



Direct Access Market Status in California

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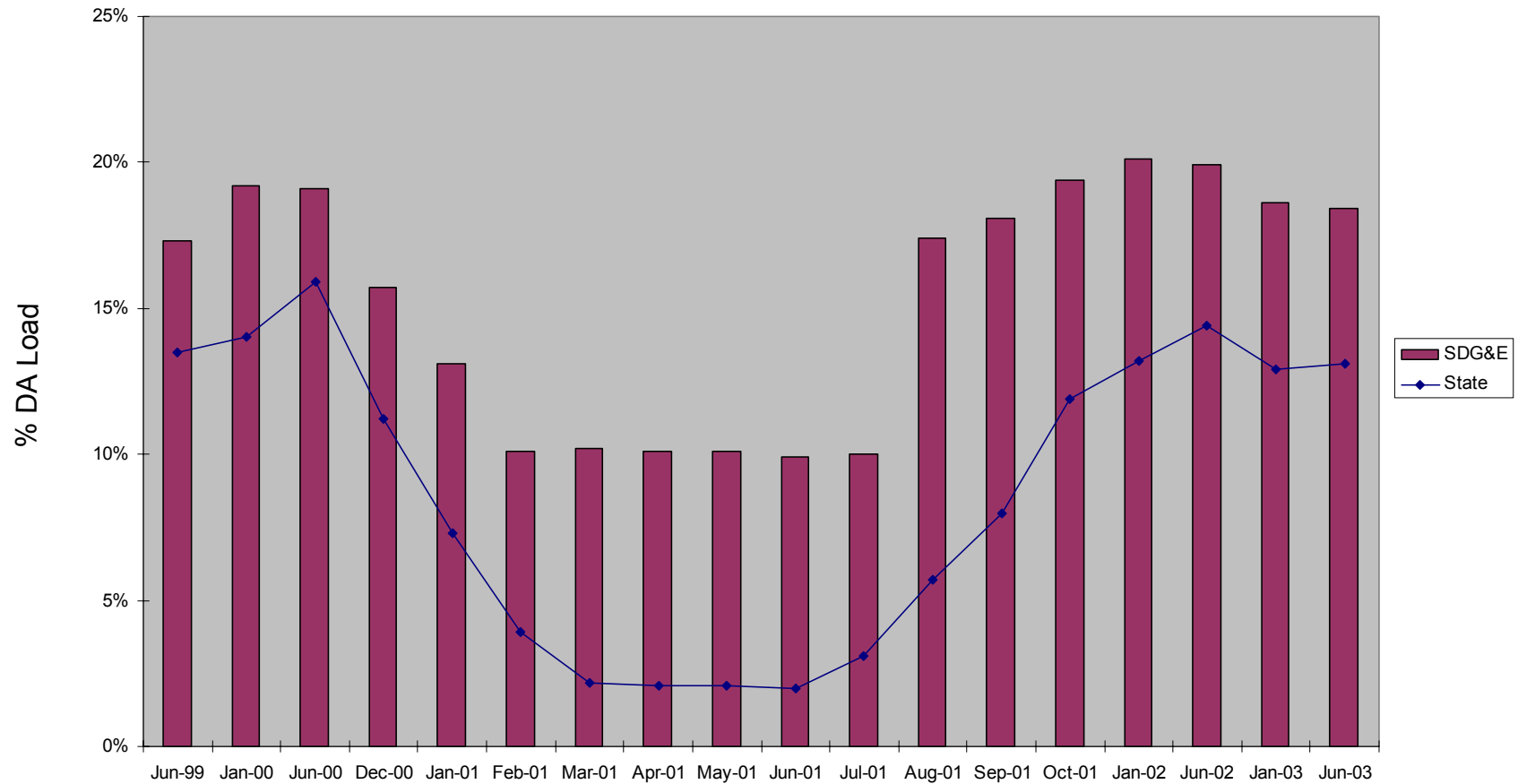
SDG&E and Southern California Gas Company – Sempra
Energy Utilities

