economic Development, Growth, and Household Impact for its review.

REGISTERED SUPPORT / OPPOSITION:

Support

Bluegreen Alliance
Building Decarbonization Action Fund
California Forward
California Labor for Climate Jobs
Coalition of California Utility Employees
Communication Workers of America, District 9
Industrious Labs
International Brotherhood of Electrical Workers, Local 1245
International Union, United Automobile, Aerospace, and Agricultural Implement Workers of America
Los Angeles Alliance for a New Economy (LAANE)
Omex Industries LLC
Public Citizen
Rising Sun Center for Opportunity
Sierra Club California
The Utility Reform Network (TURN)
United Steelworkers District 12

Oppose

San Diego Gas and Electric Company

Opposition Unless Amended

Pacific Gas and Electric Company and its Affiliated Entities
Southern California Edison

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