

AMENDED IN ASSEMBLY JANUARY 7, 2002

CALIFORNIA LEGISLATURE—2001–02 REGULAR SESSION

**ASSEMBLY BILL**

**No. 58**

**Introduced by Assembly Member Keeley  
(Coauthors: Assembly Members Hertzberg, Kehoe, Leonard,  
Wesson, and Wright)**

December 4, 2000

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An act to amend Sections 335, 337, and 338 of, and to add Section 352 to, the Public Utilities Code, relating to public utilities, and declaring the urgency thereof, to take effect immediately. 2827 and 2827.7 of the Public Utilities Code, relating to public utilities.

LEGISLATIVE COUNSEL'S DIGEST

AB 58, as amended, Keeley. ~~Electrical restructuring; Oversight Board; Independent System Operator; Power Exchange~~ Net energy metering.

(1) Existing law requires every electric service provider to develop a standard contract or tariff providing for net energy metering, and to make this contract available to eligible customer-generators, upon request. Existing law, commencing on January 1, 2003, requires every electric service provider, upon request, to make available to eligible customer-generators contracts for net energy metering subject to specified limitations on the number of contracts.

This bill would require every electric service provider to ensure that requests for establishment of net energy metering are processed in a time period not exceeding that for customers requesting new electric service, but not to exceed one month. The bill would also require every electric service provider to make forms and contracts for net energy

*metering available for download from the Internet and to expedite the establishment of net energy metering upon request from an eligible customer-generator.*

*(2) Existing law provides that generation eligible for net energy metering installed on or before December 31, 2002, is entitled to the net energy metering terms in effect on the date of installation for the life of the installation.*

*This bill would make this provision applicable regardless of any change in customer or ownership of the energy system.*

~~(1) The Public Utilities Act provides for the establishment of an Independent System Operator and a Power Exchange as separately incorporated public benefit, nonprofit corporations, each governed by a governing board composed as prescribed, including, but not limited to, representatives of specified groups. Existing law provides that, prior to a specified agreement, the state retains the right to change the Independent System Operator and the Power Exchange governing boards into nonstakeholder boards. An Electricity Oversight Board is established by the act to oversee the Independent System Operator and the Power Exchange. The board determines the composition of the governing boards and the terms of service of the members, and exercises the exclusive right to decline to confirm the appointments of specific members of the governing boards of the Independent System Operator and the Power Exchange.~~

~~This bill would amend the act to remove those provisions requiring the governing boards to include those specified representatives. The bill would make conforming changes regarding the board's authority. The bill would prohibit the Independent System Operator from entering into a multistate entity or a regional organization unless that entry is approved by the board. Since a violation of the act is a crime, this bill would impose a state-mandated local program by establishing a new crime. The bill would make related legislative findings and declarations and statements of legislative intent.~~

~~(2) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.~~

~~This bill would provide that no reimbursement is required by this act for a specified reason.~~

~~(3) This bill would declare that it is to take effect immediately as an urgency statute.~~



Vote: ~~2~~<sub>3</sub> majority. Appropriation: no. Fiscal committee: ~~yes~~ no.  
State-mandated local program: ~~yes~~ no.

*The people of the State of California do enact as follows:*

~~SECTION 1. —(a) The Legislature finds and declares all of the~~

SECTION 1. Section 2827 of the Public Utilities Code, as amended by Section 11 of Chapter 8 of the Statutes of the 2001–02 First Extraordinary Session, is amended to read:

2827. (a) The Legislature finds and declares that a program to provide net energy metering for eligible customer-generators is one way to encourage substantial private investment in renewable energy resources, stimulate in-state economic growth, reduce demand for electricity during peak consumption periods, help stabilize California’s energy supply infrastructure, enhance the continued diversification of California’s energy resource mix, and reduce interconnection and administrative costs for electricity suppliers.

(b) As used in this section, the following definitions apply:

(1) “Electric service provider” means an electrical corporation, as defined in Section 218, a local publicly owned electric utility, as defined in Section 9604, or an electrical cooperative, as defined in Section 2776, or any other entity that offers electrical service.