Original Direct Access Rules: Circa 1998

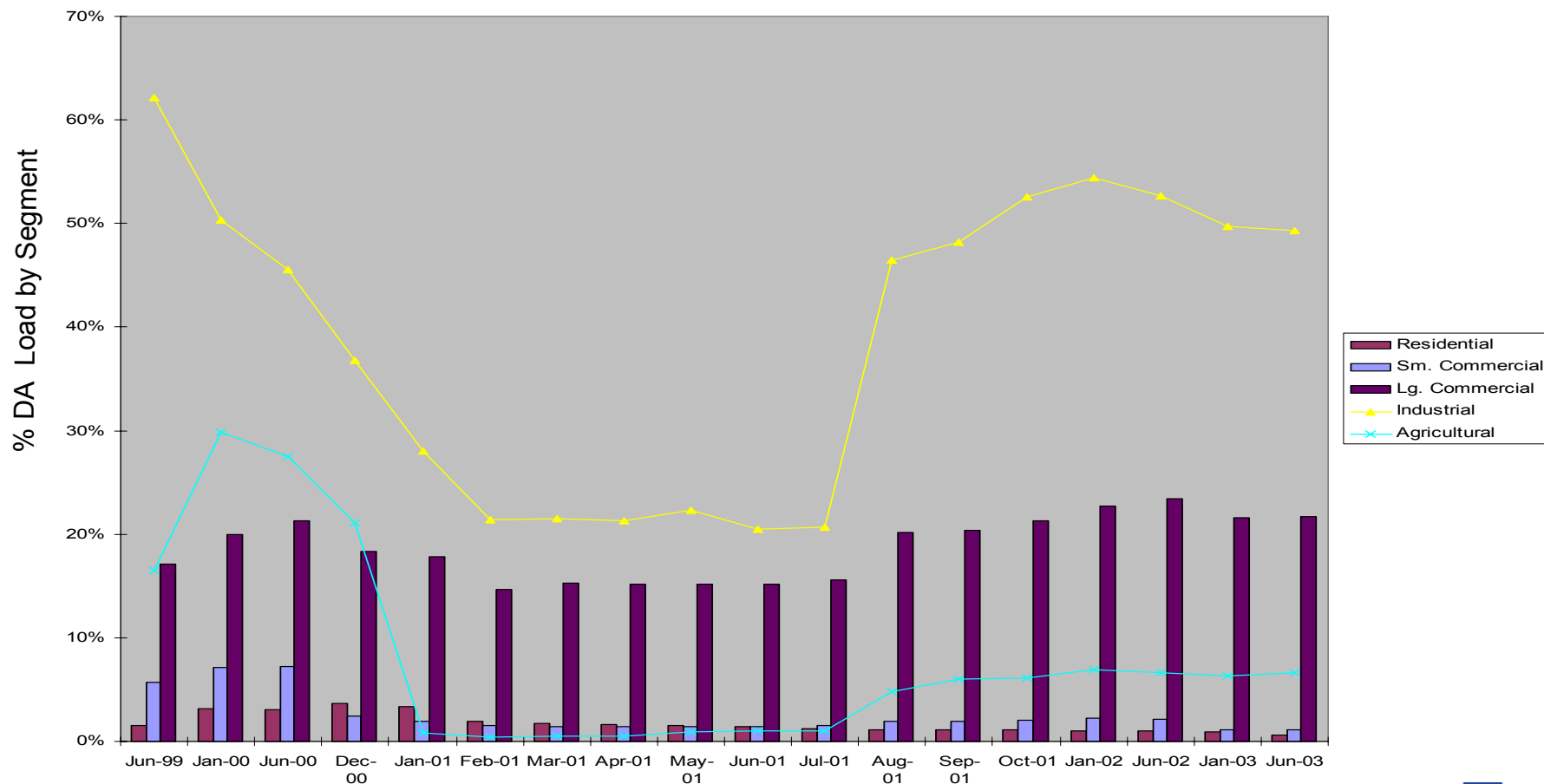


- Open to all customers
- Election at any time
- Utility purchased all power out of spot market
 - Longer-term contract options from non-utilities
 - Power Exchange credit until rate caps lifted
- Revenue cycle unbundling
 - Metering and billing options

Progression of Direct Access Market Penetration at SDG&E



Direct Access Market Customer Segments – SDG&E



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