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**Silicon Valley Clean Energy Authority
Board of Directors Special Meeting**

Wednesday, May 9, 2018
7:00 pm

Cupertino Community Hall
10350 Torre Avenue
Cupertino, CA

Director Gibbons will attend by teleconference from 55 Alder Lane, North Falmouth, MA 02556. Members of the public may provide testimony at the teleconference location.

AGENDA

Call to Order

Roll Call

Regular Calendar

- 1) Authorize Chair and CEO to Finalize a Letter in Response to the CPUC's Draft Green Book (Action)

Adjourn

svcleanenergy.org

333 W El Camino Real
Suite 290
Sunnyvale, CA 94087



Staff Report – Item 1

To: Silicon Valley Clean Energy Board of Directors

From: Girish Balachandran, CEO

Item 1: Authorize Chair and CEO to Finalize a Letter in Response to the CPUC’s Draft Green Book

Date: 5/9/2018

RECOMMENDATION

Staff recommends that all Board members sign the attached letter, and that the Board authorize the Chair of the SVCE Board and the Chief Executive Officer to finalize and send the attached letter to state legislators in response to the report released by the Public Utilities Commission (CPUC) on May 3rd entitled “California Customer Choice: An Evaluation of Regulatory Framework Options for an Evolving Electricity Market” (also known as the “Green Book”).

LEGISLATIVE AD HOC COMMITTEE RECOMMENDATION

The Legislative Ad Hoc Committee, with Board Member Abe-Koga absent, met May 7, 2018 and discussed the content and messaging of the draft Green Book. The Committee was in consensus with all present that there was a need to quickly develop a response to the report.

BACKGROUND

The Green Book is a product of the CPUC’s California Customer Choice Project (CCCP). The CCCP started in May 2017 to review the fundamental changes taking place in the California electricity industry, and to revisit the question of what role consumer choice should play in California’s retail electricity markets. The CPUC conducted several public stakeholder engagement events under the CCCP in 2017, then distilled its findings into the Green Book. The Green Book discusses the history of restructuring in California, examines several case studies from states and countries that have instituted retail competition in their electricity markets, and makes recommendations regarding California’s current and future energy policy. SVCE staff have identified several inaccuracies in the Green Book’s characterization of CCAs and California’s current energy landscape, and find it is important to communicate these inaccuracies to state legislators and other decisionmakers who will read the Green Book.

ANALYSIS & DISCUSSION

The attached letter focuses on the Green Book’s tone and fundamental framing. The Green Book presents California’s energy industry as teetering on the brink of a second energy crisis brought on by the destabilizing force of decentralization. The draft letter points out fundamental differences between the conditions that led to the energy crisis and those in the industry today, and explains why a fear-based approach to future planning is counterproductive. The letter points out how the recent proliferation of distributed energy resources, CCAs, and other non-IOU suppliers is both customer-driven and a unique opportunity to further California’s state policy goals of reliability, affordability, and decarbonization. The letter suggests that statewide planning conversations will be more productive if they look for ways to support this growth rather than stifling it.

STRATEGIC PLAN

Responding to the Green Book via the suggested letter is in line with SVCE's strategic goal of fostering a policy environment that promotes the well-being of SVCE's customers, as well as the broader goal of decarbonizing California's electricity system.

ALTERNATIVE

The alternative course of action is to not send the letter or otherwise respond to the assertions made in the Green Book.

FISCAL IMPACT

N/A

ATTACHMENTS

1. Draft Letter to State Legislators Regarding the CPUC's Green Book

Dear [Legislator Name]:

On May 3rd, the California Public Utilities Commission (“CPUC”) released a white paper entitled “California Customer Choice: An Evaluation of Regulatory Framework Options for an Evolving Electricity Market.” Known as the Green Book, the report is a clarion call to save the electricity industry from chaos and fragmentation that could cause another energy crisis. The Green Book correctly recognizes reliability, affordability, and decarbonization as critical priorities for the industry. However, its assessment of the sector’s ability to maintain these priorities alongside increasing customer choice is alarmingly flawed. If the Green Book’s fearful tone is allowed to steer California’s energy future, we will lose a unique opportunity to leverage stakeholder innovation in service of the state’s policy goals.

Arguments throughout the Green Book draw an analogy between conditions in the electricity industry today, and those that led to the California energy crisis in 2000 and 2001. The Green Book suggests that presence of a centralized plan prevented the last deregulation attempt from going worse than it did, and that the lack of one now makes diversification and decentralization in the electricity sector a dangerous trend. Yet the last deregulation failed, not in spite of its flawed plan, but because of it. It failed because the markets it set up to encourage cost reduction allowed players whose interests were not aligned with state policy goals to exploit the system for their own gain.

In contrast, the diversification taking place in today’s electricity sector is driven by exceptional stakeholder buy-in to state policy goals. Enthusiasm for climate change mitigation has given rise to many of the “fragmenting” forces discussed in the Green Book, such as distributed energy resources (“DER”), community choice aggregators (“CCAs”), and direct sourcing of renewables by large industrial customers. These efforts are contributing to the achievement of California’s climate, affordability, and reliability goals in ways that, due to their high degree of local customization, would be difficult to achieve with purely centralized planning. This well of customer interest and innovation is an opportunity the state should be leaning into, not away from. Today’s energy landscape is categorically different from the one that produced the California energy crisis, and the Green Book’s insistence on drawing parallels between the two is a wasteful red herring.

Finally, despite relative decentralization in the industry, the CPUC still has significant ability to enforce state goals. As Appendix III of the Green Book shows, there are already 21 separate CPUC proceedings dedicated to advancing the core principles of affordability, reliability and decarbonization. Collectively, these proceedings govern CCAs, DER, direct access, and nearly every other disruptor discussed in the report. The Green Book’s fearful tone in spite of these measures suggests that the CPUC is more fundamentally reluctant to imagine a future in which its own role is modified from the historical status quo. This is a deal-breaking blind spot for an agency responsible for framing an industry’s future.

The CPUC will continue to play a critical role in overseeing the electricity sector, but this role will not necessarily be the one it played in the age of vertically integrated utilities. The Green Book asks some important questions, but does so in a context of fear that does more harm than good. A more effective arbiter would recognize that the sector’s evolution away from monolithic, centrally-controlled utilities need not compromise California’s ability to meet its policy goals. Either the CPUC should recognize this, or the evaluation attempted in the Green Book should be helmed by another stakeholder who can.

[Signatures]