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Commissioner Justin Olson

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Arizona Corporation Commission

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

JUL 23 2019

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RE: *In the Matter of Possible Modifications to the Arizona Corporation Commission's Retail Electric Competition Rules, RE-00000A-18-0405.*

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.

