

DOCKETED

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THE UTILITY REFORM NETWORK

- Non-Profit Consumer Advocacy
 - 15 staff, including 7 energy/telecom attorneys, community organizer, etc.
- Fighting for Small Ratepayers since 1973
 - Founded by legendary advocate Sylvia Siegel
- Advocacy Work
 - Litigation at the California Public Utilities Commission
 - Legislative work in Sacramento
 - Community organizing with allies

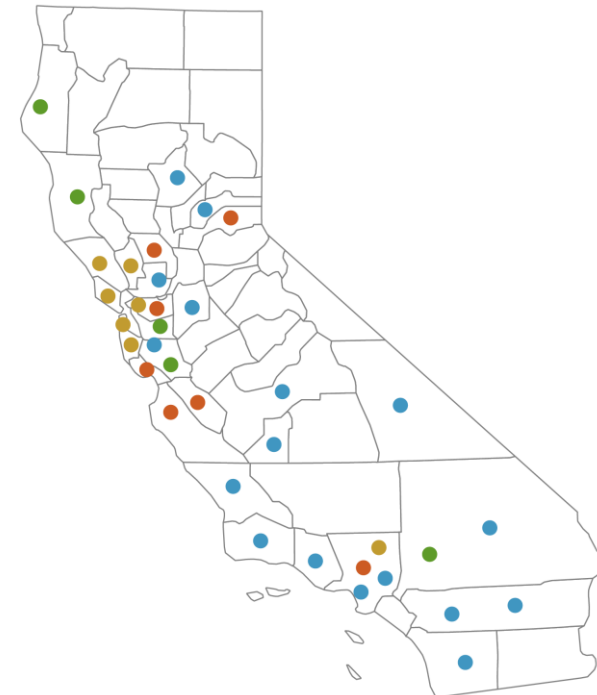
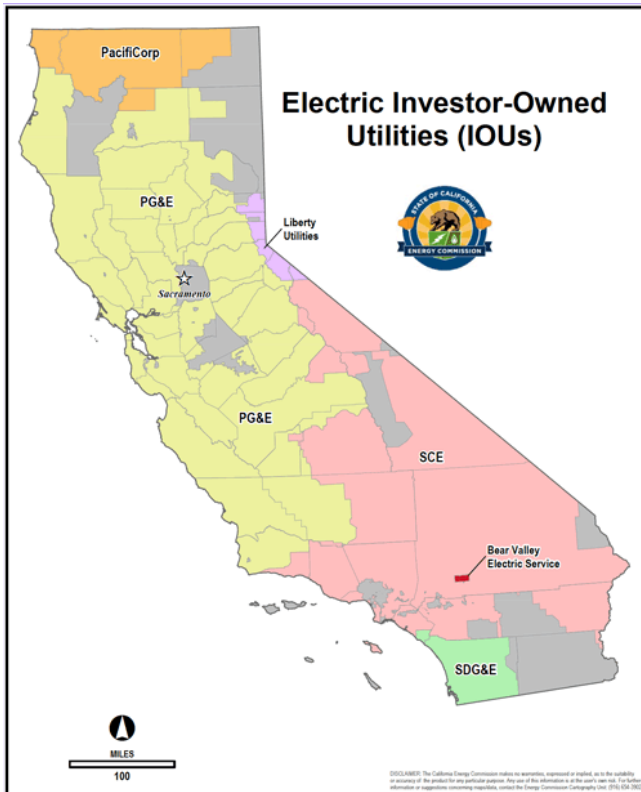
- Motivation for retail competition
- Retail competition impacts on residential customers
- Market structure and California's clean energy and reliability goals
- How can we continue to enlist residential customers in achieving clean energy goals

The new procurement dance

California Registered ESP List

Reliable ESPs in California will [register with the PUC](#).
 registered include,

- 3 Phase Renewables
- Agera Energy
- Commerce Energy
- Commercial Energy of California
- Liberty Power Holdings
- Palm Power
- Shell Energy
- Tenaska Power Services
- Tiger Natural Gas
- YEP Energy

