



## CPUC LAUNCHES PLAN TO MODERNIZE ELECTRIC GRID

The California Public Utilities Commission (CPUC) today embarked on a momentous path toward modernizing the state’s electric grid from one based on industrial age technology to one based on the technology of the information age.

The decision adopted today sets out a framework and an overall vision for a Smart Grid in California and requires the state’s investor-owned utilities to begin the transformation of the electric

grid into a safer, more reliable, efficient, affordable, and interoperable system.

The California legislature and Governor have enshrined the importance of modernizing the state’s electric grid through the enactment of Senate Bill 17 (Padilla), signed into law on October 11, 2009.

“Moving to a Smart Grid will allow utilities to help customers save money by reducing their electricity

demand, provide consumers with more control over their energy use and help deploy clean, renewable energy sources like wind and solar around the state,” said Governor Schwarzenegger. “I applaud the Public Utilities Commission for taking action and working with utilities to update and modernize our electric grid.”

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Docket #: R.08-12-009

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## California PUC Maintains One-Year, Bilateral Mechanism for Resource Adequacy

The California Public Utilities Commission in a June 3 final order affirmed the current one-year forward, bilateral approach to resource adequacy shall continue (*Proceeding R.05-12-013*).

An earlier draft decision would have imposed a multi-year forward obligation on load serving entities while maintaining a bilateral approach. The PUC withdrew that draft decision in response to complaints from retail suppliers who said such an approach

be inconsistent with retail choice due to load migration, among other reasons. The PUC also rejected a centralized capacity market at this time.

The PUC decision endorses several enhancements to the current one-year bilateral approach such as a bulletin board, a tradable capacity product and a durable backstop mechanism that builds off of (and modifies as appropriate) the Cost Allocation Mechanism. However, the PUC deferred action on such

policies to other proceedings.  
*Source: 6/3/10 PUC Order*

### COMING SOON...

- DA Reopening Updates
- CPUC News and Updates

## CALIFORNIA VOTERS REJECT PROPOSITION 16

On June 8, California voters rejected Proposition 16. The ballot measure required a community choice aggregator to receive approval of two-thirds of the voters in its service area prior to a pool formation or the spending of government funds on the aggregation. *Source: Calif. Election Results*

*"To deal with insufficient supply situations CACES strongly recommends that an alternative compliance payment ("ACP") mechanism should be included in the bill. "*

### *Letter to the Governor Opposing SB 722*

On July 5th CACES issued a letter to the Governor Schwarzenegger.

This letter addressed the fact that CACES is extremely concerned about the detrimental impacts that Senate Bill (SB) 722 will have on the retail choice program in California. Our opposition and concern is predicated upon the belief that certain provisions severely compromise Electric Service Providers' (ESP) ability to meet the RPS requirement. Direct Access is extremely important to the members of CACES, who includes a variety of public and private entities, because of the ability to have cost control, electricity risk management, allowing us the ability to meet the goals of greenhouse gas emissions reductions and affording us the ability to utilize innovative solutions for demand response, billing and energy efficiency.

Specifically, the bill as amended fails to provide for an alternative compliance payment option or sufficient specificity with respect to the granting of compliance waivers due to lack of eligible renewable resources, and the transmission needed to deliver the energy to load centers. More importantly, the bill imposes severe restrictions on the use of out-of-state renewable resources, including WECC-wide Renewable Energy Credits ("RECs") for RPS compliance.

In today's recessionary environment, limiting a business' choices for containing expenses and planning and managing energy consumption costs is unnecessary and counterproductive to business

competitiveness. If adopted without major overhaul, SB 722 would limit our choice to only using utility service. We are a coalition of public and private entities that support lifting the suspension of Direct Access to the electricity market and containing costs is critically important to our values. Having the ability to manage our energy procurement empowers the members of CACES to make cost-effective energy decisions and to select innovative product offerings, including renewable energy, carbon monitoring and reduction, demand response and energy efficiency programs.

To deal with insufficient supply situations CACES strongly recommends that an alternative compliance payment ("ACP") mechanism should be included in the bill. An ACP allows for a renewable compliance payment based on the market price for the renewable energy credit in lieu of purchasing a bundled renewable energy product, and is the most practical and efficient way to address the fact that existing in-state resources are insufficient for the expanded compliance requirements envisioned in the bill. Properly designed, the ACP approach provides a transparent value for the renewable component of delivered energy, while ensuring that the prices paid for renewable energy are contained to reasonable levels.

*To read this letter in its entirety please go to the CACES website at <http://www.caces.org/cacesnews.htm#releases>.*