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September 12, 2025

The Honorable Gavin Newsom
Governor, State of California
1021 O Street, Suite 9000
Sacramento, CA 95814

Re: Request for Signature – AB 740 (Harabedian) Virtual power plants

Dear Governor Newsom,

We are writing to respectfully urge you to sign AB 740 by Assemblymember Harabedian into law. AB 740 takes a critical step in addressing California's energy affordability crisis by unlocking the full potential of virtual power plants (VPPs). AB 740 passed the legislature with overwhelming support and no organizations in opposition.

California urgently needs more affordable clean energy to meet rising electricity demand, protect ratepayers from soaring electricity bills and cut pollution from peaker fossil fuel plants. While new utility-scale renewable energy capacity including solar, wind and battery storage is coming online, this alone cannot solve one of the main drivers of rising costs: growing peaks in energy demand.

To control costs, California must make better use of the distributed clean technologies already in our homes and businesses through virtual power plants. Millions of Californians have invested in these clean technologies, such as heat pumps, smart thermostats, solar, battery storage and electric vehicles.

VPPs are coordinated networks of distributed clean energy resources across homes and businesses that respond to grid needs and avoid or shift costly peaks in demand. Unlike new infrastructure, VPPs rely on assets that consumers already own, delivering cleaner, more reliable energy at a fraction of the cost. Deployed at scale, VPPs could save Californians \$750 million per year in traditional power system costs and provide more than 7,500 MW of capacity cost-effectively.

VPPs are not yet being deployed at scale because California's regulatory processes have not kept pace with technological progress. The state's lack of a coordinated strategy on VPPs risks leaving significant savings, reliability gains, and emissions reductions on the table.

AB 740 addresses this problem by catalyzing the process to achieve the full benefits of VPPs at scale. Specifically, AB 740 requires the California Energy Commission, in coordination with the California Public Utilities Commission and the California Independent System Operator, to develop a statewide VPP deployment plan as part of its biennial Integrated Energy Policy Report (IEPR). In addition, the bill requires utilities to annually report to the CEC their contributions towards meeting the state's load-shift goals.

VPPs offer California a clear, low-cost pathway to meet more of our energy needs using clean, local resources already deployed across millions of households and businesses. Harnessing the full potential of VPPs will help unlock the full affordability and decarbonization benefits of load flexibility and ensure that all ratepayers see the financial benefits of the clean energy transition.

For these reasons, we respectfully urge you to sign AB 740 into law.

If you have any questions, please contact Kurt Johnson, Community Energy Resilience Director at The Climate Center (kurt@theclimatecenter.org, 970-729-5051).

Sincerely,

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Advanced Energy United

Ellie Cohen, CEO
The Climate Center

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California Energy Storage Alliance
(CESA)

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Bill Magavern, Policy Director
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Stephanie Doyle, California Director
Solar Energy Industries Association