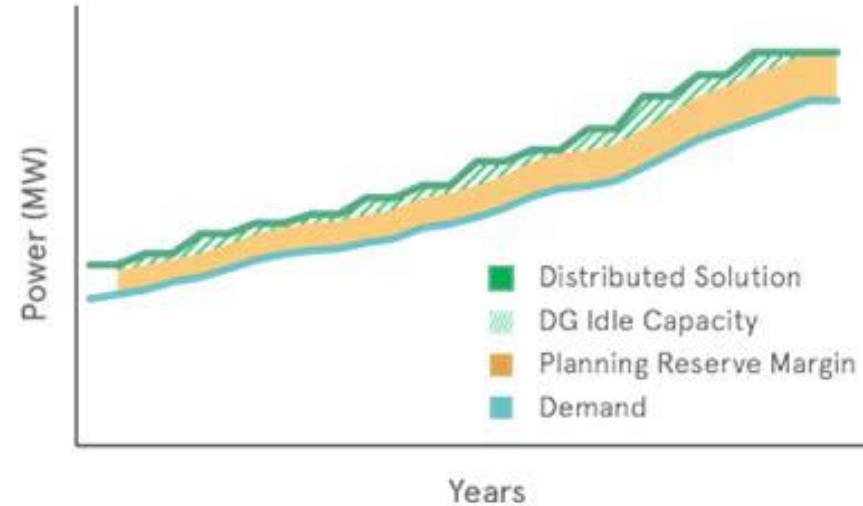
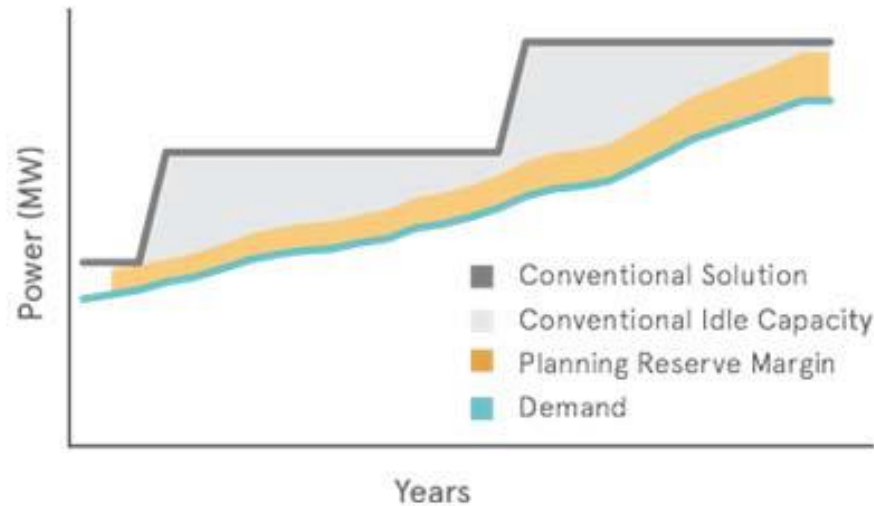


