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Old Challenges Persist in Impeding Renewable Energy Goals

By Steven F. Greenwald and Jeffrey P. Gray

In June, California issued yet another report on renewable energy. This one, a joint effort of the California Public Utilities Commission (CPUC) and the California Energy Commission (CEC), analyzes implementation issues related to increasing the state's renewables portfolio standard (RPS) to 33% by 2020. The report is the latest in an increasingly growing number of assessments, policy pronouncements, and administrative decisions examining renewable energy and climate change issues.

This most recent CPUC/CEC report provides some updated numbers quantifying the task at hand, but it doesn't break any new ground. It comes as no surprise that statewide electricity expenditures will be significantly higher under a 33% RPS than under an "all-gas" scenario in which California stops investing in renewable energy.

The real surprise is how little has changed since California began its latest push to increase its use of renewable energy. Consistent with prior assessments, this latest report identifies existing infrastructure planning and permitting processes as the key barrier to attaining RPS targets. For years, market participants and policy makers have recognized this imperative to fundamentally change and streamline the permitting process for infrastructure projects, which begs the question—Is California moving any closer to meeting renewable energy and climate change goals?

Transmission, Transmission, Transmission

Transmission persists as the largest obstacle to bringing renewable resources online. Large-scale renewable generation projects necessary to meet RPS targets tend to be located far from load centers and existing transmission lines. Without assurances that transmission will be in place to deliver their power to the grid, renewable developers cannot offer purchasing utilities a viable product and thus cannot obtain financing or otherwise move forward with projects.

In the 2005 Energy Action Plan II (EAP II), the CPUC and CEC identified additional transmission infrastructure as an essential element in meeting the current 20% by 2010 RPS goal. To enable the necessary transmission capacity to be installed, EAP II concluded that at least these fundamental changes in the state's transmission line planning and permitting processes were needed:

- Integrating the California Independent System Operator's transmission planning and modeling capabilities with the CEC's power plant licensing and environmental and planning expertise, and the CPUC's ratemaking function.
- Adapting the state's transmission planning process to better evaluate strategic benefits and economic costs and benefits over several decades.
- Coordinating the state's transmission planning process to

increase California's participation in the broader western regional energy planning efforts.

These reforms, unfortunately, remain frozen as policy objectives, their implementation awaiting some future date.

This transmission planning stagnation is even more troubling today as significant increases in renewable power will be necessary for California to meet its ambitious greenhouse gas emissions reduction goals. The CPUC/CEC report finds that the 33% by 2020 RPS target will require California to almost triple its amount of renewable electricity. Seven additional transmission lines at a cost of \$12 billion are needed to connect and integrate this magnitude of incremental renewable power. This is in addition to four new major transmission lines—only three of which are under way—that are necessary to connect renewable resources needed to meet the current 20% by 2010 RPS requirement.

An Impossible Task?

The CPUC/CEC report models three illustrative timelines for meeting a 33% RPS target. The business as usual approach would defer the state's realization of the 33% RPS target until 2024. Assuming California effectively streamlines infrastructure planning and permitting, the date could be moved up to 2021. However, the report wisely cautions that if "external risks" are considered, such as financing difficulties and public opposition or legal challenges to projects, it is uncertain if or when the 33% target could be met.

One thing is certain: If California has any hope of meeting RPS targets, many miles of new transmission lines must be built. However, four years after EAP II, meaningful changes in transmission project permitting have yet to be fully implemented, appropriate levels of interagency integration have not been achieved, and regulatory redundancy and inconsistency remain the norm.

Recent efforts to gain approval for a new transmission project in Southern California to access renewable generation have highlighted the continuing regulatory morass that significantly delays the decision-making process and, necessarily, increases costs. In light of the recognized need for new transmission infrastructure, this status quo simply undermines RPS goals.

It's Time to Act

The trouble with any regulatory process is finding an end point—the point at which the regulator transitions from developing new policies and processes to enforcing them. The reforms identified in EAP II should already be in place if California is to meet even its current RPS target. Absent action now, an increase in California's already challenging RPS target is an empty gesture. ■

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