

State of California

Public Utilities Commission
San Francisco

M E M O R A N D U M

Date : January 6, 2006

**To : The Commission
(Meeting of January 12, 2006)**

**From : Regina M. DeAngelis, PU Counsel III, Legal Division
Bishu Chatterjee, PURA V, Energy Division**

**Subject : Staff Seeks Authority to File Comments in Response to FERC's Notice
Requesting Comments on Wholesale and Retail Competition – FERC
Docket No. AD05-17-000, issued November 18, 2005**

Section 1815(a) of the Energy Policy Act of 2005 established an interagency task force known as the “Electric Energy Market Competition Task Force” (“Task Force”). As set forth in Section 1815(a)(1)-(5), this interagency Task Force consists of 5 members, including an employee from the Department of Justice, the Federal Energy Regulatory Commission (“FERC”), the Federal Trade Commission, the Department of Energy, and the Rural Utilities Service. Section 1815(b) directs this Task Force to conduct a study of competition in the wholesale and retail markets for electric energy in the United States. The Task Force and FERC initiated this study on October 13, 2005 with “Notice Requesting Comments on Wholesale and Retail Electricity Competition,” FERC Docket No. AD05-17-000. The notice sought information on the current state of competition, including factors which support or limit competition among the suppliers and buyers in regional wholesale markets and retail markets at the state level. The Task Force will prepare a report and submit the results of its study to Congress on or before August 8, 2006. The Task Force is also required to publish a draft report for public comment before presenting its final results to Congress.

Staff seeks the authority to file comments in this docket addressing the current state of wholesale and retail competition in the State of California. Staff intends to file these comments immediately after the January 12, 2006 Commission Meeting. These comments will respond to those issues identified by the Task Force. For the Staff's response to the Task Force's inquiry, please refer to the actual comments, attached hereto.

To summarize, the Staff's response will indicate that functional competition in wholesale electricity market should provide buyers and sellers with a level playing field, create incentives to lower customer costs, increase customer choice, improve market efficiency via efficient generation, and increase reliance on renewables. In addition, an efficient transmission network is critical to successful competition in the wholesale electricity market.

Staff further proposes to identify and discuss the critical elements for retail competition: customer choice, lower prices, market transparency, and consumer protection from market abuses. The successful implementation of a retail market for electricity is very much complemented by the successful implementation of a wholesale electricity market. Staff explains that the CPUC continues to be supportive of a fully-competitive retail market and a fully functional wholesale market for electricity in California.

Staff notes that, as a result of the California 2000-2001 energy crisis, California consumers have not yet received benefits that can result from market restructuring and wholesale competition. The comments express the CPUC belief that as markets become more restructured, market participants should be more accountable to the states, FERC, and customers. The Staff also recommends the Task Force to avoid making market rules that may harm competition and create a situation of cross-subsidy payments from ratepayers to electricity transmission and generation owners.

Lastly, the Staff proposes that the Task Force examine the impact on markets of the introduction of privately held independent transmission companies, the impact of any congestion revenue rights auction and, how to increase accountability of market participants under new regulatory frameworks.

ACTION REQUESTED:

Legal Division and Energy Division request authorization to submit comments in Docket AD05-17-000.

Assigned Staff: Regina DeAngelis (RMD, 5-5530); Bishu Chatterjee (BBC, 3-1247).

[Attachment to Item 56\(5189\) Memo to Draft Comments Docket No. AD05-17](#)