

# Enabling a Competitive Energy Retail Market

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## Presentation to the Harvard Electric Policy Group

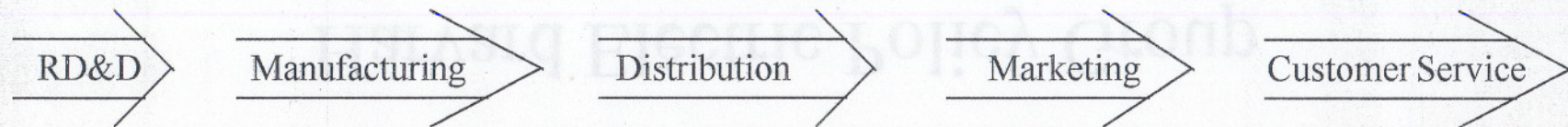
William L. Reed  
San Diego Gas & Electric  
January 9, 1997



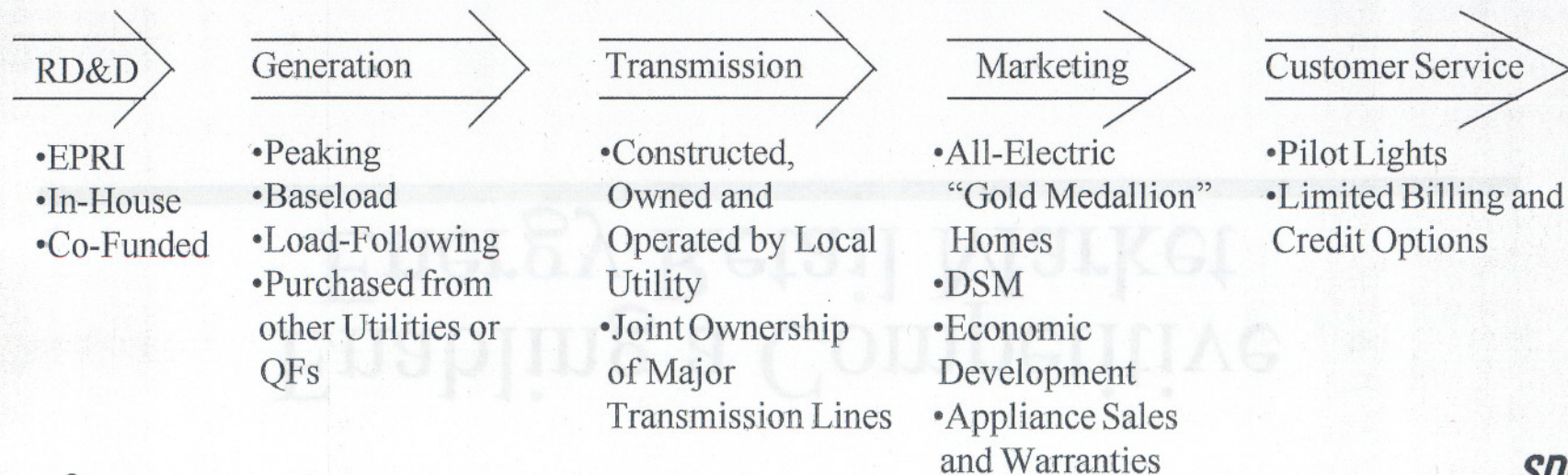
# Traditional Industry Models

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## Value Chain

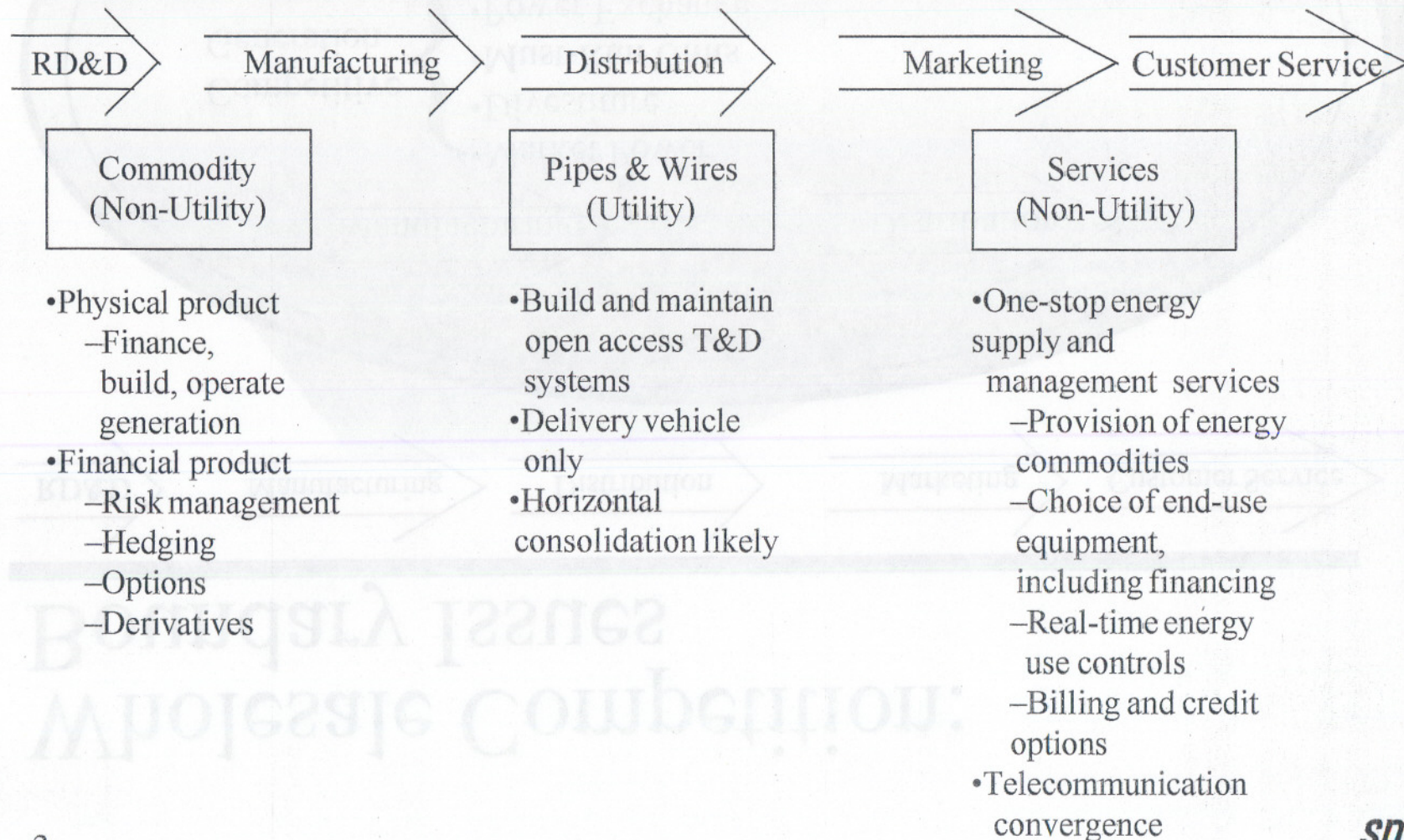


## Electric Utility Monopoly of the Past



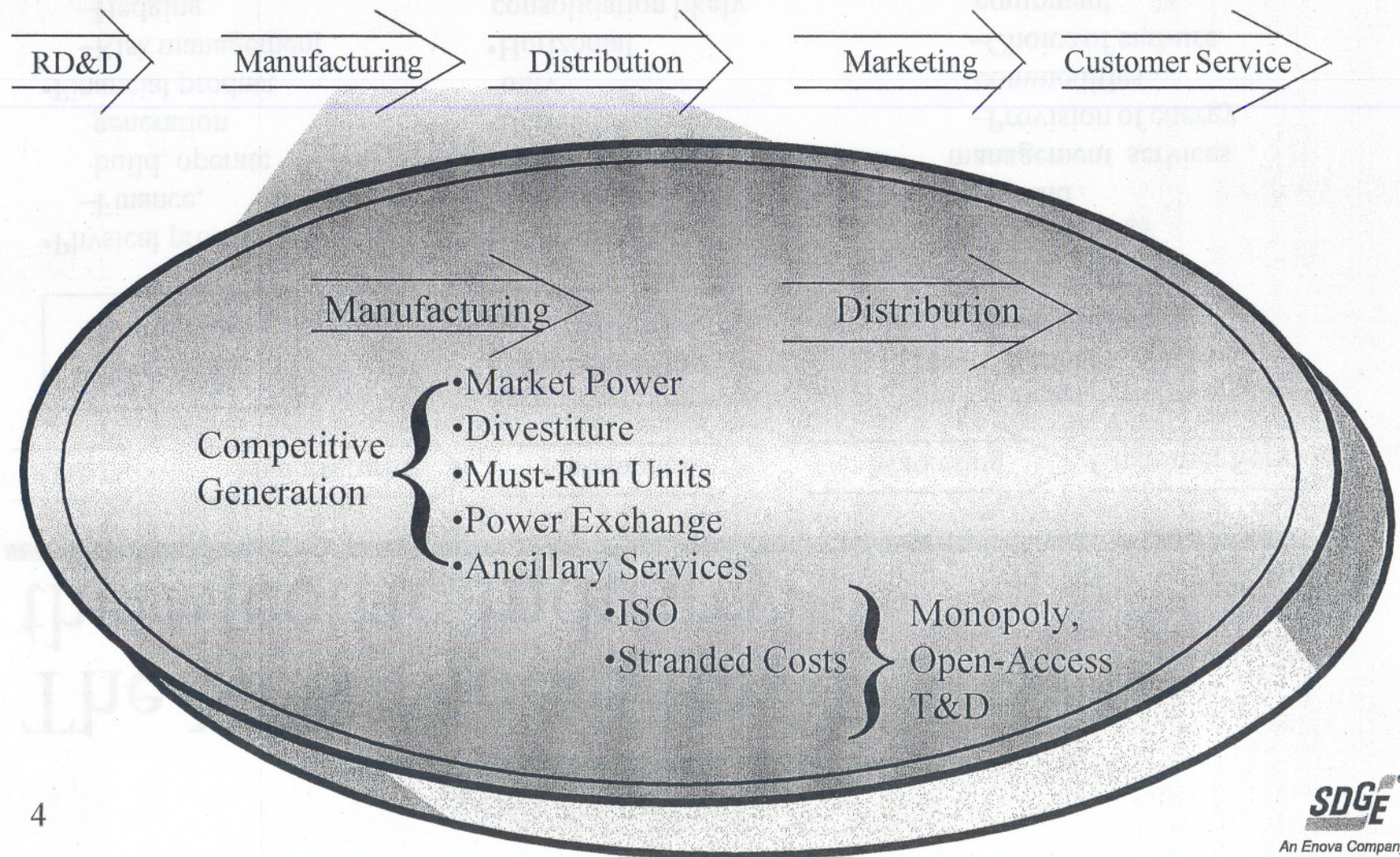


# The New Model for the Electric Industry



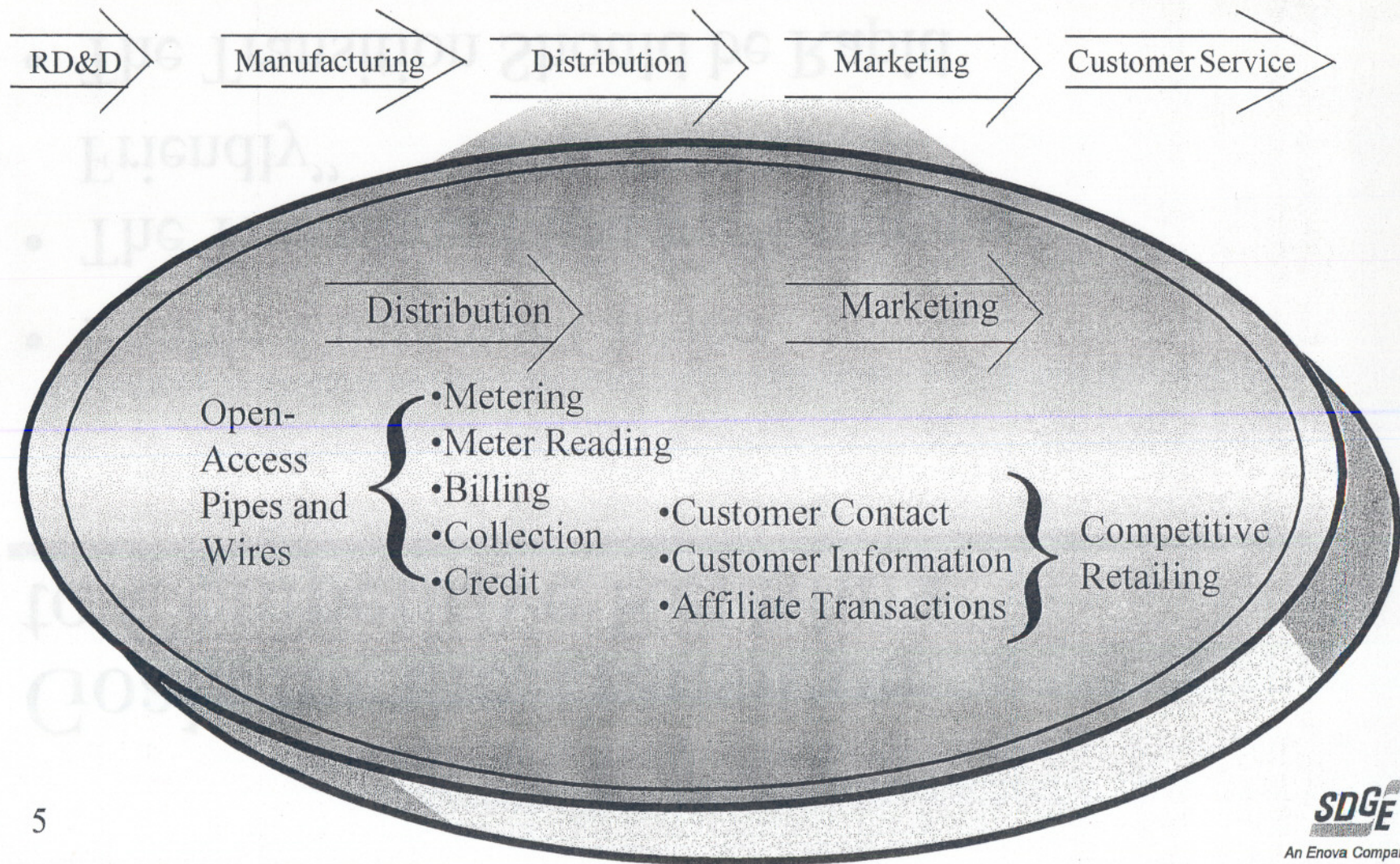


