

Date of Hearing: April 3, 2024

ASSEMBLY COMMITTEE ON UTILITIES AND ENERGY

Cottie Petrie-Norris, Chair

AB 2292 (Petrie-Norris) – As Introduced February 12, 2024

**SUBJECT:** Electrical transmission facilities: certificates of public convenience and necessity

**SUMMARY:** Repeals the requirement that the California Public Utilities Commission (CPUC) should consider alternatives to prospective transmission projects before issuing an approval.

**EXISTING LAW:**

- 1) Requires the CPUC to consider in its Certificate of Public Convenience and Necessity (CPCN) review cost-effective alternatives to a transmission facility, including targeted energy efficiency, ultraclean distributed generation, and other demand reduction resources. (Public Utilities Code § 1002.3)
- 2) Establishes as the policy of the state that eligible renewable energy resources and zero-carbon resources supply 100% of all retail sales of electricity to California end-use customers by December 31, 2045 and 100% of electricity procured to serve all state agencies by December 31, 2035. (Public Utilities Code § 454.53)
- 3) Requires the CPUC to consider in its procurement plan eligible renewable energy resources that are cost-effective, reliable, and feasible. (Public Utilities Code § 454.5)
- 4) Establishes the California Independent System Operator (CAISO) as a nonprofit public benefit corporation and requires the CAISO to ensure efficient use and reliable operation of the electrical transmission grid consistent with achieving planning and operating reserve criteria. (Public Utilities Code § 345.5)

**FISCAL EFFECT:** Unknown. This bill is keyed fiscal and will be referred to the Committee on Appropriations for its review.

**BACKGROUND:**

*California's climate goals* – SB 100 (de León, Chapter 312, Statutes of 2018) established the state policy that renewable and zero-carbon resources supply 100% of retail sales and electricity procured to serve all state agencies by 2045 (the 100% Clean Energy Policy).<sup>1</sup> This policy was updated under SB 1020 (Laird, Chapter 361, Statutes of 2022) which accelerated the requirement on state agencies to 100% by 2035, and established interim targets to meet the sector-wide 100% goal. These ambitious targets establish the planning goal that informs all subsequent electricity procurement and transmission planning.

*Transmission Planning* – Transmission lines carry electric energy from one point to another in an electric power system. As the transmission system is the connecting point between generation resources (supply) and consumers (demand), planning for transmission construction – both new and upgrading old – requires an understanding of both future generation resource needs (capacity

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<sup>1</sup> Public Utilities Code § 454.53

and location) and consumer demand changes. Therefore, transmission planning requires a robust planning process that considers all aspects of electricity supply and demand.

California has a complicated but robust electric planning and procurement regime spread across CARB, the CPUC, the CEC, and the CAISO. Much of this regime focuses on resource procurement needed to meet our clean energy goals, however the direct downstream effect of the procurement planning is planning for the transmission needed to accommodate the new generation. The main elements of the regime are the Scoping Plan at CARB, the Integrated Energy Policy Report (IEPR) at the CEC, the Integrated Resource Plans (IRP) and Resource Adequacy (RA) process at the CPUC, and finally the Transmission Planning Process (TPP) at the CAISO.

Briefly:

- The Scoping Plan establishes a target range for the electricity sector’s greenhouse gas (GHG) emission reductions;<sup>2</sup>
- The IEPR, among other considerations and actions, provides a demand forecast to anticipate statewide load in the next decade or longer;
- The IRP forecasts system generation resource needs to meet the customer demand forecast by the IEPR 10 years in the future;
- The RA identifies resources needed to meet customer demand and ensure reliability today; and
- The TPP identifies the transmission needs to interconnect and balance the system supply provided by the IRP with the customer demand provided by the IEPR.

The TPP relies on the CPUC’s IRP planning targets. CAISO receives the IRP results as inputs into its TPP. The CAISO also considers recommendations from the CEC’s IEPR. The plan is updated annually, and culminates in a CAISO Board of Governors approved transmission plan that identifies the needed transmission solutions and authorizes cost recovery through CAISO transmission rates, subject to federal regulatory approval.

