California regulator sees looming crisis ahead

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In early May 2018, the California Public Utilities Commission (CPUC) released a white paper focusing primarily on issues arising from the expected rise of customer choice, identifying a potential crisis developing in the state's electric power sector without offering any particular solutions or remedies for the problem. Referring to the crippling 2000-01 California electricity crisis, the white paper says: "We are seeing some of the same trends that preceded the last energy crisis in California."

The reasons for the CPUC's alarm include the following:

- fragmented decision making
- poorly coordinated resource procurement to ensure reliability, and
- no backup plan in the event that failures among electricity providers leave customers stranded without reliable service.

It said, in part, "we need a clear long-term vision for our regulatory framework that provides a lasting, stable platform that goes beyond short-term fixes."

California is among a number of states facing mounting challenges as its power sector is rapidly transitioning towards a more distributed, more renewable and more complex system with complicated flows and rising reliability concerns.

The CPUC white paper challenges state policy makers and industry stakeholders to have "a conversation" about what policy changes will be needed to make sure the state stays on track in meeting its multiple ambitious goals and targets while maintaining the grid's reliability and continuing to provide power at reasonable cost.

California is experiencing a rapid rise in customer-owned rooftop solar PV systems and other forms of self-generation, while community choice aggregation (CCA) is taking many customers away on mass from their traditional utility providers, as illustrated in Figure 1.

CPUC President Mike Picker has been outspoken about the ensuing uncertainties that this CCA migration, as well as the proliferation of distributed generation, may entail.

Community choice aggregation (CCA)

CCAs are a hybrid between municipal entities and standard investor-owned utilities. Although administered by the local government, they purchase power for residents, while the incumbent utility performs grid maintenance.

Figure 1: Existing and proposed CCAs

Source: EEnergy Informer

As reported in *California Current*, the CPUC may simply not trust the CCAs – perhaps concerned that they might become financially insolvent or somehow fail to secure adequate power supplies to keep the lights on – without offering much evidence.

California Current further speculates that the CPUC's unease may be traced to the fact that the commission itself is gradually losing its prominent role because the CPUC is losing its authority to regulate the CCAs, whose decisions will be made at the local level.

The rise of community choice aggregation is another example of disruption at the grid's edge, challenging the role traditionally taken by public utilities. We will look further into this disruptive phenomenon in future issues.

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