

Energy Budget

- The budget aims to provide energy reliability through challenging climate events and a rapid energy transition and to accelerate efforts to get clean generation and storage online. By the state leading this effort, we can ensure that the generation brought online for reliability does not compete with the procurement of clean energy AND is not borne entirely by the ratepayers.
- The Strategic Reserve is an insurance policy that will only be used when we face potential shortfall during extreme climate-change driven events (e.g. heatwaves, wildfire disruptions to transmission). These are not resources that will be used to meet daily load.
- Extreme events have been more prevalent over the last few years and we have experienced vulnerabilities of energy capacity during critical moments (i.e. west-wide heatwaves). The budget specifies what types of energy generation is eligible:
 - Extension of existing generating facilities planned for retirement.
 - Note that Diablo Canyon cannot be extended with the current appropriations or authorities in the current budget. This requires further legislative action.
 - Note that the Strategic Reserve in itself does not authorize extension of expiring assets, including retiring once through cooling plans. Any extensions will be subject to authorization by regulatory entities or in the case of Diablo Canyon, subsequent legislation and review and approval by state, local and federal regulatory entities.
 - New emergency and temporary power generators of five megawatts or more.
 - The program is prohibited from operating diesel generators after July 31, 2023.
 - The program does not provide for retrofit of backup diesel generators.
 - New energy storage systems of 20 megawatts or more that are capable of discharging for at least two hours.
 - Generation facilities using clean, zero-emission fuel technology.
- Any facility capable of providing energy or capacity in the next two years is a temporary generator likely operating at a disturbed site where the contracted for activity would be expected to result in minimal impacts.

- To the extent there are physical changes or installations, this work would be at existing sites (generating plants or substations) owned by IOUs or merchant generators. Additionally, the budget:
 - Specifies a loading order by requiring the Department of Water Resources (DWR) to prioritize feasible, cost-effective zero-emission resources OVER feasible, cost-effective fossil fuel resources.
 - Clearly states that the Strategic Reserve is a "last on, first off" resource to provide grid support only in emergency conditions.
- For Summer 2022, the budget bill exempts several statutes and permitting requirements, and the trailer bill allows the Department of Water Resources to enter into contracts without undertaking CEQA review.
- After the urgency of Summer 2022 has passed, DWR's strategic reserve projects will proceed through a formalized certification process at the California Energy Commission (CEC), which is similar to the CEC's existing exclusive process for certifying thermal power plant projects under the Warren-Alquist Act (Public Resources Code section 25500), which allows CEC certification take the place of all other state agencies and laws.
- Through this process, however, the CEC is required to consult with local jurisdictions, state agencies, and the Coastal Commission.
- This is also similar to actions taken in prior emergency proclamations.
- The exemptions in the strategic reserve are tailored towards providing reliability through existing resources or new zero emission resources; whereas, the opt-in permit is looking at creating new clean energy facilities and infrastructure that should appropriately be subject to a different regulatory framework.
- Specifically, the budget opt-in proposal creates a CEC one-stop-shop permitting approach to provide certainty and timely permits for non-fossil fuel, clean energy projects. The proposal makes sure that there are proper controls given that these will be new clean energy projects and manufacturing.