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April 4, 2023

To: Members of the Assembly Utilities and Energy Committee

From: Undersigned Organizations

Re: AB 538 (Holden): Multistate regional transmission system organization - Support

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The undersigned applaud the California legislature for considering passage of AB 538, which is needed to allow California to work with the rest of the West to enhance regional coordination of the Western grid. Our coalition represents clean energy advocates across the West with a collective goal of establishing a regional market to ensure rapid decarbonization, provide clear pathways to meet state clean energy standards, maintain grid reliability, and maximize benefits to customers. As such, we strongly support the legislature's consideration of the important role California plays in this process.

You may be wondering — why is a group of clean energy advocates outside the state of California so interested in this single piece of legislation? Our coalition has long been an advocate of CAISO's Western Energy Imbalance Market, and we anticipate additional benefits with the launch of the Extended Day Ahead Market. However, without action by the California legislature, these offerings will be in jeopardy. Additionally, despite the benefits these incremental steps offer the region, most acknowledge that they fall short of what the West needs to effectively decarbonize the grid and maintain system reliability. This is why clean energy advocates are interested in a clear path forward to a regional transmission organization (RTO). Without this path, the direct benefits that Californians and others across the West currently enjoy from EIM are at risk.

The West is a vast collage of diverse renewable resources. When connected through a regional grid, the full value of these resources can be realized, allowing for the sharing of carbon-free resources far and wide. A fully integrated Western grid will benefit all westerners, but most importantly, for your consideration, an RTO will benefit Californians in important ways. California is subject to extreme weather events and lacks geographic and energy generation diversity to “go it alone” to ensure system reliability. As a result, California has long relied on other western states for clean energy, capacity, and benefits from participating in existing regional markets. If California does not take proactive measures during this legislative session, this regional cooperation could be at risk.

The West can certainly proceed with RTO development without California. In fact, other system operators are developing regional market offerings which are considered by some to be viable alternatives to a California-led effort. However, a fully integrated market that includes California will provide the greatest benefits West-wide<sup>1</sup>. California has the opportunity to either play a leading role in development of a regional market or be subject to market regulations over which it will have minimal influence. We urge the California legislature to take proactive measures to ensure the cooperation between the state and its neighbors is protected and strengthened. For this reason, we are advocating for the passage of AB 538.

Sincerely,

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