

# ATTACHMENT A

## Deregistration Process

# **Deregistration Process**

This document serves as a procedural checklist for Load Serving Entities (LSEs) operating in California to outline the steps they need to take to safely deregister and return customers to the Provider of Last Resort (POLR) while maintaining compliance with all CPUC programs.

All steps in the process will apply to both Community Choice Aggregators (CCA) and Electric Service Providers (ESP) if they initiate an Unplanned Deregistration or involuntary return of customers to the POLR. If an ESP deregisters but their customers all transfer to other non-POLR LSEs, the ESP is only required to implement the steps as indicated below. A list of defined terms used in this checklist is provided at the end of Attachment A.

## **1. Initial Consultation with Energy Division**

The CCA or ESP should informally notify Energy Division Staff as early as possible if the LSE is considering deregistration. The LSE is required to provide at least six (6) months' Notice of Intent to Deregister for a planned transition and are encouraged to provide up to twelve (12) months' notice.

## **2. LSE and POLR Coordination**

The deregistering CCA or ESP shall coordinate with the POLR to determine the most appropriate schedule for the return of customers, with specific regard to:

- The month in which Resource Adequacy (RA) obligations will be transferred to the POLR;
- The schedule for transferring customers into the POLR billing system;
- The date of transfer to the POLR's scheduling coordinator.

The deregistering LSE and the POLR should continue to coordinate throughout the Deregistration Period to determine the following:

- Whether to suspend planned returns during the Deregistration Period in order to protect customers from market rate exposure associated with being placed on a Transitional Bundled Service rate; and
- If any of the LSE's existing procurement contracts (to meet energy, RA, Integrated Resource Planning (IRP) or Renewable Portfolio Standard (RPS) obligations) should be assigned to the POLR.

### **3. Notice of Intent to Deregister**

For a planned economic deregistration, the LSE shall submit their Notice of Intent to Deregister at least six (6) months prior to the Deregistration Date and meet its year-ahead RA requirements, in order to minimize all re-entry fees. However, as noted in Step 8, the deregistering LSE is responsible for meeting its year ahead RA requirements, and it is recommended to provide at least twelve (12) months of notice of deregistration to continue to generate the revenues to cover the year ahead RA costs.

After the LSE and POLR have agreed to the Deregistration Date, thereby setting the timeline for returning all customers to the POLR, the deregistering LSE must submit the previously mentioned Notice of Intent to Deregister Letter to the CPUC. This Notice must be emailed to the Deputy Executive Director of Energy Division and served on the dockets of proceedings in which they have procurement and compliance obligations, including RA, IRP, and RPS proceedings.

This obligation applies to ESPs if they have any current RA, IRP or RPS obligations, regardless of customer return to the POLR.

### **4. POLR Files Advice Letter to set Re-entry Fees**

The POLR shall file a Tier 1 advice letter (AL) within 30 days following the Notice of Intent to Deregister, with an initial estimate of the re-entry fees. Re-entry fees shall be calculated based on the following:

- If the LSE is following a planned deregistration schedule, then the re-entry fee calculation will be on the month following the submission of the Notice of Intent to Deregister.
- If the LSE must initiate an involuntary return or Unplanned Deregistration with less than six (6) months advance notice, then the POLR may collect the re-entry fees based on the initial estimate of re-entry fees and will submit an additional AL with the final re-entry fee amount at the date of deregistration.

Steps 4-6 only apply to an ESP if customers need to be involuntarily returned to the POLR.

### **5. LSE Informs POLR of Payment Plan for Re-entry Fees**

Within fifteen (15) days of the POLR's AL submission to establish the re-entry fees, the deregistering LSE will inform the POLR how it will pay the re-entry fees.

## **6. POLR Collects Funds From LSE**

If the LSE has not provided payment to the IOU POLR within fifteen (15) days following the IOU POLR's demand for payment of the re-entry fees, then the IOU POLR is authorized to draw upon the LSE's posted financial security requirement (FSR) instrument. The FSR may be drawn upon even if there is a protest to the IOU POLR's Tier 1 AL filing.

In the event the IOU POLR establishes one or more memorandum accounts to track actual re-entry fees during a mass return of customers to POLR service, each respective IOU shall have the burden of demonstrating that the recorded costs are just, reasonable, and directly associated with the incremental costs to serve returning customers for Commission consideration through a formal application process.

## **7. Customer Notification**

Within two weeks of filing the notice of intent to register, the deregistering LSE shall consult with Energy Division and coordinate with the POLR to develop and implement a mutually agreed upon customer notification plan to be executed by the deregistering LSE during the Deregistration Period. The customer notification plan must include:

- An approach to directly contact all customers;
- Coordinated responses for both POLR and CCA call centers; and
- A coordinated message for media outreach and press inquiries with POLR and Energy Division.

## **8. LSE Continues to Meet RA Requirements**

The LSE is responsible for meeting RA requirements, up through their Deregistration Date, as posted in the most up to date RA filing requirements guide:<sup>1</sup> (Applies to any ESP that has served load in the previous 18 months regardless of customer return to POLR.)

