

New CPUC Regulation of Community Choice Aggregators

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Overview

- Understand regulatory obligations
 - CPUC jurisdiction
 - Indirect regulation via investor-owned utilities
- Understand your regulator
 - California energy crisis

CCA Basics

- Authorized by AB 117 (2002)
- Governed primarily by Pub. Util. Code § 366.2
 - CCAs must submit implementation plans to the CPUC
 - Cost-shifts between CCA and utility customers are prohibited
 - CCAs are solely responsible for procuring electricity to serve their customers

CPUC Jurisdiction Over CCAs

Administrative:

- CPUC certifies receipt of CCA implementation plan
- CCA registers with CPUC; \$100k bond
- CPUC calculates CCA customer cost responsibility
- CPUC ensures CCA compliance with IOU tariffs

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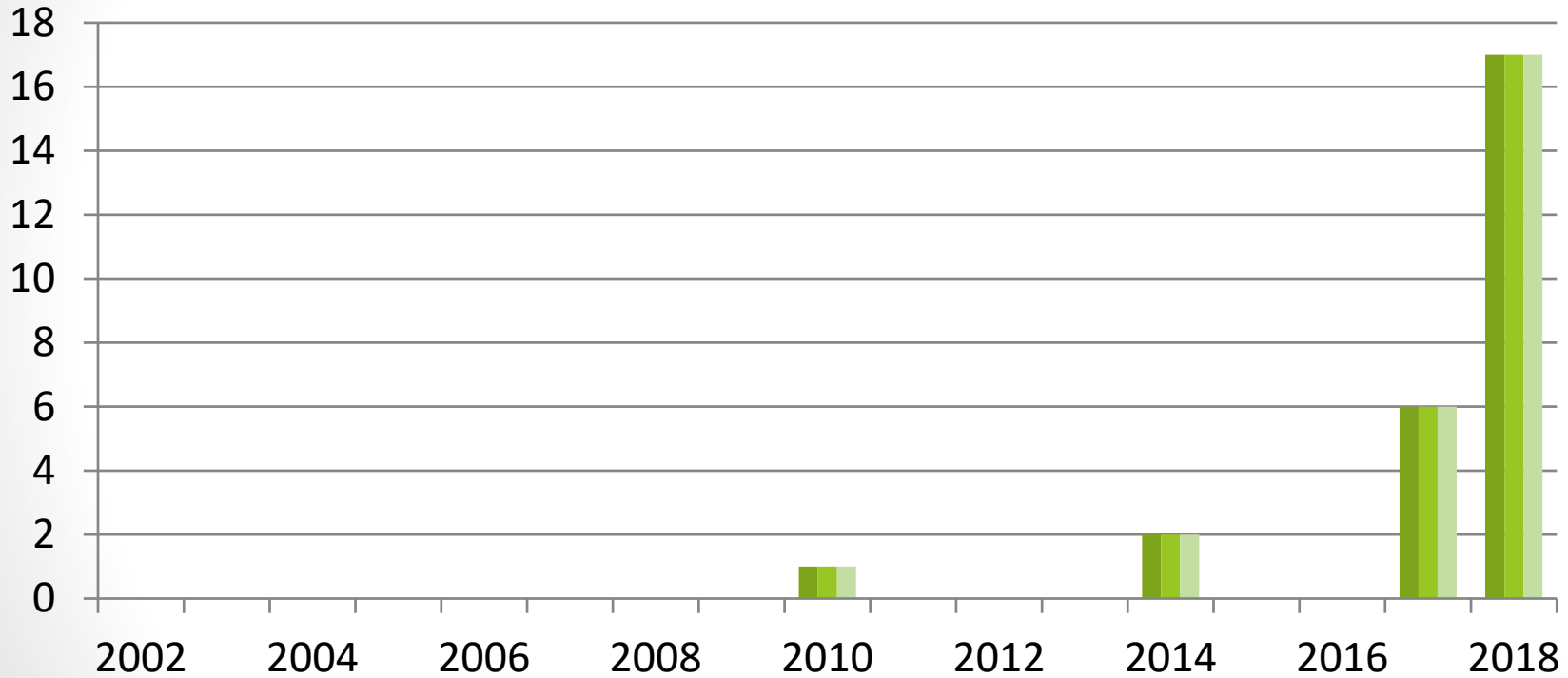
Procurement:

- Renewable energy
- Integrated resource planning
- Resource adequacy

CCA Timeline

- 2002: CCAs authorized by AB 117
- 2010: First CCA begins operations
- 2014: Second CCA begins operations
- 2017: Four CCAs begin operations
- 2018: 11 CCAs scheduled to launch by end of year

CCA Timeline





The Implications

The investor-owned utilities predict that by 2025, close to 85% of customers in California will get their electricity from a CCA or Direct Access provider.

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Power and Money

- Resource Adequacy
- CPUC calculates CCA customer cost responsibility

Power

Resolution E-4907

- Imposes minimum one-year waiting period between CPUC receipt of CCA implementation plan and CCA start date
- Waiting period imposed to align CCA implementation with the Resource Adequacy cycle

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Resource Adequacy

- Electricity providers must prove to CPUC that they have purchased enough power to serve all their customers in high-demand period
- Resource Adequacy was created in response to the energy crisis

Resolution E-4907

- Issued December 2017; approved February 2018
- CPUC authority to freeze CCA start-up based on implementation plan filing schedule
- D.05-12-041: CPUC determined that AB 117 did not give authority to approve, disapprove, or dictate contents of CCA implementation plans
- In response to CCA outcry, CPUC added limited waiver process for CCAs during 2018 only

Money

PCIA

- PU Code § 366.2(f) prohibits cost shifts from CCA customers to utility customers
- Utilities recover “net unavoidable costs” of power bought or built for customers before they left for CCA service

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Proposed CPUC

Decision:

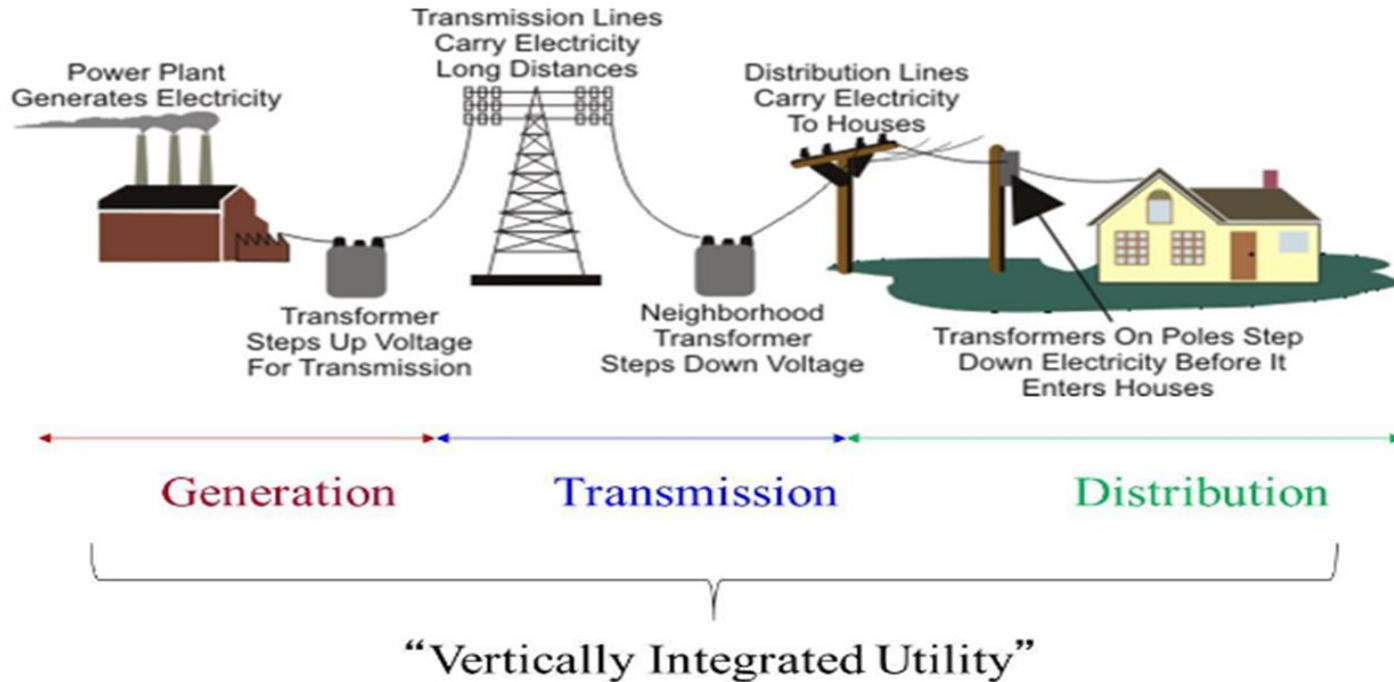
- Cap + rate collar?
- Annual true-up
- CCA customers pay for pre-2002 utility-owned generation?
- Second phase to work out longer-term solutions