*Transmission permitting* – Following the CAISO Board’s approval of a TPP, new projects that are identified as necessary go through a competitive solicitation process. Transmission developers – which may be POU, IOU, or private, for-profit entities – apply for the project solicitation and those applications are evaluated on a number of qualifying criteria, including cost. Most recently, the CAISO approved its 2022-2023 TPP on May 18, 2023,<sup>3</sup> and identified 45 projects – at an estimated \$7.3 billion – needed for reliability and to meet state policy goals; three of these projects are eligible for competitive solicitation.<sup>4</sup>

Once a transmission developer’s project proposal is selected in the competitive solicitation, it undergoes two application processes at the CPUC: a California Environmental Quality Act (CEQA) review and a Certificate of Public Convenience and Necessity (CPCN) review. The CEQA review requires the examination of particular environmental issues such as water, air

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<sup>2</sup> Public Utilities Code § 454.52(a)(1)(A)

<sup>3</sup> CAISO; “CAISO 2022-2023 Transmission Plan approved: More proactive approach recommends 45 projects; Interconnection queue improvements also advanced”; May 2023.

<sup>4</sup> Notice from August 3, 2023, CAISO; “2022-2023 Transmission Planning Process: Competitive solicitation project specification revisions posted”; <http://www.caiso.com/Documents/2022-2023-transmission-planning-process-competitive-solicitation-revisions-posted.html>

quality, noise, and land uses, among others. As part of the CEQA review, alternatives to the proposed transmission project must be evaluated. The CPCN review considers the need for the project based on economic, reliability, and/or renewable goals. The CPCN review also requires the examination of alternatives, with a focus on cost-reduction. CAISO is often a party to these CPCN proceedings at the CPUC, making the case for why a particular transmission project is necessary, per their TPP.

Typically, only extremely large projects with significant or new rights of way are subject to CPUC permit and environmental view. The vast majority of transmission upgrades are exempt from project permitting at the CPUC. However, as California's electric grid rapidly evolves to accommodate new and distributed clean energy resources to meet energy and climate goals and reliability needs, it is becoming increasingly clear that current processes are not sufficient to efficiently review the number of new transmission projects in the state's pipeline.

*Permitting reforms* – In 2023, the Legislature passed a package of permitting and environmental review reforms, with the goal of facilitating the development of projects that support California's energy and climate change goals. The package included streamlining the judicial review of clean energy projects that are challenged under CEQA.<sup>5</sup> Simultaneously, the Governor released Executive Order N-8-23, directing the creation of an Infrastructure Strike Team, made up of the heads of various government agencies to identify projects on which to focus streamlining efforts.

#### COMMENTS:

- 1) *Author's statement.* According to the author, "California needs extensive transmission infrastructure to meet its clean energy goals. AB 2292 seeks to expedite permitting timelines by removing the requirement that the California Public Utilities Commission should consider alternatives to prospective transmission projects before issuing an approval. Repealing this requirement will remove a duplicative process that currently slows down transmission developments in the state."
- 2) *Infrastructure development collides with affordability concerns.* According to a May 2023 study by Kevala, Inc. released by the CPUC, "up to \$50 billion...in investments are needed by 2035" for distribution grid upgrades.<sup>6</sup> As mentioned above, the May 2023 CAISO transmission plan estimated the need for approximately \$7.3 billion in new investments over that same period for transmission infrastructure. Stretch the estimates to 2045, and the transmission costs alone are thought to be over \$30 billion.<sup>7</sup> In February 2024, the CPUC adopted its preferred portfolio of generation resources needed to meet our decarbonization goals in 2035.<sup>8</sup> The decision adopted over 56 gigawatts of new resources, the costs of which are dependent on future supply chain and market constraints. These distribution, transmission, and generation costs sum into the tens of billions of dollars. However, these costs are in addition to costs for wildfire or other emergency response and mitigation efforts the utilities have been expensing over the last

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<sup>5</sup> SB 149 (Caballero, Becker, R.Rivas; Chapter 60, Statutes of 2023)

<sup>6</sup> Kevala; "Electrification Impacts Study Part 1: Bottom-Up Load Forecasting and System-Level Electrification Impacts Cost Estimates"; May 2023.

<sup>7</sup> CAISO; 2022 *20-Year Transmission Outlook*; May 2022.

