



---

## FAQs – SB 540

**Q: What is SB 540?**

**A:** SB 540 would authorize California to participate in a regional power market to increase the supply of affordable and reliable clean energy available to California, helping to lower electricity bills for California consumers and businesses, improve the reliability of California's grid and further our clean energy and climate goals. It is supported by a broad coalition of labor, business, climate/environment, public utilities, community choice aggregators (CCAs) and clean power advocates.

**Q: What is a regional power market?**

**A:** A regional power market would allow participants to more easily buy and sell energy throughout the West, giving participants access to more clean energy options from other states and creating new opportunities for California to sell any unused clean energy to other states. It is not the same as a Regional Transmission Organization (RTO) like PJM, which has much broader authority, including control over transmission operations and planning, resource adequacy, power plant contracts and more.

**Q: Isn't California already participating in a regional market?**

**A:** Yes, California is already participating in the Western Energy Imbalance Market – a targeted regional power market very narrowly focused on energy sales that happen in the last 15 minutes before usage. SB 540 would authorize California participation in a broader regional power market covering other energy sales, with more planning, transparency and affordability and reliability benefits.

**Q: How would the regional power market benefit California?**

**A:** The regional power market would: 1) help lower energy costs in California by more than \$1 billion annually, lowering electricity bills for families and businesses; 2) provide back-up energy supply for times our grid is stressed such as during extreme heat events, helping to strengthen the grid and reduce power outages; 3) increase our access to clean affordable energy, and 4) support more high-quality jobs for our workforce. It would be governed by an independent regional board (RO) required to serve the public interest and with strict requirements to respect state authority over energy policy.

**Q: Why is it important to pass SB 540 this year?**

**A:** If we don't enact a workable version of SB 540 this year, Californians will pay billions



---

in higher energy costs and face increased risk of power outages and blackouts. Other Western partners will join with a competing Arkansas-based regional power market (Southwest Power Pool - Markets+), stranding us with fewer energy partners. Already, power authorities in Washington and Arizona have tentatively committed to join the Arkansas-based and governed market. We must enact SB 540 this year to redirect these commitments before they become more permanent and to prevent more from following.

Failure to pass a workable version of SB 540 will also cause flight from the existing Western Energy Imbalance Market (WEIM), a key mechanism we have used to deal with threats to the grid, like extreme heat events. WEIM has already helped California avoid blackouts and save consumers over \$2 billion in energy costs.

**Q: How will SB 540 lower costs for California consumers and businesses?**

**A:** A recent independent analysis conducted for the California Energy Commission (CEC) found that a broad regional power market could save California consumers and businesses an additional \$1 billion annually by creating a more efficient, regional Western power market with access to a greater supply of energy. Further regional cooperation would also allow for better integration of renewable energy like solar and wind, thereby cutting waste and curtailment costs.

**Q: How does SB 540 help California reach its climate goals?**

**A:** A regional Western power market is the fastest, most affordable way for California to reduce emissions and advance a clean energy future. A workable version of SB 540 will support the transition by allowing California to use and sell more of its clean energy, expanding California's clean energy leadership throughout the region. According to the CEC study, expanding the market would also reduce fossil gas fueled generation in California by 31% – a critical step toward meeting California's climate goals and improving air quality.

**Q: How does SB 540 improve the reliability of California's electricity grid system?**

**A:** An expanded regional power market gives market participants access to a wider pool of affordable energy resources – particularly during extreme heat or weather events. Coordination will allow California's grid operator (CAISO) to manage energy supply and demand more efficiently, reducing the risk of blackouts and strengthening California's ability to manage climate-driven disruptions. A Stanford Woods Institute study found that



---

expanding a regional power market could reduce grid stress by 40% during the periods of greatest risk to California.

**Q: Who supports SB 540?**

**A:** A workable version of SB 540 is supported by an incredibly broad and diverse coalition of businesses, labor, environmental and climate groups, public utilities, CCAs, clean energy advocates, and consumer advocates, including several who previously opposed the outdated regionalization proposal of old. Some supporters include:

- California Environmental Voters
- Environmental Defense Fund
- California Chamber of Commerce
- California & Nevada State Association of Electrical Workers (IBEW)
- The Public Advocates Office
- Coalition of California Utility Employees
- California Community Choice Association
- Clean Energy Buyers Association
- NRDC (Natural Resources Defense Council)
- Independent Energy Producers Association
- American Clean Power – California

**Q: How does SB 540 protect California climate and clean energy laws?**

**A:** A workable version of SB 540 requires that California maintain control over its energy policies, including procurement, climate policy, transmission planning and operations, and resource adequacy requirements. If the Federal Energy Regulatory Commission (FERC) or other states try to undermine or interfere with this authority, a workable version of SB 540 allows California to withdraw from the market – and requires the California Independent System Operator (CAISO) to maintain the capability to operate our own power market in California in this event. These requirements must be included in the regional organization's (ROs) FERC-approved tariff, or the CAISO cannot partner with the organization.

