



# ASSEMBLY MEMBER AL MURATSUCHI

## 66TH ASSEMBLY DISTRICT

1021 O STREET, SUITE 5610 ★ SACRAMENTO, CA 95814  
3424 W. CARSON STREET, SUITE 450 ★ TORRANCE, CA 90505  
WWW.A66.ASMDC.ORG

---

### AB 1538 (Muratsuchi) – Clean Energy Reliability Program

---

#### **SUMMARY**

In the midst of a record-breaking heat wave in September 2022, the Governor’s Office of Emergency Services sent text messages to millions of Californians asking them to turn off their A/C and large appliances or risk rolling blackouts across the state. Luckily, residents did their part to prevent forced shutoffs, but as climate change worsens, this could become the new normal unless we take action.

The state needs more clean energy if it wants to meet its ambitious climate change goals and address increasing electricity demand. AB 1538 is needed to get more clean energy onto the grid at a faster pace.

#### **BACKGROUND**

In 2004, The California Public Utilities Commission (CPUC) adopted the resource adequacy (RA) program to ensure reliability of statewide electricity service. The RA program requires load serving entities (LSEs) – which include investor-owned utilities, energy service providers, and community choice aggregators – to have enough electricity on-hand to meet demand when and where the state grid operators need it.

Many gas-fired power plants have recently gone offline at a time when demand has increased due to climate change. As a stopgap measure, the CPUC has ordered short-term “emergency” procurement orders that force LSEs to buy capacity at any cost. LSEs that fall short of these targets must pay penalties.

Conversely, LSEs that can exceed these requirements are not given an incentive to do so, even though it would help relieve the statewide capacity shortage. While the state has invested in programs to maintain grid reliability, they have not applied the same approach to investing in LSEs that may have the ability to increase grid reliability.

#### **ISSUE**

The CPUC is in the process of setting new capacity requirements for LSEs that will remove the need for last-minute emergency orders. However, these new requirements would still only encourage LSEs to procure their minimum, at a time when we need more clean capacity as quickly as possible.

#### **SOLUTION**

Working with CPUC’s existing and upcoming clean capacity requirements, AB 1538 creates an incentive structure for LSEs who provide clean electric grid capacity ahead of schedule. LSEs would receive incentive payments for each eligible megawatt of electricity built in advance of its requirement. Eligible projects include battery storage, green hydrogen, and other zero-carbon resources.

AB 1538 would not change penalties incurred by LSEs who don’t meet CPUC’s guidelines but would add an incentive to the state’s enforcement toolkit. This added incentive would help the state bring clean energy sources online faster and meet its climate goals on schedule.

Finally, the anticipated increase in electricity supply as a result of this bill would lower electricity costs by more than the cost of the incentive. This would give ratepayers clean reliable electricity without exorbitant prices during high-demand weather.

#### **STAFF CONTACT**

Aaron Forburger, [Aaron.Forburger@asm.ca.gov](mailto:Aaron.Forburger@asm.ca.gov)

#### **SUPPORT**

Clean Power Alliance (Sponsor)