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VCE Community Advisory Committee Meeting - March 27, 2025

Item 6: SB 540 (Becker) Regional Organization. CAC Briefing.



Public Comments

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- E-mail 300 words or less to: meetings@valleycleanenergy.org

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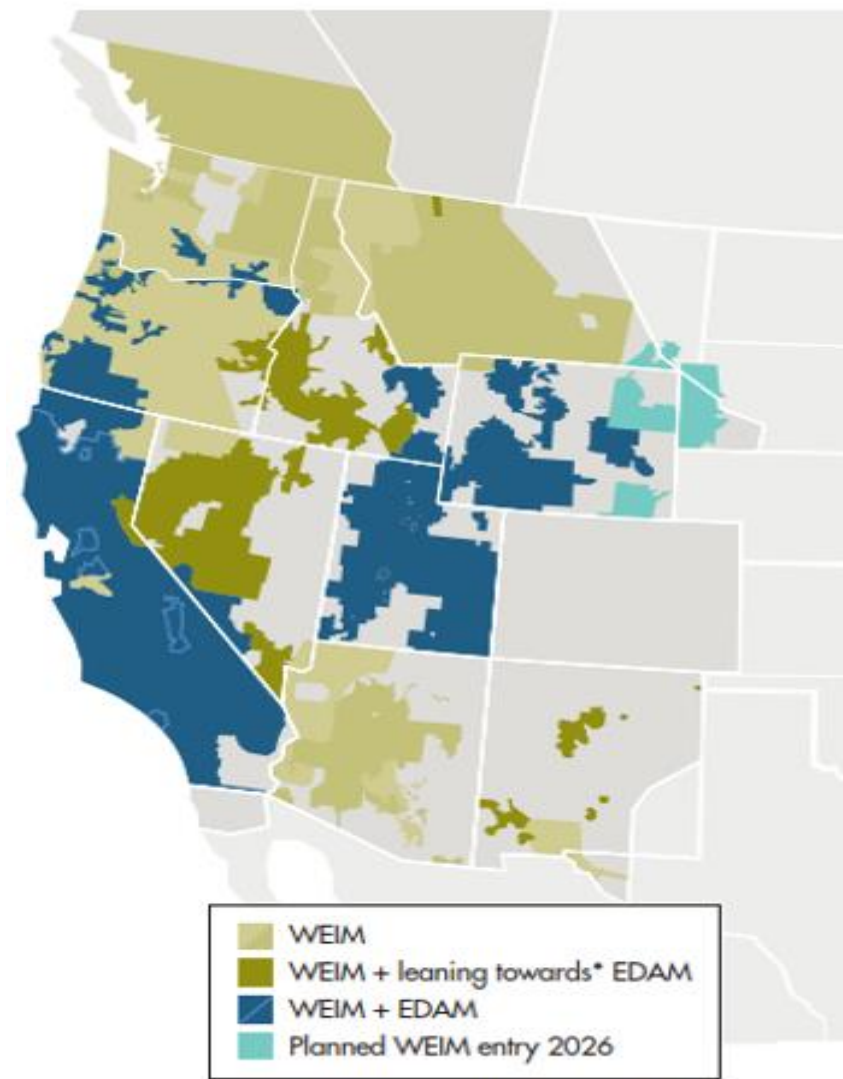
Overview

- Introduction to Western Energy Markets
- Pathways Initiative Background
- Pathways/SB 540 Structure and Key Elements
- Supporter/Opponent Key Points
- Next Steps/Discussion

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Western Markets

- Western Energy Imbalance Market (WEIM) - CAISO currently operates a real time a wholesale market for energy and ancillary services. The WEIM's advanced market system automatically finds low-cost energy to serve real-time consumer demand across the west.
- Extended Day Ahead Market (EDAM) – Planned to launch in 2026, the EDAM is a voluntary day-ahead electricity market designed to deliver significant reliability, economic, and environmental benefits to balancing areas and utilities throughout the West.



