



Coast Economic Consulting

Aglet Consumer Alliance's Energy Auction Proposal

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Background

- M.S. in Economics and Finance from University of California (1998)
- Office of Ratepayer Advocates (ORA) staff member 1998-2005
- Witness and advisor in cases related to the procurement of electricity and related fuels, demand response, the cost-of-capital, capital adjustment mechanisms, and emergency restoration standards
- Workshop presentations include seminars on risk, effects of deregulation, performance incentives, and performance standards
- Developed models to evaluate contracts, utility cost-of-capital, post-emergency electricity restoration time, elasticity of demand, and market power effects

Topics

- Policy Objectives
- CPUC Decision 06-07-029
- Auction Overview
- Illustrative Auction Timeline

Policy Objectives

1. Fairness to all parties
2. Appearance of Fairness
3. Protect the interests of bundled ratepayers by ensuring that energy is sold at or above the market price

CPUC Decision 06-07-029

The Energy Auction should be consistent with CPUC Decision 06-07-029 which states:

We find that the energy and capacity from any new resources should be unbundled, with the costs and benefits of the RA capacity component socialized to all customers connected to the utility's distribution system, and the costs and benefits of the energy component assigned to those that value the energy the most, as demonstrated through an auction or similar mechanism. (D.06-07-029, p. 31.)

Overview of Auction

- **Auction Manager:** A third party vendor (such as APX)
- **Products Traded:** Energy will be sold in 25 MW blocks for delivery during on-peak, off-peak, and flat (24 x 7) periods on a monthly, quarterly, or annual basis.
- **Trading Rules:** Proposed by Auction Manager and accepted or modified by the Energy Division.
- **Minimum Bids:** Based on existing futures market prices for energy as published by the New York Mercantile Exchange (NYMEX).
- **Time of Auction:** A one-day auction will be held once a year for delivery of energy during the following year.
- **Amount Sold:** The total amount of energy submitted for sale by the IOUs.
- **RA Credit:** Not Transferred

Auction Timeline

- **March 1, 2007:** CPUC votes out decision.
- **March 15, 2007:** Energy Division issues RFO for auction manager.
- **June 15, 2007:** Auction Manager is hired.
- **August 1, 2007:** Auction Manager submits proposed auction rules to the Energy Division.
- **August 11, 2007:** Parties submit comments on proposed rules.
- **August 16, 2007:** Parties submit reply comments on proposed rules.
- **August 31, 2007:** Energy Division publishes final auction rules.
- **September 30, 2007:** IOUs submit amount of energy to be sold to Auction Manager as well as delivery points.
- **November 15, 2007:** Auction conducted for 2008 energy delivery.