MUNICIPAL UTILITIES

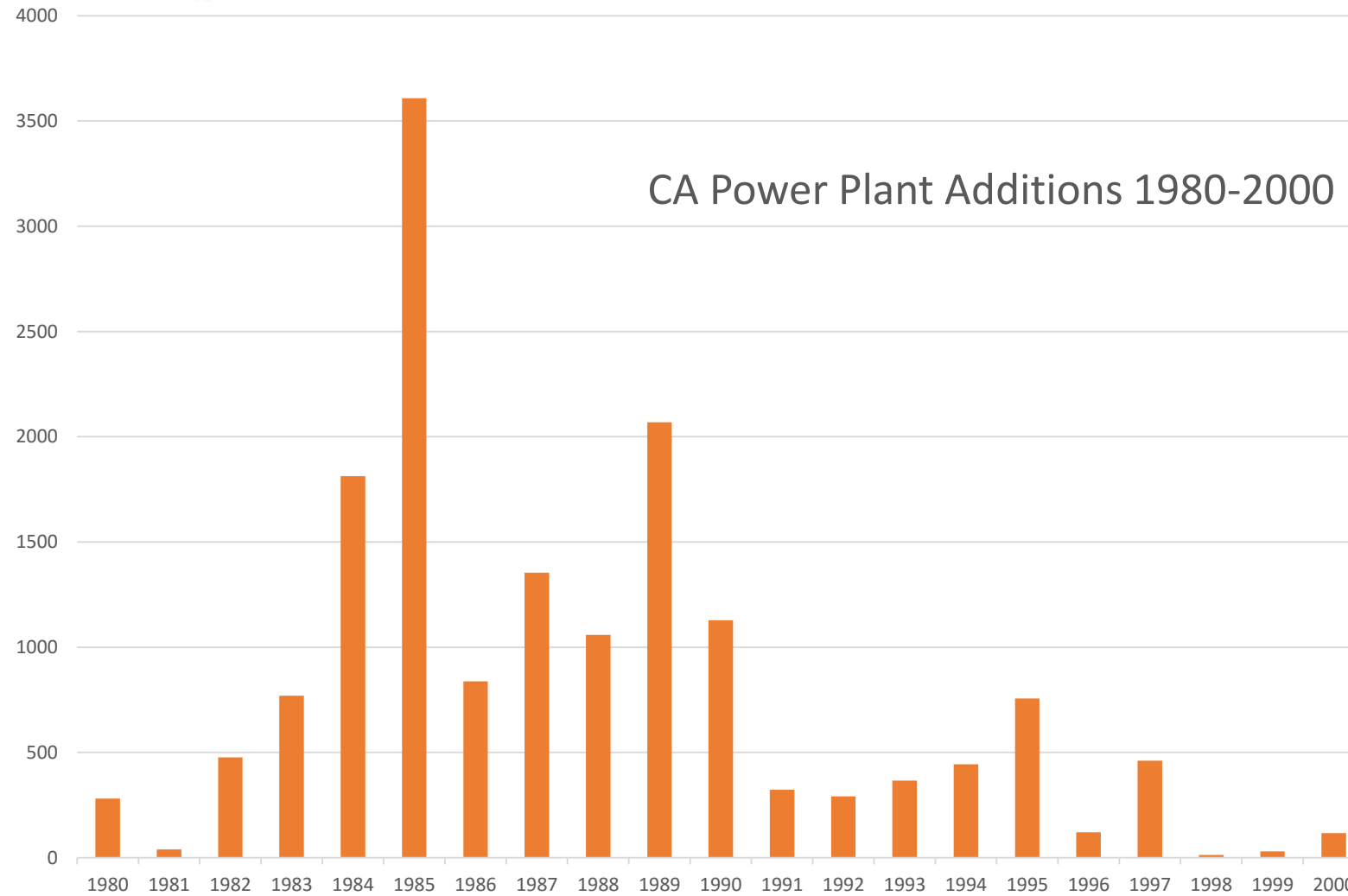
- LADWP
- SMUD
- IID/MID
- And many many others

Why is there renewed interest in retail competition?

