July 23, 2019

Docket Control
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007


Commissioners and Staff,

I want to thank Staff for docketing an initial proposal to resurrecting and amending our competition rules and for those parties who have submitted initial comments. As I have expressed at previous open meetings, I am very interested in considering energy competition in Arizona.

Regulated Competition

I view the framework in Staff’s initial proposal to be a very modest increase in energy choice for some commercial customers. This initial proposal essentially removes the heart of the competition rules which intended to eliminate monopoly service territories and establish a regulated playing field for energy competition open to all customers. It is my hope that, instead of simply considering this limited proposal which would benefit only a small number of commercial customers, we consider a return to the central purpose of the competitive rules to restructure our form of regulation entirely. In my view, it is time to address whether there is any justification for continuing the monopoly system in a time when technology allows for a healthy, robust and reliable market in energy for all customers.

In the docket and in our upcoming workshops, I would like parties to consider a regulated competition framework that includes the following basic tenets:

1) Incumbent utilities that ultimately operate only transmission and distribution;
2) Energy Service Providers (ESPs) licensed by the Commission who serve both residential and commercial customers;
3) ESPs that provide generation, billing, rate design, and customer service;
4) Commission sets and approves maximum and minimum rates by evaluating fair value of property, market conditions, and the long-run cost of providing service;
5) A transition to competition that allows utilities to offer a standard service for a period of time until all customers shop for their energy;
6) Incumbent utilities can serve as Provider of Last Resort for a period of time until the responsibility can be shared among all ESPs;
7) A transition from the Arizona ISA to forming or joining an RTO.
Potential Paths Forward

As restructuring our energy markets to allow for retail competition will be a significant undertaking, I propose that the Commission consider one of the following two options as potential paths toward successfully accomplishing the transition:

Option 1:

If a majority of the Commission supports opening our retail markets for regulated competition, I propose that the Commission consider voting at our August Open Meeting on an order that indicates the Commission’s plan to transition to a competitive market. The motion could include the broad principles of the new structure such as the basic tenets that I described above. Following a successful vote on this motion, the Commission could commence the rulemaking process to establish and finalize all the details associated with the regulation of competitive Energy Service Providers.

Option 2:

Alternatively, if a majority of the Commission is not yet prepared to vote for an order including the principles described above, I propose that the Commission establish a deliberate time table for consideration of all the issues that Commissioners feel need to be evaluated prior to voting for retail competition. This time table would include a Commission hosted workshop each month through the end of the year with a plan to vote on retail competition at the conclusion of this series of workshops.

Moratorium

Lastly, I would like to propose for consideration at the August Open Meeting, that the Commission consider extending the moratorium on self-built utility generation. At the February Open Meeting, the Commission voted to extend the moratorium originally proposed by Commissioner Tobin to August 1, 2019. In light of the Commission’s ongoing consideration of energy competition and other policies in the Energy Modernization Docket, I believe it makes sense to extend this moratorium until January 1, 2020. The moratorium that I propose the Commission consider would continue to allow utilities to purchase energy through competitively acquired power purchase agreements but would prohibit utilities from acquiring or constructing any generating facilities of 150 MW or more without Commission approval.

I look forward to addressing the above at our upcoming workshop and open meetings.

Sincerely,

Commissioner Justin Olson