

PUBLIC UTILITIES COMMISSION

SAN FRANCISCO, CA 94102-3298



February 13, 2009

Advice Letter 2309-E

Akbar Jazayeri
Vice President, Regulatory Operations
Southern California Edison Company
P O Box 800
Rosemead, CA 91770

**Subject: Request for an Amendment to SCE's AB 57 Procurement
Plan – Additional Brokerage**

Dear Mr. Jazayeri:

Advice Letter 2309-E is effective February 9, 2009.

Sincerely,

A handwritten signature in blue ink, appearing to read "Julie A. Fitch".

Julie A. Fitch, Director
Energy Division

January 6, 2009

ADVICE 2309-E
(U 338-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION

SUBJECT: Request for an Amendment to SCE's AB 57 Procurement Plan
– Additional Brokerage

PURPOSE

This advice filing requests that the California Public Utilities Commission (Commission or CPUC) approve an amendment to Southern California Edison Company's (SCE) Assembly Bill (AB) 57 Procurement Plan¹ (PP) to add World Energy Solutions, Inc. (World Energy), with its online auction platform, as an additional authorized brokerage.

BACKGROUND

In its 2004 Short-Term PP, SCE stated that it "anticipates using different methods to execute transactions depending on product requirements and prevailing market conditions. SCE proposes to select appropriate method(s) depending on the transaction contemplated to ensure that transaction prices are competitive. If SCE determines that use of additional transaction methods and/or brokerages/exchanges would be beneficial during the term of the procurement plan SCE will propose such methods via the advice letter process."²

In addition, in D.04-12-048 (Findings of Fact 73) the Commission stated "we further clarify that D.03-12-062 authorized IOUs to conduct procurement using an electronic auction format for execution of competitive solicitations, among other transactional methods. The authorized products are good for short-, medium-, and long-term procurement."

¹ SCE filed its 2006 Procurement Plan (the "LTPP") on December 11, 2006, and it was approved with certain modifications by Decision (D.)07-12-052, effective December 20, 2007. SCE's Conformed 2006 LTPP, which captures the modifications from D.07-12-052, was approved by Resolution E-4185, effective July 31, 2008.

² 2006 LTPP at Vol. 3, pp. 3-11.

Since its 2004 Short-Term PP, SCE has expanded its list of authorized brokerages and exchanges. Its current list of authorized brokerages and exchanges may be found in SCE's 2006 Conformed LTPP on Sheets 45 through 47.

JUSTIFICATION

Access to additional methods of transacting is important for SCE because it can provide enhanced price discovery, competition and liquidity for the physical and financial products SCE needs to hedge its customers' energy and energy-related product price exposure. The addition of new brokers and exchanges to SCE's list of approved brokers and exchanges will increase SCE's procurement choices, allowing SCE to choose the lowest-cost hedging option for its customers.

BROKERS

Brokers do not take title to transacted products, but instead match anonymous buyers and sellers (collectively, "counterparties") for a fee. In order for a brokered transaction to proceed, each counterparty must have an enabling agreement in place with the other and must have authorized the broker to match it with that counterparty. Importantly, brokers do not reveal the names of potential counterparties to the market, but only reveal the identity of counterparties to each other after a match has been made. Brokers aid in market price discovery and increase market liquidity by allowing numerous counterparties to anonymously share and access pricing information at the same time. This is critical in volatile energy markets where it is not feasible to contact each potential counterparty directly for each potential transaction.

SCE requires new brokers to execute an SCE-form Brokerage Agreement that covers the applicable business terms, which include confidentiality. Such an agreement is not an obligation on SCE's part to transact business with that broker, but rather, provides the capability to do so if pricing is favorable. Because brokers do not take title to transacted products, SCE assumes no additional risk when it adds new brokers to its list of authorized brokers.

WORLD ENERGY

SCE proposes to utilize World Energy to provide brokerage services through an online electronic auction consistent with D.04-12-048 (Findings of Fact 73). Similar to other brokers previously approved by the CPUC, World Energy does not participate as a principal in the transaction, but rather, matches SCE with a counterparty(ies) offering/bidding the best price for a fee. Unlike traditional brokers, World Energy uses an online auction format where participants directly compete against each other. At the end of the auction, SCE may, or may not, choose to accept any or all of the offers/bids made by the counterparties.

