Direct Access Market Status in California

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Original Direct Access Rules: Circa 1998

- Open to all customers
- Election at any time
- Utility purchased all power out of spot market
  - Longer-term contract options from non-utilities
  - Power Exchange credit until rate caps lifted
- Revenue cycle unbundling
  - Metering and billing options
Progression of Direct Access Market Penetration at SDG&E
Direct Access Market
Customer Segments – SDG&E

% DA Load by Segment

- Residential
- Sm. Commercial
- Lg. Commercial
- Industrial
- Agricultural

[Graph showing the percentage of Direct Access load by segment over time.]
Effects on Direct Access

• Direct Access (DA) for smaller customers was never large, and now very minor
  • Residential DA largely driven by renewable subsidies
  • Small retail market abandoned after energy crisis

• Consumer protection concerns

• Price upheavals caused significant returns from DA
  • Forced consideration of how to serve returning customers

• After DA was suspended, a significant amount of load elected DA when the CPUC delayed implementation of the statutory suspension for 7 months
Direct Access in California Today: Suspended

- DA is suspended; no new DA customers permitted
- Current DA customers can switch between ESPs and relocate DA service to new locations
- During suspension, DA customers may switch between DA and utility service
  - Temporary returns limited to 60 days
  - Longer returns require 3 year commitment to bundled service
- New load of customers on DA may be eligible for DA during suspension (issue not yet decided)
Current Direct Access
Financial Status in
California

• State suspended DA on 2/01 during energy crisis, but CPUC did not implement suspension until 9/01
• Customers that did not elect DA until after 2/1/01 must pay a share of the costs of long-term contracts the state entered into to stabilize market
• CPUC’s policy concerning DA cost responsibility - Dual goals of bundled customer indifference and DA viability
  • DA customer costs “capped” at 2.7cents
California and Direct Access – What’s Next?

- Legislative struggle – reregulation vs. getting deregulation right
- What role will the CPUC play?
- A possibility … a core/non-core market
- Potential components:
  - Non-core for customers with peak demand greater than 500 KW
  - Option to take “core” service from utility for minimum of 3 years
  - Coordination with utility resource planning
  - Cannot evade DWR or public goods charge costs