# Wholesale Competition: Boundary Issues





# Retail Competition: Boundary Issues





# Goals for the Transition to Competitive Retailing

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- Enable Customer Choice
- The Transition Must be “Customer Friendly”
- The Transition Should be Rapid



# Goal: Enable Customer Choice

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- Retailers need access to customers, and vice versa
- Metering, data management, billing, credit and collections afford significant customer contact opportunities
  - Must be unbundled and opened to registered retailers
- As default provider, UDC helps set standards for quality, applicable to services provided by retailers
  - UDC still has to maintain data, records, call center for every customer
  - Retailer must meet comparable standards for performance



# Goal: The Transition Must be “Customer Friendly”

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- Customer education should be a required activity of the UDC and all new market entrants
- UDC will be the default provider
  - Customers have a “do nothing” option
- Ensure UDC’s ability to maintain reliable, safe service for pipes and wires function
  - UDC must maintain customer satisfaction with its services and “make it work”



# Goal: The Transition to Competitive Retailing Should be Rapid

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- Utilities must actively facilitate the development of the competitive market by unbundling the revenue cycle
- Eliminate opportunities for incumbent utilities to thwart competition
  - No barriers to entry for non-affiliated competitors
  - No foot dragging on pace of change



# The Utility Must Change

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- Services available in the competitive market are no longer “utility” services
  - Utility must not be a regulated competitor to supply those services
  - Structures must allow for efficient competition; then regulators must let that competition work
- Utility “duty to serve” must be transformed to a duty to provide access to the market
- Affiliated retailers can trade in UDC’s service territory, once the utility opens up competitive distribution functions



