Chapter 18

Partial Reopening of Direct Access, Switching Exemptions, ESP Financial Security Requirements, and Related Decisions

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18.1. **Background**

As part of the State’s response to the California energy crisis that began in 2000, ABX1 directed the California Public Utilities Commission (CPUC) to set a date for the “suspension” of Direct Access (DA). On September 20, 2001, the Commission issued D.01-09-060, setting the effective date for suspension of the right of customers to acquire service from providers other than DWR and the utilities at September 20, 2001. Subsequently, the CPUC issued D.02-03-055, which confirmed the September 20, 2001 suspension date and articulated a general “standstill approach” which enabled current DA customers to preserve their DA service while assuring that the overall DA load would not increase. Pursuant to D.02-03-055, a customer must have a valid DA contract with an Electric Service Provider (ESP) that was in existence on or before September 20, 2001 to be eligible for DA. If the customer did not have a valid DA contract, the customer would no longer be eligible to be served under DA. Additionally, D.02-03-055 set forth the “rules” necessary for the utilities to follow when implementing the suspension. These rules were subsequently modified by Commission Decisions D.02-04-067, D.03-01-078, and D.03-04-057.

In March 11, 2010 the CPUC issued D.10-03-022 that authorized increases in load caps on DA transactions for each of the UDCs and adopted a detailed enrollment process for the 4-year phase-in period beginning in April 2010 and concluding in January 2013.

Subsequently, on December 20, 2012, the CPUC issued D.12-12-026 that adopted process improvements for administering enrollments of DA rights. D.12-12-026 adopted a detailed random number list switching and enrollment process, eliminated the “Original Direct Access Declaration” (for adding service accounts to the ESP list) and the “Direct Access Load Growth Affidavit”, modified the “Customer Assignment Notification” and the “Direct Access Customer Relocation Declaration”, and established a new (independent) “Direct Access Customer Replacement Declaration”.

The current DA enrollment (aka “Lottery”) process is outlined below:

18.2. **Random Number List Switching and Enrollment Process**

1. The process for participation in the Random Number List Switching and Enrollment Process (a.k.a. “Lottery”) adopted by D.12-12-026 is summarized below:

   a) DA customers or their authorized agent may submit Six-Month Notices via e-mail during the 5-business day window (Submission Period) from April 8 – 12, 2013 for space under the established Overall Load Cap that may become available beginning in October 2013 and continuing through 2014.
b) Beginning in 2014, the Submission Period will be the second full week in June of year for space under the established Overall Load Cap that may become available during the 12 months of the subsequent calendar year.

c) The Submission Period will begin at 9:00 AM PT on Monday and end at 5:00 PM PT on Friday. Six-Month Notices received outside of these hours will be rejected.

d) Submissions must be made by or on behalf of an individual customer and will include the following information:

i. Subject line of e-mail should include the customer name, “Six-Month Notice”, submitter name, and number of Service Accounts (SAs) being submitted

   Example: ABC Company, Six-Month Notice, XYZ Company, 10

ii. Completed Six-Month Notices may include multiple SAs as long as all are for the same customer under the same Federal Tax Identification (FTID) number. Six-Month Notices that include multiple FTIDs will be considered to have a deficiency.

iii. Submitters will be notified by e-mail of any deficiency. They will have 5-business days to correct the Taxpayer ID or to submit a new Six-Month Notice for the SAs covered by the "other" FTID(s)

iv. SA lists should be prioritized in the event the available space under the established Overall Load Cap cannot accommodate the entire list.

e) Upon receipt of each Six-Month Notice SCE will send an automated e-mail receipt addressed to the party from whom the notice was received acknowledging the date and time it was received

f) Duplicate Six-Month Notices for the same SAs will be discarded. If more than one Six-Month Notice is received for any given SA only one will be confirmed. All others will be deemed ineligible. SCE will notify the party from whom the notice was received of the submission’s ineligibility. The party has 5-business days to dispute SCE’s determination. SCE will review any dispute upon receipt and advise the submitter of the information required to resolve the dispute.

