

Capitol Weekly

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Central procurement will help make California's clean energy transition more affordable

BY MATT BAKER



OPINION – As consumer advocates, our top priority is to keep household electricity bills affordable. Historically, our work has focused on scrutinizing utility investment proposals and providing solutions for policymakers to consider. Looking forward, we'll continue to find new and creative ways do this critical work and strive to lower customer costs to achieve a clean energy future. California is trailblazing an uncharted path toward a carbon-neutral economy and away from fossil fuels. As we progress, we must adhere to some best practices.

We must find ways for customers to use the grid more efficiently by using more electricity at optimal times of day. This can minimize overall electric rates (or prices) by tapping economies of scale and maximizing existing infrastructure.

We will need to continue to hold the utilities accountable for their costs as they propose new investments to support the effort to electrify new appliances, cars, and even industrial processes (and reduce natural gas use).

We also need to utilize new ways of thinking and adopt new tools in our collective toolbox that can lower costs for customers and better resolve new barriers.

One promising tool is “central procurement.” It would enable California to aggregate the needs of dozens of electricity providers and pool this purchasing power to negotiate with project developers of large clean energy projects for the best possible deal. AB 1373, [a reliability package](#) crafted by the Governor's Office and the California Legislature, contains provisions that would do just this by establishing a central procurement program at the California Department of Water Resources. The department has a long track record of developing large electricity contracts, on the scale of billions of dollars, to operate and finance many of the state's large hydroelectric facilities, aqueducts, water pumping stations, and more.

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The second advantage of central procurement through a state agency is that it has access to lower-cost financing than a traditional utility or private company. Like a 30-year home mortgage, ratepayers typically pay back utilities for large, capital-intensive projects over decades. As with a home mortgage, even small reductions in the interest rate and financing costs will reduce what ratepayers ultimately pay over the long-term. Establishing this purchasing power at the department would also allow the state to more readily and directly cost-share projects with general fund contributions.

Finally, any central procurement would only procure resources identified in the Public Utilities Commission's long-term electricity planning process, known as the Integrated Resource Plan. This 2-year public planning process strives to identify the lowest-cost portfolio of electricity resources that is necessary to meet anticipated electric demands and keep the grid humming while reducing greenhouse gas emissions. Our organizations advocate for customer interests in the process.

By supporting AB 1373's central procurement vision, we are not supporting any specific type of resource. We are supporting another tool for planning agencies that can more affordably advance the transition to clean energy.

Matt Baker is the director of the Public Advocates Office at the California Public Utilities Commission.