



SDG&E connected...to the sun

Alliance for Retail Energy Markets Presentation

January 30, 2013

Background

- ▶ AReM is a coalition of electric service providers (“ESPs”) providing direct access (“DA”) electricity and other services to retail commercial and industrial customers.
- ▶ DA is authorized by statute which authorizes “direct transactions between electricity suppliers and end use customers...”
- ▶ DA commenced in 1998 and currently is slightly over 12% of statewide load.

Background (cont.)

- ▶ ESPs are required to register with and are subject to Commission requirements with regard to the Renewable Portfolio Standard, Resource Adequacy, GHG, etc.
- ▶ However, the “rates and terms and conditions of service” of ESPs are not subject to CPUC jurisdiction.
- ▶ DA consists of an eligible end-user entering into a contract with an ESP for power supply.
- ▶ The customer remains subject to utility T&D rates and PCIA to preserve bundled customer indifference.

DA Suspension

- ▶ During the energy crisis over a decade ago, customers' ability to take service under DA was suspended.
- ▶ Existing customers were grandfathered and allowed to remain on DA service or return to utility service.
- ▶ But new customers could not opt for DA.



Limited Reopening

- ▶ Senate Bill 695, enacted in 2009, allowed limited growth in DA for commercial and industrial customers.
- ▶ The increase in DA was phased in over a four-year period as required by the statute, and implemented pursuant to CPUC regulations, which imposed annual caps in the maximum DA increase allowed each year.
- ▶ Four open seasons were held, where the interest in customers moving to DA was overwhelming.

Limited Reopening (cont.)

- ▶ Using an email first come–first served approach, available space was vastly oversubscribed; only requests received with the first minute were awarded space under the cap in each utility service territory.
- ▶ Moving forward, however, customers can move to DA only if space becomes available under the cap due primarily to attrition or if the legislature votes to increase the cap.
- ▶ Currently there is essentially no DA space available.

DA Provides Consumer Benefits

- ▶ Customers choose DA for multiple reasons:
 - Lower cost procurement;
 - Reduced volatility of energy costs
 - Higher renewable portfolio content
 - Specialized billing and other energy services
 - Manage a company-wide procurement strategy
- ▶ Competitive markets act as a check on the efficiency of utility procurement practices.



The Application Raises Competitive Issues

- ▶ SDG&E is offering a retail choice program to residential customers who, by statute, are not eligible for retail choice.
- ▶ SDG&E also offers these two retail choice programs to commercial and industrial customers, even though retail choice programs for commercial and industrial customers are capped by statute as to the amount of load that can move to DA and those caps are fully or nearly fully subscribed.

The Application Raises Competitive Issues (cont.)

- ▶ SDG&E's *connected.....to the sun* programs are in direct competition with the products and services offered by the competitive retail suppliers that AReM represents as well as other ESPs.
- ▶ If SDG&E is interested in providing competitive, innovative products and services to customers, as ESPs have been doing since 1998, its parent Sempra should re-establish an unregulated subsidiary, secure an ESP license and begin to compete with other ESPs to introduce its competitive services.

The Application Raises Competitive Issues (cont.)

- ▶ *Connected to the sun* could be marketed as an alternative to the development of community choice aggregation in SDG&E's service territory.
- ▶ Increasing access to green products is a fundamental motivation of communities that consider CCA.
- ▶ There is concern in the CCA community about programs like this being used to blunt the momentum for CCA.

In AReM's opinion, this is DA by another name

- ▶ The similarities are apparent, with one critical distinction:

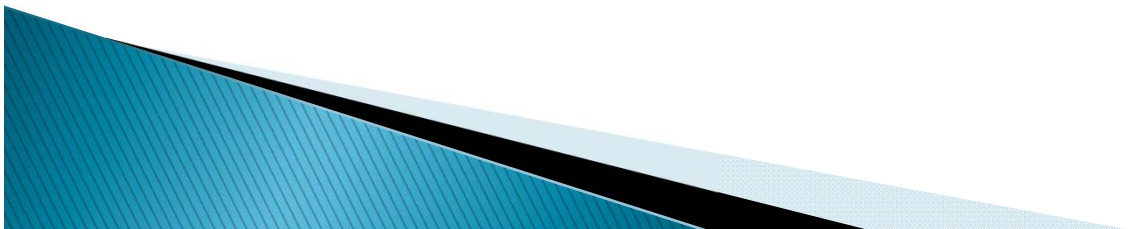
Direct Access	...connected to the sun
Customers seek alternatives to traditional utility service	Customers seek alternatives to traditional utility service
Customers receive power from a third party supplier	Customers receive power from a third party supplier (Share the Sun)
Customers subject to PCIA to preserve bundled customer indifference	Customers subject to PCIA to preserve bundled customer indifference
T&D provided by SDG&E	T&D provided by SDG&E
Subject to statutory cap	Not subject to any cap

SDG&E Disagrees

- ▶ Maintains the *connected to the sun* is not DA by another name.
- ▶ Not subject to the cap on DA
- ▶ Not proposed for anticompetitive reasons
- ▶ If there is no nexus of this program to retail choice, then how might the program be revised to eliminate such concerns?

AReM Proposal

- ▶ Modify *Share the Sun to* allow bundled customers to work directly with ESPs as well as with solar providers.
- ▶ Customers would be provided an additional supplier option.
- ▶ Similar accommodations/modifications could be made to the *Sun Rate* program.



Complies with Key Principles

SDG&E Day 1 – Slide 6

- ▶ Make solar energy available to all bundled customers, regardless of property ownership, income level, and credit rating
- ▶ Facilitate a new market for solar providers
- ▶ Maintain non-participant rate indifference
- ▶ Protect consumers
- ▶ Minimize costly grid impacts
- ▶ Allow for market feedback to develop future innovative community solar projects based on solar provider/customer participation

Complies with Share the Sun Goals

SDG&E Day 1, Slide 14

- ▶ Customers have new solar options – can work directly with the solar provider or ESP that best fits their needs
- ▶ Customers can acquire an interest up to 200% of their annual electric usage
- ▶ Customers can lock-in their solar commodity price with a longer term commitment
- ▶ Customers can commit to renewable energy in small or large increments to suit their energy needs



Next Steps.

- ▶ AReM and other parties will work to develop a more specific proposal to be circulated prior to the February 10–11 workshops in San Diego.