(2) “Eligible customer-generator” means a residential, small commercial customer as defined in subdivision (h) of Section 331, commercial, industrial, or agricultural customer of an electric service provider, who uses a solar or a wind turbine electrical generating facility, or a hybrid system of both, with a capacity of not more than one megawatt that is located on the customer’s owned, leased, or rented premises, is interconnected and operates in parallel with the electric grid, and is intended primarily to offset part or all of the customer’s own electrical requirements.

(3) “Net energy metering” means measuring the difference between the electricity supplied through the electric grid and the electricity generated by an eligible customer-generator and fed back to the electric grid over a 12-month period as described in subdivision (e). Net energy metering shall be accomplished using a single meter capable of registering the flow of electricity in two directions. An additional meter or meters to monitor the flow of

1 electricity in each direction may be installed with the consent of  
2 the customer-generator, at the expense of the electric service  
3 provider, and the additional metering shall be used only to provide  
4 the information necessary to accurately bill or credit the  
5 customer-generator pursuant to subdivision (e), or to collect solar  
6 or wind electric generating system performance information for  
7 research purposes. If the existing electrical meter of an eligible  
8 customer-generator is not capable of measuring the flow of  
9 electricity in two directions, the customer-generator shall be  
10 responsible for all expenses involved in purchasing and installing  
11 a meter that is able to measure electricity flow in two directions.  
12 If an additional meter or meters are installed, the net energy  
13 metering calculation shall yield a result identical to that of a single  
14 meter. An eligible customer-generator who already owns an  
15 existing solar or wind turbine electrical generating facility, or a  
16 hybrid system of both, is eligible to receive net energy metering  
17 service in accordance with this section.

18 (c) (1) Every electric service provider shall develop a standard  
19 contract or tariff providing for net energy metering, and shall make  
20 this contract available to eligible customer-generators, upon  
21 request. *Every electric service provider shall ensure that requests*  
22 *for establishment of net energy metering are processed in a time*  
23 *period not exceeding that for customers requesting new electric*  
24 *service, but not to exceed one month. Every electric service*  
25 *provider shall make all necessary forms and contracts for net*  
26 *energy metering available for download from the Internet, and*  
27 *shall expedite the establishment of net energy metering upon*  
28 *request from an eligible customer-generator.*

29 (2) If a customer participates in direct transactions pursuant to  
30 paragraph (1) of subdivision (b) of Section 365 with an electric  
31 supplier that does not provide distribution service for the direct  
32 transactions, the service provider that provides distribution service  
33 for an eligible customer-generator is not obligated to provide net  
34 energy metering to the customer.

35 (3) If a customer participates in direct transactions pursuant to  
36 paragraph (1) of subdivision (b) of Section 365 with an electric  
37 supplier, and the customer is an eligible customer-generator, the  
38 service provider that provides distribution service for the direct  
39 transactions may recover from the customer's electric service



1 provider the incremental costs of metering and billing service  
2 related to net energy metering in an amount set by the commission.

3 (d) Each net energy metering contract or tariff shall be  
4 identical, with respect to rate structure, all retail rate components,  
5 and any monthly charges, to the contract or tariff to which the same  
6 customer would be assigned if such customer was not an eligible  
7 customer-generator, except that eligible customer-generators shall  
8 not be assessed standby charges on the electrical generating  
9 capacity or the kilowatthour production of an eligible solar or wind  
10 electrical generating facility. The charges for all retail rate  
11 components for eligible customer-generators shall be based  
12 exclusively on the customer-generator's net kilowatthour  
13 consumption over a 12-month period, without regard to the  
14 customer-generator's choice of electric service provider. Any new  
15 or additional demand charge, standby charge, customer charge,  
16 minimum monthly charge, interconnection charge, or other charge  
17 that would increase an eligible customer-generator's costs beyond  
18 those of other customers in the rate class to which the eligible  
19 customer-generator would otherwise be assigned are contrary to  
20 the intent of this legislation, and shall not form a part of net energy  
21 metering contracts or tariffs.

