

DOCKET**09-IEP-1C**

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California Energy Commission
Dockets Office, MS-4
Docket No. 09-IEP-1C
1516 Ninth Street
Sacramento, CA 95814-5512

**RE: 2009 Integrated Energy Policy Report -- Demand Forecast
Docket No. 09-IEP-1C**

Dear Docket Office:

The Alliance for Retail Energy Markets (AReM) respectfully submits these comments on the Draft Staff Report on 2010-2020 peak energy and demand forecasts, which were discussed at the June 26, 2009 Workshop. AReM previously submitted comments in this Docket on September 22, 2008 (September 22nd Comments) requesting that the IEPR forecasts include a reasonable assessment of future direct access load to be served by electric service providers (ESPs).¹ AReM has reviewed the Draft Staff Report² and found that there is no discussion of projected direct access load, how such forecasts are to be developed or how any quantitative or qualitative assessments will be conducted.

As noted in our previous comments, the California Public Utilities Commission (CPUC) plans to rely on the 2009 IEPR forecasts for 2010-2020 peak demand and energy in the 2010 Long-Term Procurement Plans (LTPP) prepared by the large investor-owned utilities' (IOUs). Reasonable forecasts of direct access load in the IEPR are essential to ensure that California's IOUs do not over-procure resources, thereby incurring costs they would later claim as "stranded" and for which they would seek compensation from departing load. Further, there is no need for the IOUs to "plan for" the load of retail customers expected to be served by ESPs and, therefore, no need to plan to procure to meet such direct access load in the IOUs' 2010 LTPPs. IOUs procuring for loads they do not serve leads to burdensome cost-recovery policies that harm competitive markets and significantly undermine the benefits such markets can bring to the state. To avoid such

¹ Letter to Chairman Byron and Vice-Chair Boyd on IEPR Scope, Docket No. 09-IEP-1, September 22, 2008.

² *California Energy Demand 2010-2020, Draft Staff Forecast*, Draft Staff Report, CEC-200-2009-012-SD, June 2009.

negative consequences, the 2009 IEPR process should include development of reasonable estimates of future changes to direct access load, including departing IOU load, and incorporate those forecasts into the 2009 IEPR results.

Conditions regarding market re-opening for direct access have changed since AReM submitted its September 22nd Comments. At that time, we noted the current CPUC proceeding, in which the Commission is considering actions that will remove legal barriers to lifting the DA suspension and could lead to market re-opening by 2012.³ Recently, however, the Legislature is considering SB 695 and AB 413, which would allow a transitional re-opening of direct access in 2010. The bottom line is that IEPR forecasts of direct access must assume increases in direct access load during the 2010 to 2020 IEPR forecast period.

Although AReM acknowledges that the precise timing and conditions of the market re-opening are not known at present, these variables are just another form of uncertainty to be tackled in the IEPR load forecasting process. Uncertainties related to direct access should be no more challenging to account for than fluctuations in natural gas prices, macro-economic conditions, or weather – all of which are routinely estimated as part of load forecasting and resource planning.

As outlined in our September 22nd Comments, AReM urges the Energy Commission to adopt a 2009 IEPR load forecast that quantifies direct access load separately from the IOU's service area load. This treatment is similar to that afforded the publicly-owned utilities. Such utilities are located within the IOUs' service area, but their loads are not served by the IOUs and are forecast separately from IOU load. Similarly, direct access loads are located within the IOUs' service area, but their loads are served by ESPs, not the IOUs, and should be forecast separately.

As outlined in its September 22 Comments, AReM suggests that the Energy Commission base its estimates on historical trends and evidence about the retail market response in California since retail market opening in April 1998. Further, the Commission could enhance its analysis by evaluating retail market responses in other states with differing competitive retail models.

³ R.07-05-025.

AReM strongly believes that lifting the suspension of the competitive retail market will play a significant role in meeting California's ambitious goals for greenhouse gas emission reductions and expansion of renewables. If we are to empower California businesses and consumers to take an active, personal role in meeting the state's environmental goals, we must give them a means to achieve this desired end, and that means is customer choice.

AReM appreciates the opportunity to offer these comments on the Draft Staff Report. Integrated resource planning can only succeed in California if a full range of options is explored and debated. Retail choice can play a significant role in improving California's competitive success and in meeting its energy goals. The first step, however, is to ensure that the 2009 IEPR incorporates expanded retail choice as a foundational assumption. AReM's members would be pleased to discuss this issue in more detail with Commission staff.

Respectfully,

/s/ *Sue Mara*

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