

EPUC Informal Comments on Retail Choice White Paper

EPUC¹ 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. California has had some degree of retail choice for decades, through the long-standing right to self-generate, the introduction of Direct Access (DA) and Community Choice Aggregation (CCA) in 1996 and the expansion of Distributed Generation (DG) options. California’s commitment to retail choice, however, has wavered over the years, resulting in a hybrid retail market with bundled utility service and limited competitive alternatives giving customers and suppliers mixed signals about the viability and cost of competitive alternatives.

The Commission should take this opportunity to move beyond the hybrid market and set a clear, equitable and secure path toward a fully competitive retail electric services market. Given the expansion of DG and CCA, a return to the dominant vertically integrated utility is neither realistic nor desirable. California’s current hybrid retail market likewise is not the best solution due to the inherent uncertainty it creates – uncertainty that increases costs and reduces market efficiency.

The White Paper acknowledges the challenges presented by the growth of CCA, DG expansion and the associated erosion of Investor Owned Utility (IOU) load. Adopting competition will require a contentious debate over stranded costs and their recovery and rules to protect consumers. California has the benefit, however, of studying the implementation of retail choice in other states to determine the market design that will best serve California. Extensive coordination with the California Independent System Operator (CAISO) will be required to ensure retail choice does not undermine reliable operation of the state’s electricity grid. EPUC looks forward to participating in the upcoming rulemaking and highlights the issues discussed below and in comments on the Customer En Banc panel for consideration.

Broadening retail competition, under reasonable transition rules, carries the potential to benefit consumers of all types. Increased choice should:

- Allow customers to choose a retail service that best reflects their usage patterns and priorities, whether price, reliability or environmental benefits.
- Foster further innovation in products and services in the delivery of electricity as the grid becomes smarter.

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.

- Enhance the operations of California’s industrial and commercial customers who bring jobs and revenues to the state; retail choice should include self-wheeling.
- Deliver clear market signals and remove existing market distortions.
- Provide the information and assistance necessary to allow customers of all sizes and sophistication levels to assert their right to retail choice.
- Facilitate a more vibrant wholesale market for generation than today’s market, which is dominated by the IOUs as purchasers.

These objectives are best served by a strong and clear commitment to retail choice.

California has been far down the road of retail choice before and the rulemaking should devote time and effort to an examination of the previous iteration of retail choice in California. Additionally, a number of states have implemented retail choice with varying degrees of success. The rulemaking should explore the roles that the utility plays in other states, and determine what role the IOU should play in California’s competitive market. Finally, the rulemaking should also look beyond the electric industry at the competitive natural gas market in California. In that market, the IOUs have not provided retail supply to large, noncore customers for many years, and the markets have operated successfully. Likewise, core customers have the option for Core Aggregation. All of these previous experiences should inform the Commission’s direction.

The forces of the market are pushing for broader expansion, and the Commission should be commended for taking a holistic approach to California’s retail choice policy. EPUC supports the expansion of retail choice and encourages the Commission to set a clear, equitable and secure path toward full retail choice.