22 (e) For eligible residential and small commercial  
23 customer-generators, the net energy metering calculation shall be  
24 made by measuring the difference between the electricity supplied  
25 to the eligible customer-generator and the electricity generated by  
26 the eligible customer-generator and fed back to the electric grid  
27 over a 12-month period. The following rules shall apply to the  
28 annualized net metering calculation:

29 (1) The eligible residential or small commercial  
30 customer-generator shall, at the end of each 12-month period  
31 following the date of final interconnection of the eligible  
32 customer-generator's system with an electric service provider, and  
33 at each anniversary date thereafter, be billed for electricity used  
34 during that period. The electric service provider shall determine if  
35 the eligible residential or small commercial customer-generator  
36 was a net consumer or a net producer of electricity during that  
37 period.

38 (2) At the end of each 12-month period, where the electricity  
39 supplied during the period by the electric service provider exceeds  
40 the electricity generated by the eligible residential or small

1 commercial customer-generator during that same period, the  
2 eligible residential or small commercial customer-generator is a  
3 net electricity consumer and the electric service provider shall be  
4 owed compensation for the eligible customer-generator's net  
5 kilowatthour consumption over that same period. The  
6 compensation owed for the eligible residential or small  
7 commercial customer-generator's consumption shall be  
8 calculated as follows:

9 (A) For all eligible customer-generators taking service under  
10 tariffs employing "baseline" and "over baseline" rates, any net  
11 monthly consumption of electricity shall be calculated according  
12 to the terms of the contract or tariff to which the same customer  
13 would be assigned to or be eligible for if the customer was not an  
14 eligible customer-generator. If those same customer-generators  
15 are net generators over a billing period, the net kilowatthours  
16 generated shall be valued at the same price per kilowatthour as the  
17 electric service provider would charge for the baseline quantity of  
18 electricity during that billing period, and if the number of  
19 kilowatthours generated exceeds the baseline quantity, the excess  
20 shall be valued at the same price per kilowatthour as the electric  
21 service provider would charge for electricity over the baseline  
22 quantity during that billing period.

23 (B) For all eligible customer-generators taking service under  
24 tariffs employing "time of use" rates, any net monthly  
25 consumption of electricity shall be calculated according to the  
26 terms of the contract or tariff to which the same customer would  
27 be assigned to or be eligible for if the customer was not an eligible  
28 customer-generator. When those same customer-generators are  
29 net generators during any discrete time of use period, the net  
30 kilowatthours produced shall be valued at the same price per  
31 kilowatthour as the electric service provider would charge for  
32 retail kilowatthour sales during that same time of use period. If the  
33 eligible customer-generator's time of use electrical meter is unable  
34 to measure the flow of electricity in two directions, paragraph (3)  
35 of subdivision (b) shall apply.

36 (C) For all residential and small commercial  
37 customer-generators and for each monthly period, the net balance  
38 of moneys owed to the electric service provider for net  
39 consumption of electricity or credits owed to the  
40 customer-generator for net generation of electricity shall be



1 carried forward until the end of each 12-month period. For all  
2 commercial, industrial, and agricultural customer-generators the  
3 net balance of moneys owed shall be paid in accordance with the  
4 electric service provider's normal billing cycle, except that if the  
5 commercial, industrial, or agricultural customer-generator is a net  
6 electricity producer over a normal billing cycle, any excess  
7 kilowatthours generated during the billing cycle shall be carried  
8 over to the following billing period, valued according to the  
9 procedures set forth in this section, and appear as a credit on the  
10 customer-generator's account, until the end of the annual period  
11 when paragraph (3) of subdivision (e) shall apply.

12 (3) At the end of each 12-month period, where the electricity  
13 generated by the eligible customer-generator during the 12-month  
14 period exceeds the electricity supplied by the electric service  
15 provider during that same period, the eligible customer-generator  
16 is a net electricity producer and the electric service provider shall  
17 retain any excess kilowatthours generated during the prior  
18 12-month period. The eligible customer-generator shall not be  
19 owed any compensation for those excess kilowatthours unless the  
20 electric service provider enters into a purchase agreement with the  
21 eligible customer-generator for those excess kilowatthours.

