

## Memorandum

**Date:** August 2, 2010

**To:** Assigned Commissioner and ALJ  
Parties in R.07-05-025

**From:** Steve Roscow, Kathryn Auriemma  
CPUC Energy Division

**Subject:** Phase III Issues in Direct Access Rulemaking R.07-05-025  
Workshop Results and Status Update

This document provides a brief “status report” on the workshop regarding Phase III Issues in the Commission’s Direct Access Rulemaking. Pursuant to a June 15, 2010 Assigned Commissioner and ALJ Ruling, the workshop was held July 12-13, 2010 and covered certain topics, as directed in that ruling. The purpose of this report is to communicate to the Assigned Commissioner, ALJ and parties in R.07-05-025 on the progress made in addressing the designated issues through the workshop sessions, as well as next steps proposed to be taken by workshop attendees.

### Summary of Workshop

The workshop covered each of the designated issues shown in the attached agenda (attendees agreed to discuss topics in an order different from that shown in the agenda—the order discussed is shown in the list below). For each topic, one or more parties made presentations, and general discussion followed these presentations. The presentations are provided as separate attachments in the e-mail transmitting this report to the Service List for R.07-05-025.

TOPIC	PRESENTATIONS
Changes in Switching Rules	<ul style="list-style-type: none"> <li>• AREM (part of single powerpoint file)</li> <li>• Joint IOU</li> </ul>
Transitional Bundled Service Rate Updates	<ul style="list-style-type: none"> <li>• Joint IOU</li> </ul>
ESP Financial Security Requirements	<ul style="list-style-type: none"> <li>• Joint IOU</li> <li>• AREM (part of single powerpoint file)</li> </ul>
Ensuring Uniform Compliance With Resource Requirements	<ul style="list-style-type: none"> <li>• Joint IOU</li> <li>• AREM (part of single powerpoint file)</li> <li>• Commercial Energy</li> </ul>
Schedule and Process for Addressing DA Process Improvements	<ul style="list-style-type: none"> <li>• Joint IOU</li> <li>• AREM (part of single powerpoint file)</li> </ul>

### Results of Workshop

For each workshop topic, parties generally agreed to continue to meet together in informal “working groups”, in order to reach consensus on each topic, or, in the absence of consensus, to more precisely identify and narrow the issues in dispute, and to then submit each of those issues to the Commission for possibly one more round of comments, then Commission disposition.

More specifically, three working groups were formed, in order to address similar topics in a single group. Each of the 3 major electric IOUs agreed to “host” a working group, and parties tentatively agreed on the schedule below for the initial meetings of each group. Each group will be open to participation by all parties. At the first meeting of each group, participants will determine a more precise schedule for submitting its report to the Assigned Commissioner and ALJ. The Commission’s Energy Division will act to ensure that each group remains on track to produce a report that addresses the issues identified in this Phase of R.07-05-025.

Group	Issue Areas from June 15 Ruling	IOU “host”	Date and location of first meeting
1	<ul style="list-style-type: none"><li>• Changes in Switching Rules</li><li>• Transitional Bundled Service Rate Updates</li><li>• ESP Financial Security Requirements</li></ul>	PG&E	Week of 8/16/2010 @ PG&E
2	Ensuring Uniform Compliance with Resource Requirements	SDG&E	tba
3	Schedule and Process for Addressing DA Process Improvements	SCE	Late August @ SCE

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**Phase III Issues in Direct Access Rulemaking (R.) 07-05-025**

Workshop Agenda

**Location:** California Public Utilities Commission  
505 Van Ness Avenue  
Auditorium  
San Francisco

**Date/Time:** July 12, 2010 from 9:30 AM to 5:00 PM  
July 13, 2010 at 10:30 AM to 5:00 PM

**Objective:** Resolve the Phase III Issues in the DA Rulemaking as identified in the June 15 Assigned Commissioner and ALJ Ruling

On June 15, 2010, the Assigned Commissioner and the Administrative Law Judge issued a ruling (Ruling) ordering that a technical workshop be held on July 12 and 13, 2010 to address Phase III issues in the DA Rulemaking.

Depending on the progress made in addressing these issues through the workshop sessions, further subsequent direction will be provided concerning the next steps involved in resolving these issues.

**Workshop Format**

The workshop will allow parties to explain their positions on each of the questions identified by topic in the Ruling and work towards a consensus resolution. The agenda allocates time to each topic area. For each topic, parties will have the opportunity to present their positions on the questions identified in the ruling, followed by discussion to work towards a resolution by consensus.

To maximize the use of workshop time and progress towards consensus, parties are encouraged to:

- Develop joint presentations in advance to avoid duplication
- Focus strictly on the questions identified for each topic, and avoid issues not identified in the Ruling.

The time scheduled to cover the topics identified in the ruling is shown in the table below:

Monday, July 12, 2010

Time	Minutes	Topic
9:30-10:30	60	Introduction and courtesy reminder by Energy Division; parties introduce themselves
10:30 – Noon	90	Changes in Switching Rules
Lunch	90	
1:30-3:00	90	ESP Financial Security Requirements
Break	30	
3:30-5:00	90	Transitional Bundled Service Rate Updates

Tuesday, July 13, 2010

Time	Minutes	Topic
10:30-12:30	120	Brief Intro to Day 2; Ensuring Uniform Compliance With Resource Requirements
Lunch	60	
1:30-3:00	90	Schedule and Process for Addressing DA Process Improvements
Break	30	
3:30-5	90	Wrap-up, Including Need, Timing, and Location for Possible Follow-up or Continuation Workshop Sessions

The questions by topic areas from the Ruling are as follows:

### **Changes in Switching Rules**

The workshop will address whether to retain or change existing switching rules for the long term.

