ENVIRONMENTAL QUALITY POLICY COMMITTEE
Friday, June 13, 2025
9:30 a.m. - 12:30 p.m.

Register for this meeting:
https://us06web.zoom.us/meeting/register/hIPBiREtR-6vvx0HIpVOHA
Immediately after registering, you will receive a link and confirmation email to join the meeting.

AGENDA

I. Welcome and Introductions
Speakers: Chair, Max Perrey, Vice Mayor, Mill Valley
Lynne Kennedy, Cal Cities President, Rancho Cucamonga
Carolyn Coleman, Cal Cities CEO and Executive Director

II. Public Comment

III. General Briefing *Informational*

IV. Climate Forward Cities Research Presentation *Informational*
By UC Davis Graduate Students

V. Cap-and-Trade Program Reauthorization *Informational*
a) Legislative Analyst's Office Program Overview Presentation
b) Cal Cities Update on Climate Safe Infrastructure Coalition

VI. Bill Analyses *Action*
a) AB 443 (Bennett): Energy Commission: integrated energy policy report: curtailed solar and wind generation: hydrogen production (Attachment A)
b) SB 540 (Becker): Independent System Operator: independent regional organization: California Renewables Portfolio Standard Program (Attachment B)

VII. Legislative Update & Regulatory Activities *Informational*

VIII. Adjourn

Next Virtual Meeting: Staff will notify committee members by **August 18** if the policy committee will meet in October. If you have any questions, please contact Meg Desmond, Cal Cities Associate Manager, Legislative Administration.

Brown Act Reminder: The League of California Cities' Board of Directors has a policy of complying with the spirit of open meeting laws. Generally, off-agenda items may be taken up only if:
1) Two-thirds of the policy committee members find a need for immediate action exists and the need to take action came to the attention of the policy committee after the agenda was prepared (Note: If fewer than two-thirds of policy committee members are present, taking up an off-agenda item requires a unanimous vote); or
2) A majority of the policy committee finds an emergency (for example: work stoppage or disaster) exists.
A majority of a city council may not, consistent with the Brown Act, discuss specific substantive issues among themselves at League meetings. Any such discussion is subject to the Brown Act and must occur in a meeting that complies with its requirements.

ATTACHMENT A

ENVIRONMENTAL QUALITY POLICY COMMITTEE
Legislative Agenda

Staff: Melissa Sparks-Kranz, Legislative Affairs Lobbyist
Zack Cefalu, Legislative Affairs and Policy Analyst

1. **AB 443 (Bennett) Energy Commission: Integrated Energy Policy Report: Curtailed Solar and Wind Generation: Hydrogen Production.**

Bill Summary:
This measure would require the California Energy Commission (Commission) to assess the potential for using curtailed solar and wind generation to produce hydrogen.

Bill Description:
AB 443 (Bennett) requires the Commission as a part of their 2027 Integrated Energy Policy Report, to include an assessment of potential use for curtailed solar and wind generation to produce hydrogen.

Specifically, the measure would require the Commission to estimate both monthly and annually the solar and wind generation curtailment. The measure would also task the Commission with identifying the regions of the state where curtailment is occurring, assign whether that curtailment is due to excess generation or lack of transmission capacity, and provide estimates of how much hydrogen could feasibly and reliably be produced from the curtailed solar and wind energy. The Commission would have to identify the necessary regulatory and policy actions to optimize the use of energy from curtailed solar and wind generation for hydrogen production.

Background:
The Commission, formally known as the Energy Resources Conservation and Development Commission, was created in 1975 in response to the energy crisis of the early 1970's. The Commission is a division of the California Natural Resources Agency. The Commission's core responsibilities include advancing state energy policy, achieving energy efficiency, investing in energy innovation, developing renewable energy, transforming transportation, overseeing energy infrastructure, and preparing for energy emergencies. The commission's research and programs remain critical to the state's plans of achieving 100% clean energy and carbon neutrality.

