



# ORA

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THE OFFICE OF RATEPAYER ADVOCATES' INFORMAL COMMENTS  
ON *THE INFORMAL WORKSHOP ON CALIFORNIA CUSTOMER RETAIL CHOICE*

November 28, 2017

| Submitted by   | Company   | Date Submitted    |
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On October 31, 2017, Energy Division Staff of the California Public Utilities Commission (Commission) held an Informal Public Workshop on Customer Choice: An Evaluation of Regulatory Framework Options for an Evolving Electric Market (Workshop). In conjunction with that Workshop, Energy Division Staff requests informal comments on the California Customer Choice project, including three principles and eight questions it considers when evaluating customer choice in California and other markets. The three principles include affordability, decarbonization, and reliability.<sup>1</sup> ORA responds to two of the questions below.

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<sup>1</sup> CPUC, California Customer Choice Project, [http://www.cpuc.ca.gov/uploadedFiles/CPUC\\_Public\\_Website/Content/Utilities\\_and\\_Industries/Energy\\_-\\_Electricity\\_and\\_Natural\\_Gas/California\\_Customer\\_Choice\\_Project-CPUC-Post\\_Workshop\\_Questions.pdf](http://www.cpuc.ca.gov/uploadedFiles/CPUC_Public_Website/Content/Utilities_and_Industries/Energy_-_Electricity_and_Natural_Gas/California_Customer_Choice_Project-CPUC-Post_Workshop_Questions.pdf)

## Key Questions in Considering Customer Choice

### *Question 1: How does this choice model ensure consumer protections?*

ORA agrees with workshop participants who warned that California should be cautious about rushing into retail “choice for choice’s sake” without considering unintended consequences to consumers. Several workshop participants agreed that retail competition, i.e., Direct Access (DA) without sufficient regulatory oversight, added to some of the long term costs associated with the 2000-2001 energy crisis. As new markets and new participants provide an increasing array of new products and services, regulators should look ahead to determine whether new regulatory rules and programs may be necessary to prevent potential market misconduct and to protect consumers. As stated by workshop panelists from The Utility Reform Network (TURN) and the Coalition of California Utility Employees (CUE), choice alone should not be the “north star” of the emerging customer choice movement, but rather it should be guided by safety, affordability, reliability, customer indifference, equity, and robust integrated planning.

### *Question 3: Does this choice model ensure universal electric service?*

Public Utilities Code Section (§) 366.2 requires Community Choice Aggregators (CCAs) to provide universal service to all customers within a defined jurisdiction.<sup>2</sup> However, only the investor-owned utilities (IOUs) have an obligation to serve as the providers of last resort (POLR).<sup>3</sup> For example, although a CCA may initially take over jurisdiction for an entire county or city, over time a CCA provider may return customers to the IOU for repeated late or delinquent payments, or if the customer otherwise violates the CCA’s terms of service. This ability of CCAs to return customers to the IOUs shifts the costs of serving these expensive and high-risk customers to the IOU, which, over time, will increase costs to IOU bundled service customers because of the increased proportion of expensive and high-risk customers. DA providers have no obligation to serve, and can return customers to IOU bundled service pursuant to the terms of the contracts with their customers.

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<sup>2</sup> Pub. Util. Code §366.2(a)(4)(A).

<sup>3</sup> §§ 451, 761, 762, 768, and 770.

Additionally, DA providers tend to target their recruitment toward customers with characteristics that make them less expensive to serve.<sup>4</sup> This would result in an increase in the IOUs' average cost to serve bundled service customers over time, leading to higher rates for bundled customers. With increased retail competition and the IOUs' obligation to serve as the POLR, there is a risk that rates will increase for bundled service customers.<sup>5</sup> The Commission should ensure that bundled service customers are protected from the risks that may arise from increased retail competition, which is critical for all customers to have equal access to safe, reliable, and affordable service.

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<sup>4</sup> ["Retail Choice in Electricity: What Have we Learned in 20 Years,"](http://electricmarketsresearchfoundation.org/uploads/3/4/4/6/34469793/retail_choice_in_electricity_for_emrf_final.pdf) February 11, 2016. p.50.  
[http://electricmarketsresearchfoundation.org/uploads/3/4/4/6/34469793/retail\\_choice\\_in\\_electricity\\_for\\_emrf\\_final.pdf](http://electricmarketsresearchfoundation.org/uploads/3/4/4/6/34469793/retail_choice_in_electricity_for_emrf_final.pdf)

<sup>5</sup> §§451, 761,762, 768, and 770.