The issue is lumpy investments in generation

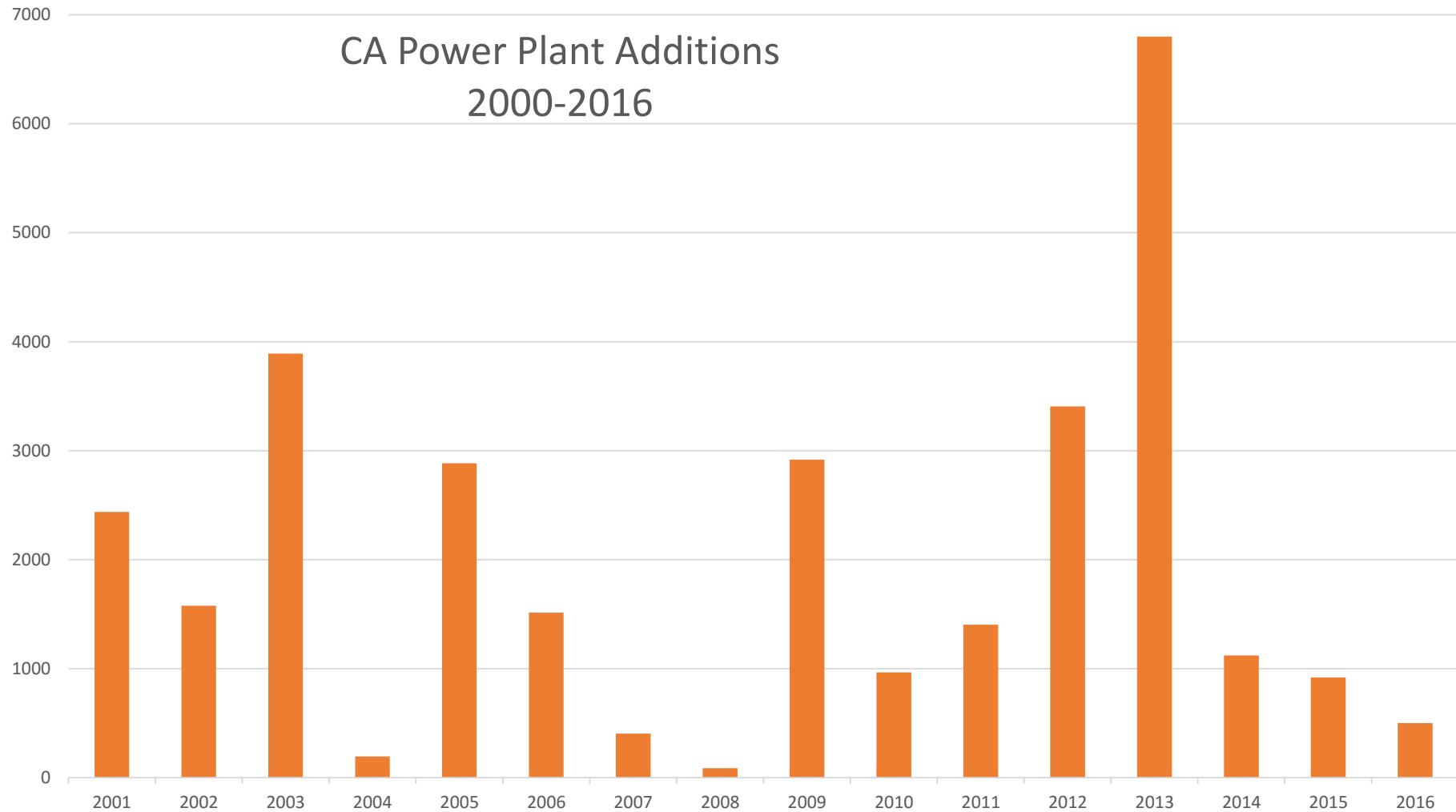


Direct Access Round 1



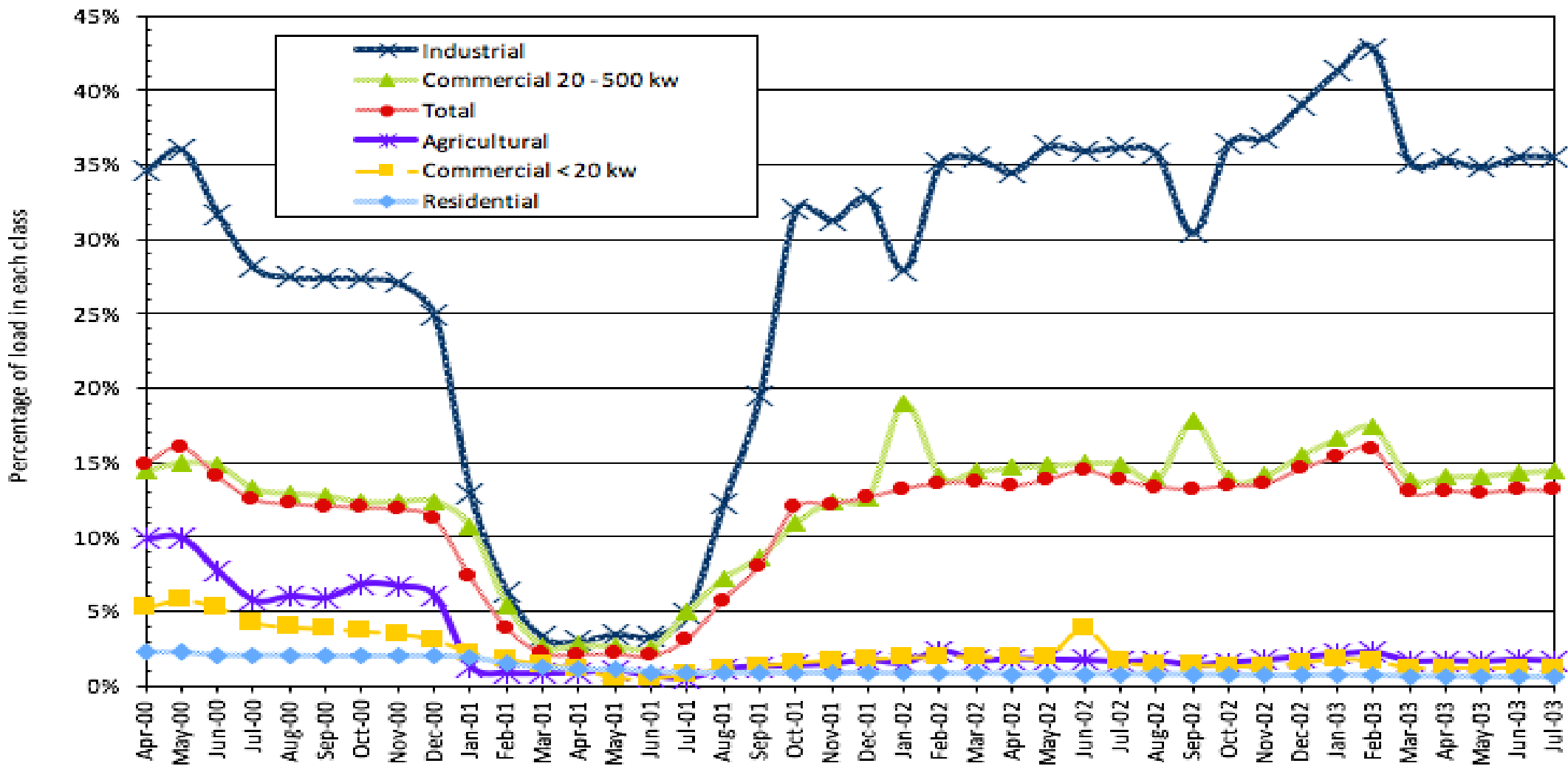
Result of capacity additions in 1980's:

