THE TRANSFORMATION OF THE ENERGY SECTOR

CALIFORNIA

Last-minute bills would set up regional grid

Debra Kahn, E&E News reporter

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California lawmakers are pursuing changes to the state's electricity markets through a sweeping new bill unveiled Friday.

The head of the state Assembly Utilities and Energy Committee made last-minute changes over the weekend to two bills that would set the stage for a West-wide electrical grid and require in-state utilities to buy more renewable energy before federal tax incentives expire.

A.B. 726 and **A.B. 813**, by Assemblyman Chris Holden (D), would require the state's grid operator to accept representatives from other states into its leadership. The move is a precursor to creating a regional transmission organization to trade electricity cross-border more seamlessly and frequently with its neighbors.

Renewable energy advocates say that a regional transmission organization would save ratepayers money and encourage the spread of renewable generation across the West, especially when coupled with **S.B. 100**. That bill by California Senate President Pro Tempore Kevin de León would increase the state's renewables target to 60 percent by 2030 and 100 percent "zero-carbon" by 2045.

The bills would require the California Independent System Operator to propose a new governance structure by November 2018, which would be approved by a committee made up of representatives from the state's energy and air agencies, the Legislature, and the governor's office.

Another section of the bills would require utilities to speed up their purchases of renewable energy in order to take advantage of temporary federal tax credits for wind and solar plants. The state has estimated that buying 4,000 megawatts of renewable energy now, rather than after 2020 when the investment and production tax credits will begin to ramp down, could save $633 million.

The language concedes that the resources are not currently needed, and that the excess renewables could lead to some power plants being curtailed, but argues that the savings will outweigh the costs.

"Curtailments to date have been minimal, and the benefits of early procurement will outweigh the potential for increased curtailment," A.B. 726 says. "Additionally, state agencies and the Independent System Operator are already working to minimize the impact of curtailment."

The bill would direct the state Public Utilities Commission to have utilities buy extra renewable electricity from projects that are slated to begin construction by the end of 2019, if early procurement is found to reduce the "overall long-term expense" to ratepayers.

The language is intended to reassure labor unions facing the potential loss of in-state electricity construction jobs due to regionalization. But it has raised the ire of municipal electricity suppliers, which have been gaining popularity as an alternative to the state's incumbent investor-owned utilities. They argue that the utilities will pass the cost of procuring excess renewables on to them, hurting their rates and their attractiveness to potential customers.

"The investor-owned utilities and the electrical workers' union are trying to undermine local Community Choice Energy programs," Ann Hancock, executive director of the Center for Climate Protection, wrote in an email to supporters. "This effort would be a slap in the face to the existing Community Choice operators across the state who have been leading the way to meet the California's Renewable Portfolio Standard, and would be a death blow to new programs that are in the process of being developed in numerous communities."

The bills have until Friday to get through the Legislature and are expected to be heard in the state Senate Energy, Utilities and Communications Committee as soon as today. They have the support of the Clean Power Campaign, a coalition of environmental groups and energy companies chaired by Berkshire Hathaway Inc., which owns the West-wide utility PacifiCorp. That group put out a letter Saturday praising the bills but urging a specific requirement for utilities to procure at least 500 MW of geothermal energy from California's Salton Sea and to examine the potential to extend existing contracts for geothermal, biomass and wind projects.

But the Sierra Club, which has argued that linking with coal-heavy states like Utah and Wyoming could cause California's emissions to increase, put out a letter Saturday opposing the regionalization language for giving too much power to the governor and failing to ensure that air pollution won't increase in overburdened communities. It urged the Energy and Utilities Committee chairman, state Sen. Ben Hueso (D), to reject the language and consider a new proposal when lawmakers reconvene in January.

"While it may be painful for a president or governor to endure the pace and argument inherent in the legislative system, it is part of the practice of democracy," wrote Sierra Club California Director Kathryn Phillips.

Twitter: **@debra_kahn** | Email: **dkahn@eenews.net**