

Restructuring in the Rearview Mirror – a 10-Year Retrospective of California's Doomed Experiment with Electric Deregulation. By The Energy Overseer

Customer Reversions Impede Direct-Access Achievement

An exceptionally large number of customer switchbacks to bundled utility service during November prevented the state's competitive market from hitting expected milestones this past month.

Utilities processed about 13,500 new direct-access service requests last month--more than enough to push the number of residential customers taking non-utility energy above 150,000 and the total figure for customer choice beyond 200,000. Nonetheless, those goals remained just out of reach because 5,165 direct-access customers left their competitive energy service providers during the month.

Barring a significant change in customer-choice trends, those milestones ought to be reached by the end of calendar year 1999. Utility reports to the California Public Utilities Commission are filed by the 15th of each month for the previous month.

The huge increase in customer attrition--the second-highest monthly figure recorded since the competitive retail market began in April 1998--was largely attributable to Southern California Edison affiliate Edison Source's decision to return all of its green power customers to their native utilities. Edison Source has not revealed how many green customers it dropped, but it had anticipated returning all during November. Market sources suggest the company had about 5,000 to 7,500 green customers left in its fold at the time it chose to exit the green market, down from as many as 10,000.

The vast majority of reversions were for residential customers, accounting for 4,866 of the 5,165 listed during November. This month's tally represents more than twice that of last month (2,388) and three times the monthly average of 1,530 household switchbacks previously recorded during 1999.

The greatest attrition in a single month occurred in September 1998 after three energy service providers (ESPs) went out of business, suffered financial problems or otherwise had their customers restored to utility service. That month, there were more than 9,000 switchbacks.

Not all switchbacks result from customer dissatisfaction with direct access or termination of an ESP's marketing effort. Marketers are increasingly concerned about reversions that occur because a customer moves and does not notify the ESP. When that customer reestablishes distribution service at a new location, the old account is automatically considered a disconnect from direct access.

There were more than 20,000 household reversions recorded during 1999, and slightly more than 24,000 among all customer groups. There is no way to calculate what percentage of reversions remain with the utility or eventually find another service provider.

According to the latest utility figures supplied to the CPUC, there are now 198,869 customers of all kinds taking direct-access service. That translates to 2 percent of total customers and 13.9 percent of energy consumed. Residential accounts reached 147,420, or 1.7 percent of households and 2 percent of load for that class.

Changes within each customer category were incremental rather than substantial. Industrial direct access remains the most robust market niche, with 20 percent of customers and 32 percent of load signed up by competitors. In terms of net changes, the small commercial segment added more than 1,200 direct-access customers last month (representing 3.4 percent of meters), but the energy consumption figure was relatively unchanged at 4.2 percent of load.

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Direct Access Through November 30, 1999

<i>Class</i>	<i>Switched (net)</i>	<i>Percentage</i>
Residential	147,420	1.7 percent
Small Comm.	33,744	3.4 percent
Med. Comm.	12,933	6.5 percent
Industrial	1,030	20.1 percent
Agricultural	3,742	3.2 percent
Totals	198,869	2.0 percent

More than half of customers of all types who were switched back to utility service are located in Southern California Edison's territory—2,859 of the 5,165 figure reported last month. There were 1,395 total reversions in Pacific Gas & Electric's service area and 911 in San Diego Gas & Electric's territory.

More complete statistics, including energy use and figures for DASRs received, processed and/or rescinded during the month by each of the utilities, can be found on the CPUC Energy Division's Web site at: www.cpuc.ca.gov/divisions/energy/index.htm [Arthur O'Donnell].

*This article originally appeared in California Energy Markets, December 23, 1999
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