

Blackouts again?

Plant closures, no new construction threaten another power crisis.

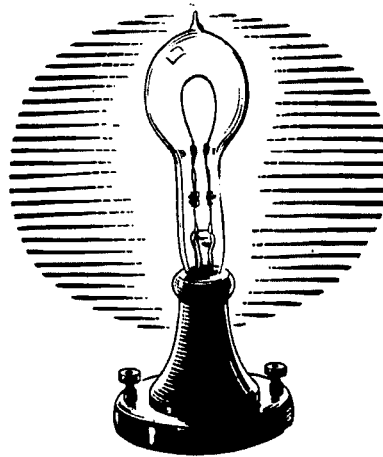
by Larry D. Hamlin and
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In the dark early morning hours of March 19, 2001, electric power dispatchers for the California Independent System Operator (CAISO — the non-profit agency that runs much of the state's electric grid) nervously gathered in the control center in Folsom. Their purpose was to assess the latest information concerning the day's coming electric power demand and the status of the power plants needed to meet the load. Already, because of shrinking margins between demand and available power, thousands of businesses across the state had been advised to curtail power use for the coming day, which for many meant shutting down completely.

The news was not good. An aged 1,000-megawatt power plant had just tripped off line because of an electrical fault in a control system. This lowered the amount of available power to levels that would force rolling blackouts across the state. These partial, planned blackouts were necessary to prevent a complete collapse of

the state's electric grid leading to out-of-control disruption affecting far more people.

What happened in 2001 could happen again — as early as this coming summer — according to a warning CAISO provided the state Senate Energy Committee last No-



vember. CAISO's warning indicated that the retirement of older plants, combined with a sharp decline in new plant construction, threaten new blackouts and another full-blown power crisis for the state the next time high de-

mand conditions prevail.

The state agencies responsible for ensuring reliable electricity supply say reserve margins, to be adequate, should be 15 to 17 percent greater than summer peak demand. But an October 2003 CAISO study of summer electric supply reserve margins for the 5-year period 2004 through 2008 shows reserve margins well below those levels: an average of about 12 percent using average peak demand assumptions and only about 7 percent using high peak demand assumptions.

However, as bad as the October study's numbers were, an updated, January 2004 CAISO report to the Senate Energy Committee warned that the electricity supply forecast had significantly worsened. Thousands of additional megawatts of power plant capacity are now identified as retired or at risk of retirement in the near future. The electric power summer reserve levels forecast to be available over the next 5 years, taking these new retirements into account, average less than 6 percent under average peak demand assumptions and only about 1 percent under high peak demand assumptions. These are disastrously low levels of electricity reserves for the state and portend crisis-level supply problems starting this summer and going on into the future.

Two driving forces that dictate electric supply adequacy have created this situation. First, all those highly prominent, politically-inspired charges three years ago of "manipulation" and "profit-eering" have so undermined investor confidence in the California

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energy market that private sector generators not regulated by the California PUC — even those that have obtained California Energy Commission (CEC) licenses — cannot obtain financing for construction of new plants. Potential sources of financing believe that wholesale market prices predicted for this year's high-demand season are too low and undependable, and that political pressures will prevent builders from benefiting when prices are high while ensuring losses when prices are low.

To help close California's electric power "reserve margin" gap, new power plants capable of generating about 10,200 megawatts were built from 2001 through 2003. But now — for the period 2004 through 2006 — given the dismal economics of power plant construction, the capacity of new plants actually being built is only about 1,500 megawatts, an 85 percent reduction from the prior 3-year period.

The second source of California's new electric supply crisis is the retirement of older generating plants that cannot compete with newer, more fuel-efficient plants. CAISO's January 2004 analysis indicates that about 3,349 megawatts of older plant capacity has been retired since 2001 and that older plants generating another 1,743 megawatts have announced plans to retire by 2006. Even more significantly, CAISO identifies an additional 4,264 megawatts of older plant capacity that is at high risk of retirement in the next few years. These retirements can happen very quickly. Should they occur, summer electricity reserve margins become nonexistent.

Declining California power plant construction again undermines the reliability of the state's electricity supply. The new governor, the Legislature, and energy regulatory agencies should make building new plants once again a

top priority. Only by doing so can the state once again enjoy a reliable flow of electric power.

(Next issue: what brought about the power plant construction collapse and what will it take for new plant building to be resumed?) CPR

Revitalizing CRA

How to re-build conservative grass-roots effectiveness.

by G. Rick Marshall

In advance of the March 2 primary election, Los Angeles County CRA chapters held a county endorsing convention. Candidates outnumbered delegates. Even though clubs were allowed to send five delegates, few did. It fell to one chapter to host the event, send out notices and candidate questionnaires, prepare vote tally sheets, and invite candidates.

It is unlikely that other conventions fared much better, if they fared at all. How many good candidates had no opportunity to receive the CRA endorsing convention stamp of approval that conservative voters are looking for? Or to meet the grassroots campaign workers they needed? How many voters made uninformed choices at the polls for lack of conservative guidance?

It doesn't have to be this way. Once upon a time, not so long ago, CRA permitted and encouraged what were called Coordinating Republican Assemblies. These special organizational struc-

tures were comprised of standing delegates from all the member chapters within a single county. They operated endorsing conventions, trained new grassroots activists, chartered new local chapters to expand CRA membership, and held fundraising dinners. These dinners drew big name speakers because the pooled resources of all the chapters in a county made the events large enough to justify an appearance by candidates for major offices and by other well-known political leaders. In short, the coordinating assemblies added the organizational advantages of size without sacrificing the close-knit flexibility and local orientation of the individual chapters.

But these structures were eliminated by a change in CRA bylaws, and another change will be required to bring them back. I believe that change should be made.

At its upcoming March annual convention in Sacramento, CRA will consider a bylaw amendment that would once more permit

A CRA member since 1993, G. Rick Marshall recently helped form a new CRA club in Los Angeles County. He is the primary proponent of a proposed CRA bylaw change to restore coordinating Republican Assemblies to the organization.