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Joint Agency Workshop on
Southern California Natural Gas Prices
January 11, 2019

Panel III
Bill Implications for Electricity Customers
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Energy Users Forum

Impact on Consumers of Electricity

Unusually high natural gas prices at the SoCal Citygate Hub have significantly increased both the short term and forward market costs for electricity, along with charges assessed by the CAISO on Load Serving Entities (LSEs). These increases have been seen, and felt, immediately by a sub-group of customers.

Price increases do not impact the rates of IOU customers immediately:

- Increased costs are obscured by balancing accounts and aggregation of costs.

But Direct Access customers, experience price impacts almost immediately, and connection to causation is much clearer.

- They manage their own energy portfolios and notice impacts on forward markets instantaneously.
- CAISO charges lag one to five-month depending on type and LSE.

Large, unexpected bill increases impact customers in a variety of detrimental ways.

Sources of Cost Increases

High gas prices impact more than just commodity; CAISO-related costs also increased.

The amounts customers pay for electric commodity include purchases from:

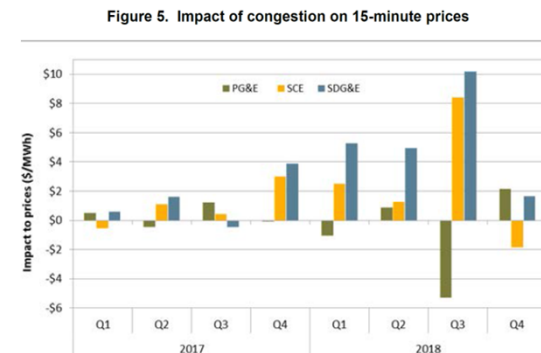
- CAISO Day Ahead Market
- CAISO Real Time Market
- Forward Financial Contracts
- Physical Contracts

Other costs are also passed on to Customers including:

CAISO Pass Through Costs

- Congestion
- Bid Cost Recovery (highest since 2011)
- Real Time Congestion and Imbalance Energy Offsets (\$50M+/60%↑)

Resource Adequacy



This is not just an issue for consumers in Southern California. High natural gas prices at the SoCal Citygate Hub, and the underlying causes, have also increased costs for electricity consumers in Northern California due to congestion and redispatch.

Examples of Bill Impacts

Commodity:

Assume Customer Only Uses Energy On-Peak

Market	Balanced Portfolio	Month		Index	Month		Forward Fixed	Year	
		11/16	11/18		11/16	11/18	Purchased in November One Year in Advance	2018	2020
		\$/MWH			\$/MWH			\$/MWH	
DAM (SCE LAP)	20%	\$32	\$57	45%	\$32	\$57			
ST-Fixed (SP15)	15%	\$38	\$73	50%	\$38	\$73			
LT-Fixed (SP15)	60%	\$35	\$35		\$35	\$35	100%	\$36	\$54
Real Time/IMB (SCE)	5%	\$32	\$48	5%	\$32	\$48			
Blended Cost		\$35	\$46		\$35	\$65		\$36	\$54
		Increase	\$11		Increase	\$30		Increase	\$18
			32%			84%			50%

CAISO Pass Through: Actual costs for October-February went up 400% from Winter 2015/16 to 2017/18 for a customer using the balanced portfolio approach.