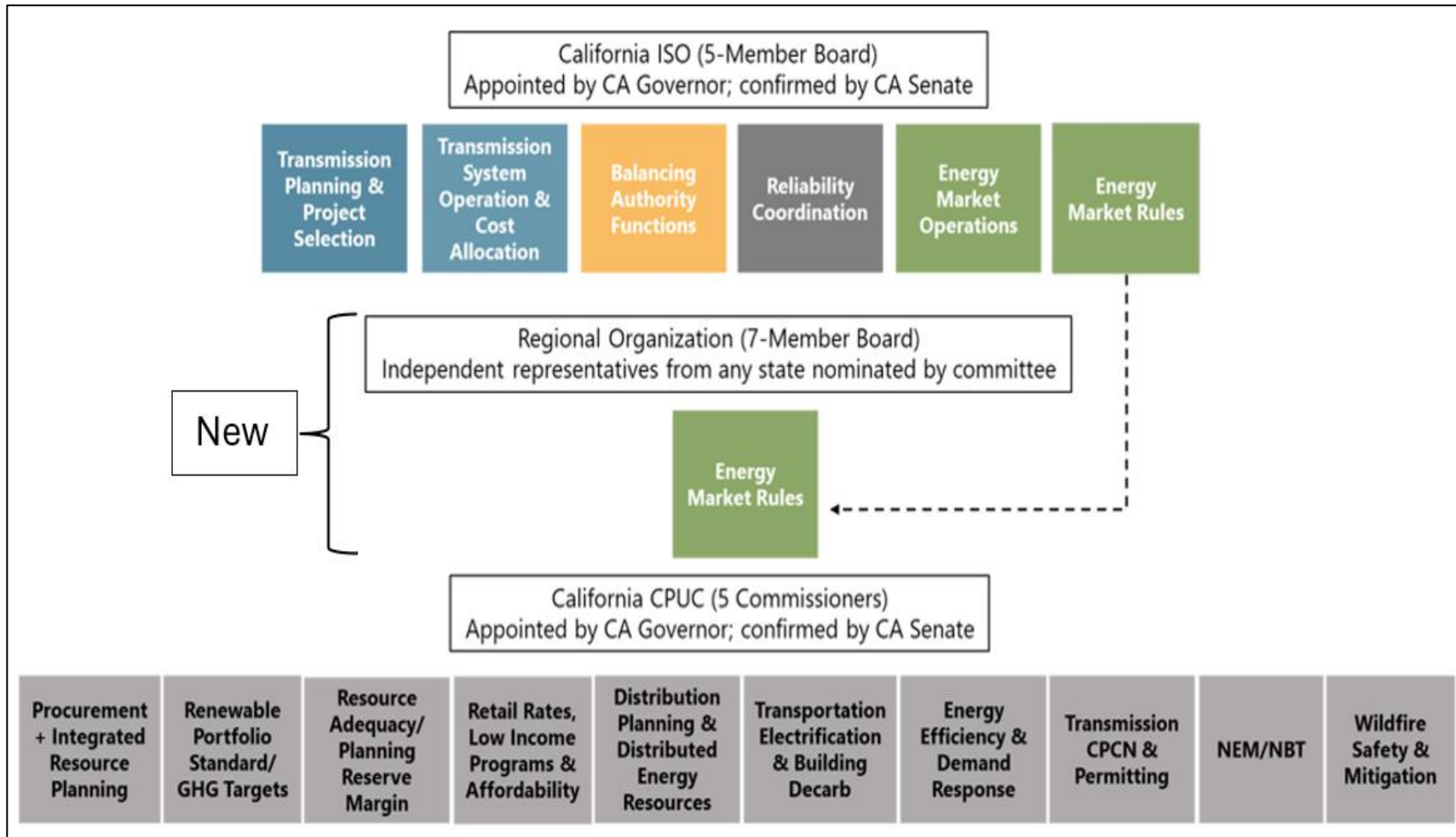
**These entities have publicly indicated a leaning towards EDAM as their preferred day-ahead market.*

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The Path to the Pathways Initiative and SB 540

- July 2023 letter from regulators from California, Oregon, Arizona, New Mexico and Washington proposing a viable path to electricity markets in the western US with independent governance.
- West-wide Governance Pathways Initiative Formed
 - Pathways stakeholders included representatives from investor-owned and municipal utilities, CalCCA, labor, public interest groups, environmental groups, regulators

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Pathways and SB 540 Basics

- Creates new 7-member regional board
- Shifts energy market rulemaking from CAISO to new regional board
- All other existing functions remain with CAISO and CPUC

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KEY ELEMENTS OF SB 540 - Implements Final Pathways Proposal

- Creates expanded western electricity market overseen by an independent regional organization (RO)
- Moves a single CAISO function (energy markets) to the RO and leaves remaining CAISO functions intact
- Authorizes CAISO and IOUs to participate in new RO only if CAISO meets 12 specific criteria

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KEY PROTECTIONS FOR CALIFORNIA

Protection 1

- California regulatory agencies and CAISO retain control of RPS and other procurement requirements, climate policy, transmission planning, and RA.

Protection 2

- California can withdraw from the RO if it no longer benefits California.

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SB 540 IS DIFFERENT FROM PAST LEGISLATIVE ATTEMPTS

- Does not propose a Regional Transmission Organization (RTO)
- Includes provisions to protect California's unique regulatory, energy and climate policy interests
- Some opponents of past efforts support SB 540

What Do Supporters and Opponents Say?

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SUPPORTERS BELIEVE SB 540 WILL:

- Lower energy bills
- Improve grid reliability
- Reduce pollution
- Retain California's control over procurement, environmental, reliability and other public policies.
- Allows California to withdraw if benefits do not materialize

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OPPONENTS BELIEVE SB 540 WILL

- Result in California losing its authority to set climate and energy goals;
 - Give the Federal Energy Regulatory Commission (FERC) and the (current) federal administration more control over California energy policies;
 - Enable coal producers to gain a greater share of the California energy market;
 - Prioritize utility scale generation over more localized distributed energy resources.
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- No formal or organized opposition as of this writing
 - Former CPUC Chair Loretta Lynch highest profile opponent

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NEXT STEPS

- Staff to compile questions raised by CAC and research responses
- LRTG to consider SB 540 at next meeting(s) and recommend whether VCE should adopt a position and if so what
- CAC to consider SB 540 at April meeting and recommend whether VCE should adopt a position and if so what
- VCE board to consider SB 540 May meeting

DISCUSSION AND QUESTIONS