

ASSEMBLY THIRD READING

AB 2516 (Petrie-Norris)

As Amended April 13, 2026

Majority vote

SUMMARY

Creates the California Grid Manufacturing (CGM) Initiative to aggregate demand for and centralize procurement of critical electricity grid components and to provide financial assistance to projects that manufacture such components in California, among other requirements.

Major Provisions

- 1) Defines critical electricity grid components to mean electricity grid components—equipment materials or devices used in the transmission, distribution or storage of electricity for which supply constraints, extended lead times, elevated costs or other limitations to procurement are causing delays to the construction, upgrade or maintenance of transmission and distribution infrastructure.
- 2) Creates the Energy Unit within the Governor's Office of Business and Economic Development (GO-Biz) to establish, in coordination with other energy agencies and what the bill calls "public utilities," which, for purposes of this bill, refers to both investor-owned utilities and municipal utilities, the CGM Initiative to procure critical electricity grid components on behalf of public utilities.
- 3) Authorizes the Energy Unit to provide financial assistance to projects that establish or expand manufacturing capacity in California for electricity grid components and to enter into production joint ventures with private suppliers to provide (a) shared ownership, equity stakes or other legally permissible participation by the state, establishment or expansion of manufacturing facilities within California and lower cost for finished products as compared to prevailing market prices.
- 4) Authorizes the California Infrastructure and Economic Development Bank (IBank) to issue revenue bonds on behalf of the Energy Unit to finance procurement of manufacturing of electricity grid components.
- 5) Provides the California Public Utilities Commission (CPUC) to authorize recovery of CGM Initiative costs, to the extent such costs are just and reasonable.
- 6) Requires the Energy Unit to submit an annual report on the CGI Initiative to the Legislature.

COMMENTS

Grid Buildout and Supply Chain Constraints. California's electric grid is undergoing significant expansion to support the state's clean energy, electrification, reliability goals. This effort requires substantial investment in transmission and distribution infrastructure and a reliable supply of critical grid components such as transformers, conductors, switchgear, and substation equipment. However, supply chain constraints, limited manufacturing capacity, and increasing demand have contributed to extended lead times and significant cost increases for many of these components, delaying grid upgrades, renewable energy interconnections, and new customer connections.

Procurement of grid equipment is currently conducted largely on a utility specific basis, with utilities independently developing forecasts and entering procurement contracts. This decentralized approach may limit opportunities to consolidate purchasing, standardize specifications, and support expanded manufacturing capacity for critical grid equipment.

AB 2516 would create the California Grid Manufacturing (CGM) Initiative within GO-Biz Energy Unit to aggregate demand for and centralize procurement of critical electricity grid components on behalf of investor owned and municipal utilities. The bill would also authorize financial assistance and joint ventures to support manufacturing of grid components in California and authorize the I-Bank to issue revenue bonds related to procurement and manufacturing activities.

According to the Author

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."

Arguments in Support

AB 2516 is supported by consumer advocates, clean energy organizations, labor and industry groups, and building decarbonization organizations, among others, which contend that supply chain constraints and rising costs for critical grid equipment are delaying grid upgrades and clean energy deployment. Supporters argue that the bill would help coordinate procurement of critical grid components, support in state manufacturing, improve equipment availability, reduce long term infrastructure costs, and support grid reliability and clean energy deployment.

Arguments in Opposition

This bill is opposed by San Diego Gas & Electric, which argues that requiring a procurement plan for 2028 through 2032 would force the utility to predict project needs and equipment requirements years in advance. SDG&E contends this could create unnecessary complexity and increase the risk that procured equipment may no longer match a project's final needs.

FISCAL COMMENTS

According to the Assembly Committee on Appropriations, this bill would result in significant General Fund costs for both the GO-Biz Energy Unit and the I-Bank. The GO-Biz Energy Unit states that it does not currently have experience administering the type of program created by the bill and estimates one time costs of approximately \$2 million for outside consulting services related to grid component needs and market analysis, as well as ongoing annual costs of approximately \$960,000 for staffing and outside market advisory support.

The I-Bank estimates annual implementation costs ranging from approximately \$1.62 million to \$2.88 million for staffing, depending on program demand, as well as approximately \$1.5 million

in one-time consulting costs related to manufacturing and market analysis. The I-Bank further states that the program may require an initial appropriation of between \$500 million and \$1 billion from the General Fund or another funding source to support financing activities.

VOTES

ASM UTILITIES AND ENERGY: 15-1-2

YES: Petrie-Norris, Boerner, Calderon, Chen, Mark González, Harabedian, Hart, Irwin, Kalra, Papan, Rogers, Schiavo, Schultz, Wallis, Zbur

NO: Davies

ABS, ABST OR NV: Patterson, Ta

ASM ECONOMIC DEVELOPMENT, GROWTH, AND HOUSEHOLD IMPACT: 7-0-1

YES: Solache, Muratsuchi, Patel, Petrie-Norris, Michelle Rodriguez, Soria, Wallis

ABS, ABST OR NV: Castillo

ASM APPROPRIATIONS: 12-2-1

YES: Wicks, Hoover, Aguiar-Curry, Calderon, Caloza, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache

NO: Dixon, Tangipa

ABS, ABST OR NV: Ta

UPDATED

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