g) SCE will review, audit, and confirm Six-Month Notices within 30-business days following the close of the Submission Period.
h) If SCE identifies any deficiency during its review and audit process it will conditionally accept the submission pending correction by the submitter. If no correction is received within 5-business days the Six-Month Notice will be voided. In the event that the Six-Month Notice is partially deficient only the deficient SA(s) will be voided. The non-deficient SA(s) will remain eligible to participate.

i) By the 30th business-day of the review and audit period SCE will run the “randomizer” tool to assign a random number to each eligible Six-Month Notice submission.

j) Six-Month Notices will be accepted in randomized number order until any available space under the Overall Load Cap is allocated.

k) Remaining eligible Six-Month Notice submissions will be placed on a Wait List for the subsequent calendar year until the next enrollment period commences.

l) Within 10-business days following the 30-day review and audit period, submitters will receive e-mail notification that their Six-Month Notice has been accepted or placed on the Wait List along with their randomized “lottery” number.

m) All Six-Month Notices on the Wait List on the last business day of each calendar year will be cancelled and superseded by the following year’s Wait List.

n) On the last business day of each month, SCE will determine if there is any room under the Overall Load Cap and notify the first customer on the Wait List if/when sufficient load is determined to be available:

i. If the available load is sufficient to accommodate all of the customer’s Wait-Listed SAs SCE will notify the submitter of the DASR Due Date for each accepted SA a minimum of 45 days in advance of the SA’s earliest possible switch date.

During this process, SCE will conditionally accept a Six-Month Notice submission that is determined to have a deficiency, pending correction by the submitter. If no correction is received within 5-business days the Six-Month Notice will be voided. In the event that the Six-Month Notice is partially deficient only the deficient SA(s) will be voided. Customers have 15-business days to either accept or decline the switch opportunity, without penalty, for the eligible SA(s).

If the customer declines the switch opportunity, the Six-Month Notice’s eligible SAs will be removed from that year’s Wait List
and will remain on SCE’s bundled service. SCE will then notify the next customer on the Wait List.

ii. If the available load is not sufficient to accommodate all of the Wait-Listed Six-Month Notice's eligible SAs, SCE will notify the submitter a minimum of 45 days in advance of the SA’s earliest possible switch date of each eligible SA and each associated earliest possible switch date. SCE will then work with the submitter to determine which SAs will be switched. The remaining eligible SAs, if any, associated with the Six-Month Notice, will remain on the Wait List.

Customers have 15-business days to either accept or decline the switch opportunity without penalty. If the customer declines the switch opportunity, the Six-Month Month Notice’s eligible SAs will be removed from that year’s Wait List and will remain on SCE’s bundled service.

iii. If a customer accepts the switch opportunity and their elected ESP fails to submit the required Connect DASR by the indicated DASR Due Date, the customer’s SAs will be switched to Schedule Procurement Charge-Transitional Bundled Service (Schedule PC-TBS) and be subject to the then current Switching Exemption Rules.

18.3. Elimination of Original Direct Access Declaration and Direct Access Load Growth Affidavits

18.4. Customer Assignment Affidavit

**Purpose:** Allows customers to assign Direct Access (DA) contracts to either a new Electric Service Provider (ESP) or a new retail end-use customer representing approximately the same load at the same physical location.

**Process:** Two-part declaration must be signed by both the new Customer and the ESP.

- Current location cannot be closed for more than 60-days
- New location cannot include bundled service accounts that have been in the customer’s name for more than 90-days
- DASR must be submitted within 60 days of the customer assignment notification’s acceptance by SCE

Each party’s declaration must be executed and may be submitted individually by fax to Customer Choice Services at (800)795-6723
provided original documents are received by SCE within 10 calendar days from the date of the fax.

SCE will notify the ESP in writing within 5 business days that the notification has been accepted and will specify the current customer name, service address, account number(s), and meter number(s) being assigned. The new customer name, account number(s), and meter number(s) will also be included.

