Position Paper:
Oppose CAISO Regionalization

California Alliance for Community Energy
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The California Alliance for Community Energy opposes all initiatives, including AB 813 (and AB 726), to place the California Independent System Operator (CAISO) under a western regional authority. CAISO regionalization will undermine the ability of Community Choice energy programs in California to develop community-based renewable energy solutions.

CAISO regionalization is about changing the governance of CAISO. Rather than being governed by a California-appointed board, California would become a minority party in a large Regional Transmission Organization (RTO), an industry-run authority directly regulated by the federal government via the Federal Energy Regulatory Commission (FERC).

This change in governance would place control over California's energy market in the hands of a Western states RTO heavily dominated by coal interests (the largest coal-producing states in the U.S.)[1] and under the direction of the Trump administration. California's policies for transitioning to renewable energy—and initiatives to develop distributed or decentralized energy resources—would be subject to review and revision by a market authority that is not interested in either.

The Impact of CAISO Regionalization

Proponents of CAISO regionalization are large fossil fuel energy and transmission interests, who want greater access to the California energy market, and advocacy groups wedded to large, remote energy production and transmission system expansion.

CAISO regionalization is not primarily about an expanded market for California energy. CAISO already trades in a western regional market. In particular, CAISO plays a key role in the Energy Imbalance Market, which has provided regional integration of renewable energy to address short-term energy imbalances, renewable energy curtailment, and opportunities for selling California renewables. Recent analyses show that an expanded Energy Imbalance Market and sophisticated distribution management together can achieve the flexibility California needs to integrate its renewable energy in a regional market.[2] CAISO regionalization, therefore, is not so much about expanding a regional market, as it is about who controls the regional market and in whose interests.

For example, the Pennsylvania-New Jersey-Maryland RTO, the nation's largest electricity market, has submitted to FERC a plan to allow subsidies for coal and nuclear power to be incorporated into regional markets. By joining in an RTO with coal-dominated states, California's interests would be subordinated to fossil fuel interests and the federal government.

The imposition of Western regional control[3] into California's markets would prioritize out-of-state energy generation and delivery via expensive transmission lines rather than competitive decentralized local resources. It would benefit the large corporate interests that run the RTOs (no public agencies or representatives can participate), rather than state and community-based interests. It would result in jobs moving out of state to distant generation and transmission projects, and would drive energy wealth away from local communities.

Centralization vs. Local Control

Arguments that CAISO regionalization would enhance the transition to renewable energy are all based on a centralized energy model (large remote power plants and expensive transmission infrastructure) that conflicts directly with the decentralized energy model (community-based energy resources and community benefits) and expanded distributed energy resources.

CAISO regionalization will impact local control of energy resources by Community Choice programs in multiple ways:

- It will pump investment and other resources into strengthening centralized energy development, largely outside of California.
- It will shift control of energy decision-making from California and its local jurisdictions to a regional authority under federal control.
- It will mandate that investments in regional transmission infrastructure be paid for by California ratepayers—limiting the ability of Community Choice programs to invest in community-based resources and to reap the benefits of doing so.
- It will stymie efforts to revise CAISO's allocation of transmission access charges to reflect the avoided-transmission value of locally generated electricity by putting this issue in the hands of a regional authority that prioritizes transmission expansion.

For all these reasons, CAISO regionalization will compromise the ability of Community Choice programs to develop distributed energy resources and community-based energy systems.

In short, CAISO regionalization poses a direct challenge to the ability of Community Choice programs to advance local clean energy, which is the basis of environmental, economic, and social justice benefits for our communities.

Current Status

CAISO Regionalization was proposed and ultimately defeated twenty years ago. It was brought back in AB 813 (and AB 726) during the 2017 legislative session, and held over to 2018 due to strong opposition, partly in response to anti-Community Choice provisions in the bill.

Chris Holden, Chair of the Assembly Committee on Utilities and Energy, released draft amendments to the original bill on January 23. These are apparently meant to mollify opposition to the bill by introducing conditions or requirements for CAISO regionalization to proceed. However, there is strong precedent in other regional authorities that such conditions become void once an RTO is established. FERC has ruled on many occasions that such state-imposed conditions are superseded by the regional authority.

Many environmental organizations have bought the NRDC argument that regionalized markets—which we already have without CAISO regionalization—rather than distributed energy resources, are the best way to advance renewable energy development, and most Community Choice programs have not thought through how CAISO regionalization will limit their options.

Meanwhile, the Governor, PacificCorp and other coal and transmission line interests, powerful lobbyists (Fix the Grid[4]), Natural Resources Defense Council, and CAISO itself are pushing CAISO regionalization as a "climate solution."

A Call to Action

We call on members of our communities, their local elected representatives, and their representative in the state legislature to strongly reject CAISO regionalization.

The California Alliance for Community Energy joins with the San Diego Community Choice Alliance and other opponents of CAISO regionalization (see, for example, the excerpt from The Utility Reform Network (TURN) letter[5] and the analysis of the Sierra Club[6]) in an effort to educate our constituents about the dangers of CAISO regionalization and to oppose AB 813 (and AB 726) or any other measures aimed at relinquishing California's authority over CAISO.

End Notes

[1] San Diego 350, “Protecting California’s Clean Energy Future,” Map of Coal in the Western United States [https://sandiego350.org/public-policy-team/oppose-ab-726-ab-813-regional-grid/]

[2] Doug Karpa and Crag Lewis, Clean Coalition, “Expanding the Energy Imbalance Market is the Right Way to Regionalize California’s Grid,” *Greentech Media*, March 13, 2018. [https://www.greentechmedia.com/articles/read/expanding-energy-imbalance-market-right-way-to-regionalize-california]

[3] California Energy Commission: The western states generate 500 times more electricity from coal than California does. Five of those states sued the EPA over the Clean Power Plan. On average, those five states generate approximately 60 percent of their electricity from coal. [http://www.energy.ca.gov/renewables/tracking_progress/documents/current_expected_energy_from_coal.pdf]

[4] Fix the Grid’s pitch for CAISO regionalization: “Building a Clean Power System for California: California is moving fast to lead America on climate and clean energy. Now, for California to reach its goals affordably and equitably, more utilities need to integrate into a modern electricity market.” [https://www.fixthegridcalifornia.org/]

[5] TURN Letter to Holder, January 31, 2018: “As a general matter, The Utility Reform Network (TURN) believes that California can engage in greater regional coordination without transforming CAISO into a full Regional Transmission Organization (RTO). TURN has serious concerns that the regional expansion of CAISO could lead to higher costs for California consumers, greater utilization of coal and gas-fired power plants, higher in-state Greenhouse Gas emissions, fewer in-state jobs, and an increased risk that cutting-edge state policies will be subject to federal preemption.” [https://sandiego350.org/blog/wp-content/uploads/2018/01/TURN_comments_AB813amends-2018-01-31.pdf]

[6] Sierra Club analysis: “a proposal to merge CAISO with PacifiCorp [for example], would result in an increase in the dispatch of coal power plants that would lead to higher greenhouse gas emissions in the region by 2020.” [https://content.sierraclub.org/press-releases/2016/05/new-study-shows-proposed-california-pacificorp-energy-market-integration]