



Legislation Text

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Report to Mayor and City Council

Tuesday, April 04, 2023

Consent

SUBJECT:

CONSIDER TAKING A POSITION OF SUPPORT AND SENDING A CORRESPONDING LETTER REGARDING ASSEMBLY BILL 1538 TO CREATE A PROGRAM TO INCENTIVIZE GETTING CLEAN, ZERO-CARBON CAPACITY RESOURCES ONLINE TO DECREASE ELECTRICITY RATES AND INCREASE POWER GRID RELIABILITY (CITY COUNCIL)

I. SUMMARY

This item is on the agenda at the request of District 3 Councilmember Cedric Hicks and transmits a request from the Clean Power Alliance (the "CPA") for City Council to consider taking a position of support and sending a corresponding letter regarding Assembly Bill 1538. The proposed letter is included as Exhibit 1 and the related fact sheet is included as Exhibit 2.

Authored by Assemblymember Al Muratsuchi, AB 1538 would create a catalyst program to incentivize getting clean, zero-carbon capacity resources online to decrease electricity rates and increase grid reliability. Given the increasing cost of electrical capacity, and the impacts that it has on customers, a combination of key resources going offline, regulatory changes, and other issues have reduced system capacity to critical levels.

At the same time, demand continues to increase due to climate change, and will increase even further as the state pushes towards increasing vehicle and building electrification. Like the rest of the state, our community has seen electricity costs increase over the past several years, while the risks of rotating outages during the scorching summer months have increased. Without a steady and predictable influx of new clean resources in the market, prices will continue to go up, electricity bills will continue to rise, and grid emergencies or rotating outages will become more frequent.

II. RECOMMENDATION

TAKE a position of SUPPORT for Assembly Bill 1538 and DIRECT staff to transmit a

corresponding letter.

III. ALTERNATIVES

TAKE another action the City Council deems appropriate and that is consistent with applicable laws.

IV. BACKGROUND

As noted by the office of Assemblymember Muratsuchi, the California Public Utilities Commission (CPUC) adopted the resource adequacy (RA) program to ensure reliability of statewide electricity service in 2004. 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.

AB 1538 is a two-pronged solution. First, it would establish the Clean Energy Reliability Program to be administered by the CPUC. This program would provide incentive payments to LSEs that bring clean energy resources online, above their compliance requirements. This will help to get more capacity online, which will bring increased competition to the RA market and reduce RA prices. Together, the incentive payments paired with the reduced RA prices will help relieve near-term upward pressure on electricity rates. Increased capacity also means increased reliability, and fewer threats of outages.

Second, AB 1538 would work in conjunction with an open proceeding at the CPUC that is creating a long-term framework and target for new clean energy resources by 2035 to ensure there is enough capacity to meet reliability needs. This bill will send a signal to the CPUC to set a big, bold target that is a floor and not a ceiling, in order to create the necessary competition that will drive down prices in the RA market.

The bill author contends that steady, reliable incentives for LSEs to make the necessary capacity investments, in combination with long-term capacity targets set by the CPUC, will lead to electricity reliability, lower rates, and a smooth transition to a clean electric grid.

V. FISCAL IMPACT

There will be no fiscal impact. This item seeks approval of the letter only.

VI. EXHIBITS

1. Proposed Letter of Support for Assembly Bill 1538 (pgs. 4 - 5)
2. Fact Sheet (pg. 6)

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