If the current customer also wants to transfer ownership of an existing customer-owned meter at the same location, the customer may assign its meter ownership rights to the new customer by providing written notice to SCE on official company letterhead signed by an authorized representative of the company. This written notice should be submitted to SCE together with the Customer Assignment Notification.

Switching Exemption Rules will be applied to the assignment of contract process as follows:

- If current customer is in an 18-month Bundled Portfolio Service (BPS) contract, the new customer will be responsible for the remainder of the contracted period
- If current customer has submitted a Six-Month Notice, the new customer will be responsible for the remainder of the six-month notice period
- If current customer does not participate in the DA at Time of Turn-On process, the new customer will be billed on Transitional Bundled Service (TBS) pricing until the Direct Access Service Request (DASR) is received by SCE and the account transfer is complete
- If no DASR is received by the end of the sixty-day “safe harbor” period, the customer will be placed on TBS pricing for six months (to provide the required six-month notice) followed by an 18-month BPS contract

For more information refer to Chapter 3 of the ESP Direct Access Handbook on SCE.com: https://www.sce.com/wps/portal/home/partners/partnerships/direct-access/getting-started/.
18.5. **Direct Access Customer Relocation Declaration**

*Purpose:* Allows customers to relocate Direct Access (DA) load from an existing location to a new location under any one of the four available options:

A. Current Location, one existing customer Premises, where the electric load of one service account (SA) is currently served under DA and New Location is the same or a different Premises from the Current Location which has been newly acquired or constructed by customer at which the customer intends to relocate all or part of its business and operations from the Current Location.
   • *The New Location may only consist of one SA.*

B. Current Location, one existing customer Premises, where the electric load of one or more SAs are currently being served under DA and New Location is the same or a different Premises from the Current Location which has been newly acquired or constructed by customer at which the customer intends to relocate all or part of its business and operations from the Current Location.
   • *The New Location may consist of one or more SAs at a single premises.*

C. Current Location, one or more existing customer Premises, where the electric load of one or more SAs is currently being served under DA and New Location is a different Premises from the Current Location to which the customer intends to relocate all or part of its business and operations from the Current Location.
   • *The New Location may consist of one or more SAs at a single or multiple locations after the relocation has been completed and is limited to loads the same as, or substantially the same as, the loads represented by the Current Location.*

D. Current Location, one or more existing customer Premises, where the electric load of one or more SAs is currently being served under DA and New Location is a different Premises that the Current Location to which the customer intends to relocate all or part of its business and operations from the Current Location.
   • *The New Location may only consist of one SA at which the customer has been receiving bundled*
service and will not be eligible for DA service until all electric SAs billing under the same customer of record at the Current Location have been terminated.

- **Customer must submit this request to SCE no later than 90 days from the date all SAs at the Current Location have been terminated.**

**Process:**

- Two-part declaration must be signed by both the customer and the Electric Service Provider (ESP)
  - Total DA load as a result of the relocation cannot exceed the load limitations provided in the Agreement
  - Current location cannot be closed for more than 60-days
  - New location cannot include bundled service accounts that have been in the customer’s name for more than 90-days *(not applicable to option D above)*
  - DASR must be submitted within 60 days of either a) the relocation declaration’s acceptance by SCE or b) establishment of electric service at the New Location

Each party’s declaration must be executed and may be submitted individually by fax to Customer Choice Services at 626-812-7562 provided original documents are received by SCE within 10 calendar days from the date of the fax.

SCE will notify the ESP in writing within 5 business days that the Relocation/Replacement Declaration has been accepted, provided the Utility Distribution Company (UDC) account number(s), customer name, and customer address submitted to SCE are accurate.

Continuous DA status will transfer to a relocation account only if each account at the current location(s) being combined for the relocation account qualifies for continuous DA. If the customer elects to combine a number of accounts that do not qualify as continuous DA then the relocation account will not qualify as continuous DA.

