

# REPORT OF THE CHIEF LEGISLATIVE ANALYST

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DATE: June 27, 2018

TO: Honorable Members of the Rules, Elections, and Intergovernmental Relations  
Committee

FROM: Sharon M. Tso  Council File No: 18-0002-S80  
Chief Legislative Analyst Assignment No.: 18-06-0614

SUBJECT: Resolution (Martinez - Koretz) to OPPOSE AB 813 (Holden) relative to Multi-  
State Regional Transmission Operator impacts UNLESS AMENDED as specified

CLA RECOMMENDATION: Adopt Resolution (Martinez - Koretz) to include in the City's 2017-2018 State Legislative Program OPPOSITION of AB 813 (Holden) UNLESS AMENDED to ensure that energy assets and clean energy objectives of non-participants of the multi-state Regional Transmission Operator (RTO) are not impacted, in any way, by the resource planning and procurement policies and objectives of the RTO inasmuch as they may interfere with the Department of Water and Power's (DWP) critical investments in clean energy and greenhouse gas reductions.

SUMMARY:

Resolution (Martinez - Koretz), introduced on June 22, 2018, states that the California Independent System Operator (CAISO) established the western Energy Imbalance Market (EIM) in 2014 to enhance power grid reliability, generate cost savings for its participants, and improve the integration of renewable energy.

The Resolution further states that the Department of Water and Power (DWP) has taken steps to join the EIM by 2020, which would allow it to voluntarily sell excess energy capacity or buy energy while retaining control of its generation, transmission and distribution.

According to the Resolution, AB 813 (Holden), which is supported by the CAISO, seeks to expand the CAISO into a multi-state Regional Transmission Operator (RTO). The Resolution contends that the expansion of the CAISO into a multi-state RTO would result in irrevocable change to the western electricity markets, such that California utilities may no longer retain control of their clean energy resource planning and procurement policies.

The Resolution stresses that the DWP has made significant investments in its generation, transmission and distribution systems that allow the utility to serve its customers and economically achieve the City's accelerated Renewable Portfolio Standard (RPS) and clean energy goals.

As such, the Resolution contends that participation in a multi-state RTO should remain voluntary and should be structured in a manner that does not impact the energy assets and clean energy objectives of non-participants; thereby preserving their independence and ensuring continued compliance with clean energy mandates and regulations. Therefore, the Resolution requests that the City oppose AB 813 unless amended to address these concerns.

BACKGROUND:

The CAISO is a nonprofit public benefit corporation created by the State to ensure the efficient use and reliable operation of the electrical transmission grid, and is charged with managing the flow of electricity across a system consisting of most of California and a piece of Nevada's transmission. The CAISO also manages the wholesale electricity market in California and operates the voluntary EIM.

AB 813 seeks to allow for the transformation of the CAISO into a more widely integrated regional governance structure that would operate as a multi-state regional transmission organization in the western United States. The bill would authorize the CAISO to submit a proposal for such a governance structure to the California Energy Commission.

*DWP Comments*

The DWP states that it has a 100-year history of local governance and keeping rates low and reliability high as a vertically integrated utility. The DWP planned and built its transmission system to provide access to diverse resources and locations.

The DWP has the ability to import bulk power from states in the western United States, Canada and Mexico. These investments were paid for by the Department's ratepayers and are key to the DWP attaining its accelerated RPS and clean power goals.

Although this bill would provide that no California transmission owner or local publicly owned electric utility would be required to join or remain in the multi-state RTO; there are several publicly owned electric utilities that have previously joined the CAISO and therefore would automatically be subject to any RTO governance structure that is adopted by the CAISO.

The DWP is a co-participant in key generation and transmission assets with other participants that have already joined the CAISO. These assets include the Intermountain Power Project, the Southern Transmission System and the Pacific DC Intertie.

Under an RTO structure, the investment and scheduling decisions currently governed by the CAISO for its members respective shares in those projects will be determined by the multi-state RTO, and thus could interfere with or delay the DWP's progress in making critical investments in clean energy and greenhouse gas reductions.

The DWP believes that a more prudent alternative to a regional transmission organization is to expand the existing voluntary EIM which the CAISO currently operates. The EIM currently

includes participants from eight states and is steadily expanding. While the current market operates on a limited scale, it could be expanded to allow for long term agreements. Such a system would allow California to reap the benefits of more expansive trading without risking each utilities autonomy.