- LSEs must meet their Year-Ahead (YA) RA requirement that applies up to the period of deregistration.

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<sup>1</sup> 2023 RA Filing Guide can be found at: [final-2023-ra-guide-clean-93022.pdf \(ca.gov\)](https://www.cpuc.ca.gov/final-2023-ra-guide-clean-93022.pdf)

- The LSE must update their load forecast to zero load by the August RA deadline to be relieved of the YA RA requirement for the following year.
- If the LSE submits a Notice of Intent to Deregister following this deadline, the LSE is obligated to meet its YA obligations for the following year. The LSE may negotiate a transition plan with the POLR that enables the most efficient manner to avoid collective deficiency in the CAISO system, which may include a transfer of LSE RA contracts to the POLR following deregistration, an extended deregistration schedule, or a negotiated agreement to cover procurement periods.
- If the LSE and POLR are unable to reach an agreement to meet the RA obligations, then the obligation lies with the deregistering LSE. To the extent that the LSE is unable to meet the RA obligation, the RA cost will be applied to re-entry fees.
- The deregistering LSE is obligated to meet Month-Ahead (MA) RA obligations and filing requirements up until the compliance month of the date that the LSE ceases operations:
  - The deregistering LSE must file a revised MA load forecast showing a zero-load forecast 75 days prior to the beginning of the compliance month in which the LSE has zero customers and ceases operations.
  - LSEs shall continue to file any load forecasts and compliance filings that are due during their Deregistration Period, unless the POLR agreed to take on those filing and compliance requirements on behalf of the LSE in step 2 of the deregistration process.
- The LSE shall submit a compliance filing to the RA docket confirming the Deregistration Date and proposing a transition plan for meeting RA obligations.

RA Penalties & Waivers Process:

- A deregistering LSE is subject to penalties for uncured deficiencies for obligations up to the Deregistration Date.
- Beginning with the 2020 Year Ahead filing process, the deregistering LSE shall submit any local RA waiver requests via a Tier 2 AL to the service list (in redacted form, if necessary) of the RA proceeding open at the time of the request.
- In the event of an Unplanned Deregistration or involuntary return of customers to the POLR, the POLR may submit a request for RA Waiver

through a Tier 2 AL. POLR may be eligible for a limited system or flexible RA waiver for instances in which retail load is:

- (a) returned to the POLR with insufficient time to meet the RA requirement, or
- (b) not transferred from the POLR to another LSE as planned as a result of action or inaction by the LSE.

## **9. LSE files Notice of Transfer of IRP Obligations to POLR**

LSE must take the following steps to ensure they continue to meet their IRP compliance obligations: (Applies to any ESP that has been assigned IRP obligations regardless of customer return to POLR.)

- LSEs must continue to meet their IRP procurement requirements during the Deregistration Period. If they are financially unable to meet their obligations, a backstop procurement order may be initiated, and the LSE may be subject to penalties.
- LSE shall submit a transition plan filing on the IRP docket to notify the Commission of their progress toward meeting procurement obligations, all contract sales, transfers of contracts to other LSEs and any project defaults, and progress toward preparing and submitting any upcoming IRP filings, including any filing re-submission requests that may have been issued by Energy Division Staff.
- The deregistering LSE must continue to submit any filings that are due during the LSE's Deregistration Period. The LSE may coordinate with Energy Division to determine the specific information needed in the required filings during the Deregistration Period or the LSE and the POLR may jointly submit a request that the requirement be transferred in advance of or in tandem with the customer transfer. Filings include:
  - Individual IRP Plans
  - IRP Procurement Compliance Filings and Data Requests
  - Any other data requests or filing re-submissions issued by IRP Staff

### *IRP Penalties and Waivers:*

- Energy Division will review the transition plan and determine whether backstop procurement is necessary.
- Issues regarding the backstop procurement and cost recovery in the event of customer return to POLR are currently in scope of the IRP proceeding, and thus the IRP procurement process may be subject to change if warranted.

**10. LSE Files Annual RPS Compliance Reports, Final RPS Compliance Report, and Annual RPS Procurement Plans, as well as Serves Final Notice of Deregistration**

The deregistering LSE must meet its RPS obligation through the Compliance Period in which it operates. However, since the RPS program has multi-year Compliance Period requirements that must be reviewed at the conclusion of the period, the LSE will continue to have compliance filing obligations for the remaining years of the Compliance Period in which they served load. The California Energy Commission (CEC) will conduct the RPS claims verification after the end of the Compliance Period. After the CEC completes its verification, the CPUC will be able to make a compliance determination for the Compliance Period and then issue penalties for any RPS deficiencies. The LSE, including member cities of a deregistered CCA, may be subject to penalties in the event of RPS deficiencies. (Applies to ESPs regardless of customer return to POLR.)

The deregistering LSE must also continue submitting annual RPS Procurement Plans until Energy Division formally approves the request for deregistration, unless a waiver from its RPS Procurement Plan filings is granted.

