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Arizona Corporation Commission
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1200 West Washington Street
Phoenix, AZ 85007

July 16, 2013

Arizona Corporation Commission
DOCKETED

JUL 17 2013

Re: Docket No. E-00000W-13-0135

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To Whom It May Concern:

SunEdison LLC would like submit the attached "Comments" to Docket No. E-00000W-13-0135. Should you have any questions, please feel free to contact Maura Yates at the address listed below.

Thank You,

Maura Yates

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SunEdison LLC Comments

Docket No. E-00000W-13-0135

July 15, 2013

SunEdison, LLC ("SunEdison") appreciates the opportunity to provide broad comments in response to the Arizona Corporation Commission's ("Commission" or "ACC") inquiry into retail electric competition in generic Docket No. E-00000W-13-0135. SunEdison is a polysilicon and semiconductor manufacturer and the second largest solar developer in the world, with over 1.2 GW of solar under management globally. SunEdison provides solar solutions to utility, residential, government, commercial and industrial customers.

The Commission's inquiry into retail market redesigns to improve ratepayer efficiencies is appropriate and well-timed. This is a significant regulatory initiative and the exploration is necessary to modernize the market structure to accommodate new load and generation resources as a means to ensure that Arizona ratepayers are always receiving the lowest-price, reliable power.

SunEdison is providing general comments on retail competition and considerations for successful market restructuring and not respond directly to the questions promulgated by the Commission. As the docket matures, SunEdison will provide more specific comments and suggestions on market construct, mechanisms, policies, and any other relevant topics. Based on the immense impact of the concepts being discussed in this docket and historic exploratory efforts regarding deregulation in Arizona, SunEdison suggests a series of targeted pilots be implemented as a method to test considerations before any broad market changes are adopted.

I. Modernizing Arizona's Electricity Market

Balancing the need grid's need for new generation investments and reliable power supply with the needs of market participants, low customer rates, and the unbundling of regulated investor-owned utilities is a significant market transition, but necessary at this time when the power markets are changing. Approximately twenty states are fully or have begun deregulating market elements.



Arizona's regulated, vertically-integrated investor-owned utility ("IOU") structure has provided highly reliable, monopolized power to Arizonans. This arrangement has historically served the market well and supported a robust generation portfolio for central-station power development. However, the increased adoption of distributed generation (dispatchable and non-dispatchable) and load-reduction resources (demand response) have changed the nature of how utilities serve load and how the grid operates. Because the power sector has moved towards adopting new, diverse, non-central station power resources, the transaction forum must change accordingly, too.

As stated before, the timing is optimal for the ACC and market participants to explore a new market framework that accommodates a diverse set of resources at central and distributed locations, and have different generation attributes that can most efficiently meet load requirements as determined by the load (customers) themselves.

II. Empowering Customers

In light of the recent recession, ratepayers are increasingly interested in how much they are paying for power, and where they are getting it from. Utility bills are confusing and saddled with numerous riders and adjusters. Customers no longer understand what they are paying for on their electricity bill---not as a result of purposeful confusion; rather the current utility cost recovery mechanisms are archaic and misaligned with the nature of the Arizona electricity market compliance obligations and transaction construct.

Often times, customers are paying for programs and fees that are of disproportionate value to them: this exact issue is currently being debated at the ACC in the solar net-metering filings. In these conversations, there is concern about perceived cross-subsidation of solar customers by non-solar customers. This concern about cross-subsidation does not exist in the distributed solar arena exclusively: inherently, regulated IOUs rate structures provide multiple elements of cross-subsidation, for programs like reduced low-income tariffs. The utilities and the ACC have noted this is a concern, and retail competition serves as a solution to address the problem.

Customers are courted to migrate from retail provider to retail provider in search for the best pricing structure. Since competitive rate design is the most critical component of a retail restructured market,



retail competition can be explored as a solution to the net-metering debate and the broad ratepayer cross-subsidation by innovative new rates specifically designed and customized for the end-user. For example, net-metered customers can be paid the real-time market price for the generation they are providing rather than trying to work within a retail-rate “product.” Simplifying customers’ rates to reflect the value of the power delivered to them based on their needs is a direct benefit of restructuring markets.

III. Lessons Learned from Restructured Markets

No two restructured markets are alike. There are varying levels of restructuring ranging from complete unbundling of the generation, transmission and distribution, and retail sale of power while others have only restructured a component of the power delivery. The appropriate level of restructuring needs to be closely examined and multiple options need to be considered in order to allow for a smooth market transition and provide appropriate pricing signals that encourage *new* generation investment. Figuring out how to enable generation *and* load resources to participate in the market is also important. Not only do end-use customers serve as the planning load, but they also have the ability to dynamically engage in the market by participating in demand response or by providing on-site generation and two-way power flow. The inclusion of responsive customer-owned generating assets participating in the market is an important consideration.

Also essential to properly operating a power market that meets the markets’ needs is designing the appropriate pricing mechanisms to ensure that price signals the right type, amount, and location of generation needs to avoid any resource adequacy challenges.

Administrative and market mechanisms need to be carefully considered as part of a whole market system that delivers resource adequacy and reliability since it is these mechanisms that create wholesale prices and drive retail rate design. It is argued that the most efficient method for wholesale pricing is under the “nodal pricing” scheme as it determines the cost and price of electricity based on where it is uploaded/downloaded on the system.



ERCOT: Texas

The competitive areas of Electric Reliability Council of Texas (“ERCOT”) absorbed deregulation robustly over the 10 years of retail deregulation. Approximately 53% of eligible Texas residents have chosen non-incumbent providers and 80% of eligible consumers in the commercial and industrial segment are with non-incumbent providers.

The chart below shows the average residential rate in 2013 of 10.98¢ per kilowatt hour (“kWh”). The average rate is compared with the bars on each side that show the regulated residential rate in 2001 prior to the start of retail competition. The bar on the far right depicts an average of the 15 lowest priced residential rate offerings. Residential rate offerings are priced contingent on the season, the load being solicited, the supply product being marketed, among other things.

Average Rates Comparison



IV. Targeted Pilots as First Step to Explore Rate Making

Discussion around retail competition is not new at the ACC. Levels of direct access are currently being implemented in Arizona, including APS’ AG-1 Pilot Programs and the authorizing to execute solar service agreements (“SSAs”) with select customer segments. Both of these competitive-based contacting methods (or rate offerings) have experienced overwhelming customer support with demand for the program exceeding program allowance.

For example, the ACC may wish to expand and broaden the implementation of a pilot similar to APS’



AG-1 Pilot to include apply to more utilities, include more generation resources, and serve additional customer load including residential and small commercial. This will allow for various rate and cost recovery mechanisms to be tested with a mild form of restructuring piloted and where the IOU still has an active role in customer service.

The AG-1 expanded Pilot can also be used to test how customer loads, such as standby generation or solar distributed generation, can participate and be paid real-time market pricing for their generation. This type of market pricing, that pays load resources for their excess generation through the wholesale real-time or day-ahead market, can serve as an alternative to net-metering, too.

V. Closing Comments

Discussions around how to restructure the Arizona market to better meet the needs of ratepayers and continue providing them with reliable power is a lengthy discussion with many interdependent market considerations. SunEdison is eager to engage in generic docket and provide more specific feedback as more substantive market considerations are being explored.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Maura Yates", is written over a horizontal line.

Maura Yates

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