

Reopening Direct Access Proceeding

Summary

- Do not dilute the ESP financial security required by law to protect customers
- Modify the PD's Renewable Portfolio Standard ("RPS") adder to appropriately reflect the market value of RPS energy

Financial Security Requirements

- The PD correctly finds that ESPs are legally obligated to cover all incremental costs resulting from an involuntary return of their customers to IOU bundled service (PU Code § 394.25(e))
 - ESP financial security must be sufficient to cover these costs
- Posting security to cover energy price volatility is a cost of doing business that all firms in the industry must bear
 - PG&E currently has a \$3 billion banking facility to cover such costs, and has approval from the CPUC for up to \$4 billion
 - The PD's financial security requirements are substantially less than those required by financial exchanges
 - ESPs should no longer be shielded from the realities of the market place
- Customers should be protected from ESP defaults, particularly under stressed market conditions
- ESPs have exaggerated the commercial impacts of complying with the PD

RPS Adder

- The RPS adder should be based on the market indices advocated by PG&E and DRA
 - There is sufficient liquidity in the REC market
 - The ESP's Green Benchmark will not measure above-market costs for renewables because it does not reflect market prices
- If PG&E and DRA's proposal is not adopted, the PD should adopt the DOE data for 100% (not 32%) of RPS adder, consistent with the recent AB 920 decision
- If the PD does retain any use of the Green Benchmark, its application needs to be modified in several respects, including
 - UOG costs in the Green Benchmark should be levelized to address the front-loaded nature of utility ratemaking
 - The Green Benchmark should exclude pre-2003 RPS contracts, consistent with the Commission's RPS practices