The LSE must submit the following:

- **Annual RPS Compliance Reports:** The LSE shall continue to submit Annual RPS Compliance Reports for each year of the final Compliance Period in which they served load (*e.g.*, file reports in 2023 and 2024 for load served in 2021-2022).
  - The LSE must submit full reports for every year that the LSE served load, including the year in which they deregistered. The report must identify the date in which the LSE ceased to serve load.
  - For all subsequent annual RPS Compliance reports, a representative on behalf of the deregistered LSE may submit abbreviated reports stating that the LSE has not served load for the reporting year.
- **Final RPS Compliance Report:** After the CEC completes its Compliance Period procurement verification for the LSE, a representative on behalf of the deregistered LSE shall file a final RPS compliance report within thirty (30) days.
- **Annual RPS Procurement Plan:** The LSE shall continue to submit an annual RPS Procurement Plan until Energy Division formally approves the

request for deregistration, unless a waiver from its RPS Procurement Plan filings is granted in a CPUC decision.

- The LSE may request a Waiver from its RPS Procurement Plan filings by filing a Motion for waiver in the RPS proceeding.
- **Final Notice of Deregistration Served to the RPS proceeding:**
  - For LSEs that have *never* served load in California: The LSE shall serve a final notice of deregistration to the RPS proceeding after it receives a letter from Energy Division that confirms that the LSE is deregistered and that demonstrates that the LSE does not need to file an annual RPS Procurement Plan or annual/final RPS Compliance Reports, given that the LSE never served load.
  - For LSEs that *have* served load in California: The LSE shall serve a final notice of deregistration to the RPS proceeding after (1) the LSE receives a letter from Energy Division that confirms that the LSE is deregistered and that demonstrates that the LSE does not need to file an annual RPS Procurement Plan, and after (2) the LSE receives a Final Compliance Determination Letter from Energy Division demonstrating that it either met its RPS Compliance Period requirements or is responsible for penalties.

*RPS Penalties Process:*

- If the deregistering LSE expects that it will not be in compliance with RPS Compliance Period requirements, the LSE may request a waiver of its penalty 30 days after the CEC issues its procurement verification for the LSE through a motion filed in the current RPS proceeding. Once a decision is issued on the Motion, the LSE must pay its penalty, if ordered to, and serve the final notice of deregistration to the RPS proceeding. Alternatively, the LSE must pay the assessed penalty for its noncompliance and then serve its final notice of deregistration to the RPS proceeding.

## **11. LSE Customer Privacy Requirements During Deregistration**

The deregistering LSE must meet their Customer Data Privacy compliance obligations in the Smart Grid Rulemaking (R.) 08-12-009 for the years in which they serve load. There are two compliance obligations:

- Annual Data Privacy Report.
- Triannual Independent Data Privacy and Security Practice Audit.



Both audits are due April 30th the following calendar year that the LSE served load. Because LSEs can deregister any time during the year, Energy Division Staff recommends that the LSE must file its Annual Data Privacy Report before deregistering. The LSE may file the report prior to its deregistration. Requests for exemption may be considered.

**12. POLR files Advice Letter to set Final Re-entry Fee Collection or Reimbursement if Needed**

The POLR shall file a second AL to set the final re-entry fee collection or reimbursement if the re-entry fees. Adjustment to final collection or reimbursement may result from:

- FSR is insufficient to cover the cost of the re-entry fees, and the difference must be collected directly from returning customers;
- The initially assessed reentry fee is greater than the final calculated amount and the POLR over-collected;
- Original AL is protested and modified by resolution or disposition;
- Other adjustments are necessary to the final incremental cost of re-entry fees resulting from bankruptcy claims, adjustments to incremental costs or other factors approved by Commission.

**13. Letter Confirming LSE Deregistration**

At the end of the deregistration process, the LSE shall send a letter to CPUC Energy Division's Deputy Executive Director confirming the dates when all of the compliance obligations listed above have been met. With this letter, the Energy Division will issue a letter to confirm that the LSE is deregistered and that all obligations, with the exception of the ongoing RPS Compliance Period requirements, have been met.

### **Definition of Terms**

**Deregistration Date:** The date upon which the LSE ceases to serve load and transfers its final remaining customers to the POLR.

**Notice of Intent to Deregister:** The notice filed to the service list that establishes the date of the CCA's deregistration.

**Planned Deregistration:** An LSE that provides the Commission and the POLR with at least six (6) months' notice prior to deregistering. While a minimum of six months' notice is required, LSEs who elect to deregister are encouraged to provide as much advance notice as possible.

**Unplanned Deregistration:** An LSE that voluntarily terminates service and provides the Commission and the POLR with less than six (6) months' notice prior to deregistering.

**Deregistration Period:** The period from when the CCA issues a Notice of Intent to Deregister and the date of their actual deregistration.

**Transition Period:** The six-month period that the re-entry fees are expected to cover.

**(END OF ATTACHMENT A)**