- Cheap power in wholesale spot market
- High utility rates based on average (embedded) costs
- Large industrial and commercial customers want access to cheap wholesale power



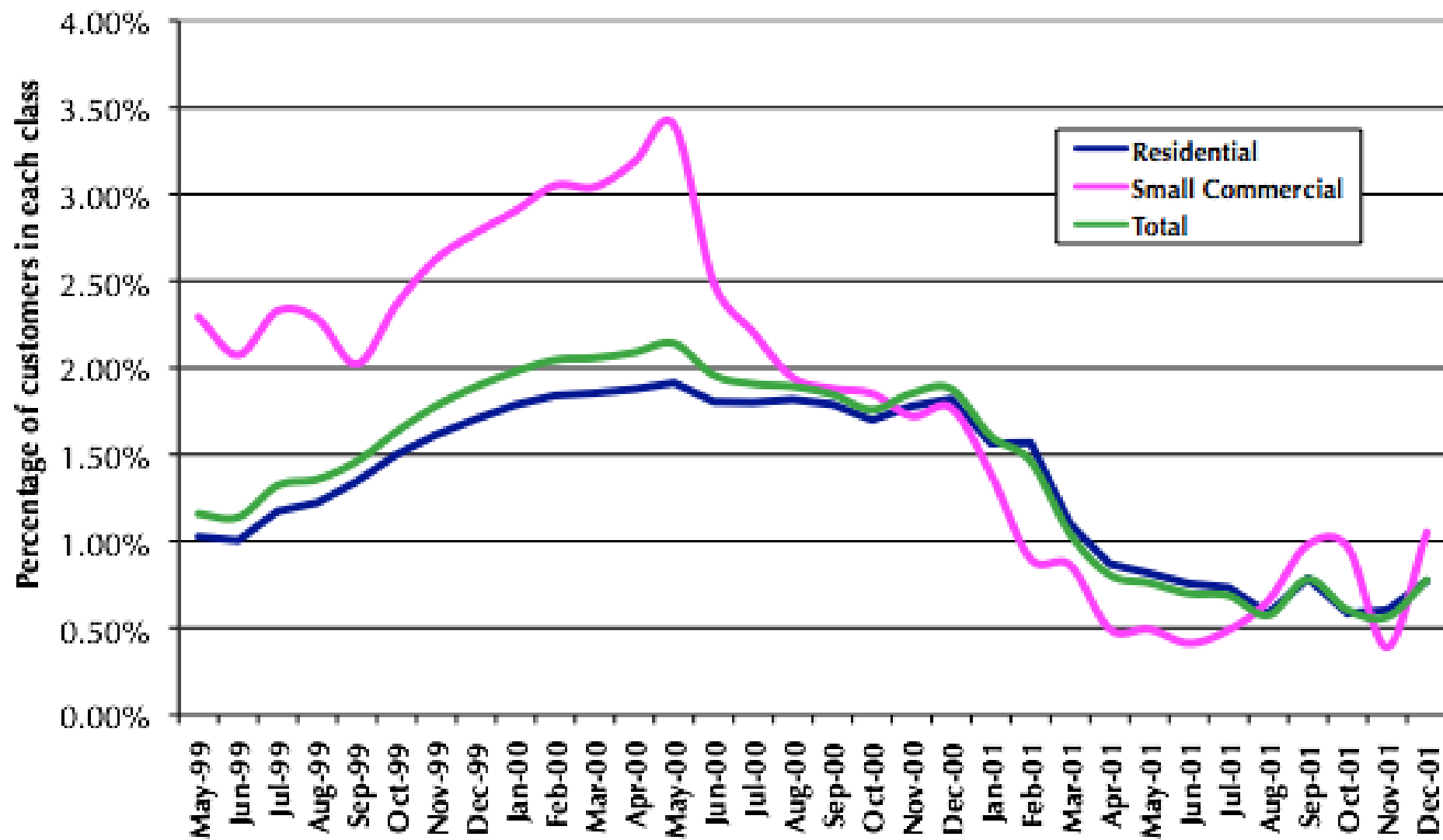
Electric Customers Served By Direct Access