ESP’s are responsible for processing the necessary Direct Access Service Requests (DASRs). DASRs for both locations may be processed during the same billing cycle even if the current location is scheduled later in the billing cycle month. However, the ESP must submit a “disconnect” DASR
to terminate the current DA load before or at the same time as submitting a “connect” DASR for the new location.

For more information refer to Chapter 3 of the ESP Direct Access Handbook on SCE.com: https://www.sce.com/wps/portal/home/partners/partnerships/direct-access/getting-started/.

18.6. Direct Access Customer Replacement Declaration

Purpose: Allows customers to, in the normal course of business, refurbish, reconstruct, or remodel facilities at the Current Location and continue to serve these facilities under Direct Access (DA) at the Current Location which represents one existing customer site where the electric load of one customer account is currently being served under DA.

Process: Two-part declaration must be signed by both the customer and the Electric Service Provider (ESP)

- Current location cannot be closed for more than 60-days
- New location cannot include bundled service accounts that have been in the customer’s name for more than 90-days
- DASR must be submitted within 60 days of the replacement declaration’s acceptance by SCE

Each party’s declaration must be executed and may be submitted individually by fax to Customer Choice Services at 626-812-7562 provided original documents are received by SCE within 10 calendar days from the date of the fax.

SCE will notify the ESP in writing within 5 business days that the Relocation/Replacement Declaration has been accepted, provided the Utility Distribution Company (UDC) account number(s), customer name, and customer address submitted to SCE are accurate.

Continuous DA status will transfer to a relocation/replacement account only if each account at the current location(s) being combined for the relocation/replacement account qualifies for continuous DA.

ESP’s are responsible for processing the necessary Direct Access Service Requests (DASRs). DASRs for both locations may be processed during the same billing cycle even if the current location is scheduled later in the billing cycle month. However, the ESP must submit a “disconnect” DASR
to terminate the current DA load before or at the same time as submitting a “connect” DASR for the new location.

For more information refer to Chapter 3 of the ESP Direct Access Handbook on SCE.com: https://www.sce.com/wps/portal/home/partners/partnerships/direct-access/getting-started/.

18.7. Direct Access Switching Exemption Decision (SCE Rule 22.1)

SCE Rule 22.1 implements the Switching Exemption Decision, D.03-05-034, which adopted guidelines regarding the rights and obligations of DA customers who return to bundled service and subsequently switch back to DA service. D.11-12-018 reduced the minimum commitment on Bundled Portfolio Service (BPS) from 3 years to 18 months. D.03-05-034, D.10-03-022, D.11-12-018, and D.12-12-026 established provisions for eligible DA customers regarding Transitional Bundled Service (TBS) and BPS. Pursuant to D.05-12-041, customers receiving DA service, TBS, or BPS may be automatically enrolled in a Community Choice Aggregation (CCA) Program as described in SCE’s Rule 23.

Effective March 11, 2010, the right to transfer to DA service is closed to residential customers. However, a Residential Customer previously classified as DA-eligible that submitted a Six-Month Advance Notice to Transfer to Direct Access Service prior to March 11, 2010, retains a one-time right to transfer to DA service pursuant to D.10-03-022 and the conditions set forth in Sections 18.7.A and 18.7.B below.

Customers switching to or from bundled service (with the exception of TBS described in Section 18.7.A.1 below) will notify SCE six months in advance of their intent to switch.

A. Transitional Bundled Service

1. TBS became effective on February 19, 2004 and allows DA customers to return to bundled service on a transitional basis while switching from one ESP to another, or for similar or related reasons where TBS is determined to be necessary.