CA Energy Crisis: the Past and Future?

“In the last deregulation, we had a plan, however flawed. Now, we are deregulating electric markets through dozens of different decisions and legislative actions, but we do not have a plan. **If we are not careful, we can drift into another crisis.**”

—CPUC President Michael Picker

Energy Crisis



Slide by John A. Dutton, e-Education Institute, Penn State University

Energy Crisis: the Prologue

- Investor-owned utilities were vertically integrated
- Mid-1970s: Federal legislation allowed/required utilities to purchase renewable energy from third-party generators (PURPA)
- Early 1990s: pressure on CA Legislature and CPUC to create competitive electricity market
- Mid-1990s: CPUC and Legislature decided on new electric market structure

Energy Crisis: the Market

- IOUs to divest at least 40% of generating plants
- Two entities established to oversee and operate new market:
 - Independent System Operator (ISO) was in charge of scheduling power going into the grid every day/hour
 - Power Exchange (PX) would oversee the market (trading, bidding, etc.)
- Retail price cap imposed in IOUs
 - To prevent rate hikes due to IOU recovery of stranded costs for divested power plants

Energy Crisis: the Collapse

Summer of 2000:

- ISO issued “no touch” orders for power plants in 1999
- CA relying on increasing amount of out-of-state power
- IOUs forbidden by CPUC from entering into long-term power purchase contracts
- Aging and unrepaired plants shut down for maintenance
- IOUs manipulating PX by under-forecasting load
- Independent generators and marketers created false shortages

Energy Crisis: the Solution

CA Legislature responded by:

- CA Department of Water Resources bought power for the IOUs
- Suspended Direct Access; imposed 10% cap
- Prohibited sale of IOU-owned power plants
- Expedited permitting of thermal power plants and adopted energy efficiency initiatives
- Mandating long-term power purchase contracts
- Created Resource Adequacy requirement
- Authorized CCA formation

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Policies of the Past: Present-day CPUC

Regulation

- Mandatory procurement
 - Long-term contracts
 - Increased CCA reporting and participation requirements
- Mandatory Resource Adequacy
 - Increased CCA participation
 - Multi-year requirements
 - One-year freeze on CCA launch
- IOUs recover their costs
 - PCIA (still unresolved)

Resources

CPUC Proceedings (www.cpuc.ca.gov)

- R.17-09-020 – Resource Adequacy
- R.15-02-020/R.18-07-003 – Renewables Portfolio Standard
- R.17-06-026 – Power Charge Indifference Adjustment
- R.16-02-007 – Integrated Resource Planning
- R.03-10-003 – CCA Governing Rules