The Commission's role has expanded, particularly in the last several decades, to helping ensure California's energy infrastructure can meet the needs of the population by analyzing trends in energy consumption, establishing energy efficiency standards, working towards a clean energy future, and planning and development of energy resources. SB 1389 (Bowen, 2002) required the Commission to prepare a biennial integrated energy report that contains an integrated assessment of major energy trends and issues facing California's electricity, natural gas, and transportation fuel sectors. The report provides policy recommendations to conserves resources, protect the environment, ensure reliable and diverse energy supplies, enhance the state's economy, and protect public health and safety.

Grid operators must balance the supply of power being produced with the amount demand for power needed to run homes and businesses to prevent the grid from overloading. During the spring and summer during times of peak sunlight or wind, some solar and wind generation facilities sometimes generate more electricity than is needed to meet their demand. The California Independent System Operator (CAISO) market automatically reduces, or curtails, the excess generation to match the current demand. This excess energy that has no place to be stored or transported is essentially wasted. Curtailment is the deliberate reduction in generation output below what would have been produced, either through direct orders to reduce output or negative market pricing.

Over the last decade curtailment has become increasingly more common in both solar and wind generation. The production of green hydrogen that has been generated by a zero-carbon energy can be used in a zero-emission application to replace other harmful sources of energy, such as fossil fuels, to have positive impacts on air quality and reduced GHG emissions.

The Commission completed a study required by SB 1075 (Skinner) in 2023 that analyzed the cost and amount of renewable electricity needed to produce hydrogen via electrolysis (electrolyzing water), including scenarios where excess generation could be available.

Existing Cal Cities Policy:
Cal Cities does not have existing policy regarding curtailment of renewable energy or its reallocation for the production of green hydrogen.

Fiscal Impact:
The Assembly Appropriations Committee notes that the bill creates significant new and recurring work for the Commission to periodically assess the potential for using curtailed solar and wind generation to produce hydrogen. The Commission notes it does not have in-house expertise capable of conducting the assessment and would need to contract outside consultants to complete the work costing approximately $500,000 for the first assessment from the Energy Resources Programs Account, which faces an ongoing deficit.

Staff Comments:
With the Legislature's recent focus on energy and utilities related topics, this bill would task the Commission with identifying pathways for the potential use of excess solar and wind energy production to be used to generate green hydrogen. As California progress in achieving its net-zero goal by 2045 the use of renewable energy production of hydrogen could further advance California's progress.

Support:
Invenergy
Marin Clean Energy
Air Products and Chemicals Inc.
Independent Energy Producers

Opposition:
None Registered

Staff Recommendation:
Staff recommends the committee discuss AB 443 and make a recommendation to the Board.

Committee Recommendation:

LEAGUE OF CALIFORNIA CITIES

ATTACHMENT B

ENVIRONMENTAL QUALITY POLICY COMMITTEE
Legislative Agenda

Staff: Melissa Sparks-Kranz, Legislative Affairs Lobbyist
Zack Cefalu, Legislative Affairs and Policy Analyst

1. **SB 540 (Becker) Independent System Operator: independent regional organization: California Renewables Portfolio Standard Program.**

Bill Summary:
This bill would authorize the California Independent System Operator (CAISO) and the electrical corporations whose transmission is operated by the CAISO to use voluntary energy markets and would propose a new independent regional organization (RO) to govern those markets, so as to engage with other Western states to improve energy reliability and reduce costs.

Bill Description:
This bill would:

- Authorize the CAISO and the electrical corporations that are participating transmission owners whose transmission systems are operated by the CAISO to use voluntary energy markets governed by an independent RO.
- Authorize the CAISO, on or after January 1, 2028, to implement tariff modifications accepted by the Federal Energy Regulatory Commission (FERC) to operate the energy markets whose rules are governed by an independent RO if the governing board of the CAISO adopts a resolution finding that specific requirements will be adopted by the independent RO.
- Require the CAISO to maintain the necessary technical capability to operate energy markets in a manner that enables California electrical corporations, local electric publicly owned utilities (POUs), and other applicable market participants to withdraw from the markets governed by the independent RO.
- Require the CAISO to continue its functions and responsibilities as a balancing authority and maintain compliance with applicable reliability standards as enforced by the North American Electric Reliability Corporations, Western Electricity Coordinating Council, or FERC.
- Establish the Regional Energy Market Oversight Council (REMOC), five-member Council composed of the President of the CPUC, Chair of the CEC, Attorney General, and the Chairs of the energy policy committees for the Senate and Assembly. The REMOC would be responsible for ensuring that participation in the regional energy markets serves the interests of the state. The bill would require the REMOC to approve or disapprove initial participation in the independent RO by electrical corporations and any other participating LSEs and determine whether participating entities should be required to withdraw from an energy market governed by the independent RO.

