



## CAPITOL COMMITTEE WORKING GROUP MEETING 8/03/22

### Agenda

- Process Refresh
- CEC Posts DSGS Program Draft Guidance
- DSGS Program Legislative Efforts
- TECH Update
- High priority intervention bills
- Other bills that we support
- High priority watch bills
- Other items

### Meeting Notes

#### Process Refresh

- Aug 1: Reconvene
- Aug 12: Fiscal committee deadline
- Aug 25: Last day to amend bills on the floor
- Aug 31: Last day of session

#### CEC and DSGS Program Draft Guidance

- Last week the CEC convened a [workshop](#) to present on their [draft guidelines](#) for the Demand Side Grid Support Program as established in the Energy Trailer Bill (AB 205). In that workshop the CEC walked through how they see implementing the DSGSP with requests for stakeholder feedback. Takeaways:
  - CEC forecasts up to 10,000 MW of shortfall (in worst case scenario) by 2025 due to lag in incorporating policy goals into action, facing extreme weather and fire events, and project development delays. A lot of work needs to be done.
  - Put forward a three phase approach into 2023 and beyond.
  - DSGSP broken into three parts: enrollment, program event/trigger, and payment.
    - Enrollment = provider and participant applications for enrollment, reports to providers, reports to CARB.

- Program event / trigger = EEA 1 -3 trigger various preparations and responses.
- Payment: CEC suggests three incentive structures:
  - Option 1: Energy payment only for \$2,000/MWh
  - Option 2: Standby & energy payment: \$250/MWh (standby) and \$1,750/MWh energy. There is a non-performance penalty = forfeiting standby payment.
  - Option 3: Capacity payment and bid structure providing varying \$/MW incentives depending on month, available to non-combustion resources only, and must bid into DAM in 4-consecutive hours between 4-9PM/mo.
    - Non-performance penalty = 2x shortfall
  - Providers pay participants based on incentive structure, providers receive payment from CEC within 15 business days after each month an event was called.
- CEC clarified their interpretation of the AB 205 language re: DSGSP eligibility as limited to *only* POU customers. The Council had met with Cmsr. Gunda and staff where we addressed this issue well before the workshop and expressed our significant concerns with this limited eligibility.
- CEC will post final guidelines for consideration August 5 and will vote on guidelines at August 10 business meeting.
- The Council submitted [comments](#) last week. Focused on eligibility limitations and our concerns, general support for the proposal put forward by the CEC within the limitations they were working in, and direct responses to specific questions.
- The group addressed concerns and questions surrounding POU ability to engage in the DSGSP, including limitations on customer adoption of metering technology. The likelihood that existing language can drive more generating resources was also discussed as a substantial concern - particularly if the Council's efforts towards language improvements below are not incorporated into DSGSP language as previously passed by the Legislature.

### **DSGS Program Legislative Efforts**

- The Council continues to work towards expanding eligibility for the DSGSP to include CCA and IOU customers so long as pre-existing DR and ELR programs are preserved/not harmed and benefits are not double counted.
- Current efforts right now include = coalition building then external (legislative) advocacy.
- Note: there are high expectations for another energy trailer bill as there are significant dollars in the budget that have yet to be allocated, including (for example) \$1B for building decarbonization.

### **TECH Update**

- Staff provided an update on the TECH funding efforts.

## **5. High Priority Intervention Bills:**

[SB 1136](#) (Portantino) – Asm Approps 8/3/22  
Amended 6/27/22

[SB 1432](#) (Hueso) – Asm Approps 8/3/22  
Amended 6/30/22

Existing law requires the Public Utilities Commission, in consultation with the Independent System Operator, to establish resource adequacy requirement for all load-serving entities, ~~including community choice aggregators and electric service providers~~; *defined as including electrical corporations, electric service providers, and community choice aggregators.* Existing law requires the resource adequacy program to achieve certain objectives, including, among other objectives, maximizing the ability of community choice aggregators to determine the generation resources used to serve their customers.

This bill would revise and recast the objectives of the resource adequacy program. The bill would require the commission to analyze, compile, and publish on its internet website an annual report on the compliance status of load-serving entities.

