

The Legislature finds and declares as follows:

- (1) The California Renewable Portfolio Standard program has been highly successful.
- (2) Investor-owned and local publicly-owned utilities are meeting and exceeding their portfolio content category requirements under the program.
- (3) In the past 10 years, substantially more than 10,000 megawatts of new utility-scale renewable electric generation have been constructed and this new generation is supplying Californians with clean, greenhouse gas-free electricity.
- (4) California Independent System Operator data shows that on more than half the days in 2019, there were times when renewable generation supplied more than 50 percent of all demand. In 2019, there were several times where renewable generation supplied more than 70 percent of all demand.
- (5) The cost of new wind and solar generation has dropped dramatically. The Legislative Analyst's Office issued a report on January 6, 2020. The LAO Report states that the costs for utility-scale solar PV declined by nearly 90 percent from 2009 to 2019, and that it is now less costly than other sources of generation.
- (6) The LAO Report states that greenhouse gas emissions from electric generation were reduced by 38 percent from 2009 to 2017. During this same period, there was a net increase from other sources of emissions. Clearly, the RPS program has been California's most significant program to reduce emissions of greenhouse gases.
- (7) This success story has been achieved with a small and diminishing cost to retail customers. According to the LAO Report, retail rates have been increased only by about 5 percent to pay for the RPS program. Most importantly, the higher costs are primarily from long term contracts signed in the early years of the program when the costs for solar and wind generation were much higher. Costs for future RPS compliance will be much lower, and in many cases less than the alternatives.
- (8) Building new renewable generating plants has created tens of thousands of construction jobs each year. Most of these jobs have been good union jobs providing middle class wages and benefits. According to a study by the UC Berkeley Labor Center, 60 percent of people entering apprenticeship programs as result of this new construction have been people of color, 43 percent of entry-level workers lived in disadvantaged communities, and 47 percent lived in communities with unemployment rates of at least 13 percent.
- (9) The current RPS program requires that only 75 percent of compliance by retail sellers come from portfolio content category 1 which is actual generation delivered to customers in real time. The program allows up to 10 percent of compliance to come

from portfolio content category 3, generally described as unbundled Renewable Energy Credits.

(10)Both the commission and the Energy Commission have found that unbundled RECs do not provide actual reductions in GHG emissions. Instead, they are merely compliance instruments. The market prices for unbundled RECs is very low, reflecting their very low value.

(11)In contrast, all the benefits of the RPS program have come from portfolio content category 1 bundled generation and RECs.

(12)Many community choice aggregators have independently decided that they will not rely on any unbundled RECs for their compliance with the RPS program. Many CCAs have also set targets for their renewable content that are higher than those required by the RPS program. CCAs will soon serve a majority of California customers.

(13)Given the maturation of the RPS program, the low cost of new renewable generation, the effectiveness in reducing GHG emissions, the good jobs it is creating, and the policy choices made by many CCAs, it is time to increase the proportion of the program based on portfolio content category 1 while eliminating compliance based on unbundled RECs.

Section 366.16 of the Public Utilities Code is amended to read:
399.16.

(a) Various electricity products from eligible renewable energy resources located within the WECC transmission network service area shall be eligible to comply with the renewables portfolio standard procurement requirements in Section 399.15. These electricity products may be differentiated by their impacts on the operation of the grid in supplying electricity, as well as meeting the requirements of this article.

(b) Consistent with the goals of procuring the least-cost and best-fit electricity products from eligible renewable energy resources that meet project viability principles adopted by the commission pursuant to paragraph (5) of subdivision (a) of Section 399.13 and that provide the benefits set forth in Section 399.11, a balanced portfolio of eligible renewable energy resources shall be procured consisting of the following portfolio content categories:

(1) Eligible renewable energy resource electricity products that meet either of the following criteria:

(A) Have a first point of interconnection with a California balancing authority, have a first point of interconnection with distribution facilities used to serve end users within a California balancing authority area, or are scheduled from the eligible renewable energy resource into a California balancing authority without substituting electricity from another

source. The use of another source to provide real-time ancillary services required to maintain an hourly or subhourly import schedule into a California balancing authority shall be permitted, but only the fraction of the schedule actually generated by the eligible renewable energy resource shall count toward this portfolio content category.

(B) Have an agreement to dynamically transfer electricity to a California balancing authority.

(2) Firmed and shaped eligible renewable energy resource electricity products providing incremental electricity and scheduled into a California balancing authority.

(3) Eligible renewable energy resource electricity products, or any fraction of the electricity generated, including unbundled renewable energy credits, that do not qualify under the criteria of paragraph (1) or (2).

(c) In order to achieve a balanced portfolio, all retail sellers shall meet the following requirements for all procurement credited toward each compliance period:

(1) Not less than 50 percent for the compliance period ending December 31, 2013, 65 percent for the compliance period ending December 31, 2016, and 75 percent for the compliance period ending December 31, 2020, and 85 percent for each compliance period thereafter, of the eligible renewable energy resource electricity products associated with contracts executed after June 1, 2010, shall meet the product content requirements of paragraph (1) of subdivision (b).

(2) Not more than 25 percent for the compliance period ending December 31, 2013, 15 percent for the compliance period ending December 31, 2016, and 10 percent for the compliance period ending December 31, 2020 ~~each compliance period thereafter~~, of the eligible renewable energy resource electricity products associated with contracts executed after June 1, 2010, shall meet the product content requirements of paragraph (3) of subdivision (b). Electricity products meeting the product content requirements of paragraph (3) of subdivision (b) shall not be credited towards any compliance period after December 31, 2020 except as provided in subdivision (e).

(3) Any renewable energy resources contracts executed on or after June 1, 2010, not subject to the limitations of paragraph (1) or (2), shall meet the product content requirements of paragraph (2) of subdivision (b).

(4) For purposes of electric service providers only, the restrictions in this subdivision on crediting eligible renewable energy resource electricity products to each compliance period shall apply to contracts executed after January 13, 2011.

(d) Any contract or ownership agreement originally executed prior to June 1, 2010, shall count in full toward the procurement requirements established pursuant to this article, if all of the following conditions are met:

(1) The renewable energy resource was eligible under the rules in place as of the date when the contract was executed.

(2) For an electrical corporation, the contract has been approved by the commission, even if that approval occurs after June 1, 2010.

(3) Any contract amendments or modifications occurring after June 1, 2010, do not increase the nameplate capacity or expected quantities of annual generation, or substitute a different renewable energy resource. The duration of the contract may be extended if the original contract specified a procurement commitment of 15 or more years.

(e) Any contract for electricity products meeting the product content requirements of paragraph (3) of subdivision (b) may count towards the procurement requirements applicable after January 1, 2021 if all of the following conditions are met:

(1) The contract was originally executed prior to January 1, 2020.

(2) Any contract amendments or modifications occurring after January 1, 2020, do not increase the quantities of electricity products, substitute a different renewable energy resource, or increase the duration of the contract.

(3) Not more than 10 percent of all procurement credited toward any compliance period beginning no earlier than January 1, 2021 may be supplied by contracts satisfying the requirements of this subdivision.

(ef) A retail seller may apply to the commission for a reduction of a procurement content requirement of subdivision (c). The commission may reduce a procurement content requirement of subdivision (c) to the extent the retail seller demonstrates that it cannot comply with that subdivision because of conditions beyond the control of the retail seller as provided in paragraph (5) of subdivision (b) of Section 399.15. The commission shall not, under any circumstance, reduce the obligation specified in paragraph (1) of subdivision (c) below 65 percent for any compliance period obligation after December 31, 2016.