22 (4) The electric service provider shall provide every eligible  
23 residential or small commercial customer-generator with net  
24 electricity consumption information with each regular bill. That  
25 information shall include the current monetary balance owed the  
26 electric service provider for net electricity consumed since the last  
27 12-month period ended. Notwithstanding subdivision (e), an  
28 electric service provider shall permit that customer to pay monthly  
29 for net energy consumed.

30 (5) If an eligible residential or small commercial  
31 customer-generator terminates the customer relationship with the  
32 electric service provider, the electric service provider shall  
33 reconcile the eligible customer-generator's consumption and  
34 production of electricity during any part of a 12-month period  
35 following the last reconciliation, according to the requirements set  
36 forth in this subdivision, except that those requirements shall apply  
37 only to the months since the most recent 12-month bill.

38 (6) If an electric service provider providing net metering to a  
39 residential or small commercial customer-generator ceases  
40 providing that electrical service to that customer during any



1 12-month period, and the customer-generator enters into a new net  
2 metering contract or tariff with a new electric service provider, the  
3 12-month period, with respect to that new electric service  
4 provider, shall commence on the date on which the new electric  
5 service provider first supplies electric service to the  
6 customer-generator.

7 (f) A solar or wind turbine electrical generating system, or a  
8 hybrid system of both, used by an eligible customer-generator  
9 shall meet all applicable safety and performance standards  
10 established by the National Electrical Code, the Institute of  
11 Electrical and Electronics Engineers, and accredited testing  
12 laboratories such as Underwriters Laboratories and, where  
13 applicable, rules of the Public Utilities Commission regarding  
14 safety and reliability. A customer-generator whose solar or wind  
15 turbine electrical generating system, or a hybrid system of both,  
16 meets those standards and rules shall not be required to install  
17 additional controls, perform or pay for additional tests, or purchase  
18 additional liability insurance.

19 (g) This section shall remain in effect only until January 1,  
20 2003, and as of that date is repealed, unless a later enacted statute,  
21 that is enacted before January 1, 2003, deletes or extends that date.

22 *SEC. 2. Section 2827 of the Public Utilities Code, as added by*  
23 *Section 12 of Chapter 8 of the Statutes of the 2001–02 First*  
24 *Extraordinary Session, is amended to read:*

25 2827. (a) The Legislature finds and declares that a program  
26 to provide net energy metering for eligible customer-generators is  
27 one way to encourage private investment in renewable energy  
28 resources, stimulate in-state economic growth, enhance the  
29 continued diversification of California's energy resource mix, and  
30 reduce interconnection and administrative costs for electricity  
31 suppliers.

32 (b) As used in this section, the following definitions apply:

33 (1) "Electric service provider" means an electric corporation,  
34 as defined in Section 218, a local publicly owned electric utility,  
35 as defined in Section 9604, or an electrical cooperative, as defined  
36 in Section 2776. "Electric service provider" also means an entity  
37 that offers electrical service to residential and small commercial  
38 customers, as defined in Section 394, if that entity offers net  
39 energy metering. Any entity that offers net energy metering to



1 residential and small commercial customers shall comply with this  
2 section.

3 (2) “Eligible customer-generator” means a residential  
4 customer, or a small commercial customer as defined in  
5 subdivision (h) of Section 331, of an electric service provider, who  
6 uses a solar or a wind turbine electrical generating facility, or a  
7 hybrid system of both, with a capacity of not more than 10  
8 kilowatts that is located on the customer’s premises, is  
9 interconnected and operates in parallel with the electric grid, and  
10 is intended primarily to offset part or all of the customer’s own  
11 electrical requirements.

