



SUPPORT – SB 540 (Becker and Stern) - as introduced, February 20, 2025

March 7, 2025

The Honorable Senator Becker
Chairman, Senate Utilities, Energy, and Communications Committee
1021 O Street, Suite 3350
Sacramento, CA 95814

RE: SUPPORT - SB 540 (Becker, Stern) – as introduced February 20, 2025

Dear Senator Becker,

We are writing to express our strong support for SB 540. This bill provides the statutory authorization necessary to implement the Pathways Proposal which would make electricity more affordable for California consumers while protecting California's procurement, environmental, reliability, and other public interest policies.

Developed by a large and diverse set of stakeholders, the Proposal would create a new, independent regional organization that would be solely responsible for setting energy market rules. The California Independent System Operator (CAISO) would continue to operate the markets as it does today, as well as continuing its role in operating the transmission system, transmission system planning, and balancing authority functions. SB 540 ensures the expertise and infrastructure that the CAISO has built is maintained, further protecting investments in current energy markets.

Creating an independent organization responsible for energy market rules would enable more utilities across the West to participate in consolidated electricity markets, making electricity in California more affordable and reliable while also reducing emissions in California.

SB 540 Provides More Affordable Electricity

This legislation, and the consolidated electricity markets it enables, would provide much needed energy affordability benefits to Californians. A new analysis conducted for the California Energy Commission (CEC) determined a West-wide day-ahead market could produce nearly \$800 million in annual cost savings for California customers.¹

SB 540 Improves Electric Reliability

The legislation would enhance the reliability of California's power grid by enabling more efficient and coordinated management of energy supply and demand across the Western region. With better access to shared resources, grid operators will be better equipped to draw on a wider resource pool during peak demand periods, reduce the likelihood of blackouts, and support the

¹ John Tsoukalis, et al., Brattle Group, "[Preliminary Day-Ahead Market Impact Study: Impact of Market Footprints on California Customers](#)" (Prepared for California Energy Commission, January 24, 2025).

resilience of the grid in the face of growing challenges such as extreme weather events and climate-driven disruptions.²

SB 540 Increases Use of Clean Energy

A consolidated western energy market will maximize use of existing clean energy generation and enable a faster, more affordable clean energy future. SB 540 makes more clean energy available both in California and around the West by reducing curtailment (deliberately reducing output below what could have been produced), a growing problem for solar and wind power generators in California. The CEC study determined the expanded market would reduce wind and solar curtailment by 10 percent. This improvement would reduce air pollution by displacing other less efficient emitting resources and enhance the financial foundation for clean energy investment and jobs by enabling California to use and sell more of its clean energy.³

With 80% of energy customers in the West now served by utilities with net-zero carbon energy mandates, the demand for clean energy resources will continue to grow. Maximizing use of existing clean generation is the fastest, most affordable way to reduce emissions.

SB 540 Protects Consumers and California Energy Policy

SB 540 would permit CAISO and California investor-owned utilities to participate in the independently governed energy markets only if the new regional organization meets guardrails designed to protect consumers and ensure that California can continue to set its own procurement, environmental, reliability, and other public interest policies. These protections include:

- public interest protections in the corporate documents;
- specific roles and engagement with state regulators and consumer advocate offices including access to market data;
- transparent and accessible operations including an office of public participation;
- independent market analysis and monitoring to protect consumers;
- engagement with states, local power authorities, and federal power marketing agencies to evaluate potential impacts of proposed market rule and tariff changes to state, local, and federal policies; and
- retention of the right to withdraw from the energy markets governed by the new regional organization if participation were no longer in the interests of their customers.

The diverse set of signatories on this letter represent an unprecedented coalition of consumer advocates, organized labor, environmental advocates, clean energy developers, investor-owned

² See Tsoukalis, et al. and Michael Wara, et al., Stanford Climate & Energy Policy Program, “[Grid Regionalization in the West: Reliability Benefits from Increased Cooperation in Electricity Markets and Operations](#)”(Prepared for California Energy Commission, January 24, 2025).

³ John Tsoukalis, et al., Brattle Group, “[Preliminary Day-Ahead Market Impact Study: Impact of Market Footprints on California Customers](#)” (Prepared for California Energy Commission, January 24, 2025).

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utilities, public power, and large customers who strongly support SB 540. For all of the above reasons, we support this legislation and request your support.

Sincerely,

Advanced Energy United (AEU)
Amazon
American Clean Power – California (ACP)
CA & NV State Association of Electrical
Workers (IBEW)
CalCCA
California Chamber of Commerce
California Environmental Voters
California Large Energy Consumers
Association (CLECA)
California State Pipe Trades Council
Ceres
Clean Energy Buyers Association (CEBA)
Coalition of California Utility Employees
(CCUE)
E2 | Environmental Entrepreneurs
EDP Renewables
Environmental Defense Fund (EDF)
Google
Independent Energy Producers Association
(IEPA)

Leap
MCE Community Choice Energy
Microsoft
Mitsubishi Cement Corporation
Natural Resources Defense Council
(NRDC)
Pacific Steel Group (PSG)
Pattern Energy
Rivian
San Diego Community Power
Sierra Nevada Brewing Co.
Silicon Valley Leadership Group (SVLG)
Silicon Valley Clean Energy
Solar Energy Industries Association (SEIA)
Union of Concerned Scientists (UCS)
Western Freedom
Western Power Trading Forum (WPTF)
Western Resource Advocates (WRA)
Western States SMART Council

CC: Senator Henry Stern, Co-Author
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 Kerry Yoshida, Republican Caucus Consultant

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