- Provide that the independent RO is not a California balancing authority, and its geographic footprint is not a balancing authority area for purposes of the renewable portfolio standard (RPS).
- Require the eligibility of products to satisfy the portfolio content requirements of the RPS and the CEC to require oversight of the resources secured and the transmission necessary to deliver its output to a California balancing authority without substituting electricity from another source.
- Delete provisions providing for the transformation of the Independent System Operators (ISO) into a RO for regional transmission electricity markets.
- Delete requirements of the Power Exchange to provide an efficient competitive auction.

Background: As background, California's RPS requires all retail sellers to procure a minimum quantity of electricity products from eligible renewable energy resources. The RPS currently calls for 52% of total retail electricity sales in California to be met from eligible renewables by December 31, 2027, and 60% by December 31, 2030.

The California ISO manages the flow of electricity across high-voltage, long-distance power lines that delivers wholesale electricity to utilities for distribution to consumers. The Legislature has made several attempts to regionalize the transmission operations authority of the CAISO, including making the governance independent from California authority. In July 2023, a group of regulators from California, Arizona, New Mexico, Oregon, and Washington called for a viable path to electricity market inclusive of all Western states with independent governance. The regulators expressed a common commitment in seeking the benefits of an expanded regional energy market and encouraged stakeholders to participate in the effort and shape the approach.

In the last year and half, a stakeholder driven process has culminated in broad support among diverse parties – including environmental, labor, local electric POUs, community choice aggregators, and others – for what is referred to as the West-Wide Governance Pathways Initiative (Pathways Initiative). The Pathways Initiative is an effort led by a group of stakeholders from the eleven Western states in the Western Interconnection (Arizona, California, Colorado, Idaho, Montana, New Mexico, Nevada, Oregon, Utah, Washington, and Wyoming) with the goal of creating a new entity with independent governance capable of offering an expansive suite of West-Wide, voluntary wholesale electricity market functions across the largest possible footprint. Unlike previous attempts which sought to authorize the expansion of the main electric grid, and all the functions operated by the CAISO (including making its governance independent of California authority) as a regional transmission operations authority, the Pathways Initiative has proposed an expansion and independence of the energy market functions of the CAISO, preserving the other functions (including transmission, reliability, balancing authority, etc.). Specifically, the Pathways Initiative has proposed the development of a new independent RO to oversee the energy markets functions of the CAISO.

Existing Cal Cities Policy:
While Cal Cities has existing policy on energy and utilities topics (see below), we do not have policy related to the bill provisions of SB 540 regarding a regional energy market.

Energy and Utilities:
Cal Cities is neutral on legislation requiring municipal electric utilities to include a "renewable portfolio standard" (RPS) in their mix of sources of electricity, as long as the requirement is the same as that which applies to investor-owned utilities.

Community Choice Aggregation:
Cal Cities supports cities' exercise of the right to form or join existing Community Choice Aggregation (CCA) entities, as an effective method of increasing local control over power supply. Accordingly, Cal Cities supports legislation and regulatory policies that support CCA autonomy in policymaking and decision-making, and opposes legislation and regulatory policies that unfairly disadvantage CCAs or CCA customers, or reduce or undermine local decision-making autonomy by the CCA or its governing board. Cal Cities supports continuing development of local renewable energy resources and supply, including the protection of local autonomy to administer energy efficiency and install and utilize integrated distributed energy resources.

Municipal Utilities:
The autonomy of municipal utilities should not be eroded. Cal Cities will oppose any legislation that harms municipal utilities.

Fiscal Impact:
According to the Senate Appropriations Committee Analysis, the fiscal analysis is somewhat unknown based on how the market is operated, but the following was provided to the Senate:

- To the extent that this bill impacts electricity rates, it could result in unknown but potentially significant costs or savings to the state as an electric utility ratepayer. The State of California itself is an electricity customer, purchasing roughly one percent of the state's electricity. As such, the state incurs costs when rates increase and realizes cost savings if rates go down.