by percentage of class load



Customers Choosing Green Power in California

by percentage of customers



Did direct access benefit residential customers?

- Residential customers signed up for clean power based on illusory promises
- DA model:
 - Cherry picking large C&I customers with good load factors
 - Short term supply contracts
 - Reliability costs could be shifted to utility customers
 - Acquisition costs for residential customers too high
- Evidence in states with retail competition shows prices higher for residential customers than under the default utility rate
- New York State started process in Dec. 2016 to consider whether to end residential retail competition due to lack of price or environmental benefits

Difference between CCA and DA:

- Community Choice Aggregators
 - Stable customer base
 - Accountability to local public officials
- Energy Service Providers
 - Short term and uncertain customer base
 - Accountability through contract terms

Key issue with respect to existing market structure:

- How do we get to a 50%+ renewable energy future
 - Do we continue to rely on IOUs to procure long-term capacity and allocate costs among other entities
 - Do we require all entities to meet clean energy and reliability goals
 - Do we create separate procurement entity

Key issue with respect to existing market structure:

- Getting to 50%+ with the existing mix of IOU/CCA/Self-Gen will already be a challenge
- We should not reopen retail competition until we figure out some of these problems
- Other states and jurisdictions are watching California

Conclusions

- Clean energy goals are not achieved by
 - Paying premiums for RECs associated with energy that would have produced and sold anyway
 - Resource Shuffling
- If you think the problem is hard, just “opening up competition” actually makes it harder, not easier.
 - Creating load uncertainty for every load serving entity dramatically complicates the question of long-term planning and procurement for reliability and clean energy.

Current procurement and mechanisms for indifference:

- IOUs jump-started RPS and backstop reliability
- Equity and indifference addressed by
 - CAM – accounting mechanism to recover reliability costs due to customer migration
 - PCIA – accounting mechanism to recover legacy long-term renewable contract costs after to customer migration
- NEM – accounting method to promote self-generation

Residential Customer Preferences:

- Customers want to save money
- Customers want low bills and stable bills
- Customers do not really want to think about electricity
- Customers want to "do the right thing" for the environment and society
- Customers don't trust the utilities

