

INSIGHTS

California Assembly Again Considers Retail Choice for Large Customers

May 8, 2005

The California State Assembly is considering the possibility of returning retail choice to the state, after its suspension during the 2000-2001 energy crisis. Assembly Bill 1704 ("AB 1704"), introduced by Assemblyman Keith Richman (R-Granada Hills), would establish a core/non-core retail market in California. Under the proposal, utility customers who use more than 200 KW ("non-core" customers) could choose either to take service from direct-access providers or remain with their investor-owned utility, while individual and small commercial customers would continue receiving service from the IOUs. Non-core customers that do not choose between direct access and remaining with their IOU would be placed on a temporary default service tariff from their utility. The length of time customers would be on default service is currently being debated, ranging anywhere from no default period to five years, with the utilities pushing for a longer amount of time in order to ease generation procurement concerns.

Current language in the bill would also encourage aggregation, which would allow cities or towns to aggregate their loads and would allow customers with any facility that uses more than 200 KW to aggregate load at all facilities.

Assemblyman Richman explained: "I believe large customers should have the ability to choose, and I think this bill accomplishes that." However, Richman does expect changes to AB 1704 as it goes through the legislative process, including the possible addition of a phased-in implementation schedule. A phased-in timeline would allay fears, even among some supporters of the proposal, that the bill would open the market up to retail choice too quickly. Other changes may include working out the details on mitigation between core and non-core service and the CPUC's role in oversight of utility procurement. The proposal's earliest possible effective date is January 1, 2007. AB 1704 was approved by the Committee on Utilities and Commerce on April 18, 2005 and was referred to the Appropriations Committee. If the bill passes the entire Assembly, it must also gain support in the California State Senate, which has rejected similar efforts in the last few years. The bill already has the public support of Governor Arnold Schwarzenegger, who made retail choice a part of his proposed energy plan, as well as the head of the CPUC. Sempra Energy, Pacific Gas & Electric, the Alliance for Retail Energy Markets, and the Independent Energy Producers Association have also expressed support for retail choice. However, Southern California Edison opposes the bill, complaining that the proposed rules on aggregation are so loose that its entire customer base would become uncertain. Other opponents include the Utility Reform Network and the Coalition of California Utility Employees. Many Democrats have also opposed AB 1704, arguing that it will result in the kind of chaos that occurred the last time the state attempted to deregulate its electricity markets. Richman rejected these claims, stating, "This is a fully regulated market structure. To

describe it as deregulation is just incorrect." [\(A.B. 1704\)](#) *[NEW MATTER]*