BEFORE THE PUBLIC UTILITIES COMMISSION OF THE
STATE OF CALIFORNIA

Order Instituting Rulemaking to Integrate and
Refine Procurement Policies Underlying
Long-Term Procurement Plans.

Rulemaking 08-02-007
(Filed February 14, 2008)

SOUTHERN CALIFORNIA EDISON COMPANY'S (U 338-E)
REPLY TO COMMENTS OF THE ALLIANCE FOR RETAIL ENERGY MARKETS
ON MRTU-RELATED PROCUREMENT IMPLEMENTATION ISSUES

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Dated:  October 31, 2008
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STATE OF CALIFORNIA

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In accordance with the August 28, 2008 Assigned Commissioner’s Ruling and Scoping
Memo on the 2008 Long Term Procurement Proceeding, Phase 1 (the Ruling), Southern
California Edison Company (SCE) submits the following Reply to Comments of the Alliance for
Retail Energy Markets (AReM) on MRTU-Related Procurement Implementation Issues.

I.
THE COMMISSION SHOULD NOT ADOPT UNILATERAL RULES TO BENEFIT
ENERGY SERVICE PROVIDERS AT THE EXPENSE OF UTILITY CUSTOMERS

In its comments, AReM supports SDG&E’s proposal to “require the IOUs to release the
congestion revenue rights (‘CRRs’) associated with their California Department of Water
Resources (‘CDWR’) contracts when those contracts terminate.”1 AReM claims that current
CRR process is weighted in favor of those that currently have valuable CRRs. Further, AReM
expresses a continuing concern regarding, “the ability of some LSEs to hold onto their valuable

1 Comments of the Alliance for Retail Energy Markets on MRTU-Related Procurement Implementation Issues,
filed October 24, 2008, at 1-2.
CRRs through the Priority Nomination Process.” The Commission should reject the arguments of SDG&E and AReM for several reasons.

First, the process established by the CAISO and approved by FERC allows all load-serving entities (LSEs) to priority nominate their current holdings through the annual priority nomination process. Thus, it is not some LSEs but all LSEs that may renominate valuable CRRs. The rule proposed by SDG&E and supported by AReM on the other hand, would unilaterally impact the utilities and preclude them from operating on a level playing field with other LSEs.

Second, this Commission has already addressed AReM’s concern by establishing limitations on the CRRs utilities may obtain in the CRR allocation and auction process. Those existing rules require that the utilities may only nominate CRRs that represent their expected use of the grid. Thus, upon expiration of the CDWR contracts, the utility’s renewal of such CRRs would only be authorized under its procurement plan if the utility expected to continue to use the paths for the delivery of energy (e.g. they signed a new contract at the same location). On the other hand, the companies represented by AReM are not under similar orders. That is, if an energy service provider (ESP) holds a valuable CRR based upon a contract that has since expired, there are no requirements from this Commission, the CAISO, or FERC that would preclude the ESP from continuing to seek priority nomination of such a CRR.

Finally, the rule proposed by SDG&E and AReM would upset the balance sought by CAISO and FERC in establishing the priority nomination process in the first place. The priority nomination process is a reasonable means of ensuring that all LSEs will have access to CRRs that relate to their use of the grid. In order to assess the LSEs’ use of the grid, FERC and CAISO looked at contracts that existed as of 2006 and 2007, which included the CDWR contracts. The CDWR contracts were part of the portfolios of the IOUs and accordingly reduced the IOUs’ needs for power to serve their customers during those historic periods. Had the CDWR contracts

2 Id. at 2 (emphasis added.)
not been allocated to the IOUs, the IOUs would have entered into other contracts to meet the
needs of their customers, and those contracts would have been factored into the priority
nomination process. The rule proposed by SDG&E and supported by AReM would, in essence,
punish IOU customers for having been allocated the CDWR contracts. Under the proposed rule,
as a result of CDWR contract allocation, the IOUs will be the only LSEs deprived of the right to
renominate CRRs that relate to their use of the grid. Such an arbitrary rule would potentially
result in IOU customers paying more than their fair share for their use of the grid.

Therefore, SCE urges the Commission to affirm the current up-front standard related to
expected use of the grid for the nomination of CRRs and reject any efforts by SDG&E and
AReM to impose unilateral limits on the ability of the IOUs to procure CRRs for the benefit of
utility customers.

Respectfully submitted,

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October 31, 2008
CERTIFICATE OF SERVICE

I hereby certify that, pursuant to the Commissioner’s Rules of Practice and Procedure, I have this day served a true copy of SOUTHERN CALIFORNIA EDISON COMPANY’S (U 338-E) REPLY TO COMMENTS OF THE ALLIANCE FOR RETAIL ENERGY MARKETS (AREM) ON MRTU-RELATED PROCUREMENT IMPLEMENTATION ISSUES on all parties identified in the attached service list(s).

Transmitting the copies via e-mail to all parties who have provided an e-mail address. First class mail will be used if electronic service cannot be effectuated.

Executed this 31st day of October, 2008, at Rosemead, California.

/s/ Christine M. Sanchez
Christine M. Sanchez, Project Analyst

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