<sup>8</sup> D. 24-02-047, R. 20-05-003, CPUC; *Decision Adopting 2023 Preferred System Plan and Related Matters, and Addressing Two Petitions for Modification*; February 2024.

few years, which are only beginning to be absorbed into rates, as evidenced by PG&E's recent increases.<sup>9</sup>

- 3) *Duplication leading to delays.* In the TPP, CAISO identifies potential system limitations as well as transmission projects in need of upgrades or new infrastructure in need of construction to improve reliability and efficiency. Specifically, CAISO evaluates the need for new transmission capacity from economic, reliability, and policy lenses, with economic need historically driving transmission selection. As evidenced by some of the solutions identified in previous TPPs, CAISO does consider “non-wires” alternatives, or any electrical grid investment that can defer or remove the need to construct or upgrade components of a distribution and/or transmission system. For example, the 2021-2022 TPP allocated 9,368 megawatts of battery storage in transmission zones.

In the CPCN review of any construction designated by the TPP, the CPUC – according to SB 1037 (Kehoe, Chapter 366, Statutes of 2005) – must consider cost-effective non-wires alternatives to that project. Since the CAISO presumably already considers non-wires alternatives in their TPP, the CPUC's statutory mandate to also consider non-wires during the CPCN review seems duplicative. Moreover, this duplication may have the effect of rendering the CAISO analysis moot; i.e. in circumstances where the CAISO's TPP finds a need for a transmission project, but the CPUC's CPCN reconsiders non-wire alternatives and selects a different outcome.

Writing in opposition to this measure, the Farm Bureau questions the characterization that the CAISO TPP and CPUC CPCN processes are duplicative with regard to considering project alternatives. They note that the CAISO process “can be opaque and is rarely used by stakeholders.” They further note that without realistic and robust consideration of transmission alternatives, cost overruns could abound. However, CAISO's TPP regularly uses workshops and calls for public comment to engage with energy and non-energy industry stakeholders.<sup>10</sup> Moreover, this bill only repeals one statutorily-proscribed review requirement in the CPUC's CPCN review for a transmission project; the underlying CPCN licensing authority and CEQA review are preserved at the CPUC.

- 4) *Related legislation.*

AB 2779 (Petrie-Norris) would require the CAISO, upon approval of each transmission plan, to report to the CPUC and the Legislature any new use of grid-enhancing technology in the plan and the associated cost or efficiency savings of that deployment. Status: *pending hearing* in the Assembly Committee on Utilities and Energy.

AB 3246 (Garcia) would provide a streamlined CPUC review of investor-owned utilities' advanced reconductoring projects on existing transmission facilities. Status: *pending hearing* in the Assembly Committee on Utilities and Energy.

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<sup>9</sup> D. 23-11-069, A. 21-06-021, CPUC; *Decision on Test Year 2023 GRC for PG&E*; November 2023.

<sup>10</sup> CAISO; “2022-2023 Transmission planning process: Comments on draft transmission plan”; <https://stakeholdercenter.caiso.com/Comments/AllComments/3b5eb926-9bce-4c7f-806c-9ae156a4f9f3>.

SB 1006 (Padilla) would require specified utilities to jointly prepare a grid-enhancing technology strategic plan, and to evaluate which existing circuits may be reconducted cost-effectively, among other changes. Status: *pending hearing* in the Senate Committee on Energy, Utilities, and Communications.

5) *Prior legislation.*

SB 1020 (Laird) accelerated the 100% Clean Energy Policy to require electricity procured to serve all state agencies be 100% clean energy by 2035, and established interim targets to meet the sector-wide 100% goal. Status: Chapter 361, Statutes of 2022.

SB 100 (de León) established the state policy that renewable and zero-carbon resources supply 100% of retail sales and electricity procured to serve all state agencies by 2045. Status: Chapter 312, Statutes of 2018.

SB 350 (Kehoe) established a “non-wires” consideration in transmission project approvals at the CPUC. Status: Chapter 366, Statutes of 2005).

**REGISTERED SUPPORT / OPPOSITION:**

**Support**

American Clean Power Association  
California State Association of Electrical Workers  
Clean Air Task Force  
Coalition of California Utility Employees  
Edison International and Affiliates, Including Southern California Edison  
Environmental Defense Fund  
Northern California Power Agency  
San Diego Gas and Electric Company

**Opposition**

California Farm Bureau Federation

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