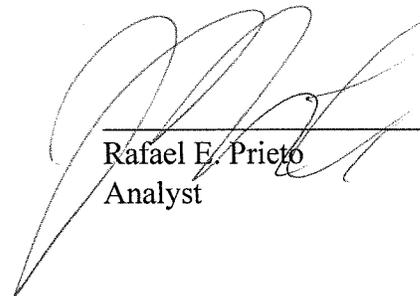
DEPARTMENTS NOTIFIED:

Department of Water and Power

BILL STATUS:

6/26/18

Referred to Senate Appropriations Committee



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Rafael E. Prieto  
Analyst

Attachment(s): 1. Resolution (Martinez - Koretz)

## RESOLUTION

WHEREAS, any official position of the City of Los Angeles with respect to legislation, rules, regulations or policies proposed to or pending before a local, state, or federal governmental body or agency must have first been adopted in the form of a Resolution by the City Council with the concurrence of the Mayor; and

WHEREAS, the California Independent System Operator (CAISO) is already part of the existing regional grid called the Western Interconnection that spans 38 balancing authorities throughout the western portion of North America; and

WHEREAS, the CAISO established the successful Western Energy Imbalance Market (EIM) in 2014 to enhance grid reliability, generate cost savings for its participants, and improve the integration of renewable energy; and

WHEREAS, the LADWP has taken steps to voluntarily join the EIM by 2020, which would allow it to voluntarily sell excess energy capacity or buy energy while retaining control of its generation, transmission, and distribution assets as well as its ratemaking authority; and

WHEREAS, AB 813 (Holden), which is supported by CAISO, proposes to expand the CAISO into a multi-state regional transmission organization (RTO); and

WHEREAS, expansion of CAISO into a multi-state RTO would result in irrevocable change to the western electricity markets, such that California may no longer retain control of its current and future clean energy resource planning and procurement policies as that control and discretion would pass to the multi-state RTO; and

WHEREAS, the LADWP has made significant investments relative to its generation, transmission and distribution systems that allow the utility to serve its customers and economically achieve the City's accelerated Renewable Portfolio Standard and clean energy goals, including reduction of its greenhouse gas (GHG) emissions to nearly 70 percent below 1990 levels over the next 20 years; and

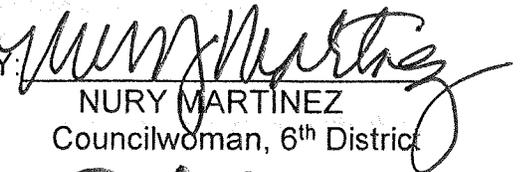
WHEREAS, the LADWP is a participant in the Intermountain Power Project and the Southern Transmission System with other California participants, including three publicly owned utilities that are members of CAISO, and is also a co-owner of the Pacific DC Intertie with other transmission owners that are members of the CAISO;

WHEREAS, investment decisions by LADWP's co-owners for their respective shares of those critical generation and transmission assets would be subject to approval by the multi-state RTO that may not share LADWP's clean energy resource planning and procurement policies, and would undermine LADWP's continued environmental leadership in this area; and

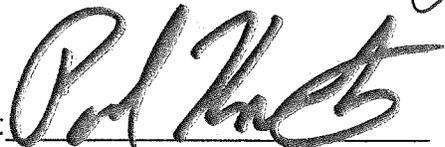
WHEREAS, participation in a multi-state RTO should remain voluntary and it should be structured in a manner that does not impact their energy assets and clean energy objectives of non-participants thereby preserving their independence and ensuring their continued compliance with clean energy mandates and regulations;

NOW, THEREFORE, BE IT RESOLVED, with the concurrence of the Mayor, that by adoption of this Resolution, the City of Los Angeles hereby includes in its 2017-2018 State Legislative Program OPPOSITION for AB 813 (Holden) UNLESS AMENDED to ensure that the energy assets and clean energy objectives of non-participants of the multi-state Regional Transmission Operator (RTO) are not impacted, in any way, by the resource planning and procurement policies and objectives of the RTO inasmuch as they may interfere with the LADWP's critical investments in clean energy and greenhouse gas reductions.

PRESENTED BY:

  
NURY MARTINEZ  
Councilwoman, 6<sup>th</sup> District

SECONDED BY:



JUN 22 2018