

Abstract

This paper scrutinizes the Californian Electricity Crisis 2001 from the perspective of energy security. The work shows that deregulation of the electricity sector in California challenged the main energy security principle, namely an undisrupted energy supply at affordable prices. The principle is vital for economic development and national prosperity. Disruptions or blackouts along with unprecedented high electricity prices during the Californian crisis damaged not only the economy, but increased the budget deficit and led private generators of energy supply to bankruptcy. This damaged the policy of energy security management. The approach I take in addressing the causes of the Californian Electricity Crisis involves a case study; its examination from the perspective of energy security, clarification of the risks for energy security if the state authorities restructure electricity sector; and to extract lessons for future application, which should be learnt from the crisis. In order to be successful using the mentioned approach, I highlight the conditions in the western US electricity supply industry, which enabled the California crisis to happen. In addition, I describe the regulatory structure of the California electricity sector as well as the way the deregulation plan was implemented by applying comparative analysis with implemented deregulation of the English electricity sector in 1989. I concluded that deregulation of the electricity sector can pose risks to energy security if a weak policy is applied during deregulation.

In my case study, I evaluate the lessons learned from the California electricity crisis, diagnosing its causes and citing recommendations for state authorities to consider in future regulation of the electricity sector.