Existing law requires the commission to determine and authorize the most efficient and equitable means for ~~achieving certain goals, including meeting the resource adequacy requirement objectives~~, ensuring that community choice aggregators can determine the generation resources used to service their ~~customers, and minimizing the need for backstop procurement by the Independent System Operator~~; *customers.*

This bill would ~~include, as goals~~; *additionally require the commission to determine and authorize the most efficient and equitable means for* ensuring that electric service providers can determine the generation resources used to serve their ~~customers and ensuring that the cost of backstop procurement by the Independent System Operator and associated greenhouse gas attributes are equitably allocated~~; *customers. The bill would also require the Independent System Operator to ensure that the cost of backstop procurement and associated greenhouse gas attributes are equitably allocated.*

~~This bill would authorize the commission to adopt a capacity valuation methodology and applicable rules and criteria for distributed energy resources if the Independent System Operator completes a deliverability assessment of the capacity available to the electrical grid from distributed energy resources, as provided.~~

*This bill would require the commission, in coordination with the Independent System Operator, in a new or existing proceeding, to develop a pilot program for aggregated customer-sited zero-emission distributed energy resources, as defined, to assess the value of potential energy exports from those resources for purposes of fulfilling the requirements of the resource adequacy program, as specified.*

Under existing law, a violation of the Public Utilities Act or any order, decision, rule, direction, demand, or requirement of the commission is a crime.

To the extent that certain provisions of this bill would require an order, decision, rule, direction, demand, or requirement of the commission to implement, the bill would impose a state-mandated local program by creating new crimes.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

[AB 2667](#) (Friedman) – Sen Approps  
Amended 6/30/22

**SEC. 2.** Chapter 5.4 (commencing with Section 25440) is added to Division 15 of the Public Resources Code, to read:

**CHAPTER 5.4. Integrated Distributed Energy Resources Fund**

**25440.** For purposes of this chapter, the following definitions apply:

(a) “Eligible customer” means a customer of a publicly owned electric utility or a distribution service customer of an electrical corporation.

(b) “Fund” means the Integrated Distributed Energy Resources Fund established pursuant to Section 25441.

~~(c) “Generation service” means the sale of electricity to a customer by a load-serving entity, including energy, capacity, ancillary services, and all other energy commodity services to meet customer energy demand.~~

~~(d) “Load-serving entity” has the same meaning as defined in Section 380 of the Public Utilities Code.~~

**25441.** (a) The Integrated Distributed Energy Resources Fund is hereby created as a special fund in the State Treasury.

(b) Moneys in the fund shall be available to the commission, upon appropriation by the Legislature, for the implementation of this chapter.

**25442.** (a) The commission shall administer the fund and implement this chapter in consultation with the Public Utilities Commission and the State Air Resources Board to provide incentives to support statewide customer adoption of clean distributed energy resources across the industrial, commercial, and residential ~~sectors.~~ *sectors in order to help reduce emissions of greenhouse gases and localized air pollution, the electrical grid’s net peak demand, and electric ratepayer costs.*

(b) (1) Resources eligible for incentives under the fund shall include ~~customer demand management, managed charging of electric vehicles, clean backup power,~~ mobile and nonmobile energy ~~storage,~~ *storage* and onsite ~~generation.~~ *renewable or zero-carbon energy generation that enables customer demand management, managed charging of electric vehicles, and clean backup power.*

(2) To receive an incentive under the fund, any resource that generates electricity, or stores electricity from the electrical grid or another generation resource, shall meet one of the following conditions:

(A) Be a “renewable electrical generation facility” as defined in Section 25741.

(B) Be a “zero-carbon resource” pursuant to Section 454.53 of the Public Utilities Code.

(C) Be a mobile energy storage device that emits no air pollution or greenhouse gases when used to displace use of fossil-fueled portable generators.

(c) The commission shall establish a system to equitably award incentives to support adoption of commercially available distributed energy resources by eligible customers. In establishing the system, the commission shall set incentive levels and prioritize the following attributes and functionalities:

(1) The ability to support both local and system electrical grid reliability through managed operation of the distributed energy resource to meet distribution and transmission system needs.

*(2) The ability to reduce the electrical grid’s net peak load by shifting onsite energy use to off-peak time periods or reduce demand from the electrical grid by offsetting some or all of the customer’s peak electric load.*

~~(2)~~

(3) The ability to support resiliency during periods of power system disruptions via self-islanding with clean onsite generation or backup power technology, with an emphasis on critical facilities such as public schools, community centers, clinics, and municipal water service, and providing critical services by emergency management officials during times of disaster.

~~(3)~~

(4) The ability to reduce environmental pollution in disadvantaged communities or provide resiliency benefits to vulnerable communities, including income-qualified renters, and the access and functional needs population, as defined in Section 8593.3 of the Government Code.

~~(4)~~

(5) The ability to facilitate all types of clean vehicle charging with an emphasis on medium- and heavy-duty vehicles colocated at ports, warehouses, and in transit corridors.