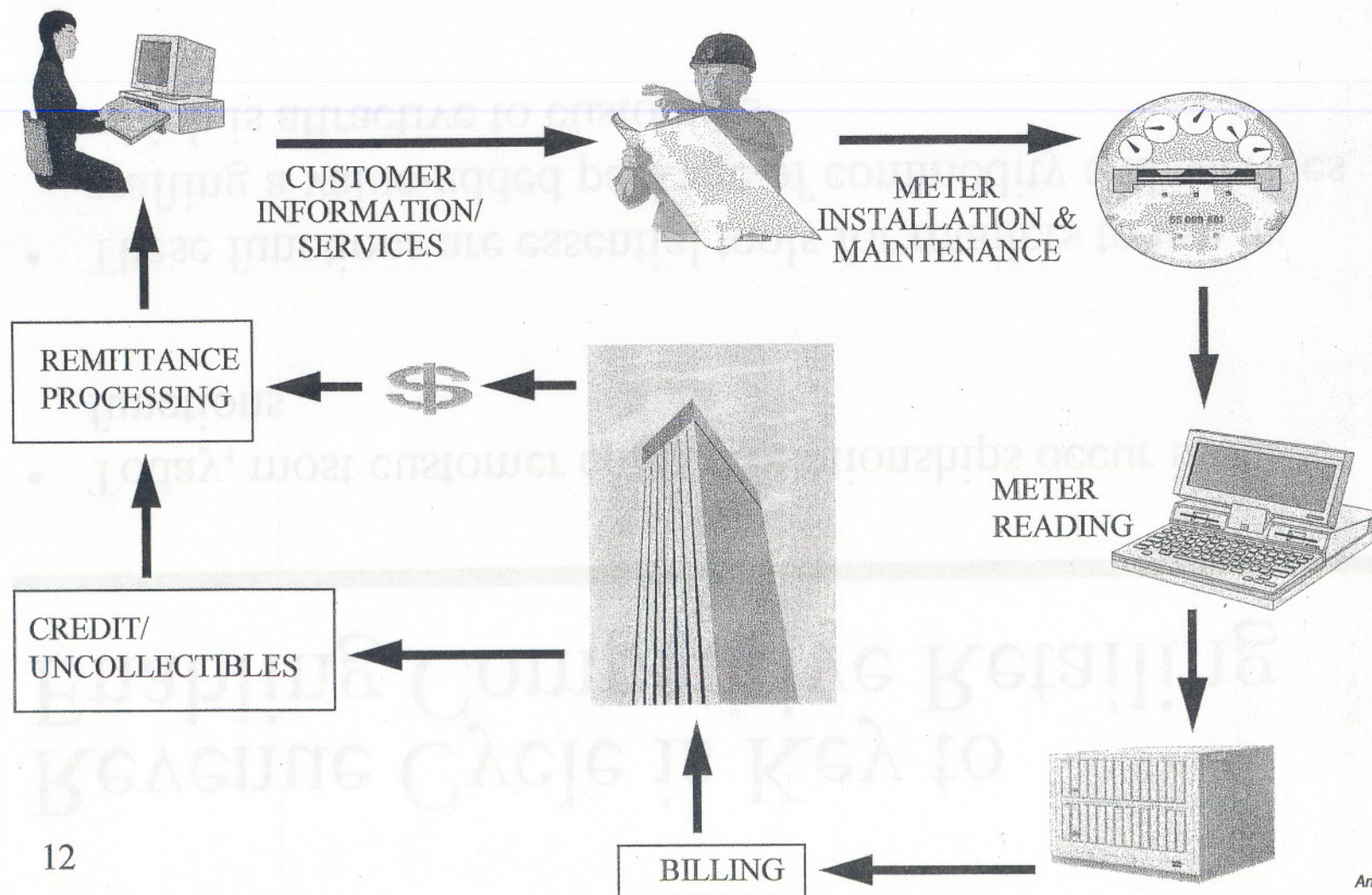
# Revenue Cycle is Key to Enabling Competitive Retailing

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- Today, most customer contact/relationships occur in these functions
- These functions are essential tools for retailers to use in crafting a value-added package of commodity and services which is attractive to customers
- Revenue cycle services are not natural monopoly functions

