



August 22, 2025

The Honorable Caballero
Chair, Senate Appropriations
Capitol Office 1021 O Street, Suite 7620
Sacramento, CA 95814

RE: Sponsor support for AB 740

Dear Chair Caballero,

We applaud your leadership on championing solutions to transition away from outdated fossil fuel power toward more clean, renewable energy. Environment California, Advanced Energy United and The Climate Center are proud to sponsor AB 740, which will advance local clean energy solutions such as “virtual power plants” (VPPs) that promote clean, affordable and reliable electricity.

California needs more clean energy, quickly to meet rising electricity demand and cut pollution from backup fossil fuel plants that run when demand spikes. More utility-scale clean, renewable energy capacity including solar, wind and battery storage is coming online to meet those needs, but the time it takes to approve and build those projects along with new grid infrastructure raises costs for California ratepayers, when local clean energy solutions can dramatically reduce those costs.

As a result, we must maximize the efficiency of existing distributed clean energy assets to reduce our reliance on dirty energy sources and meet peaks in electricity demand throughout the day. Millions of Californians have adopted these clean technologies to live more sustainably, enhance the efficiency of their homes or businesses, and save money on utility bills. These include heat pumps, smart thermostats, solar and storage, and electric vehicles - all of which are seeing high adoption rates. Smarter coordination of these existing household devices has enormous potential to deliver cleaner, more affordable and more reliable electricity for all

ratepayers.

VPPs are an emerging solution to help meet community clean energy needs. They are coordinated networks of distributed local clean energy resources across thousands of homes and businesses that create a shared resource that helps meet the grid's needs and reduces costly, dirty peaks in electricity demand. Consumers can already opt into pilot VPP programs such as the state's [Demand Side Grid Support Program](#) (DSGS) that pay them to help provide power to the grid and make slight adjustments to their home's energy use to promote reliability and save money. VPPs offer a quick and affordable solution to deliver clean energy because they rely on energy assets already purchased by individuals, not new infrastructure to be paid for by ratepayers.

Deployed at scale, VPPs can potentially save California consumers [\\$750 million per year](#) in traditional power system costs, with \$500 million of that being paid directly to VPP participants—Californians who could enroll as easily as by getting a free or subsidized smart thermostat from their local utility—and \$50 million per year would be savings realized for all ratepayers, including those who don't participate in VPPs.

In addition, VPPs at scale could provide more than 7,500MW of capacity cost-effectively—that is over 15% of California's peak demand and more than twice the peak capacity currently provided by the six highly polluting Once-Through-Cooling (OTC) "peaker" power plants that the state maintains under contract until 2026.

AB 740 would kick-start the process to achieve the full benefits of VPPs at scale. Specifically, the bill would require the California Energy Commission to develop a VPP implementation plan for the state with goals and milestones, which would include finding strategies to tackle major barriers like resource adequacy qualification and data access needs.

We have an opportunity in California to meet more of our energy needs with clean, local sources already present in millions of households, without having to wait years for more expensive energy generation to come online. Harnessing the full potential of VPPs will build more resilient, healthy communities while cutting costs and pollution from our energy system.

Sincerely,

Laura Deehan
State Director,
Environment California

Edson Perez
Senior Principal,
Advanced Energy United

Ellie Cohen
CEO, The Climate Center