12 (3) “Net energy metering” means measuring the difference  
13 between the electricity supplied through the electric grid and the  
14 electricity generated by an eligible customer-generator and fed  
15 back to the electric grid over a 12-month period as described in  
16 subdivision (e). Net energy metering shall be accomplished using  
17 a single meter capable of registering the flow of electricity in two  
18 directions. An additional meter or meters to monitor the flow of  
19 electricity in each direction may be installed with the consent of  
20 the customer-generator, at the expense of the electric service  
21 provider, and the additional metering shall be used only to provide  
22 the information necessary to accurately bill or credit the  
23 customer-generator pursuant to subdivision (e), or to collect solar  
24 or wind electric generating system performance information for  
25 research purposes. If the existing electrical meter of an eligible  
26 customer-generator is not capable of measuring the flow of  
27 electricity in two directions, the customer-generator shall be  
28 responsible for all expenses involved in purchasing and installing  
29 a meter that is able to measure electricity flow in two directions.  
30 If an additional meter or meters are installed, the net energy  
31 metering calculation shall yield a result identical to that of a single  
32 meter. An eligible customer-generator who already owns an  
33 existing solar or wind turbine electrical generating facility, or a  
34 hybrid system of both, is eligible to receive net energy metering  
35 service in accordance with this section.

36 (4) “Ratemaking authority” means, for an electrical  
37 corporation as defined in Section 218, or an electrical cooperative  
38 as defined in Section 2776, the commission, and for a local  
39 publicly owned electric utility as defined in Section 9604, the local  
40 elected body responsible for regulating the rates of the utility.



1 (c) (1) Every electric service provider shall develop a standard  
2 contract or tariff providing for net energy metering, and shall make  
3 this contract available to eligible customer-generators, upon  
4 request, on a first-come-first-served basis until the time that the  
5 total rated generating capacity used by eligible  
6 customer-generators equals one-tenth of 1 percent of the electric  
7 service provider's aggregate customer peak demand. *Every*  
8 *electric service provider shall ensure that requests for*  
9 *establishment of net energy metering are processed in a time*  
10 *period not exceeding that for customers requesting new electric*  
11 *service, but not to exceed one month. Every electric service*  
12 *provider shall make all necessary forms and contracts for net*  
13 *energy metering available for download from the Internet, and*  
14 *shall expedite the establishment of net energy metering upon*  
15 *request from an eligible customer-generator.*

16 (2) On an annual basis, beginning in 1999, every electric  
17 service provider shall make available to the ratemaking authority  
18 information on the total rated generating capacity used by eligible  
19 customer-generators that are customers of that provider in the  
20 provider's service area. For those electric service providers who  
21 are operating pursuant to Section 394, they shall make available  
22 to the ratemaking authority the information required by this  
23 paragraph for each eligible customer-generator that is their  
24 customer for each service area of an electric corporation, local  
25 publicly owned electric utility, or electrical cooperative, in which  
26 the customer has net energy metering. The ratemaking authority  
27 shall develop a process for making the information required by this  
28 paragraph available to energy service providers, and for using that  
29 information to determine when, pursuant to paragraph (3), a  
30 service provider is not obligated to provide net energy metering to  
31 additional customer-generators in its service area.

32 (3) Notwithstanding paragraph (1), an electric service provider  
33 is not obligated to provide net energy metering to additional  
34 customer-generators in its service area when the combined total  
35 peak demand of all customer-generators served by all the electric  
36 service providers in that service area furnishing net energy  
37 metering to eligible customer-generators equals one-tenth of 1  
38 percent of the aggregate customer peak demand of those electric  
39 service providers.



(4) If a customer participates in direct transactions pursuant to paragraph (1) of subdivision (b) of Section 365 with an electric supplier that does not offer net energy metering and is therefore not an electric service provider, the customer is not an eligible customer-generator and the electric corporation, as defined in Section 218, that provides distribution service for the direct transactions, is not obligated to provide net energy metering to the customer.

(5) If a customer participates in direct transactions pursuant to paragraph (1) of subdivision (b) of Section 365 with an electric supplier that offers net energy metering and is therefore an electric service provider, and the customer is an eligible customer-generator, the electric corporation, as defined in Section 218, that provides distribution service for the direct transactions may recover from the customer's electric service provider the incremental costs of metering and billing service related to net energy metering in an amount set by the commission.

