EPUC Comments on Retail En Banc Customer Panel

EPUC[1] appreciates this opportunity to comment on the Commission Staff White Paper "Consumer and Retail Choice, the Role of the Utility and an Evolving Regulatory Framework" (White Paper) and the Retail Choice En Banc. EPUC provides the following responses to the questions proposed to the "What Consumers Want" panel at the May 19, 2017 Retail Choice En Banc. Specifically, EPUC responds to questions regarding customer choice, the role of the regulated utility and consumer protections. These comments are intended to accompany EPUC's comments on the White Paper.

Customer Choice

As noted in EPUC's comments on the White Paper, moving from California's hybrid market to a fully competitive market will benefit customers. Retail choice has the potential for enhancing the operation of California's commercial and industrial customers who bring jobs and revenues to the State, and retail choice should include self-wheeling.

Cost Recovery

The White Paper states "[o]ne of the most contentious issues that comes before the CPUC has to do with allocating costs between customers."[2] Today, the Power Charge Indifference Adjustment and non-bypassable charges collect stranded (or "above-market") costs, infrastructure costs and funding for other public programs from customers departing IOU service.[3] This approach to stranded costs may not be the best long-term solution, particularly if the Commission elects to limit the IOUs' roles in the market to Provider of Last Resort (POLR). The rulemaking must examine both the extent of the IOUs commitments that will result in "stranded" costs and cost recovery mechanisms. Additionally, the rulemaking should identify means to mitigate stranded costs and streamline other program costs (EE, CARE, etc.). While this task will be challenging, it will be no more challenging than the existing complexities in addressing these costs in today's hybrid market.

Reliability and Procurement

Reliability presents a challenge in a competitive retail market, since there are no central actors responsible for developing generation capacity. The White Paper cites estimates that suggest that up to "85% of retail load [will be] served by sources other than the

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[1] EPUC is an *ad hoc* group representing the electric end use and customer generation interests of the following companies: Aera Energy LLC, Chevron U.S.A. Inc., PBF Energy, Phillips 66 Company, Shell Oil Products US, Tesoro Refining & Marketing Company LLC and California Resources Corp.

[2] Consumer and Retail Choice, the Role of the Utility, and an Evolving regulatory Framework, Staff White Paper, California Public Utilities Commission, May 2017 at 9.

[3] *Id*.

IOUs by the middle of the 2020s."[4] Critical thought must be given, learning from the experiences of other jurisdictions, to a structure that will ensure the right amount and the right mix of supplies to ensure reliability and meet California's important environmental policy objectives. Close coordination with the Energy Commission and the CAISO in developing an approach will be required.

Consumer Protections

The Commission, as guardian of the public interest, must address any additional consumer protection needed in a broader market. Fortunately, the Commission is not starting from scratch. Customers have been investing in self-generation and engaging in transactions with CCAs or DA providers for decades. California has adopted measures to protect these customers, through both legislation and regulation. Indeed, California consumers have been participating in a vibrant retail natural gas market for more than twenty years. In addition, if the Commission moves toward a competitive market, with no bundled utility service, it will need to designate a POLR to ensure all customers have a backstop in the event of default by a competitor.

Existing measures and experience should be the starting point for further dialogue regarding the interface of customers with competitive suppliers. California should also survey other states to determine what other market elements would protect consumers without harming competition. In addition to financial protections previously relied on in California, the State should consider ownership limitations to prevent any single competitor from gaining market power.

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[4] *Id*. at 3.