2. The TBS provision is limited to a 60-day period that begins on the day DA service is disconnected which is the day SCE starts supplying power to the SA (day 1). By no later than the 60th day of the period SCE must be in receipt of a DASR from the customer’s new ESP to switch the SA to DA. In addition to meeting the DASR provisions set forth in Rule 22 Section E, DASRs submitted to switch the SA back to DA service must comply with the following special conditions:

   a. Accepted DASRs that do not require a meter change will be processed based on normal DASR processing timeframes as
defined in Rule 22, Section E. SCE will include the TBS requirement with the DASR Status Notification sent to the customer. The customer is responsible for providing this information to its new ESP.

b. Rejected DASRs must be corrected and resubmitted by the ESP and be accepted by SCE no later than 20 days following the end of the TBS period (by the 80th day). DASRs that are not corrected within this time period will be cancelled by SCE.

c. Accepted DASRs that require a meter change must have the meter change completed no later than 60 days following the end of the TBS period (by the 120th day). If a meter change is not completed within this time period, SCE will switch the SA to DA on the customer’s next scheduled meter read date and notify the ESP and customer at the end of this period. If special metering services are required, they will be completed in accordance with applicable tariffs.

3. SAs that fail to meet the time and DASR requirements in Section A.2 above will be in default of TBS provisions and returned to BPS for an 18-month minimum period, subject to the provisions of Section B below. This default will initiate a six-month notice of return to bundled service which cannot be cancelled. During this six-month period the SA will be subject to the pricing conditions established in Section A. SCE will notify the customer of the default within 10 business days along with an explanation of the default situation, actions being taken, and the customer’s new BPS requirements.

4. Customers electing the TBS option will be subject to transitional bundled commodity pricing as defined in Schedule PC-TBS, the provisions and applicable charges of the Direct Access Cost Responsibility Surcharge (DA-CRS) as defined in Schedule DA-CRS, and be ineligible to receive DA Revenue Cycle Services Credits (DA-RCSC) as defined in Schedule DA-RCSD with the exception of the meter ownership credit, if applicable.

5. DA customers electing the TBS option may continue to use the same meter provided it is compatible with SCE’s meter reading system. Incompatible meters will be replaced by SCE with a meter that meets the customer’s applicable tariff requirements, unless SCE is able to provide a special meter read for a fee. The customer and SCE may also agree on an alternative arrangement. Special metering requirements while receiving TBS will be subject to costs set forth in Schedules CC-DSF and ESP-DSF.
6. Service accounts returning to DA service at the conclusion of their TBS term will retain their continuous DA status associated with Schedule DA-CRS, if applicable.

B. Bundled Portfolio Service

1. This service option became effective February 19, 2004 and is applicable to all DA-eligible SAs that return to bundled service for a minimum of 18 months. This 18-month minimum bundled service commitment is referred to as SCE’s Bundled Portfolio Service (BPS). The following conditions apply:

a. Customers electing this service make an 18-month commitment and will not be allowed to return to DA service until their 18-month minimum period has been completed. The 18-month minimum period begins on the date the SA is switched to BPS after the conclusion of the six-month notice period as described in Section B.1.b. below. With the exception of the one-time temporary waiver described in Section D.4 below, no early release from an 18-month commitment will be granted.

b. Customers must provide a six-month advance notice to SCE before becoming eligible for BPS. This period allows SCE time to adjust its procurement activity to accommodate the additional load. This notification must be made by submitting the Six-Month Advance Notice to Return to Bundled Service form via U. S. mail or e-mail. SCE will provide the customer with written confirmation that includes the switching process information within 20 business days of receiving the notification. Customers have 3 business days from the date SCE receives the notification to rescind the request. Once these 3 business days lapse the notification cannot be cancelled. SCE will process requests to receive BPS in the following manner:

i. Service account transfers to BPS will be switched on the customer’s next scheduled read date (SRD) after the completion of the six-month notice period. If an SA has a meter that is incompatible with SCE’s meter reading system as set forth in Rule 22, SCE will replace the incompatible meter with a meter that is acceptable to SCE. These metering services will be completed at the expense of the customer in accordance with Schedule CC-DSF.

ii. SCE will initiate a DASR to transfer the account to BPS and will provide notifications to the customer and ESP in accordance with Rule 22, Section E.7.

