PG&E Comments on ETAAC Draft Report 12 21 07 Attachment A

E. Customer Choice of Electric Service Provider

For many years, some Californians have demonstrated a desire to purchase electricity from providers other than the incumbent utility under "direct access" rules. However, this option has been suspended in California during the energy crisis of 2000-2001. The CPUC should examine how expanding direct access opportunities could affect, positively or negatively, our goals to increase renewable energy, energy efficiency and other GHG goals, and if adopted, determine how best to further these goals through direct access.

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- *Timeframe:* Fully Implemented by 12/31/08

- *GHG Reduction Potential:* If the ability for individual and business contracting for electricity increased the state's overall portfolio of renewables to 33 percent, it could translate into a 15 MMTCO2E reduction per year, according to the Center for Energy Efficiency and Renewable Technologies (CEERT)[1]. CEERT asserts that a 50 percent renewable purchase share is achievable, in which case the total reduction attributable to an open retail electricity market could be as high as 32 MMTCO2E. [2] A number of questions remain about these projections. First, transmission needs to be constructed and increasing levels of renewable resources, which are almost entirely nondispatchable or intermittent, need to be successfully integrated. These are significant operational and cost issues. Second, this statement assumes customers will choose to procure greater carbon free renewable resources. There is no data indicating reinstatement of direct access will contribute to increase of renewables to 33 percent. In fact, the CEC's 2007 IEPR indicates that in 2006, "ESPs as a group increased their renewable energy to two per cent of retail sales. Of the 6 ESPs that reported both retail sales and RPS-eligible renewable energy, APS Energy reported the most (4.8 percent); the lowest was just under 1 percent…ESPs have a long way to go to meet the 2010 goals" (p. 175)

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- *Ease of Implementation:* Moderate to Difficult given progress to date on renewables from ESPs and need for legislation to reinstate DA.

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- *Co-benefits / Mitigation Requirements:* Increased renewable energy supply will displace fossil fuel emissions from the electricity sector. This displacement will occur to the extent that renewables displace baseload fossil resources. Renewables are not dispatchable and cannot practically displace dispatchable resources. Innovation in renewable energy will likely lead to greater usage nation-wide. Empowering consumers will involve individuals and businesses in

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[1] Comments to this committee by Rachel McMahon dated October 1, 2007

[2] Cost effectiveness Calculations and Assumptions: CEERT attributes a cost of utility compliance with the 33% RPS at $100 million. To the extent that incremental renewable costs are born by the consumer in a reinvigorated retail market condition, thus obviating the need for the subsidy, restoration of customer choice would yield a net avoided cost of $100,000,000.

proactive efforts to mitigate climate change and sustain low-carbon lifestyles. However, it is possible that expanded direct access could result in customers seeking low cost short-term purchases from wholesale markets, such that any GHG reductions gained from increased renewables would be offset by increased imports of power from unspecified resources, which may be fossil-based.

- *Responsible Parties:* Legislature and/or CPUC.

Problem: Achieving significant GHG reductions by 2020 requires ordinary citizens to take many individual actions that in the aggregate will make a difference. Individuals can take personal responsibility for reducing greenhouse gas emissions by changing to Compact Fluorescent (CFL) bulbs or purchasing a hybrid vehicle, for example. An open retail electricity market expands this option to include electricity purchasing so they can choose how much of their electricity should come from renewable sources. The extent to which new renewable generation is constructed depends on the capacity and willingness of these customers and their agents to commit to financing new renewable generation. There has been no evidence of such financing to date. Currently, customers not grandfathered under the pre-2001 suspension date may not contract for higher levels of renewables than the amount that their utility is required to procure on their behalf—20 percent by 2010. They can, however, buy Renewable Energy Credits (RECs) or participate in GHG offset tariffs.

Solution: The CPUC is now conducting a proceeding to investigate lifting the suspension and re-opening direct access. The CPUC should examine how expanding direct access opportunities could affect, positively or negatively, our goals to increase renewable energy, energy efficiency and other GHG Goals, and if adopted, determine how best to further these goals through direct access.