(d) Each net energy metering contract or tariff shall be identical, with respect to rate structure, all retail rate components, and any monthly charges, to the contract or tariff to which the same customer would be assigned if such customer was not an eligible customer-generator. The charges for all retail rate components for eligible customer-generators shall be based exclusively on the customer-generator's net kilowatthour consumption over a 12-month period, without regard to the customer-generator's choice of electric service provider that offers net energy metering and is subject to this section pursuant to paragraph (1) of subdivision (b), in accordance with subdivision (e). Any new or additional demand charge, standby charge, customer charge, minimum monthly charge, interconnection charge, or other charge that would increase an eligible customer-generator's costs beyond those of other customers in the rate class to which the eligible customer-generator would otherwise be assigned are contrary to the intent of this legislation, and shall not form a part of net energy metering contracts or tariffs.

(e) The net energy metering calculation shall be made by measuring the difference between the electricity supplied to the eligible customer-generator and the electricity generated by the eligible customer-generator and fed back to the electric grid over

1 a 12-month period. The following rules shall apply to the  
2 annualized net metering calculation:

3 (1) The eligible customer-generator shall, at the end of each  
4 12-month period following the date of final interconnection of the  
5 eligible customer-generator's system with an electric service  
6 provider, and at each anniversary date thereafter, be billed for  
7 electricity used during that period. The electric service provider  
8 shall determine if the eligible customer-generator was a net  
9 consumer or a net producer of electricity during that period.

10 (2) At the end of each 12-month period, where the electricity  
11 supplied during the period by the electric service provider exceeds  
12 the electricity generated by the eligible customer-generator during  
13 that same period, the eligible customer-generator is a net  
14 electricity consumer and the electric service provider shall be  
15 owed compensation for the eligible customer-generator's net  
16 kilowatthour consumption over that same period. The  
17 compensation owed for the eligible customer-generator's net  
18 12-month kilowatthour consumption shall be calculated as  
19 follows:

20 (A) For eligible customer-generators taking service under  
21 tariffs employing "baseline" and "over baseline" rates, any net  
22 monthly consumption of electricity shall be calculated according  
23 to the terms of the contract or tariff to which the same customer  
24 would be assigned to or be eligible for if the customer was not an  
25 eligible customer-generator. If those same customer-generators  
26 are net generators over a billing period, the net kilowatthours  
27 generated shall be valued at the same price per kilowatthour as the  
28 electric service provider would charge for the baseline quantity of  
29 electricity during that billing period, and if the number of  
30 kilowatthours generated exceeds the baseline quantity, the excess  
31 shall be valued at the same price per kilowatthour as the electric  
32 service provider would charge for electricity over the baseline  
33 quantity during that billing period.

34 (B) For eligible customer-generators taking service under  
35 tariffs employing "time of use" rates, any net monthly  
36 consumption of electricity shall be calculated according to the  
37 terms of the contract or tariff to which the same customer would  
38 be assigned to or be eligible for if the customer was not an eligible  
39 customer-generator. When those same customer-generators are  
40 net generators during any discrete time of use period, the net



1 kilowatthours produced shall be valued at the same price per  
2 kilowatthour as the electric service provider would charge for  
3 retail kilowatthour sales during that same time of use period. If the  
4 eligible customer-generator's time of use electrical meter is unable  
5 to measure the flow of electricity in two directions, paragraph (3)  
6 of subdivision (b) shall apply.

7 (C) For all customer-generators and for each monthly period,  
8 the net balance of moneys owed to the electric service provider for  
9 net consumption of electricity or credits owed to the  
10 customer-generator for net generation of electricity shall be  
11 carried forward until the end of each 12-month period.