- a. Advance Notice to Switch to DA from Bundled Service.
- b. Advance Notice to Return to Bundled Service from DA.
- c. Minimum commitment Period after returning to Bundled Service.

Workshop Questions to be addressed include:

1. Do the current switching rules adequately account for all costs determined to be non-bypassable? (e.g., stranded resource adequacy/renewable portfolio standard cost)? If not, what changes in the switching rules (or cost recovery mechanisms) may be appropriate? Should the commitment period when switching to bundled service be modified in view of the IOUs' obligations to follow the State loading order rules?
2. What risks, if any, are associated with adjusting the six-month notice requirements or modifying other processes to mitigate identified risks that may not already be covered?
3. What limits, if any, should be placed on the amount of load allowed to transfer into or out of DA within a given year, in addition to or instead of the existing advance notice requirements?
4. If the compensation through the transitional bundled service (TBS) rate and the vintaged new generation charge are fully compensatory, is an advance notice requirement for transfers into or out of DA still necessary?

### **ESP Financial Security Requirements**

The workshop will provide the opportunity for parties to discuss and seek consensus as to the appropriate financial security requirements to be applied to ESPs pursuant to § 394.25(e). The relevant statutory requirement states:

“If a customer of an electric service provider or a community choice aggregator is involuntarily returned to service provided by an electrical corporation, any reentry fee imposed on that customer that the commission deems is necessary to avoid imposing costs on other customers of the electric corporation shall be the obligation of the electric service provider or a community choice aggregator, except in the case of a customer returned due to default in payment or other contractual obligations or because the customer's contract has expired. As a condition of its registration, an electric service provider or a community choice aggregator shall post a bond or demonstrate insurance sufficient to cover those reentry fees. In the event that an electric service provider becomes insolvent and is unable to discharge its obligation to pay reentry fees, the fees shall be allocated to the returning customers.”

1. What cost exposure does each IOU face with respect to returning load previously served by an ESP that requires a bond?

2. What forms of ESP collateral are appropriate and subject to what qualification and documentation procedures?
3. How frequently should the ESP financial security requirement be revisited in view of ESP potential load fluctuations over time?
4. To what extent does the proposed settlement in R.03-10-003 applicable to CCA bonding requirements provide a framework for ESP security requirements? Identify any pertinent differences between ESPs and CCAs that warrant different treatment with respect to security requirements.

### **Transitional Bundled Service Rate Updates**

The workshop shall address whether the TBS rate accurately compensates for the incremental cost to serve customers switching from (or to) DA, and to ascertain that the TBS rate serves neither as a barrier to customers making the decision to return to bundled service or as a competitive tool by which IOUs may seek to attract customers back to bundled service.

1. Does the TBS rate fully account for the incremental costs imposed on the IOU system due to additional short-term supplies procured to serve customers returning to bundled service from DA pursuant to D.05-03-034?
2. Should the TBS rate be adjusted to account for procurement obligations for RA and RPS for bundled load served on the TBS tariff? If so, how?

### **Ensuring Uniform Compliance with Resource Requirements**

The workshop shall consider what if, any, additional measures are necessary to ensure ESPs are subject to same requirements as IOUs regarding resource adequacy (RA), renewable portfolio standards (RPS) and AB 32 requirements, pursuant to § 365.1(c)(1) and (2). Issues associated with level-playing-field procurement of generation resources using renewable sources of energy are being addressed in R.08-08-009. This proceeding shall address what actions are needed in the near term to ensure compliance with § 365.1(c)(1) and (2).

1. Potential obligations to purchase from Qualifying Facilities (QFs), including combined heat and power;
2. Greenhouse gas “cap-and-trade” and program measures pursuant to AB 32 implementing regulations or federal legislation;
3. Costs from Commission-mandated new generation resources needed for system reliability;
4. Multi-year requirements to procure Combined Heat and Power generation and renewables under feed-in tariffs.

### **Schedule and Process for Addressing DA Process Improvements**

D.08-05-003, Ordering Paragraph (OP) 14 states:

“SCE, AReM and CMTA shall submit a joint report that identifies specific potential process improvements, proposes recommendations for SCE’s DA process improvements, and recommendations for an ongoing process to consider possible future process improvements that reflect the needs and interests of all DA market participants in SCE territory. Participants may submit with the report their comments addressing any disagreements or reservations that participants may have with any recommendations or other aspects of the report. The report shall be submitted in R.07-05-025 for consideration if, and when, Phase III of that proceeding is commenced.”

Similar improvements are relevant to the processes used by PG&E and SDG&E.

Potential process improvements suggested by parties include:

- Updating and/or revision of customer forms and load-growth affidavits relating to DA services
- Updating of DA services and fees, including those deferred by D.08-05-003.
- Updating of DA metering and billing rules

A schedule needs to be developed for completion and filing of the report on DA Process Improvements pursuant to D.08-05-003, OP 14, expanded in scope to address process improvements for all three IOUs. The proposed schedule for completing and filing the report shall be discussed at the workshop. A schedule for the DA Process Improvement Report shall be established after parties formulate a proposed time table. Further substantive consideration of process improvements will follow after issuance of the report.

#### **Need, Timing, and Location for Possible Follow-up or Continuation Workshop Sessions**

The Ruling provides that workshop participants may discuss the need, timing, and location for possible follow-up or continuation workshop sessions at the end of the scheduled workshops (OP 4).