

### **SB 237 (HERTZBERG) ELECTRICITY: DIRECT TRANSACTIONS**

**POSITION:** The Chamber's Energy & Water Committee voted to SUPPORT SB 237 on August 2, 2018. The Chamber's Public Policy Committee voted to SUPPORT the proposal on September 11, 2018.

**RATIONALE:** The Chamber's Energy & Water Committee voted to SUPPORT this proposal as it would provide businesses with the option to choose a competitive electricity provider.

**STATUS:** SB 237 is a gut and amend bill by Senator Bob Hertzberg. The current version of the bill was introduced in June 2018. SB 237 was re-referred to the Assembly Committee on Appropriations on June 28, 2018. The bill was heard in committee on August 6, 2018.

#### **SUMMARY**

SB 237 requires that the California Public Utilities Commission (CPUC) remove the cap on direct access (DA) for non-residential customers starting July 1, 2022.

#### **INDUSTRY/IES IMPACTED**

The industries that could be directly impacted are: utilities, infrastructure, construction, and more.

#### **SUPPORTERS**

- Alliance For Retail Energy Markets
- California Grocers Association
- California League Of Food Producers
- California Manufacturers & Technology Association
- California Retailers Association
- Clean Energy
- Direct Access Customer Coalition
- Direct Energy
- Ever-bloom, Inc.
- Fontana Paper Mills, Inc.
- Retail Energy Supply Association
- Shell Energy North America
- Silicon Valley Leadership Group

#### **ARGUMENTS IN FAVOR**

Businesses and other non-residential customers deserve the opportunity to acquire electricity from a service provider of their choosing. The bill author asserts that "customers are learning to connect with and obtain the power mix they want when and where they need it." SB 237 would provide the flexibility for customers to have a choice in how they get their power and from where, and has the ability to bring down costs. Senator Hertzberg states that this bill "will give California businesses the necessary tools to make comprehensive cost-effective energy decisions and make California more business friendly, while providing new flexible options for meeting the state's renewable

#### **OPPONENTS**

- Carbon Free Mountain View
- Carbon Free Silicon Valley
- Climate Action Campaign
- Eco-sustainability Professionals
- Organizing For Action East Bay Central Chapter
- The Utility Reform Network

#### **ARGUMENTS IN OPPOSITION**

SB 237 would threaten the ability for Community Choice Aggregators to operate and would increase the use of fossil fuels. This is not in line with California's climate goals. In addition, "the ESP business model conflicts with long-term contacting" which is essential to developing renewable energy resources.

energy and greenhouse gas reduction goals." This will encourage competition and drive prices down.

### **MORE INFORMATION**

An electric service provider (ESP) is an entity that offers electric service to customers within IOU territory and each ESP has to register with the CPUC. DA providers are held to the same standards and must meet the same requirements as IOUs in California.

After reviewing SB 237, the CPUC estimates it will need five new staff members. The Assembly Committee on Appropriations bill analysis states that, "it is reasonable to conclude that the bill will result in substantial ongoing costs, likely in the hundreds of thousands of dollars annually to the CPUC for staffing and contracting."

Currently "21 ESPs procure electricity for about 42,000 customers, representing about 13.13% of total IOU load." That percentage would likely increase with the passage of SB 237. Additionally, the CPUC reports that it is noticing similar trends in the electricity marketplace as when the California energy crisis occurred.

There are real concerns that removing the cap on DA has the ability to generate problems for the energy market. Some are fearful that a move such as this will push the state into another energy crisis.