Staff Comments:
As articulated by the author, his statement for the need for this bill is as follows:

"As we move toward achieving California's 100% clean energy goals, we must look at all possible solutions to improve reliability, reduce costs, and cut emissions in California. Pathways Initiative strikes that balance by unlocking the benefits of a regional energy market while safeguarding California's critical public policy priorities. It offers a win-win scenario for California—achieving cleaner energy, more reliable power, and real savings for ratepayers."

This bill is intended to reflect the Pathways Initiative by authorizing the CAISO, and the electrical corporations for whom the CAISO operates transmission, to use voluntary energy markets governed by an independent RO. The authorization would support the expansion of the energy markets across the West by attracting more participation from other states who are currently reluctant to join in markets governed by a CAISO governing board appointed by the California Governor and confirmed the by the Senate. With the changing energy landscape and need for a larger footprint to provide market efficiencies and electric grid optimization, the bill aligns generally with the need to improve grid reliability to support clean energy advancements.

This bill would require the CAISO to ensure the independent RO satisfies a number of requirements as a condition of California participating in the independent RO, including: the governing board maintains a public policy governing board committee that engages with states, maintains relationships and seek input from a body of state regulators, maintain an office of public participation, maintains access to independent market analysis, market data is available to the CPUC (subject to reasonable confidentiality), market rules continue to provide GHG emissions information and protocols, and provides a procedure for unilateral withdrawal by any participant. These guardrails are intended to make clear the protections for Californians.

California cities are dependent on IOUs, locally publicly owned utilities, and CCAs to ensure cities and their residents can procure and distribute the energy they need to meet their grid demands. The Pathway Initiative is one proposal to expand the energy market to attempt to increase flexibility of grid management.

This is a complex bill proposal, and there are many parties in support and opposition. As stated in the Senate analyses:

Arguments in Support state: *SB 540 represents a significant step toward modernizing California's energy infrastructure and enhancing collaboration across state lines to achieve a more resilient and sustainable energy future. By improving grid reliability, reducing electricity costs for Californians, and making significant strides toward our decarbonization goals, this legislation promises substantial benefits for all Californians.*

Arguments in Opposition state: *Despite the incremental nature of this new approach, TURN remains concerned that SB 540 currently contains insufficient safeguards to protect California consumers if the RO adopts market rules that frustrate key state environmental, resource planning, reliability or other public interest policies. These adverse outcomes have become more likely given recent announcements by the Trump administration indicating an intention to prioritize coal-fired generation, devalue clean energy resources, and challenge the legitimacy of state climate policies.*

Support (verified June 4, 2025):
California State Association of Electrical Workers
Coalition of California Utility Employees
Environmental Defense Fund
Natural Resources Defense Council
350 Humboldt
350 Sacramento
Advanced Energy United
Akamai Technologies
AWS Americas (Amazon)

American Clean Power- California
California & Nevada State Association of Electrical Workers
California Chamber of Commerce
California Community Choice Association
California Environmental Voters
California Large Energy Consumers Association
California Manufacturers & Technology Association
California State Pipe Trades Council
Ceres
City of Glendale Water & Power
Clean Energy Buyers Association
Clean Power Alliance
Clean Power Campaign
Climate Action California
Climate Hawks Vote
Data Center Coalition
E2 - Environmental Entrepreneurs
EDF Renewables
EDF Renewables-Western Region
Elevate California
Enel North America
Engie North America
Glendale Water and Power
Google
Independent Energy Producers Association
Lassen Municipal Utility District
Leap
Marin Clean Energy
Microsoft Corporation
Mitsubishi Cement Corporation
Modesto Irrigation District
Offshore Wind California
Orange County Power Authority
Pacific Gas and Electric Company
Pacific Power
Pacific Steel Group
Pattern Energy
Peninsula Clean Energy
Pioneer Community Energy
Renew Home
Rivian
Sacramento Municipal Utility District
San Diego Community Power
San Diego Gas and Electric Company
Sierra Nevada Brewing Company
Silicon Valley Clean Energy
Silicon Valley Leadership Group
Solar Energy Industries Association
Southern California Edison
TechNet
The Climate Reality Project - Silicon Valley Chapter
The Nature Conservancy
Union of Concerned Scientists
Western Freedom Energy Action
Western Power Trading Forum
Western Resource Advocates
Western States SMART Council