iii. During the six-month notice period customers may either continue on DA service or return to bundled service and
receive TBS pricing terms as set forth in Section A.4 above. SCE will process any DASR returning the SA to bundled service during the six-month notice period in accordance with Rule 22 and will provide service to the customer on the TBS rate for the remainder, if any, of the six-month notice period. SCE will initiate the transfer of the SA to BPS at the conclusion of the six-month notice period and will notify the customer. The metering requirements of Section B.1.b.i above will apply to returns during the six-month notice period. Customers electing to receive TBS from SCE anytime during the six-month notice period cannot return to DA service.

iv. Service accounts returning to DA service at the conclusion of the BPS term will retain their continuous DA status associated with Schedule DA-CRS, if applicable. DA customers continue to be responsible for DA-CRS under-collections and are subject to the terms of Schedule DA-CRS.

2. At the end of a DA-eligible SA’s 18-month BPS commitment, the customer may have the option to transfer to DA service under the provisions of Section 18.1 above or remain on bundled service. SCE will provide the customer with a courtesy reminder 8 months before the expiration of the SA’s 18-month BPS commitment. If for any reason the customer is not sent, or does not receive, a courtesy reminder from SCE, the customer is not relieved of its responsibility for providing SCE the notice required in Section 18.1 above.

a. Customers electing to remain on bundled service are not required to take any action.

3. Effective March 11, 2010, the right to transfer to DA service is closed to residential customers. However, residential customers previously classified as DA-eligible that submitted a six-month advance to transfer to DA service prior to March 11, 2010 retains a one-time right to transfer to DA service pursuant to D.10-03-022 and the conditions set forth in Section B. If a residential DA customer returns to bundled service, the customer will not be permitted to switch back to DA service.

18.8. ESP Financial Security Requirements for Incremental Procurement Costs

Decision D.13-01-021 determines and implements financial security and reentry fee requirements applicable to ESP provision of DA service to residential and small commercial and industrial customers. ESP responsibility for reentry fees and financial security requirements cover the risks of a mass involuntary return of
DA customers to bundled utility service. ESP financial security requirements are to include incremental procurement cost risks for mass involuntary returns involving DA residential and small commercial customers not affiliated with a large customer. Large commercial and industrial (C&I) customers, as well as small residential and commercial customers affiliated with a large customer, bear their own risks for increased procurement costs, if any, in the event of a mass involuntary return to bundled service. ESP requirements include no provision for incremental procurement costs for such customers.

The methodology adopted to determine financial security amounts and reentry fees ensure bundled service customer indifference in the event of a mass involuntary return. The calculation is limited to include only DA residential and small commercial customers (those having load of < 20 kW, and not affiliated with a large customer). Medium and large DA C&I customers (those with loads >/= 20 kW) will bear their own procurement cost risks in the event of an involuntary return. A methodology is adopted to derive incremental procurement costs for the financial security requirement and reentry fees for a mass involuntary return of DA residential and small commercial customers. In connection with this determination, clarification is provided on certain related implementation issues for administering the ESP requirements.

A. An overview of the ESP financial security and reentry fees requirements imposed by Decision D.13-01-021 are listed below:

1. For the purpose of identifying ESP reentry fee and financial security amounts to cover incremental procurements costs for DA small commercial customers, the calculation (identified in Section 18.8.B below) will only apply to DA customers with < 20 kW demand for three consecutive months during the preceding 12 months that are not affiliated with a large customer (>/= 20 kW demand).

2. For the purpose of identifying small DA customer accounts not affiliated with a large customer in calculating ESP financial security requirements, each ESP will be responsible for certifying the applicable information for its customers. The ESP will utilize the applicable data filed with the California Public Utilities Commission (CPUC) as part of each ESP’s Standard Service Plan (SSP) submission.

   a. To assist ESPs with the annual certification, SCE will provide confidential lists to each ESP of their active small commercial (< 20 kW demand) and residential service accounts. The list will include customer accounts actively receiving DA service in addition to accounts that have an accepted Direct Access Service Request (DASR) on file with SCE for DA service for each individual ESP.