As a pre-condition to participating, all interested counterparties will be required to enter into a standardized enabling agreement (e.g. EEI, ISDA, NAESB) with SCE governing the particular product being auctioned. World Energy will then conduct the auction for the SCE-specified product, during which time the auction participants will have an opportunity to offer or bid against each other. The time period during which the auction is open is determined by SCE and

may be as short as 10 minutes for a standard product to several days for a more complicated, structured product. After the auction, SCE would determine whether or not to select any available transaction and, if so, the desired quantity.

SCE investigated the use of online auctions as a potentially more economic transaction method to procure energy and energy-related products. After discussions with external experts and research of the available platforms, SCE determined that World Energy Solutions was the most accepted and widely used such platform in the field. World Energy has transacted in excess of 45 million MWh and 1 TCF of natural gas across its platform. World Energy currently has 38 wholesale customers and in excess of 25 federal agencies under contract. Six states have contracted through World Energy exclusively for their procurement of power and gas (Massachusetts, Delaware, New Jersey, Connecticut, Pennsylvania, and Maryland).

While World Energy's services are similar to brokerages in that they provide the best available price for a given product from market participants competing against each other, certain aspects of price transparency vary. First, SCE is the only buyer of products offered in the auction and only the auction participants (as opposed to all market participants) are able to view bid prices. However, any market participant that is willing to enter into an enabling agreement with SCE is allowed to participate in the auction and can view the best bid price as the auction progresses. This actually provides more price transparency to auction participants than SCE's RFO's participants receive where "last, best and final" prices are not shared during or at the conclusion of the solicitation.

Second, the final available auction pricing is not made public, as it would be disadvantageous to SCE's customers to reveal the final awarded bid price at the end of the auction since SCE is the only buyer. Final pricing will be made public according to the timelines and criteria established in the Confidentiality Matrix located in Appendix 1 of D.06-06-066. Third, the auction design may provide that bids submitted in the last few minutes of the auction are not shown to auction participants. This element can be included in the auction design to drive the competitiveness of the auction toward obtaining participants' "last, best, and final" pricing. Again, although prices are not revealed immediately to the public, pricing information will become publicly available according to the guidelines established in D.06-06-066 Confidentiality Matrix. As with SCE's RFO processes, the CPUC will have full access to pricing through the process.

As noted in the table below, SCE plans to use World Energy Solutions, Inc. to buy or sell electricity, natural gas, and environmental products. Confidentiality of transaction information relating to the World Energy auctions is addressed in Sections VII(B) (for electricity products) and I(B)(2) (for natural gas products) of the Confidentiality Matrix. D.06-06-066 does not address price information on emission allowances. Because information on emission allowances has the potential to materially affect the market price that an energy buyer would pay for electricity, it is "market sensitive" under Public Utilities Code Section 454.5(g).

For the reasons set forth above, World Energy meets the Commission's requirements for adding World Energy as a broker to SCE's list of authorized brokers and exchanges.

REQUEST FOR COMMISSION APPROVAL

New Brokerages and Authorization of Additional Products

Through this Advice Letter, SCE seeks CPUC approval to add one brokerage (World Energy Solutions, Inc.) to SCE’s current list of CPUC-authorized brokerages and exchanges.

In D.03-12-062 the CPUC authorized SCE’s use of brokerage services provided by Amerex, ICAP Energy LLC, TFS Energy, or Prebon Energy when transacting electricity and natural gas products. On June 20, 2006, the CPUC also authorized the use of GFI Brokers LLC and Spectron Energy Inc. for natural gas products. The CPUC further addressed the issue of SCE’s approved brokerages in its October 2, 2006, letter approving Advice Letter 2039-E when it allowed SCE to add Calyon Financial Inc. and ABN AMRO³ for NYMEX exchange gas products. On June 11, SCE submitted an advice letter amendment to its AB57 Procurement Plan to request, *inter alia*, additions to SCE’s approved list of approved brokerages/exchanges. The table below provides the additional brokerage and products for which SCE requests CPUC approval.

SCE requests that the Commission approve the following addition to the list of approved brokerages/exchanges in SCE’s AB57 Procurement Plan that may be used by SCE:

Proposed Brokerage and Products

PLATFORM	PLATFORM SPONSORS	DATE LAUNCHED	PRODUCTS TRADED AND/OR INFORMATION PROVIDED
<i>Brokerages</i>			
World Energy Solutions, Inc.	Publicly Traded	1999	Electricity: Physical and Financial; Natural Gas: Physical and Financial; Environmental: emission allowances and green attributes

REQUESTED APPROVAL

SCE proposes to amend its AB 57 Procurement Plan to add an additional brokerage and exchange, and respectfully requests that the Commission approve the use of the additional brokerage specified above.

