Integrated Renewable Energy

Energy Sector Decarbonization: Steering Wheels and Accelerators

Reflections on the Picker/Syphers Debate at the May 5, 2017 Business of Local Energy Symposium

A recent gathering in Long Beach, California featured a lively debate between a Community Choice CEO. Geof Syphers, and the President of the California Public Utilities Commission, Michael Picker. The debate will likely continue in other forums and ways. Foundational assumptions are not yet in alignment. They will need to be if both sides of the debate are to collaborate fully and effectively.

Will California's energy future continue to depend primarily on state policies and initiatives? Or is the state's Community Choice movement ushering in a scenario where local initiatives become a major driver and policy enabler? Or is the answer "both, and"?

The best answer will hinge on accountability and trust.

Community Choice agencies are accountable to local communities. To what extent can locally governed agencies be relied upon to responsibly oversee local energy resource deployment and related programs? Public power is certainly on a stable footing in California, but its Community Choice embodiment has a limited track record. The course of future state energy regulation could undermine its economic foundations, fairly or unfairly, intentionally or unintentionally. Everybody loses in this case.

Is local energy resource development even necessary to achieve state goals for renewable energy deployment and energy sector decarbonization? Or was former US Energy Secretary, James Schlesinger, right when he said, "Small is beautiful, but it isn't big enough."? Even if he was right at the time, will his dictum's validity erode away in the 21st century? There is reason to hope so.

Trust is everybody's concern. From a local perspective, to what extent are big solutions to big problems likely to morph into even bigger problems down the road? The daily newspaper regularly reminds us that big projects and massively interdependent systems encounter unanticipated problems that can be downright scary. The Oroville Dam crisis comes to mind as well as the on-going market collapse downstream of the California's waste recycling programs.

Should the state's energy supply continue to depend primarily on renewable energy Giga-projects, or should the balance shift toward greater reliance on building-scale and community-scale projects?

Either way the state's electricity grid will still be an essential asset. Should there be stepped up investment in expanding it in order to collect more clean energy from additional Giga-projects? Or should there be more investment in making local grids smarter in order to better accommodate energy that is collected and used locally? Or, again, is the answer "both, and"?

Is the proper balance more likely to be achieved if local jurisdictions gain a seat at the energy policy making table? And if they do, how will state and local regulators and policy makers earn each other's trust as the energy sector, like it or not, decentralizes?

For state regulators there are strategic opportunities. Costs of historical power sourcing must be equitably recovered, but also with an eye to encourage better procurement decisions and more attentive contract management.

Incumbent electric utilities (grid owners) are competent asset owners and program administrators. Nevertheless, their reward system may need some adjustments. It directly rewards new capital projects and centrally managed energy efficiency program expenditures. Should there also be rewards for cost containment, smarter systems, adaptive out-sourcing, rigorously managed preventive maintenance, and programs delivered in collaboration with local agencies and jurisdictions?

Reward pro-active collaboration, and earn local trust.

Increase overall reliability and resiliency by finding ways to reward maximum availability and usefulness of both clean local energy resources and fully depreciated and well maintained centralized assets

Grid owners are trusted customers for independent generators. In this case, trust saves money.

Community Choice service providers also save money if they are trusted "off-takers". They and their customers stand to lose if they do a poor job of electricity sourcing. This are healthy consequences if the playing field is level. It isn't yet. Correct today's costly inequity, and earn local trust.

Community Choice agencies and their member jurisdictions have opportunities to earn trust as they lean in on energy issues. Cities and counties have a legitimate interest in local energy investment, local energy jobs, local infrastructure integration, local resiliency, etc. Convert this interest into collaborative action. Demonstrate how local energy integration can support state policy goals and accelerate their implementation. Demonstrate how a state strategy empowering local investment in local energy resources is a perfect and essential complement to the state's existing grid infrastructure assets.

Earning trust requires engagement. Engagement requires preparation. Here are three important, necessary, first steps:

In the next year or two every local jurisdiction in California run numbers to gain a rough quantitative understanding of its own energy profile and what it implies for the local economy and for carbon footprint reduction. What energy related programs and initiatives will be most helpful to local residents and businesses and also to economic stability?

Second, each local jurisdiction can take inventory of its energy management capacity and look for opportunities to expand it. Energy is a big part of a local economy. Every community has residents and businesses that are specialists engaged in energy related work. In many cases, they are willing to pitch in doing temporary or advisory work while their city or county develops equivalent staff capacity.

Third, communities served by state regulated utilities can take inventory of programs offered by these utilities, identifying those that are best aligned with local needs and priorities and also identifying specific areas of unmet or underserved local needs. However, collaborative opportunities with state regulated utilities may be limited due to rules governing their expenditures and customer relationships.[1] Community Choice providers also have limitations, especially to avoid duplication, but generally have more flexibility and greater motivation and encouragement to collaborate.

California has a stake in collaboration between energy service providers and cities and counties. It also has a stake in building local energy management capacity in cities and counties and their Community Choice service providers. Some of the ratepayer funds currently administered by state agencies and state regulated utilities can be helpful in building local capacity. As capacity grows, there are Community Choice business models that will allow each member community some latitude for local optimization and independent decision-making.[2]

The state has an interest in striking the right balance between energy technology intended for use by grid owners and energy technology needed by cities, counties and their generation service providers. Public benefits surcharge funding allocations should adjust the balance according to desired impact.

The state's comfort with greater local government engagement in its energy sector will grow as it considers that cities and counties already provide an array of local utility services, including water supply and distribution, waste collection and recycling, sewer and wastewater treatment, etc. They do so diligently and competently. Costs of such utility services are recovered via rate setting processes that apply the principles state economic regulators apply to electricity and natural gas rates.

Integrated resource planning, a popular term in state energy regulation, is not unique to the energy sector. It is familiar to water and waste collection providers. There is both reason, and now an expanded opportunity, to work toward a concept of local integrated resource planning that embraces all essential local services, including energy. Silos get in the way of full, appropriately opportunistic local integration.

As new technologies transform the energy sector and state and local agencies strive to achieve cost-effective and rapid decarbonization, both state and local governments will need capacity to plan and manage change. The state's energy related change management capacity is invested primarily in the electricity and natural gas utilities it regulates. Local government's capacity is invested in energy utilities that are currently regulated locally. Coverage is thus incomplete, but it is expanding as Community Choice programs come on stream.

Prudent expansion of Community Choice in California can bring state and local representatives and the energy businesses they regulate into closer engagement. The result will be trust relationships that remove barriers to accelerated decarbonization and energy infrastructure resiliency.

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[1] Community Choice energy service providers have greater flexibility and motivation than state regulated utilities to engage adapt and innovate locally, though in their early stages, they may have limited budget and staff capacity to develop programs and projects collaboratively with each member jurisdiction.
[2] For example, see https://californiachoiceenergyauthority.com/