

CALIFORNIA CUSTOMER CHOICE PROJECT at the CALIFORNIA PUBLIC UTILITIES COMMISSION

Post Workshop Comments by Karey Christ-Janer, Independent Advocate

.....

“None of the Above”: Customer Choice for California’s Electricity Market

The current state of the electric retail market in California presents unique opportunities – and clearly, potential pitfalls. Ms. Christ-Janer will make the argument herein that none of the existing models presented at the recent Customer Choice Informal Workshop, whether national or international, will suffice as a blueprint for California. Instead, the CPUC, its sister agencies and potentially, state legislators should strive to create an entirely new, “hybrid” structure, informed by successes and failures elsewhere.

Providing retail customers with various energy choices which they desire is not inherently synonymous with deregulation. Ms. Christ-Janer agrees with TURN and others who presented at last spring's Customer Choice En Banc that simply opening up the Direct Access throttle will not fix the "growing pains" which the state is experiencing due to the Community Choice Aggregation (CCA) revolution. Doing so would only exacerbate credit issues that CCAs have experienced through the potential for a "mass exodus," particularly of large commercial loads, leaving three unwieldy and uncoordinated options for customers which would delay progress toward state emission reductions and environmental justice goals.

That said, simply leaving the present market alone on a "let's see what happens" basis is also not ideal. Scores of well-meaning communities developing ambitious CCA plans simultaneously may hit a wall of stranded costs, raising the Power Charge Indifference Adjustment (PCIA) and cause confusion, customer attrition, and a lack of cohesion for all entities, including renewable energy developers.

In addition, the exciting Distribution Resource Planning (DRP) and Integrated Distributed Energy Resource (IDER) processes and associated goals to glean locational grid and customer benefits could be badly thwarted unless action is taken to better align various Load Serving Entities (LSEs). While Integrated Resource Planning (IRP) is key and will certainly help, Ms. Christ-Janer recommends additional measures, outlined below.

Customer Choice Energy (CCE) through enabling IOU/CCA strategic partnerships

For CCA in California, the horse has clearly left the barn. The public responds favorably to CCA for some very valid reasons: Local governments do know their constituents, businesses and community needs and wishes, and strive to tailor such programs for an ideal fit. Community-based programs provide a sense of individualistic pride and personal identity with clean energy choices: Customers want to “make a difference.” The problem is that it's not easy, especially overnight, for local governments to understand in any comprehensive way the extremely complex and evolving industry, especially in California. The sheer number of CPUC proceedings underway at any given time could stretch such small public agencies’ budgets.

Further, some CCAs wish not only to simply procure energy resources (albeit with challenges in establishing credit), some also wish to act as Program Administrators for DER programs, idealistically believing that their programs can be "better" than IOU programs. In some particular cases, they may be right. Yet again, with varying or potentially absent understanding of the distribution system they depend on, and the before-mentioned steep learning curves involved (some constituents seem to lack full understanding of why PCIA must exist, for example), the potential for programs that simply work at cross-purposes to existing or future IOU efforts is very high.

Some legislators with a cautious eye, seeing an uncoordinated market arising, may have an appetite to "reign in" this model, but that proves difficult due to the high level of public enthusiasm for such programs, and they must answer to their constituents.

Simultaneously, the IOUs are now advancing their DRP efforts through competitive IDER solicitations with utility incentives, and advocates call for tariff-based programs are seen as an ideal mechanism for DER advancement. Yet with a dwindling retail customer base, tariff-based incentives seem a long-shot as a new business model solution – the IOUs may simply have a paucity of retail customers to engage with.

Further, many commercial customers rallying to “green up” their energy supply and establish more stable, long-term prices are frustrated, many naturally calling for full Direct Access. But, California is not Texas. Various LSEs constantly "duking it out" to keep or acquire customers, and yet subject to a revolving door of legacy costs, is a truly terrible idea in light of ambitious state GHG goals.

Yet, customers large and small are demanding clean energy CHOICES, and rightly so. A solution which may be favorable for California would be for CCAs (or local governments without yet forming CCA-proper) to develop strategic partnerships – a "hybrid" approach where customers may choose from a wide variety of both existing and future, jointly-developed programs, with robust local DER as well as medium-scale clean generation resources acting as a cornerstone for both residential as well as commercial customer subscription, with long-term (or life of PPA) options.

This model, a "Customer Choice Energy" (CCE) program, would entail more direct regulation than CCA as we now know it, and fledgling CCAs will likely balk at such a thought, at least initially. Yet, SB 350 grants the Commission very wide discretion to **optimize** various programs and to assure an AFFORDABLE market transition toward high levels of renewable energy.

Initially, the Integrated Resource Planning (IRP) process is where the rubber will meet the road. The CCAs should be given the chance to creatively optimize their Integrated Resource Plans. Yet it seems increasingly clear that in order to move California effectively and in a fiscally-responsible fashion, it may be necessary for the CPUC to use its coordinating power to forge a path to effectively “herd the cats.”

CCAs may begin to see the benefits of a certain level of coordination, once made aware of the cost benefits through economies of scale. Further, ideally CCAs would wish to voluntarily form partnering entities, CCEs, with their host IOUs for further public benefit. CCAs simply cannot do all that IOUs can – and in some respects, vice versa. Through the IRP "review" process, if the Commission sees signs that CCAs are unwittingly heading the California market toward peril, it could implement mandatory IOU/CCA partnering, moving toward a necessary level of coordination through its authority under SB 350.

Potentially, under a newly-formed CCE model, customers could mix-and match participation in various IOU or CCA programs, optimized so as to not create redundancies or inequities. CCAs could also act as strategic-design partners for DER grid-deferral solicitations (along with their incumbent IOU), *instead of* bidder/aggregators. This could be a persuasive argument for such entities to evaluate the local benefits of a CCE model, particularly because such programs could be designed to better enhance local resilience needs, and help implement environmental justice goals.

Large customers could glean benefits under a CCE model as well, through enabled longer-term subscription to local renewable energy sources, enhanced by LNBA values.

The market transition, whether optimized through a CCE or similar framework, is almost certain to be a bit difficult for all entities (if not seen as painful and restrictive). Yet without such optimization, the market could literally fall on its face. **That is not an option -- or a risk -- California can afford to take.**

Respectfully submitted on November 28th, 2017,



Karey Christ-Janer

130 E. Turner Ave., Berthoud, CO 80513

303-810-0069