

Utilities Float 'Clean Energy Standard' As Alternative To Tougher RPS

Five major utilities are lobbying lawmakers and agency officials to adopt a "clean energy standard" as a more cost-effective path for reaching the state's long-term greenhouse gas (GHG) targets than tightening the state's renewable portfolio standard (RPS) by requiring a 50 percent renewable power supply by 2030, according to sources.

The "general concept" is to require the California Air Resources Board (ARB) to set specific GHG-reduction targets for the electricity sector and individual utilities, and then allow the utilities to implement a set of measures -- in addition to procuring more renewable power -- such as energy efficiency investments, transportation electrification initiatives and possibly distributed generation programs to help achieve the new carbon-reduction targets, says a source close to the issue.

But renewable power industry representatives, environmentalists and some key lawmakers are opposing the utility proposal, maintaining that the state should stick with the highly successful RPS framework in the years to come.

Utility officials are floating the proposal to lawmakers as a potential standalone bill or an amendment to pending legislation intended to codify Gov. Jerry Brown's (D) call for the state to reach 50 percent renewables by 2030.

The industry plan is intended to address utilities' primary concern that a straightforward expansion of the state's RPS -- which currently requires 33 percent renewables by 2020 -- to 50 percent by 2030 will be highly costly and challenging to implement because of the difficulty with integrating that much more solar and other clean power sources onto the state's grid, sources say.

"The goal is to figure out how to get the carbon reductions we need in the most cost-effective way, with the most benefits to our customers," the source says.

The utilities behind the proposal -- Pacific Gas & Electric Co., Southern California Edison, Sempra Utilities, Sacramento Municipal Utility District and Los Angeles Department of Water & Power -- are hopeful that one or more lawmakers will include a clean energy standard, or elements of it, in pending legislation, the source says.

Varying Legislative Plans

"We're talking with a variety of lawmakers, trying to get this idea out there and see how folks react to it, and what their concerns are," the source says.

However, some of the utilities' ideas for alternative clean-power paths to achieve the state's longer-term GHG targets might have to be added to pending legislation calling for a 50 percent RPS by 2030 if no lawmaker is willing to introduce a standalone bill for the novel clean energy standard, the source says.

These bills include SB 350 by Senate President Pro Tem Kevin de Leon (D-Los Angeles) and AB 645 by Assemblyman Das Williams (D-Santa Barbara). AB 645 has advanced to the Assembly Appropriations Committee despite objections by utilities that the measure lacks flexibility and ignores challenges California faces with integrating more renewables on its electricity grid.

The appropriations committee was slated to consider the bill on May 13 but it was sent to the committee's "suspense file," which means it will be dealt with at a later time.

A staff analysis of AB 645 by the appropriations committee notes many of the same concerns that have been raised by the utilities, calling the measure a "work in progress" and that "many outstanding policy and implementation issues remain and will need to be addressed prior to enacting any legislation to increase the RPS to 50 percent by 2030."

For example, these issues include "enabling the procurement and integration of the broad range of renewable resources necessary to assure balanced, reliable portfolios and maximize environmental benefits; determining the manner in which electricity from small-scale and distributed renewable energy resources is counted toward the RPS to assure these resources are properly valued, but not double-counted; and reconciling the RPS with other programs that are part of the state's overall climate and energy goals, such as energy efficiency and electrification of the transportation sector," the committee analysis states.

The utilities' clean energy standard proposal aims primarily to "really focus on cost-effectiveness and improved investment in our economy, both locally and within the state," the source says. "We understand we'll need more renewables to get to long-term carbon targets, but we're trying to make sure our programs are cost-effective and provide maximum benefits to California -- to really enhance the reception to, and positives of, reduced carbon in terms of economic benefit."

Cost-Effectiveness Prioritized

While the utilities acknowledge that many lawmakers strongly support the RPS structure and are reluctant to abandon it after 2020 in favor of a new clean energy standard, the source argues a transition may not be as sweeping or difficult as perceived, especially if it results in a better outcome in terms of cost-effectiveness, job creation and the maintenance of affordable electricity rates for all Californians.

"We're not proposing to replace the RPS . . . we would continue to invest in renewables tracked through the RPS mechanism, but [this] would allow us some flexibility on what that percentage level would need to be in later years, and the timing of getting to a 50 percent RPS, by coming up with a framework that reduces carbon through other measures," the source says.

Utility officials have discussed their proposal with ARB and state energy agencies, the source notes. "I think there's varying levels of interest amongst them. Some really like it, and others prefer the RPS framework." Some officials have expressed concerns that the

proposal could advance an overly complex system upon which ARB would calculate the carbon-reduction targets for each utility, the source notes.

Brown, in his January inauguration speech, set a target for California to reach 50 percent renewables by 2030, but did not specify whether this should occur under the existing RPS framework. Soon thereafter, lawmakers introduced several bills to set a new 50 percent RPS by 2030, including SB 350 and AB 645.

Williams, the author of AB 645, said during a hearing last month of the Assembly Utilities & Commerce Committee that while he is cognizant of concerns related to RPS compliance flexibility and the integration of more renewables on the grid, the RPS has proven to be a highly successful policy and that expanding it to 50 percent is "too important" to delay based on those concerns.

He also said that he is aware of alternative approaches the utilities have backed -- including the clean energy standard -- but that he is "not yet convinced" that such an approach is "solid enough" to "replace a proven policy like the RPS."

Advocates Support RPS Framework

Representatives of the solar and wind power industries, as well as some environmental groups, in recent legislative hearings and state agency meetings have also expressed their support for expanding the RPS to 50 percent by 2030 and opposition to the utilities' alternative approach.

During a May 11 California Energy Commission (CEC) workshop on renewable energy, Rachel Gold, representing the Large-Scale Solar Association, said the RPS is a "proven pathway to success for the state," as well as "critical to meeting" the state's GHG-reduction goals. "It's critical that we don't throw it out at this point."

Nancy Rader, executive director of the California Wind Energy Association, said at the same meeting that she doesn't understand why the state would "change horses now" when the RPS approach has proven to be highly successful.

And Laura Wisland, representing the Union of Concerned Scientists, said during the CEC meeting that the proposed process as envisioned by the utility proposal for ARB to establish a carbon-reduction target for each utility likely would be highly controversial and drawn out. Even if the task was accomplished in an acceptable manner, the state would be "losing that certainty" for renewable power and GHG reductions that the RPS program provides, she said.