Opposition (verified June 4, 2025):
350s: Bay Area, Conejo/San Fernando Valley, Contra Costa Action, Long Beach, San Diego,SoCal, South Bay LA, Southland Legislative Alliance, and Ventura County Climate Hub
Balancing Authority of Northern California
Ballona Wetlands Institute
Ban Sup (Single Use Plastic)
Cal Poly Initiative for Climate Leadership and Resilience
California Alliance for Community Energy
California Climate Voters
California Environmental Justice Alliance
California Farm Bureau
California Municipal Utilities Association
California Solar & Storage Association
California State Counsel of Laborers
Californians for Energy Choice
Californians for Green Nuclear Power, Inc.
Center for Biological Diversity
Change Begins With Me
Chino Valley Democratic Club
Clean Coalition
CleanEarth4Kids.org
Coastal Lands Action Network

Community for a Better Environment
Consumer Watchdog
Contra Costa Moveon
Defend Ballona Wetlands
Democrats for Neighborhood Action
District Council of Iron Workers
El Dorado Progressives
Electric Vehicle Association, CA Central Coast Chapter
Environmental Working Group
EPAA Environmental and Political Action Group
Extinction Rebellion SF Bay Area
Feminists in Action Los Angeles
Food and Water Watch
Fresnans Against Fracking
Glendale Environmental Coalition
Green Party of California
Haight Ashbury Neighborhood Council
Hammond Climate Solutions
Hang Out Do Good
Indivisibles: 36, 41, CA-14,CA-25 Simi Valley Porter Ranch, CA-43, CA-45, Alta Pasadena, Auburn CA, Beach Cities, California Green Team, Claremont/Inland Valley, Cloverdale, Colusa County, East Bay, East Valley, El Dorado Hills, Elmwood, Euclid, Fremont, Hillcrest, Indian Valley, Lakewood, Livermore, Los Angeles, Manteca, Marin, Media City Burbank, Mendocino, Mid-Peninsula, Monterey, Normal Heights, OC 46, OC 48, Of the Desert, Orchard City, Palo Alto Plus, Petaluma, Redlands, Resisters Walnut Creek, Ross Valley, Sacramento, San Diego Central, San Jose, San Pedro, Santa Barbara, Santa Cruz County, Sausalito, Sebastopol, San Francisco, San Francisco Peninsula, SFV, Sonoma County, South Bay LA, Stanislaus, Stockton, The Resistance Northridge, Tracy, Tri-Valley, TWW - Los Gatos, Ventura, West Side LA, Yalla, and Yolo
International Brotherhood of Boilermakers
Local Clean Energy Alliance
Long Beach Alliance for Clean Energy
Long Beach Environmental Alliance
Mill Valley Community Action Network
Napa Climate Now
Northern California Power Agency
Our City San Francisco
Our Revolution Long Beach
Progressive Democrats of America
Progressive Democrats of California
Progressive Democrats of Santa Monica Mountains
Queers 4 Climate
Reclaim Our Power Utility Justice Campaign
Reclaim Our Power!
Récolte Energy
Rooted in Resistance
San Joaquin Valley Democratic Club
Santa Cruz Climate Action Network
Santa Cruz for Bernie
Santa Monica Democratic Club
Sequoia Forestkeeper
SLO Climate Coalition
SoCal Americans for Democratic Action
Southern California Public Power Authority
Sunflower Alliance
Sustainable Rossmoor
Sustainable Systems Research Foundation
The Clean Coalition
The Climate Alliance of Santa Cruz County
The Protect Our Communities Foundation
The Utility Reform Network
Together We Will-Contra Costa
Urban Ecology Project
Valley Women's Club of San Lorenzo Valley
Venice Resistance
Women's Energy Matters
Women's Alliance Los Angeles
Four Individuals

Staff Recommendation:
Staff recommends the committee discuss SB 540 and make a recommendation to the Board.

Committee Recommendation: