Report finds that community choice aggregators provide a competitive alternative for electricity consumers

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Community choice aggregation allows cities and counties in California to group individual customers' purchasing power for energy. Credit: Pixabay

After decades of dominance by electricity monopolies, California is

experiencing the emergence of community choice aggregators, a new type of utility that provides cities and counties the opportunity to choose what kinds of energy to purchase for their needs.

Community choice aggregation allows cities and counties in California (and other states that have enacted it) to group individual customers' purchasing power within a defined jurisdiction to buy energy. In California, community choice aggregators are legally defined by state law as electric service providers.

These aggregators, or CCAs, have introduced competition into historically protected, investor-owned utility territories. In doing so, they have given eligible California customers a choice of retail energy providers. Since 2010, California communities have established eight CCAs. More than a dozen additional communities are making strides toward switching to CCAs.

"California is headed toward transformation with this rapid development of community choice aggregation programs," said J.R. DeShazo, principal investigator for a new report by the UCLA Luskin Center for Innovation, part of the UCLA Luskin School of Public Affairs. "Our report highlights the benefits of CCAs while identifying unresolved policy questions that must be addressed by state regulators."

According to the report, CCAs in California generally offer a larger share of renewable energy—up to 25 percent more—compared to the investor-owned utility in the same area. "We estimate that these efforts resulted in a total reduction of approximately 600,000 metric tons of carbon dioxide in 2016—the equivalent of $7.5 million in reductions at the 2016 carbon price of $12.73 per metric ton on the statewide carbon market," DeShazo said.

CCAs offer greener energy at a competitive price, according to Julien

Gattaciecca, Luskin Center researcher and lead author of the study.

"CCAs have recently entered the energy market, allowing them to benefit from a long decline of falling wholesale renewable energy costs," Gattaciecca said. "Some CCAs also offer larger incentives than their local investor-owned utility to households and businesses that self-generate energy through rooftop solar programs, and some have made the commitment to source energy from local renewable facilities, and directly own local solar facilities."

DeShazo, who is a professor of public policy at the Luskin School, added: "Community choice aggregation is currently the best policy tool available to cities and counties who want to tailor energy procurement to their community's preferences. The stakes are high. Regulators are grappling with important policy decisions that could affect the future of the energy market as well as the pocketbooks of Californians."

With investor-owned utilities facing increasing competition, the study concludes that more choices can only benefit consumers, with the right regulations in place.

"Currently, an important part of the load in California is looking at CCAs," Gattaciecca said. "The three major investor-owned utilities could see between 50 and 80 percent of their load departing for CCAs or direct access providers by 2025 or 2030."

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