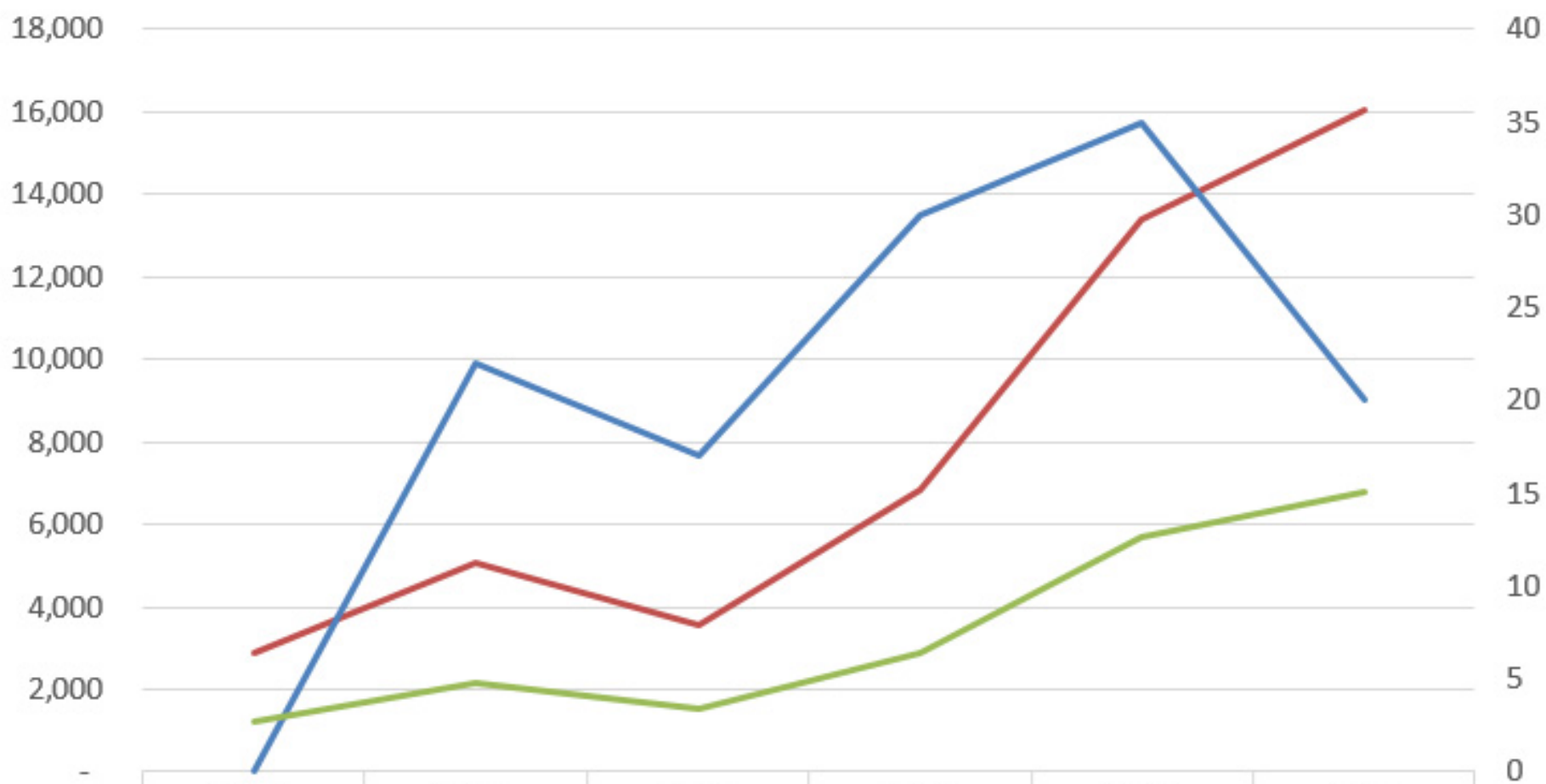


Residential Customer Preferences

Demand Response



SDP Residential Attrition



	2011	2012	2013	2014	2015	2016
Total Customer Requested Attrition	2,867	5,058	3,571	6,835	13,405	16,016
Total Event Hours	0	22	17	30	35	20
Estimated MW Lost	2.7	4.8	3.4	6.4	12.6	15.1

Estimated MW's lost based on load impact ex ante results for September 2014; 1 in 2 year; average of 0.94 kWh per Residential Service Account

Flip off the lights, give your thermostat a break, and do something spontaneous this Tuesday from 8:00-9:00PM PDT



Tuesday #OhmHour 8:00-9:00PM PDT

You're participating! Your estimated forecast during this hour is **1.71 kWh**. If you use less than your forecast, points are coming your way! If you go over, you will lose points.

Question: Who is correct in their assessment of residential customer behavior?