12 (3) At the end of each 12-month period, where the electricity  
13 generated by the eligible customer-generator during the 12-month  
14 period exceeds the electricity supplied by the electric service  
15 provider during that same period, the eligible customer-generator  
16 is a net electricity producer and the electric service provider shall  
17 retain any excess kilowatthours generated during the prior  
18 12-month period. The eligible customer-generator shall not be  
19 owed any compensation for those excess kilowatthours unless the  
20 electric service provider enters into a purchase agreement with the  
21 eligible customer-generator for those excess kilowatthours.

22 (4) The electric service provider shall provide every eligible  
23 customer-generator with net electricity consumption information  
24 with each regular bill. That information shall include the current  
25 monetary balance owed the electric service provider for net  
26 electricity consumed since the last 12-month period ended.  
27 Notwithstanding subdivision (e), an electric service provider shall  
28 permit that customer to pay monthly for net energy consumed.

29 (5) If an eligible customer-generator terminates the customer  
30 relationship with the electric service provider, the electric service  
31 provider shall reconcile the eligible customer-generator's  
32 consumption and production of electricity during any part of a  
33 12-month period following the last reconciliation, according to the  
34 requirements set forth in this subdivision, except that those  
35 requirements shall apply only to the months since the most recent  
36 12-month bill.

37 (6) If an electric service provider providing net metering to a  
38 customer-generator ceases providing that electrical service to that  
39 customer during any 12-month period, and the customer-generator  
40 enters into a new net metering contract or tariff with a new electric

1 service provider, the 12-month period, with respect to that new  
2 electric service provider, shall commence on the date on which the  
3 new electric service provider first supplies electric service to the  
4 customer-generator.

5 (f) A solar or wind turbine electrical generating system, or a  
6 hybrid system of both, used by an eligible customer-generator  
7 shall meet all applicable safety and performance standards  
8 established by the National Electrical Code, the Institute of  
9 Electrical and Electronics Engineers, and accredited testing  
10 laboratories such as Underwriters Laboratories and, where  
11 applicable, rules of the Public Utilities Commission regarding  
12 safety and reliability. A customer-generator whose solar or wind  
13 turbine electrical generating system, or a hybrid system of both,  
14 meets those standards and rules shall not be required to install  
15 additional controls, perform or pay for additional tests, or purchase  
16 additional liability insurance.

17 (g) This section shall become operative on January 1, 2003.

18 *SEC. 3. Section 2827.7 of the Public Utilities Code is*  
19 *amended to read:*

20 2827.7. Generation eligible for net *energy* metering that is  
21 installed on or before December 31, 2002, shall be entitled,  
22 *regardless of any change in customer or ownership of the energy*  
23 *system*, for the life of the installation, to the net *energy* metering  
24 terms in effect on the date of installation.  
25 ~~following:~~

26 ~~(1) In restructuring electricity in 1996, the Legislature~~  
27 ~~established the Independent System Operator and the Power~~  
28 ~~Exchange, each with governing boards with designated~~  
29 ~~representatives from the investor-owned utility transmission~~  
30 ~~owners, publicly owned utility transmission owners, nonutility~~  
31 ~~electricity sellers, public and private buyers and sellers,~~  
32 ~~consumers, public interest groups, and nonmarket participants.~~

33 ~~(2) It was the intent of the Legislature and the Governor in~~  
34 ~~establishing the Independent System Operator and the Power~~  
35 ~~Exchange that the two organizations would not expose California~~  
36 ~~citizens to undue economic risk.~~

37 ~~(3) It is now necessary to change the structure of governance of~~  
38 ~~the Independent System Operator and the Power Exchange to~~  
39 ~~ensure that the economic interests of California's citizens are~~  
40 ~~protected from an unstable electricity market at least during a~~

1 ~~period of transition until a fully functional electricity market is~~  
2 ~~established and demonstrated.~~

3 ~~(4) On November 1, 2000, the Federal Energy Regulatory~~  
4 ~~Commission (FERC), which regulates the services provided by the~~  
5 ~~Independent System Operator and the Power Exchange under the~~  
6 ~~Federal Power Act (16 U.S.C.A. Sec. 791a et seq.), issued an order~~  
7 ~~that, if implemented, would restructure the governing boards of~~  
8 ~~the Independent System Operator and the Power Exchange in a~~  
9 ~~manner that is likely to conflict with existing state law.~~

