



July 21, 2016

The Honorable Edmund G. Brown
Governor, State of California
California State Capitol
Sacramento, CA 95814

The Honorable Kevin de León
President pro Tempore, California State Senate
State Capitol, Room 205
Sacramento, CA 95814

The Honorable Anthony Rendon
Speaker, California State Assembly
State Capitol, Room 219
Sacramento, CA 95814

Dear Governor Brown, Senate President Pro-Tempore De León and Assembly Speaker Rendon:

We write on behalf of Environmental Defense Fund (EDF), Union of Concerned Scientists (UCS), Natural Resources Defense Council (NRDC), and the Center for Energy Efficiency and Renewable Technologies (CEERT). Our organizations have worked with the legislature and state agencies for decades to help ensure clean affordable energy for California.

Regionalization Offers a Pathway to Cleaner, More Affordable and More Reliable Electricity

SB 350 put California on the path to a new world by 2030 – one where half of California’s electricity needs will be met by renewable energy. To help integrate this clean energy and at the least possible cost to consumers, the state is currently considering action that would authorize the California Independent System Operator (CAISO) to start to transition into a larger energy market that also includes other states.

There are many potential benefits of regionalization: lower cost renewable energy integration, a more diverse supply of renewable energy sources across a wider geographic region, improved system reliability, and lower utility bills and reduced greenhouse gases (GHGs) in California and nearby states. For these reasons, our organizations strongly support the move to a well-designed regional market, but we believe the following issues must be addressed:

A. Though the SB 350 studies anticipate a long-term reduction in GHGs, we understand that a regional grid is designed to be “policy neutral.” Ensuring that California’s GHG emission’s (including emissions leakage outside of California) do not rise compared to what would happen without regionalization requires a mechanism to track GHG emissions

associated with electricity purchased across the region. This regional mechanism could use aggregated data from the existing monthly settlement process with additional operational costs incurred by states with GHG compliance obligations.

B. PacifiCorp's verbal decision to mitigate GHG emission increases associated with their fleet that occur as a result of regionalization, if there are any, should be appreciated and verified.

C. Impacts of an expanded regional grid on criteria air pollutants in California's disproportionately impacted communities must be understood and fully mitigated. The PUC and the California Air Resources Board (CARB) should be directed to work together to mitigate any adverse impacts, for example by authorizing preferred resources that reduce reliance on natural gas in these areas and directly benefit the communities.

D. The ISO stakeholder process should provide for meaningful public participation that guarantees access to data underlying decisions and the opportunity to propose alternatives. It should include representatives from a wide variety of interests, including supply and demand-side clean energy representatives, end-use consumers, environmental and labor groups. In addition, CAISO must ensure that the process by which sector stakeholders engage, elect representation and vote on proposals is meaningful and not susceptible to marginalization.

E. California can and must retain control of its ability to procure preferred resources to meet its own energy and resource adequacy needs. Additionally, a regional ISO must be committed to ensuring that its decisions are consistent and with and supportive of current federal law and state policy decisions. Governance must acknowledge and respect the continuing rights of all states involved to oversee and guide resource procurement by their utilities. The ISO proposal recognizes the importance of maintaining state jurisdiction - this issue should also be reflected in legislation.

In the long term, expanding electricity markets will be one of the important tools deployed to accommodate higher levels of renewable energy. Regionalization is a complicated process, but there is considerable experience to draw from, as many states outside of the western United States are already participating successfully in multi-state ISO's. By accomplishing the steps outlined above and initiating a regional market, California can do its part to expand the role of renewable energy, reduce pollution, and preserve state energy authority.

Thank you,

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Laura Wisland
Senior Energy Analyst
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V. John White
Executive Director
Center for Energy Efficiency and Renewable Technologies

Carl Zichella
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Natural Resources Defense Council

cc:

Senator Ben Hueso, Chair, Senate Energy, Utilities & Communications Committee
Assemblymember Mike Gatto, Chair, Assembly Utilities & Commerce Committee