

April 5, 2023

Assemblymember Eduardo Garcia, Chair,
Assembly Committee on Utilities and Energy
California State Legislature
State Capitol, Room 5132
Sacramento, CA, 95814



Re: Strongly Oppose CAISO Regionalization, AB 538 (Holden)

Dear Assemblymember Eduardo Garcia, Chair, Assembly Committee on Utilities and Energy,
The [California Alliance for Community Energy](http://www.cacommunityenergy.org) writes to oppose AB 528 (Holden).

The Alliance is a statewide coalition of organizations, initiatives, and individuals that supports and defends Community Choice and other community energy programs in California that advance local clean energy for the environmental, economic, and social justice benefit of our communities.

As explained in the attached position, the Alliance opposes AB 538, the latest effort to place the California Independent System Operator (CAISO) under a western regional authority. CAISO regionalization, as it is called, will undermine the ability of communities in California to develop the community-based renewable energy solutions required to address climate change and meet their communities' energy needs.

Please see the attached document for a fuller explanation of the Alliance's position.

Sincerely,

A handwritten signature in black ink that reads "Al Weinrub". The signature is written in a cursive style with a large, sweeping "A" and "W".

Al Weinrub
Coordinator, California Alliance for Community Energy

CC:

Senator Toni Atkins - President pro Tempore California Senate
Nidia Bautista, Chief Consultant, Senate Energy, Utilities and Communications Committee

Position Paper: Oppose CAISO Regionalization



The California Alliance for Community Energy opposes AB 538, which would place the California Independent System Operator (CAISO) under a western regional authority. CAISO regionalization will undermine the ability of Community Choice and other community energy programs in California to develop community-based local 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 Federal government. California's policies for transitioning to renewable energy—and initiatives to develop distributed energy resources under local community control—would be subject to review and revision by a market authority that has no interest in prioritizing community benefits or pursuing a decentralized energy model to realize them.

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. Many analyses and recent experience 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, in whose interests, and to whose benefit.

By joining in an RTO with coal-dominated states, California's interests would be subordinated to fossil fuel interests and federal government priorities.³

The imposition of Western regional control into California's markets would prioritize out-of-state energy generation and delivery via costly and dangerous transmission lines rather than competitive distributed renewable energy 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, would increase electric rates—already the highest in the U.S.—to pay for yet new transmission infrastructure, and would pull energy investment out of local communities.

Centralized 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 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 and other California programs to invest in community-based resources and to reap the benefits of doing so.
- It will stymie revision of 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 and other community energy programs to develop distributed energy resources and community-based energy systems.

In short, CAISO regionalization poses a direct challenge to the ability of California communities to advance local clean energy development—a baseline for achieving environmental, economic, and social justice benefits needed by their communities.

A Call to Action

CAISO Regionalization was proposed and ultimately defeated twenty years ago. It was brought back in AB 813 during the 2017 legislative session, and defeated in 2018 due to strong opposition by over 120 California organizations.

AB 538 is the latest attempt to undermine community and state control over our energy choices by ceding that control to powerful outside interests. While the bill contains conditions and requirements to be met for CAISO regionalization to proceed and asserts the right of California to withdraw from the RTO, such provisions are meaningless. There is strong precedent in other regional authorities that such conditions become void once an RTO is established. FERC has ruled on many occasions, backed by the courts, that such state-imposed conditions are superseded by the regional authority. There is no going back.

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 many past and current opponents of CAISO regionalization (see, for example, the excerpt from The Utility Reform Network (TURN) 2018 letter⁴ and the 2018 analysis of the Sierra Club⁵) in educating our constituents about the dangers of CAISO regionalization and the urgency to oppose AB 538 and 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 Craig 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 Five western states (Colorado, Montana, New Mexico, Utah, and Wyoming) on average generate approximately 45 percent of their electricity from coal. This amounts to 500 times more electricity from coal than generated by California. These five states sued the EPA to reverse the Clean Power Plan a few years ago. [<https://www.chooseenergy.com/data-center/electricity-sources-by-state/>]

⁴ 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]

⁵ 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>]