Enabling a Competitive Energy Retail Market

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Traditional Industry Models

Value Chain

RD&D → Manufacturing → Distribution → Marketing → Customer Service

Electric Utility Monopoly of the Past

RD&D
- EPRI
- In-House
- Co-Funded

Generation
- Peaking
- Baseload
- Load-Following
- Purchased from other Utilities or QFs

Transmission
- Constructed, Owned and Operated by Local Utility
- Joint Ownership of Major Transmission Lines

Marketing
- All-Electric "Gold Medallion" Homes
- DSM
- Economic Development
- Appliance Sales and Warranties

Customer Service
- Pilot Lights
- Limited Billing and Credit Options
### The New Model for the Electric Industry

<table>
<thead>
<tr>
<th>RD&amp;D</th>
<th>Manufacturing</th>
<th>Distribution</th>
<th>Marketing</th>
<th>Customer Service</th>
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</thead>
<tbody>
<tr>
<td>Commodity (Non-Utility)</td>
<td>Pipes &amp; Wires (Utility)</td>
<td>Services (Non-Utility)</td>
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</tbody>
</table>

- **Physical product**
  - Finance, build, operate generation
- **Financial product**
  - Risk management
  - Hedging
  - Options
  - Derivatives

- **Build and maintain open access T&D systems**
- **Delivery vehicle only**
- **Horizontal consolidation likely**

- **One-stop energy supply and management services**
  - Provision of energy commodities
  - Choice of end-use equipment, including financing
  - Real-time energy use controls
  - Billing and credit options
  - Telecommunication convergence
Wholesale Competition: Boundary Issues

RD&D → Manufacturing → Distribution → Marketing → Customer Service

Manufacturing

• Market Power
• Divestiture
• Must-Run Units
• Power Exchange
• Ancillary Services
  - ISO
  - Stranded Costs

Distribution

{ Monopoly, Open-Access T&D }
Retail Competition: Boundary Issues

RD&D ➔ Manufacturing ➔ Distribution ➔ Marketing ➔ Customer Service

Distribution
- Metering
- Meter Reading
- Billing
- Collection
- Credit

Marketing
- Customer Contact
- Customer Information
- Affiliate Transactions

Open-Access Pipes and Wires

Competitive Retailing
Goals for the Transition to Competitive Retailing

- Enable Customer Choice
- The Transition Must be "Customer Friendly"
- The Transition Should be Rapid
Goal: Enable Customer Choice

- Retailers need access to customers, and vice versa
- Metering, data management, billing, credit and collections afford significant customer contact opportunities
  - Must be unbundled and opened to registered retailers
- As default provider, UDC helps set standards for quality, applicable to services provided by retailers
  - UDC still has to maintain data, records, call center for every customer
  - Retailer must meet comparable standards for performance
Goal: The Transition Must be "Customer Friendly"

- Customer education should be a required activity of the UDC and all new market entrants
- UDC will be the default provider
  - Customers have a "do nothing" option
- Ensure UDC's ability to maintain reliable, safe service for pipes and wires function
  - UDC must maintain customer satisfaction with its services and "make it work"
Goal: The Transition to Competitive Retailing Should be Rapid

- Utilities must actively facilitate the development of the competitive market by unbundling the revenue cycle
- Eliminate opportunities for incumbent utilities to thwart competition
  - No barriers to entry for non-affiliated competitors
  - No foot dragging on pace of change
The Utility Must Change

- Services available in the competitive market are no longer "utility" services
  - Utility must not be a regulated competitor to supply those services
  - Structures must allow for efficient competition; then regulators must let that competition work
- Utility "duty to serve" must be transformed to a duty to provide access to the market
- Affiliated retailers can trade in UDC's service territory, once the utility opens up competitive distribution functions
Revenue Cycle is Key to Enabling Competitive Retailing

- Today, most customer contact/relationships occur in these functions

- These functions are essential tools for retailers to use in crafting a value-added package of commodity and services which is attractive to customers

- Revenue cycle services are not natural monopoly functions
The Revenue Collection Cycle Offers Many Value-Creation Opportunities

CUSTOMER INFORMATION/SERVICES

METER INSTALLATION & MAINTENANCE

REMITTANCE PROCESSING

CREDIT/UNCOLLECTIBLES

BILLING

An Enova Company
Much of the UDC’s “Revenue Cycle” can be Unbundled
Unbundling Won’t Disadvantage Default Customers or the UDC

- Default customers get competitive market results
- Customer information still available to UDC from retailer
  - Needed for system operations, planning, reliability, providing default service
- UDC helps set standards for metering, data communications, installation, accuracy