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ACR-188 Independent System Operator: regional cooperation: study. (2021-2022)

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Assembly Concurrent Resolution No. 188

CHAPTER 138

Relative to the Independent System Operator.

[Filed with Secretary of State August 19, 2022.]

LEGISLATIVE COUNSEL'S DIGEST

ACR 188, Holden. Independent System Operator: regional cooperation: study.

This measure would request that by February 28, 2023, the Independent System Operator, in consultation with the California balancing authorities, produce a report that summarizes recent relevant studies on the impacts of expanded regional cooperation on California, identifies key issues that will most effectively advance the state's energy and environmental goals, including any available studies that reflect the impact of regionalization on transmission costs and reliability for California ratepayers, includes relevant updates to specified transmission development and resource diversity estimates, and discusses regional transmission organizations in Colorado, Nevada, and other regional states, collaboration between states on energy policies to maximize consumer savings while respecting state policy autonomy, and engagement between neighboring states on the future of regional transmission organizations in the west.

Fiscal Committee: no

WHEREAS, It is the policy of the state that renewable energy and zero-carbon resources supply 100 percent of electric retail sales to end-use customers by 2045, Executive Order N-79-20 requires sales of all new passenger vehicles to be zero-emission by 2035, and the 2021 SB 100 Joint Agency Report, prepared pursuant to Senate Bill 100 (Chapter 312 of the Statutes of 2018), identifies 120 to 150 gigawatts of additional renewable resource development may be needed by 2040, much of it for intermittent resources, to meet California's zero-carbon targets; and

WHEREAS, The continued electrification of the transportation sector and other industries, growing customer demand for access to clean energy, and the goals codified in SB 100 require modernization of the electricity sector and grid system, including significant investments in upgrading existing and new transmission infrastructure to meet the goals listed above; and

WHEREAS, Since California's passage of SB 100 in 2018, many western states and utilities have adopted their own policies to achieve a clean resource mix and reduce the emissions of greenhouse gases, which are generally consistent with the policy direction of California; and

WHEREAS, As tens of thousands of megawatts of renewable resources are slated for development in the west and thousands of megawatts of coal-fired resources are retired and continue to be shut down, momentum is building across the western states for greater regional coordination to ensure that electricity is available at all hours of the day, including during peak and net-peak periods to replace retired and retiring generating facilities and meet future electrification reliability needs of a carbon-neutral economy with affordable costs; and

WHEREAS, As these transformations accelerate across the west, reliability challenges are also mounting. California has already experienced the effects of these challenges with grid-scale firm outages in August 2020 and several instances of declared energy emergency conditions occurring across the western interconnection; and

WHEREAS, The Western Electric Coordinating Council found in its 2021 Western Assessment of Resource Adequacy that by 2025 each of the studied subregions in the west would not be able to meet established reliability metrics without significant additions of capacity; and

WHEREAS, California is already dependent on its neighbors, historically importing approximately one-third of its total energy requirements and routinely importing significantly more resources from its neighboring states during the most critical summer days; and

WHEREAS, In 2021, the State Air Resources Board, the State Energy Resources Conservation and Development Commission, and the Public Utilities Commission jointly released the 2021 SB 100 Joint Agency Report to evaluate the opportunities and challenges of achieving the SB 100 goal of 100 percent clean electricity by 2045, which found that increased multistate coordination "offers significant potential to ease importation and integration of additional renewable energy facilities in regions where resource attributes match or complement California's seasonal and daily operational needs. Much of this coordination follows naturally from peak load diversification; the Northwest peaks in winter, and the rest of the West in summer, allowing each region to rely on the other for a share of its seasonal peak capacity needs. Regional coordination also provides for geographic diversification in renewable energy, allowing for more consistent supply"; and

WHEREAS, The Independent System Operator is a nonprofit corporation that operates a competitive wholesale electricity market and manages the reliability of the transmission grid for 80 percent of the ratepayers in California and a small part of Nevada, while being interconnected to neighboring states as part of a larger, synchronized, and interdependent energy system within the western interconnection; and

WHEREAS, Since 2014, the Independent System Operator has operated the real-time energy market, called Western Energy Imbalance Market, which has grown to include portions of nine states in addition to California and, by 2023, active participants are expected to represent approximately 80 percent of the west's demand for electricity; and

WHEREAS, The Western Energy Imbalance Market has resulted in over \$2,000,000,000 in cumulative benefits to ratepayers of the participating balancing authorities, enabled the participating balancing authorities to integrate renewables across the west more cost-effectively and reliably, and has resulted in reduced curtailments of renewable, zero-carbon resources, and avoided carbon emissions; and

WHEREAS, Planning is underway to expand the Independent System Operator's day-ahead market across the western states to more readily and effectively use clean energy resources, reducing the need for renewable generation curtailments in periods of excess production. The extended day-ahead market is expected to achieve cost savings through a more efficient day-ahead commitment of generating units, including the displacement of resource commitments within one balancing authority area when more economic resources can be committed in other balancing authority areas instead; and

WHEREAS, In 2016, the Independent System Operator released a study, Senate Bill 350 Study: The Impacts of a Regional ISO-Operated Power Market on California, as mandated by Senate Bill 350 (Chapter 547 of the Statutes of 2015), that found that the expansion of the Independent System Operator had annual net benefits to the ratepayers of California-based balancing authorities who are members of the Independent System Operator and led to the deployment of more efficient renewable resources to meet the state's renewables portfolio standard; and

WHEREAS, There is considerable potential for additional benefits for California consumers through further regional collaboration; and

WHEREAS, For example, in 2021, a multistate and United States Department of Energy-funded study, which California energy policy leaders helped guide, found that consumers saved annually up to \$2,000,000,000 and emissions of 191,000,000 metric tons of carbon dioxide were reduced as a result of certain market options in the west, demonstrating that a state like California sees significantly more benefits by achieving full load diversity across a larger footprint; and

WHEREAS, For the reasons stated above, it is in the public interest of the State of California to collaborate, coordinate on policy, and share systems and resources with our neighboring western states when opportunities for mutual benefit exist; and

WHEREAS, The Legislature should have current and comprehensive information on the impacts to California of expanding the existing Independent System Operator into a regional organization that manages wholesale electricity markets, transmission planning, and other services across a broader western region; now, therefore, be it

Resolved by the Assembly of the State of California, the Senate thereof concurring, That the Legislature requests that by February 28, 2023, the Independent System Operator, in consultation with the California balancing authorities, produce a report that summarizes recent relevant studies on the impacts of expanded regional cooperation on California and identifies key issues that will most effectively advance the state's energy and environmental goals, including any available studies that reflect the impact of regionalization on transmission costs and reliability for California ratepayers; and be it further

Resolved, That the report should include relevant updates to the transmission development and resource diversity estimates in the 2021 SB 100 Joint Agency Report, prepared pursuant to Senate Bill 100 (Chapter 312 of the Statutes of 2018); and be it further

Resolved, That the report should also discuss the regional transmission organizations in Colorado, Nevada, and other regional states, collaboration between states on energy policies to maximize consumer savings while respecting state policy autonomy, and engagement between neighboring states on the future of regional transmission organizations in the west; and be it further

Resolved, That the Chief Clerk of the Assembly transmit copies of this resolution to the Independent System Operator.