- SCE – residential customers do not want many days with 2-4 hour interruptions during peak conditions
- OhmConnect – residential customers want multiple involvements in 1-hour increments

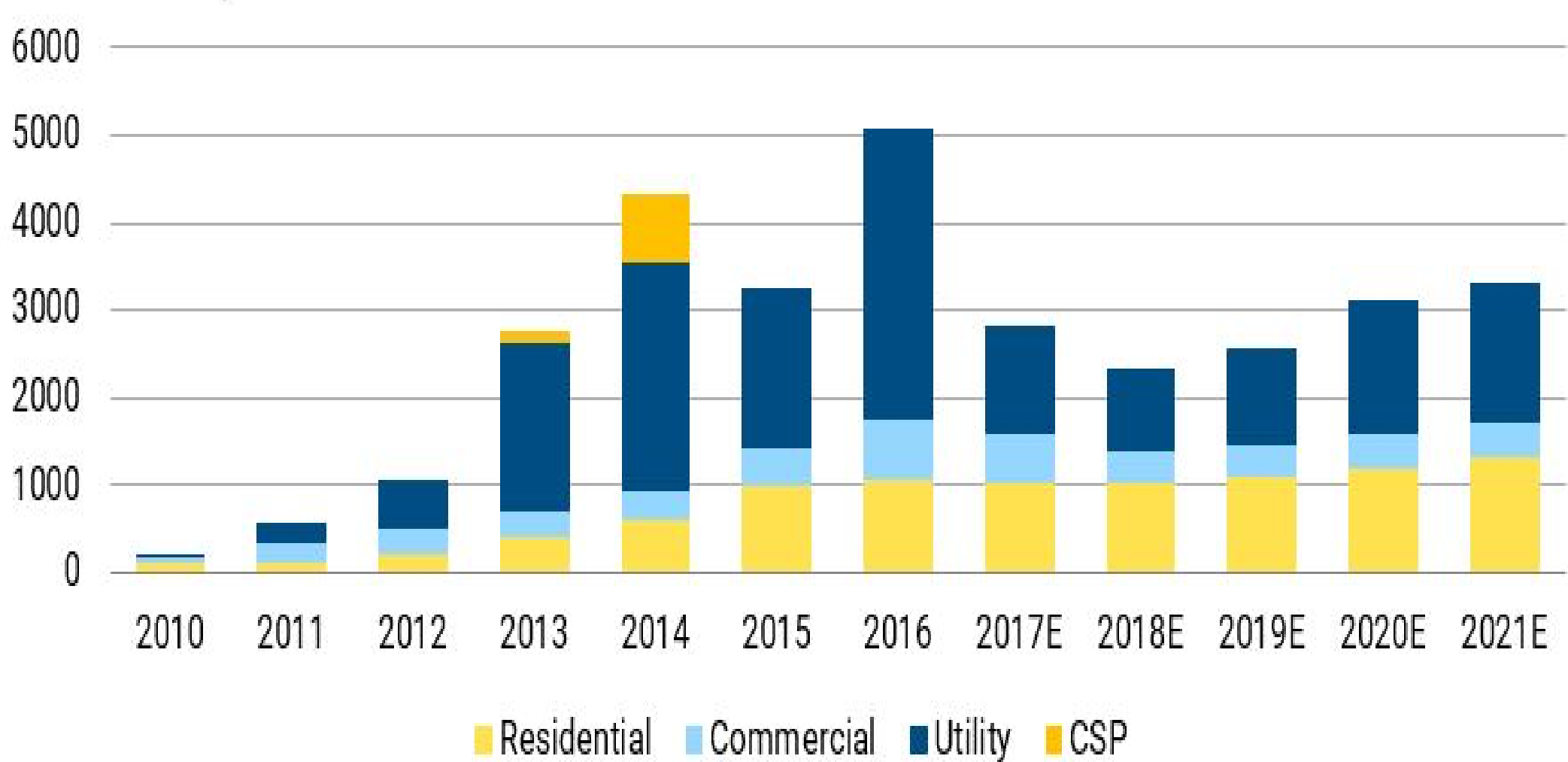
Potential **Impact** – Sometime in 10-20 years, if we expect DR will replace some peaker plants, we will need to start dispatching DR more frequently, and for multiple hours.



Residential Customer Preferences

Rooftop Solar

California Annual Solar Installations



What made rooftop solar successful?

A confluence of policies and market reactions that created certainty and provided private economic benefits:

- CSI program in 2006
- Federal tax credits in 2006
- Manufacturing boom in China around 2010
- Net energy metering and high upper tier rates

Challenges ahead create uncertainty

- NEM creates significant distributional cost shift not resolved in NEM 2.0
- Changing rate design creates uncertainty in avoided costs and thus future value of solar
- Shifting TOU periods reduce value of solar