   b. ESPs will be asked to complete the mandatory fields in the list (spreadsheet) as follows:
i. Select “Yes” or “No” as applicable for each small customer account listed on the ESP specific spreadsheet under the “Is Account Affiliated with a Large Service Account?” column heading

ii. If affiliated, insert the name and service account number of the Large Service Account with which the small customer account is affiliated and please briefly explain the affiliation (e.g., college dormitories, franchise, etc.)

iii. Complete and sign the ESP Declaration

iv. It is important that your spreadsheet is completed, certified and returned to SCE by the specified due date via e-mail to espsupt@sce.com

   • If SCE does not receive your certified list of affiliated small customer accounts (actual spreadsheet) by the specified due date, SCE will have no alternative but to assume that none of your small customer accounts are affiliated for purposes of calculating the ESP financial security amount.

3. A dead-band of 10% will apply when updating the ESP posted financial security amount. (If the posted ESP amount is < 90% or > 110% of the recalculated amount, the ESP amount will be increased or decreased to the recalculated amount.

4. When the CPUC approves the incremental ESP financial security amounts, the ED will notify each ESP of any additional amounts due. Each ESP will post any additional amounts with the CPUC within 30 days of receiving the ED notification.

5. The posted ESP financial security amounts will be updated semi-annually, with updated calculations submitted to the ED by SCE in the form of a Tier 2 Advice Letter. SCE will file the Tier 2 Advice Letter by the 10th of May and November of each year. The ESP will post any updated financial security amount with 30 days of receiving the ED notification.

6. The time period for calculating incremental procurement costs is limited to cover procurement costs expected over an eight-month period.

7. These calculated financial security requirements replace the security amounts that were based on the number of customers which served as
proof of financial viability. However, the minimum requirement to post an initial $25,000 as part of registering as an ESP remains in effect.

8. The required financial security amount will be the higher of the amounts determined by the calculation(s) identified in Section 18.8.B below or the deposit previously required for ESP registration to provide recourse for residential and small commercial customers in the event of fraud or nonperformance.

9. Reentry fees will be calculated within 60 days of the initiation of a mass involuntary return or receipt of the ESP’s advance written notice and will be a binding estimate of SCE’s incremental administrative costs, and incremental procurement costs, as applicable. Reentry fees are due and payable within 15 days of the IOUs demand being issued to the ESP for payment. The incremental procurement costs will be calculated using the same steps identified in Section 18.8.B below, but using the market prices at the time the calculation is performed.

10. An ESP who fails to pay the demanded reentry fees within the prescribed 15 days will be determined to be in default under the ESP’s financial security requirement, entitling SCE to immediately draw on the financial security instrument to recover the reentry fees.

11. Any reentry fees not recovered from an ESP or its financial security instrument will be recovered from the DA customers involuntarily returned by the ESP over a reasonable period of time that will not exceed the 18-month BPS commitment period. If SCE subsequently recovers additional reentry fees from the ESP, a refund of any amounts collected from the involuntarily returned customers will be provided to those customers.

12. The methodology identified in Section 18.8.B below is intended to derive incremental procurement costs applicable to ESP financial security and reentry fee requirements to cover the mass involuntary return of DA small commercial and residential customers to bundled service.

13. Customer size will be determined annually in connection with SCE’s Advice Letter filing of ESP security amounts in May of each year. If a commercial customer account shows < 20 kW demand for three consecutive months during the preceding 12 months, and is not affiliated with a large customer, the customer will be considered to be small for ESP financial security requirements for incremental procurement cost purposes.
B. Incremental Procurement Costs for DA Small Commercial and Residential Customers

The following steps apply for purposes of determining ESP financial security requirements and reentry fees for incremental procurement costs associated with the mass involuntary return of DA small commercial and residential customers to bundled service.

1. Forecast Energy Price

To forecast incremental procurement costs a forward price will be calculated using the same forward pricing data source used by the Energy Division (ED) to calculate the Market Price Benchmark (MPB). Forward prices will use the average of daily peak and off-peak energy prices for all trading days in Month M-1 for Months M+1 to Month M+8, inclusive, where Month M denotes the month when the financial security amount is calculated.