(d) The commission may allow incentives for different technology types to be combined within this program and with other state-mandated ~~programs.~~ *programs, provided that incentive payments from multiple funding sources, such as through the self-generation incentive program or a similar incentive program for distributed energy resources, shall not be applied to the same technology device or equipment, and shall not result in combined incentive payments greater than the total costs of the distributed energy resource.*

~~(e)The commission shall establish a process to allow a load-serving entity to apply for incentives on behalf of its generation service customer or a set of its generation service customers as part of that load-serving entity’s customer program to meet or reduce its compliance obligations under Section 380 of the Public Utilities Code, if the customer is located within the distribution service area of an electrical corporation, as follows:~~

~~(1)The distributed energy resource is dispatched by the scheduling coordinator as certified by the Independent System Operator under an operating agreement with the electrical corporation in its role as the distribution system operator.~~

~~(2) If an electrical corporation, in its role as a load-serving entity, applies for incentives on behalf of its bundled service customers, the Public Utilities Commission shall maintain oversight of the electrical corporation's program design and evaluation.~~

*(e) The commission shall adopt equipment inspection, operation, and verification procedures, and applicable performance criteria for eligible resources to achieve the intended air quality improvement, greenhouse gas reduction, and clean resiliency goals of the program.*

(f) Except for the installation of residential generation of less than 15 kilowatts, all construction paid for, in part or in whole, with moneys from the fund shall be considered public works pursuant to Section 1720 of the Labor Code.

(g) The commission, to the extent possible, shall use existing expertise in implementing this chapter.

### **Other High Priority Bills:**

SB 1063 (Skinner) – Asm Approps 8/3/22 - **Proposed amendments posted.**

Amended 6/20/22

Permits the California Energy Commission (CEC) to implement specified appliance efficiency standards sooner if the CEC first makes a specified good cause finding.

Specifically, this bill:

1) Authorizes CEC to adopt an appliance efficiency standard sooner than one year after adoption or revision if the CEC adopts a finding of good cause.

2) Requires CEC to consider the following factors when making a finding of good cause:

a) The availability of products on the market that meet the adopted or revised standard;

b) The impact of an earlier effective date on the manufacturers;

c) The health and safety benefits of an earlier effective date; and,

d) The impact on innovation resulting from a one-year delay between the date of adoption or revision and the effective date of the standard.

3) Defines “sold or offered for sale in the state” to mean the sale of an appliance for end use in the state, regardless of the seller’s physical location.

SB 1026 (Wieckowski) – Asm Approps 8/3/22

Requires landlords to provide prospective residential tenants with an energy efficiency disclosure statement, to be developed by the CEC prior to initiating the tenancy, with specified exceptions.

Becker SB 1158 -- Asm Approps 8/3/22

Requires every retail supplier of electricity to annually report hourly GHG emissions data, as specified, to the CEC.

### **SB 1020 (Laird) – Asm Approps 8/3/22 PROPOSED AMENDMENTS POSTED.**

Establishes the Clean Energy, Jobs, and Affordability Act of 2022 (Act), which establishes interim targets to ensure the state reaches the 100% clean energy goal in 2045; accelerates the date by which state agencies must achieve 100% clean energy use; and, establishes a California Affordable Decarbonization Authority (Authority) to administer the Climate and Equity Trust Fund (Trust Fund) to help fund efforts to reach these goals.

SB 1203 (Becker) – Asm Approps 8/3/22

States legislative intent that all state agencies achieve net-zero emissions of greenhouse gases resulting from their operations no later than January 1, 2035; requires each state agency to

develop and publish a plan to achieve net-zero emissions of greenhouse gasses (GHG), as specified; and requires the Climate Action Team (CAT) to review and provide feedback on those plans to assist state agencies in establishing interim GHG emissions reduction targets, as specified.

### **High Priority Watch Bills**

SB 1164 (Stern) – Assembly Approps 8/3/22

Requires CEC to develop and implement two electronic registries: one is a statewide heating, ventilation, and air conditioning (HVAC) equipment sales registry and compliance tracking system, and the second is a statewide HVAC compliance document data registry.

### **Other items**

- Cmsr. McAllister has his re-confirmation today.

## **Next Meeting**

Our next Working Group meeting will be on **Wednesday, August 17 at 8:15 am**. This meeting will recur on a biweekly basis every other Wednesday of each month at 8:15 – 9:15 am. An invite from [Admin@cedmc.org](mailto:Admin@cedmc.org) has gone out to all folks on the Working Group.