³ After SCE received approval to add ABN AMRO Global Energy Futures (“ABN AMRO”), ABN AMRO’s brokerage was purchased by UBS. SCE is in the process of negotiating an agreement for clearing firm services with UBS.

TIER DESIGNATION

Pursuant to D.07-01-024, Energy Industry Rule 5.2, this advice letter is submitted with a Tier 2 designation.

EFFECTIVE DATE

This advice filing will become effective upon review and approval by the Commission.

NOTICE

Anyone wishing to protest this advice filing may do so by letter via U.S. Mail, facsimile, or electronically, any of which must be received by the Energy Division and SCE no later than 20 days after the date of this advice filing. Protests should be mailed to:

CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, California 94102
E-mail: inj@cpuc.ca.gov and mas@cpuc.ca.gov

Copies should also be mailed to the attention of the Director, Energy Division, Room 4004 (same address above).

In addition, protests and all other correspondence regarding this advice letter should also be sent by letter and transmitted via facsimile or electronically to the attention of:

Akbar Jazayeri
Vice President of Regulatory Operations
Southern California Edison Company
2244 Walnut Grove Avenue
Rosemead, California 91770
Facsimile: (626) 302-4829
E-mail: AdviceTariffManager@sce.com

Bruce Foster
Senior Vice President, Regulatory Affairs
c/o Karyn Gansecki
Southern California Edison Company
601 Van Ness Avenue, Suite 2040
San Francisco, California 94102
Facsimile: (415) 673-1116
E-mail: Karyn.Gansecki@sce.com

With a copy to:

Deana Ng
Attorney
Southern California Edison Company
2244 Walnut Grove Avenue, 3rd Floor
Rosemead, CA 91770
Facsimile: (626) 302-1935
E-mail: Deana.Ng@sce.com

There are no restrictions on who may file a protest, but the protest shall set forth specifically the grounds upon which it is based and shall be submitted expeditiously.

In accordance with Section 4 of General Order No. (GO) 96-B, SCE is serving copies of this advice filing to the interested parties shown on the attached GO 96-B and R.04-04-003 service lists. Address change requests to the GO 96-B service list should be directed to (626) 302-4039 or by electronic mail at AdviceTariffManager@sce.com. For changes to all other service lists, please contact the Commission's Process office at (415) 703-2021 or by electronic mail at Process_Office@cpuc.ca.gov.

Further, in accordance with Public Utilities Code Section 491, notice to the public is hereby given by filing and keeping the advice filing open for public inspection at SCE's corporate headquarters. To view other SCE advice letters filed with the Commission, log on to SCE's web site at <http://www.sce.com/AboutSCE/Regulatory/adviceletters>.

For questions, please contact Dhaval Dagli at (626) 302-4840 or by electronic mail at: Dhaval.Dagli@sce.com.

Southern California Edison Company

Akbar Jazayeri

AJ:dd:jm
Enclosures

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No.: Southern California Edison Company (U 338-E)

Utility type:

- ELC GAS
 PLC HEAT WATER

Contact Person: James Yee

Phone #: (626) 302-2509

E-mail: James.Yee@sce.com

E-mail Disposition Notice to: AdviceTariffManager@sce.com

EXPLANATION OF UTILITY TYPE

ELC = Electric GAS = Gas
 PLC = Pipeline HEAT = Heat WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 2309-E

Tier Designation: 2

Subject of AL: Request for an Amendment to SCE's AB 57 Procurement Plan-Additional Brokerage

Keywords (choose from CPUC listing): Compliance, Procurement

AL filing type: Monthly Quarterly Annual One-Time Other

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: _____

Summarize differences between the AL and the prior withdrawn or rejected AL¹: _____

Confidential treatment requested? Yes No

If yes, specification of confidential information:

Confidential information will be made available to appropriate parties who execute a nondisclosure agreement.

Name and contact information to request nondisclosure agreement/access to confidential information:

Resolution Required? Yes No

Requested effective date: Upon approval No. of tariff sheets: -0-

Estimated system annual revenue effect: (%): _____

Estimated system average rate effect (%): _____

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: None

Service affected and changes proposed¹: _____

Pending advice letters that revise the same tariff sheets: None

¹ Discuss in AL if more space is needed.

Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Ave.,
San Francisco, CA 94102
inj@cpuc.ca.gov and mas@cpuc.ca.gov

Akbar Jazayeri
Vice President of Regulatory Operations
Southern California Edison Company
2244 Walnut Grove Avenue
Rosemead, California 91770
Facsimile: (626) 302-4829
E-mail: AdviceTariffManager@sce.com

Bruce Foster
Senior Vice President, Regulatory Affairs
c/o Karyn Gansecki
Southern California Edison Company
601 Van Ness Avenue, Suite 2040
San Francisco, California 94102
Facsimile: (415) 673-1116
E-mail: Karyn.Gansecki@sce.com

SOUTHERN CALIFORNIA EDISON COMPANY'S
2006 LONG-TERM PROCUREMENT PLAN

UPDATED SHEET FOR SOUTHERN CALIFORNIA EDISON COMPANY'S
CONFORMED 2006 LONG-TERM PROCUREMENT PLAN

REDLINED PUBLIC VERSION

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Advice 2309-E
Decision 07-12-052

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Issued by
Akbar Jazayeri
Vice President

Date Filed Jan 06, 2009
Effective _____
Resolution _____

**SOUTHERN CALIFORNIA EDISON COMPANY'S
2006 LONG-TERM PROCUREMENT PLAN**

Sheet 46-A

Intercontinental Exchange (ICE)	Brokers, Energy Companies	2000	Intra-Day Hourly, Day Ahead, Monthly, Yearly
IVG Energy, Ltd (voice broker)	Private Investors	2004	Electricity: Physical and Financial Natural Gas: Physical and Financial
Landmark (voice broker)	Private investors	2002	Hour Ahead
Tullete Liberty Inc. (acquired Natsource and changed its name in 2004) (voice broker)	Partners include: Tullete & Tokyo Liberty, Inc., Tokyo Tanshi Co., Ltd., Pareto AS, Mitsubishi International Corporation, Hafslund Invest AS	1994	Day Ahead, Monthly, Quarterly, Calendar; Physical, Financial, Options; SO ₂ Allowances (historic, current and future vintages); Direct purchases and sales, forward purchases and sales, purchases and sales of options
Prebon Energy (voice broker)	Subsidiary of Prebon Yamane	Gas 1992 Electricity 1995	Day Ahead, Monthly, Quarterly, Calendar; Physical, Financial, Options; SO ₂ Allowances (historic, current and future vintages); Direct purchases and sales, purchases and sales of options
Saddleback Energy	Private Investors	2002	Natural Gas: Physical and Financial
Smith Barney (now Citigroup)	n.a.	1892	Exchange commodities (Gas)
Spectron (voice broker)	Private Investors	1988	Natural Gas: Physical and Financial; SO ₂ Allowances (historic, current and future vintages); Direct purchases and sales, forward purchases and sales, purchases and sales of options
TFS Energy (voice broker)	Subsidiary of TFS Brokers	1995	Limited Day Ahead, Monthly, Quarterly, Calendar; Physical, Financial, Options; SO ₂ Allowances (historic, current and future vintages); Direct purchases and sales, forward purchases and sales, purchases and sales of options
<u>World Energy Solutions, Inc.</u>	<u>Publicly Traded</u>	<u>1999</u>	<u>Purchase and sale of physical and financial Electrical Energy and Capacity, Natural Gas, Emissions Allowances and Green Attributes and options.</u>
<u>Exchanges and Their Associated Clearing Firms</u>			
NYMEX: Member Clearing Firms Listed Below		1872	As Below
ABN AMRO Global Energy Futures	n.a.	1824	NYMEX Exchange gas products; e.g., futures, swaps, options
Calyon Financial Inc.	n.a.	1987	NYMEX Exchange gas products; e.g., futures, swaps, options

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Advice 2309-E
Decision 07-12-052

Issued by
Akbar Jazayeri
Vice President

Date Filed Jan 06, 2009
Effective _____
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Southern California Edison
Rosemead, California (U 338-E)

SOUTHERN CALIFORNIA EDISON COMPANY'S
2006 LONG-TERM PROCUREMENT PLAN

Sheet 46-A



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Advice 2309-E
Decision 07-12-052

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Issued by
Akbar Jazayeri
Vice President

Date Filed Jan 06, 2009
Effective _____
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