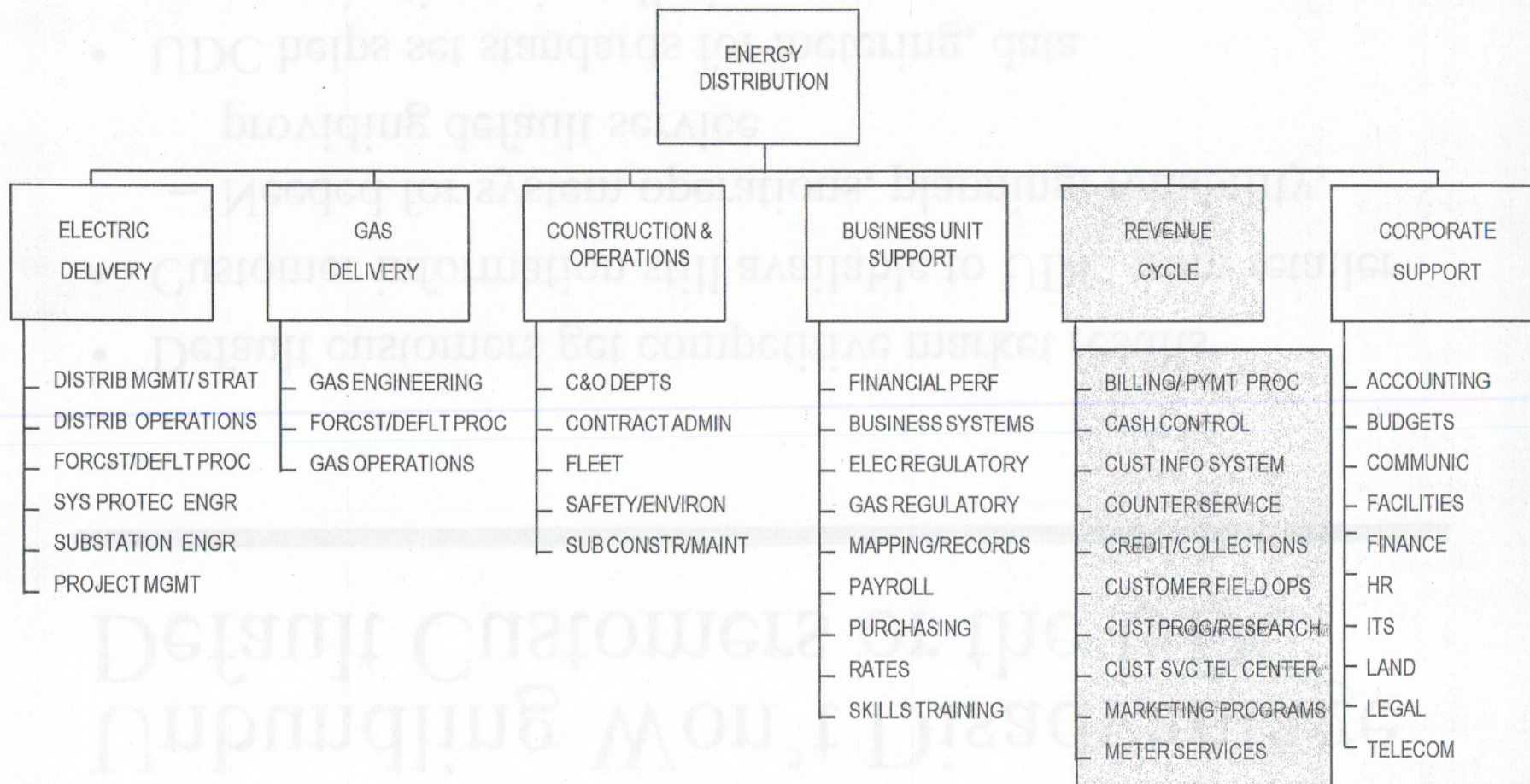


# The Revenue Collection Cycle Offers Many Value-Creation Opportunities





# Much of the UDC's “Revenue Cycle” can be Unbundled





# Unbundling Won't Disadvantage Default Customers or the UDC

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- Default customers get competitive market results
- Customer information still available to UDC from retailer
  - Needed for system operations, planning, reliability, providing default service
- UDC helps set standards for metering, data communications, installation, accuracy