The average of the most recent two years of historical usage data for DA customers to whom the ESP intends to offer services may be used if the ESP forecast is lower than the historical average by more than 10%, unless a collaborative load forecast has been established.

The forward price calculation will apply the following formulas:

- PF ($/Megawatt-hours (MWh)) = Average of daily peak prices in month M-1 for Months M+1 to M+8, inclusive.
- OF ($/MWh) = Average of daily off-peak prices in month M-1 for Months M=1 to M=8, inclusive.
- PL (MWh) = Estimated ESP customers' Peak Period usage for 8 forward months.
- OL (MWh) = Estimated ESP customers' Off-Peak period Usage for 8 forward months.
- AF ($/MWh) = Load Shape Adjusted Flat Forward Price = \[((PF*PL)+(OF*OL))/(PL+OL)\].

2. Resource Adequacy (RA) Adder

SCE’s specific RA adder (in $/MWh) will be added, as derived from the revised MPB calculation for SCE’s most recent TBS rate. This will take into account the appropriate weighting for RA capacity.

The calculation is:

- RA Adder = [RA adder in $/MWh from the MPB for SCE’s most recent TBS rate].
3. Renewable Portfolio Standard (RPS) Adder

The RPS adder in $/MWh will be used, derived from the revised MPB calculation for SCE’s most recent TBS rate. This will take into account the application of the appropriate weighting for RPS energy.

The calculation is:
- **RPS Adder = [RPS adder in $/MWh from the MPB for SCE’s most recent TBS rate].**


The Forecast Price of New Power to serve mass involuntarily returned DA customers is the total forecasted price of power (on a per-MWh basis) to be added to SCE’s bundled portfolio to serve the mass involuntarily returned DA customers for an 8-month period after a mass involuntary return. SCE’s specific loss factor used in the MPB should be applied to all component parts.

The calculation is:
- **Forecast Price of New Power = (AF+RA Adder+RPS Adder)*IOU Loss Factor**

5. SCE System-Average Bundled Generation Rate

- SCE’s system-average Bundled Generation Rate is determined by using the system-average bundled generation rate in the most recent rate change filing.

6. Incremental Procurement Cost Exposure

The forecasted exposure to incremental procurement costs, to be covered by the ESP financial security, is equal to SCE’s system-average Bundled Generation Rate subtracted from the Forecast Price of New Power, and multiplied by the annual ESP load (in MWh). For purposes of calculating the incremental procurement cost exposure, only customers with <20 kW demand will be included. Customers with \( \geq 20 \) kW demand (and small customers affiliated with large customers) will not be included in the calculation of incremental procurement cost exposure.

Assumptions for the calculation:
- **ESP load from 18.8.B.1 above should be used.**

Negative incremental costs (net of positive administrative costs) are set to zero such that if the Forecast Price of New Power is lower than SCE’s system-average Bundled Generation Rate, after netting of
positive administrative costs, then there is zero incremental procurement cost exposure.

The calculation is:
- Incremental Procurement Cost Exposure = MAX\([(\text{Forecast Price of New Power-SCE system-average Bundled Generation Rate}) \times \text{ESP Load in MWh}, 0]\).

7. ESP Financial Security Amount

The forecasted exposure to incremental procurement costs, to be covered by the ESP financial security, is equal to SCE’s system-average Bundled Generation Rate subtracted from the Forecast Price of New Power, and multiplied by the annual ESP load (in MWh). For purposes of calculating the incremental procurement cost exposure, only customers with <20 kW demand will be included. Customers with \( \geq 20 \) kW demand (and small customers affiliated with large customers) will not be included in the calculation of incremental procurement cost exposure.

Assumptions for the calculation:
- A negative Incremental Procurement Cost Exposure will be netted against incremental administrative costs.
- Incremental Administrative Cost = [SCE’s tariff-authorized administrative reentry fee] \times \text{Forecasted number of ESP customer accounts}.