Time to level the playing field for clean energy

Sacramento Bee 3-7-17
BY CRAIG LEWIS Special to The Bee

Already, the Trump administration is undermining climate science and the advancement of renewable energy. State leadership is vital, and fortunately, the governors of California, Washington and Oregon have vowed to step up their efforts to reduce greenhouse gas emissions. As the world’s sixth largest economy and home to more clean energy than any other state, California must continue to lead the nation.

However, one of the biggest threats to California’s continued clean energy leadership has nothing to do with the White House. An outdated, unfair and inconsistent approach to allocating transmission costs by California’s electric grid operator, the California Independent System Operator, is stifling the growth of local renewable energy such as rooftop solar.

The vast majority of electricity in California is generated at large, centralized power plants, which require expensive and inefficient long-distance transmission infrastructure to deliver electricity to customers. But this is changing. Renewable energy projects are sprouting up on rooftops and parking lots across the state.

These local renewable energy projects generate electricity close to where it is used – improving the efficiency of our electricity system and reducing the need for new transmission investments. The state’s grid operator should properly value these benefits, but unfortunately, the exact opposite is true for much of California, including the areas served by Pacific Gas & Electric, Southern California Edison, and San Diego Gas & Electric.

For these utilities, ISO assesses transmission charges on all the electricity consumed, rather than just on the electricity that uses the transmission system. It’s akin to levying the Golden Gate Bridge toll every time Bay Area residents pull into their driveways, as opposed to applying the toll only when they actually cross the bridge. Such a misapplication of the toll would drastically distort the true cost of the bridge. Similarly, ISO’s misaligned transmission charges distort the true cost of the transmission grid.

Assessing transmission charges on locally produced electricity – even though it never uses the transmission grid – unfairly disadvantages local renewables. This serious market distortion creates an unfair and inconsistent policy, in which local energy generation appears artificially expensive.

The good news is that a solution is already in place in parts of California, as many city-owned utilities operate under an appropriate “user-pays” approach. For example, customers of Alameda Municipal Power and the City of Palo Alto Utilities pay transmission charges only on electricity that travels over the transmission system. In a new customer solar program, Alameda Municipal Power recognized local generation for avoiding transmission charges – currently 1.8 cents per kilowatt hour, or roughly 35 percent of the average wholesale cost of energy.

Senate Bill 692, authored by Sen. Ben Allen, D-Santa Monica, has been introduced in the California Legislature to fix the problem by consistently applying the user-pays approach statewide. If the bill is
adopted, transmission charges will only be applied to electricity that actually uses the transmission grid.

By eliminating the existing market distortion, SB 692 will drive greater investment in clean local energy, which in turn will reduce the need for new investments in transmission infrastructure – likely saving Californians more than $38 billion in transmission costs over 20 years.

Trump’s energy decisions are out of California’s direct control, but our leaders can ensure that local renewables are not unfairly disadvantaged in California. And we need this leadership now more than ever.

Craig Lewis is executive director of the Clean Coalition, a nonprofit working to accelerate the transition to renewable energy and a modern grid. He can be contacted at craig@clean-coalition.org