10 ~~(b) It is the intent of the Legislature that the Electricity~~  
11 ~~Oversight Board, which is responsible for confirming the~~  
12 ~~appointments to the governing boards of the Independent System~~  
13 ~~Operator and the Power Exchange, shall make appointments such~~  
14 ~~as it determines to be appropriate, qualified, and necessary.~~

15 ~~SEC. 2. The Legislature further finds and declares all of the~~  
16 ~~following:~~

17 ~~(a) In establishing the Independent System Operator and the~~  
18 ~~Power Exchange, the Legislature and the Governor intended that~~  
19 ~~the two entities should evolve into, or otherwise establish through~~  
20 ~~compact or other agreement, regional transmission organizations~~  
21 ~~to increase access of consumers to the electricity markets of other~~  
22 ~~states.~~

23 ~~(b) In view of the instability of the California electricity market~~  
24 ~~and the transitional nature of the electricity sector restructuring, it~~  
25 ~~is premature for the Independent System Operator or the Power~~  
26 ~~Exchange to undertake steps that would further commit California~~  
27 ~~citizens to the form and substance of the restructuring that was~~  
28 ~~originally contemplated unless it has been clearly established to be~~  
29 ~~in the interest of California's citizens.~~

30 ~~(c) Entering into a compact or an agreement that would extend~~  
31 ~~California's electric sector into a regional transmission grid may~~  
32 ~~not be appropriate at this time.~~

33 ~~SEC. 3. Section 335 of the Public Utilities Code is amended~~  
34 ~~to read:~~

35 ~~335. In order to ensure that the interests of the people of~~  
36 ~~California are served, a five-member Electricity Oversight Board~~  
37 ~~is hereby created as provided in Section 336. For purposes of this~~  
38 ~~chapter, any reference to the Oversight Board shall mean the~~  
39 ~~Electricity Oversight Board. Its functions shall be all of the~~  
40 ~~following:~~



~~(a) To oversee the Independent System Operator and the Power Exchange.~~

~~(b) To determine the composition of the board and the terms of service of the members of the board and to exercise the exclusive right to confirm or decline to confirm the appointments of members of the governing boards of the Independent System Operator and the Power Exchange.~~

~~(c) To serve as an appeal board for majority decisions of the Independent System Operator governing board, as they relate to matters subject to exclusive state jurisdiction, as specified in Section 339.~~

~~SEC. 4. Section 337 of the Public Utilities Code is amended to read:~~

~~337. The Oversight Board shall have the exclusive right to approve procedures for the election and submission for confirmation and the qualifications for Independent System Operator governing board members, all of whom shall be required to be electricity consumers in the area served by the Independent System Operator.~~

~~SEC. 5. Section 338 of the Public Utilities Code is amended to read:~~

~~338. The Oversight Board shall have the exclusive right to approve procedures and the qualifications for Power Exchange governing board members, all of whom shall be required to be electricity customers in the area served by the Power Exchange.~~

~~SEC. 6. Section 352 is added to the Public Utilities Code, to read:~~

~~352. The Independent System Operator may not enter into a multistate entity or a regional organization as authorized in Section 359 unless that entry is approved by the Oversight Board.~~

~~SEC. 7. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.~~

1     ~~SEC. 8. This act is an urgency statute necessary for the~~  
2     ~~immediate preservation of the public peace, health, or safety~~  
3     ~~within the meaning of Article IV of the Constitution and shall go~~  
4     ~~into immediate effect. The facts constituting the necessity are:~~

5     ~~In order to make the Independent System Operator and the~~  
6     ~~Power Exchange more accountable to the people of this state by~~  
7     ~~eliminating stakeholder governing boards, thereby acting to~~  
8     ~~mitigate the state's current energy crisis, it is necessary for this act~~  
9     ~~to take effect immediately.~~