**Q: What other safeguards are included to protect California's interests from federal or out-of-state overreach?**

**A:** A workable version of SB 540 includes strong safeguards to protect California consumers and preserve the state's authority over key energy policies. California is authorized to participate in the market ONLY if the new RO governing board meets strict



requirements, including public interest protections, transparency measures, and independent market monitoring. State regulators and consumer advocates will also be engaged to evaluate potential impacts of market rules. Most importantly, California's load-serving entities, such as the state's utilities, can withdraw if participation no longer serves the public interest.

**Q: Does SB 540 expand federal control of California's energy market and policy?**

**A:** No, a workable version of SB 540 does nothing to expand federal control. California is already subject in part to FERC jurisdiction through its grid operator, the CAISO. In addition, a workable version of SB 540 includes safeguards to ensure California can withdraw from the regional power market if the federal government or other states try to undermine our energy policies.

**Q: Does SB 540 change state energy policies?**

**A:** No, the RO governing board overseeing the regional market would NOT have authority for setting energy policy, transmission planning or operations, procurement such as the Renewable Portfolio Standard, reliability coordination or balancing authority functions. A workable version of SB 540 does not change the authority of the CPUC, CEC, or CARB, or any other state agency that has authority over California's energy policies.

**Q: How would SB 540 change the authority of the existing grid operator, CAISO?**

**A:** CAISO would retain all its existing authority except for setting rules for the regional power market, so would still have control over 1) transmission planning and operation, 2) balancing authority requirements, and 3) reliability coordination. The CAISO would continue to both operate the regional power market and run the state's transmission system.

**Q: How will it impact California if other states join the Arkansas-based SPP regional power market instead?**

**A:** California will be isolated, unable to tap other sources of affordable clean power when needed and we will pay higher electricity prices. That means: 1) we will lose the opportunity to lower our energy costs by more than \$1 billion annually, 2) the SPP Markets+ rules favor generators, not consumers, resulting in higher electricity prices across the West and serving as a price benchmark that will mean higher electricity prices for California consumers, and 3) California will face increasing risks of blackouts since we won't be able



---

to meet our energy needs with energy resources throughout the West during extreme weather events, such as heat waves.

**Q: Are any amendments needed to ensure SB 540 delivers on its intended benefits? What is a workable bill?**

**A:** Yes. Recent amendments in the Senate created an unworkable approach to protecting California's interest in the regional power market. Changes need to be made to protect the interest of California consumers and ensure partners in other states can participate in the market too. The larger the footprint via greater participation in the regional market, the more California consumers and energy goals will benefit.

**Q: Will SB 540 lead to the elimination of energy jobs in California?**

**A:** No, that is why IBEW and other labor unions support a workable version of SB 540. By making it easier for California to use and sell its clean energy and improving grid efficiency, a workable version of SB 540 has the potential to create new jobs in clean energy development and grid operations in California and across the region.

**Q: How does SB 540 differ from prior legislation?**

**A:** Prior efforts to create a broader regional energy market would have morphed the CAISO into a new western regional transmission organization (RTO) with no California control. A workable version of SB 540 is a much more limited proposal that secures the benefits of regional power market cooperation while preserving California's full control over the state's transmission planning and operations, energy resource procurement, climate goals, and other energy policies. It retains CAISO's role as a California-governed balancing authority and authorizes the new independent regional board only to create market rules – not oversee transmission planning, market operations, energy resource procurement, or other state energy policies.

**Q: How will a workable version of SB 540 aligned with the Pathways Initiative impact the California Legislature's oversight role?**

**A:** It won't. The Legislature will play the same role in crafting our state's energy policies and laws, including laws related to procurement of energy, transmission and reliability. The CA State Senate will still confirm the board members of the CAISO and the Commissioners of the Public Utilities Commission (PUC).

**Q: How is the CAISO/Regional Organization (RO) partnership transparent?**

**A:** Oversight in the form of transparent decision-making processes and robust



---

accountability requirements are core elements embedded in the CAISO/RO partnership. This is clearly outlined in the formation documents and tariff that will govern the CAISO/RO relationship and must be satisfied before the CAISO partners with RO, as required in a workable version of SB 540. This includes, for example, public meetings requirement, funding for consumer advocacy organization participation in RO decision-making process, solicitation of input from state energy regulators on RO decisions, obligations to respect state authorities and state energy policies as well as an independent market monitoring office to oversee regional power market transactions.

Additionally, a workable version of SB 540 would require the decision by the CAISO to partner with the RO be developed through a public process and adopted at a public meeting, by the Governor appointed and state Senate confirmed CAISO Board of Governors, with initial and ongoing reporting and testimony before the California Legislature on these requirements being met, including an update on the performance of the RO regional power market. Lastly, an earlier version of SB 540 reaffirms California's ability to have its utilities unilaterally withdraw from the RO, for any reason and without penalties, and for the CAISO to retain all expertise and resources necessary to operate a separate state power market if necessary and if withdrawal occurs.