



# ELECTRIC PARADE

## The governor, assembly, and consumers go head-to-head over deregulation of the state energy market

By [Bobbi Murray](#)

Near-record August heat not only sent electricity demand soaring in Southern California, but heated up the debate between Governor Arnold Schwarzenegger and California Assembly Speaker Fabian Núñez over whether to once again deregulate the state's energy market.

For months now, Núñez has promoted a landmark energy bill to reorder the state's electricity delivery system to bring it back from the shambles of the 2000 and 2001 energy crises. Consumer advocates and many legislators say the power emergencies, characterized by rolling blackouts and sky-high electricity bills, were precipitated by the 1996 deregulation that opened California energy markets to corporate buccaneers like Enron.

But while Núñez's legislation set out to craft a new direction for California's energy system, there was a problem with the bill as originally drafted, according to consumer-minded critics: It would have codified deregulation for at least 25 percent of the energy market and set up the same dynamic that allowed energy companies to create false power shortages and engage in price manipulation during the last crisis. Schwarzenegger never took a public stance on the bill, but he's a known fan of deregulation, as part of his belief in taking the regulatory fetters off business.

In a dramatic move that sent a ripple of surprise through the Capitol, Núñez amended his own bill to shift away from deregulation on August 6. He removed entirely the portions of the bill that would have allowed big time energy users, such as manufacturing operations, to leave local utilities to shop for cheaper electricity - which would have constituted partial deregulation. Not only would that have reopened the energy market to potential plunderers, says deregulation opponent Douglas Heller, executive director of the Foundation for Taxpayer and Consumer Rights, but when the big fish leave a utility, small-fry consumers can be left on the hook with the bill.

If a utility buys \$300,000 of power with a plan to sell that amount to a big company, and that company buys from another energy supplier instead, someone gets stuck for the \$300,000 - usually the household and small business rate-payer, whose rates increase to cover the utility's loss.

Nick Velasquez, a spokesman for the Speaker's office said in a phone interview that Núñez changed the legislation because "there were too many variables to ensure that rate increases were not shifted on to small consumers."

Schwarzenegger remained mum on the amended legislation, but Mike Chrisman, Secretary of the state Resources Agency and a Schwarzenegger appointee, fired off a letter to say that he did not support the legislation as amended. "The administration supports the concept of 'customer choice,' which allows consumers to choose their energy providers," he said, and went on to express support for the partial deregulation proposed in earlier versions of AB 2006. It's a position closer to that of Schwarzenegger's financial and political backers with financial interest in a Wild West-style energy market. But polls have revealed that approximately 70 percent of Californians are dead-set against electricity deregulation.

It was to Schwarzenegger's advantage to have a bill that continued to move California on a path toward electricity deregulation, argues Heller. It allowed the governor to lay low on the deregulation issue, while at least partially placating energy company backers and his own laissez-faire ideology.

He says that the new version of Núñez's bill sets up a whole new ball game: a genuine debate about California's energy future that pits regulation against deregulation, Heller says. And it may send Schwarzenegger out on a limb on the issue. The new legislation language, Heller maintains, issues a challenge: "Okay, governor, we're gonna give you a bill that makes the electricity supply reliable and assures public oversight," he declares, and then asks rhetorically, "Are you gonna stand in the way because you are so ideologically tied to the free market and politically tied to energy interests?"

But neither Nick Velasquez of Núñez's office, nor a spokesman for the governor seem inclined to cast the conflict as Judgment Day. "We continue to be optimistic that we can work with all stakeholders in the energy issue, including the governor," Velasquez said.

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