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RN 18 16860 PAGE 1

An act to add Article 4.5 (commencing with Section 358) to Chapter 2.3 of Part 1 of Division 1 of the Public Utilities Code, relating to electricity.



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THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. (a) The Legislature finds and declares all of the following:

(1) The types of retail sellers, as well as the volume of retail electric load served by each type of retail seller, are changing dramatically and will continue to rapidly change in the next decade.

(2) Electrical corporations have historically supplied the majority of the electricity consumed by retail electric load in California. However, by the mid-2020s, over 85 percent of the retail electric load could be supplied by sources other than electrical corporations.

(3) (A) Community choice aggregators, direct access providers, and self-generation are likely to procure or provide most of California's electricity by mid-2020s.

(B) The electrical corporations are still required to provide as-needed electricity to customers served with electricity by other providers or by self-generation, as the providers of last resort in their respective service territories.

(C) The planning and cost responsibilities attendant to the role of provider of last resort have not been well defined in the context of projected load departure, but are important to maintain safety and ensure cost allocation that preserves customer indifference.

(4) Since 2001, the Public Utilities Commission has relied on its oversight, control, and regulation of electrical corporation procurement of electricity to achieve the state's ambitious environmental goals without sacrificing grid reliability.

(5) Continued state oversight and control of electricity procurement is critical to ensure that the state achieves its ambitious greenhouse gas emissions reduction goal of 40 percent below the 1990 level by 2030.

(6) Future state oversight and control of electricity procurement will need to encompass a wider set of providers and take into consideration the significantly reduced role of electrical corporations in electricity procurement.

(7) A state-level task force should be formed to determine all of the following:

(A) How electricity procurement currently performed by the electrical corporations can be performed by a state-level electricity procurement entity.

(B) A path for transferring electricity procurement from electrical corporations that choose to exit procurement to the state-level electricity procurement entity.

(C) A means of regulation suitable for all entities that provide electrical commodity service in the new environment that will ensure electrical grid reliability and achievement of the state's greenhouse gas emissions reduction goals.

(b) It is the intent of the Legislature to provide a mechanism for electrical corporations to opt to transition their electricity procurement to a state-level electricity procurement entity that will meet all electric procurement requirements for load no longer served by the electrical corporations and that will either serve as the provider of last resort to all customers in California or contract with a third party to serve as the provider of last resort.

(c) It is the intent of the Legislature to establish this state-level electricity procurement entity on or before January 1, 2023, and for the transition of electrical corporation procurement of electricity to this entity to begin no later than July 1, 2025.



SEC. 2. Article 4.5 (commencing with Section 358) is added to Chapter 2.3 of Part 1 of Division 1 of the Public Utilities Code, to read:

Article 4.5. State-Level Electricity Procurement

358. (a) (1) On or before March 1, 2019, the Energy Commission, working with the commission and the Independent System Operator, shall establish the Energy Procurement Task Force to study and make recommendations on all of the following:

(A) The establishment of a state-level electricity procurement entity.

(B) A framework for electrical corporations to transition their electricity procurement to the state-level electricity procurement entity.

(C) Regulation of electric commodity providers other than electrical corporations, such as community choice aggregator and direct service providers.

(2) The Energy Procurement Task Force shall permit electrical corporations, community choice aggregators, and direct access providers to fully participate in the development of the recommendations.

(b) The recommendations developed pursuant to subdivision (a) shall include all of the following:

(1) A framework for the establishment and operation of a state-level electricity procurement agency, including the governance and organizational structure of the entity.

(2) (A) A framework for an electrical corporation to transition its electricity procurement to the state-level electricity procurement entity, including a method of transitioning all existing energy procurement contracts from electrical corporations to the state-level electricity procurement entity with full cost recovery for the electrical corporations, consistent with, and subject to all protections afforded by, Section 454.5. Once the transition is complete, the electrical corporation shall have no further cost responsibility for electricity procurement contracts.

(B) If an electrical corporation elects to transition its electricity procurement to the state-level procurement entity, the state-level procurement entity shall be the provider of last resort in the service territory of that electrical corporation, unless the state-level procurement entity chooses to auction this service to a third party. This subparagraph does not affect the obligation or responsibility of the electrical corporation to provide electric distribution services in its service territory.

(C) If an electrical corporation elects to transition its electricity procurement to the state-level procurement entity, the state-level procurement entity shall be responsible for compliance with procurement requirements of that electrical corporation, including, but not limited to, the California Renewables Portfolio Standards Program (Article 16 (commencing with Section 399.11) of Chapter 2.3 of Part 1), and Sections 380, 454.51, and 454.52.

(3) Proposed provisions for regulating community choice aggregators, direct access providers, and self generators to encourage customer choice while ensuring electrical grid reliability and attainment of the state's greenhouse gas reduction goals.

(c) By January 1, 2020, the Energy Procurement Task Force shall submit to the appropriate policy and fiscal committees of the Legislature the recommendations set forth in subdivision (b) and proposed statutory changes to implement those recommendations.



(d) Notwithstanding any other law, each electrical corporation shall be exclusively responsible for planning, making necessary investments in, and operating the electric distribution grid in its service territory, including, but not limited to, owning, controlling, managing, maintaining, engineering, designing, and constructing the electric distribution grid, or, at the electrical corporation's option, to contract for these grid services from a third party. A distributed energy resource that provides distribution grid operations or services on the utility side of the meter is a part of the electric distribution grid for these purposes.

(e) The commission shall ensure that electrical corporations are fully compensated for utility-owned generation including, but not limited to, the recovery of operating and maintenance costs, the depreciation and amortization of remaining book value, the utilities' authorized rate of return, and applicable taxes. These costs shall be fully allocated to departing load customers on a nonbypassable basis. For purposes of this paragraph, book value includes plant in service, construction work in progress, and inventories.



LEGISLATIVE COUNSEL'S DIGEST

Bill No.
as introduced, _____.
General Subject: Energy Procurement Task Force.

Under existing law, the Public Utilities Commission (PUC) has regulatory authority over public utilities, including electrical corporations, while local publicly owned electric utilities, as defined, are under the direction of their governing boards. Existing law requires the PUC to administer various laws regarding the procurement of electricity by load-serving entities, including electrical corporations.

This bill would require the State Energy Resources Conservation and Development Commission, working with the PUC and the Independent System Operator, by March 1, 2019, to establish the Energy Procurement Task Force to study and make recommendations on (1) the establishment of a state-level electricity procurement entity, (2) a framework for electrical corporations to transition their electricity procurement to the state-level electricity procurement entity, and (3) the regulation of other electric commodity providers, such as community choice aggregator and direct service providers. The bill would require the task force, by January 1, 2020, to submit to the appropriate policy and fiscal committees of the Legislature its recommendations and proposed statutory changes to implement those recommendations. The bill would state an intent of the Legislature to establish the state-level electricity procurement entity by January 1, 2023, and for the transition of electrical corporation procurement of electricity to this entity to begin by July 1, 2025.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

