

## Can Brazil Learn from California?

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**Abstract**— Most countries that have recently reformed their energy sectors are looking carefully at California. An unprecedented electric power deficit has affected one of the main economies of the world, threatening to bankrupt two utilities and having a devastating impact on other economic activities. In Brazil, the government hurries to point out the differences between its situation and that of California. It seems that Brazil has done the opposite of California in many respects and, as a result, faced energy rationing of 20% of the country's load for 7 months in 2001. This article briefly diagnoses what went wrong with the Brazilian reform, contrasts its approach with that of California, and discusses alternatives to improve the situation. In particular, some of the criticisms that have been levied to Brazilian sector reform will be addressed: half of the critics say the solution is more market, the other half that one should go back to state-owned enterprises. In addressing the more-market-side approach, some problems such as bid-based dispatch in cascade hydro plants and the concept of a wholesale water market (an extended spot market in which water transactions are recognized) as well as market power issues are discussed [1], [2].

**Index Terms**— Computer simulation; Contracts; Cost benefit analysis; Deregulation; Electric rates; Energy storage; Finance; Hydroelectric power; Industrial economics; Marketing; Reservoirs (water); Water supply

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