



HESS CORPORATION

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June 6, 2008

VIA OVERNIGHT MAIL
Hon. James J. McNulty
Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

RE: Docket No. M-00072009 – Default Service and Retail Electric
Markets – Retail Markets Working Group –
Position Paper of Hess Corporation

Dear Secretary McNulty:

Pursuant to the Commission's April 15, 2008 letter notice in the above-referenced proceeding, enclosed please find an original and 10 copies of the Position Paper of Hess Corporation ("Hess"). In addition, I will be serving as Hess' contact for the Retail Markets Working Group with my full information contained on the signature block of Hess' Position Paper.

In order to assist with our record keeping, please file stamp the extra copy and return it to me in the enclosed self-addressed stamped envelope included for that purpose. If you have any questions, please do not hesitate to contact me at (732) 750-7048. Thank you for your attention to this matter,

Sincerely,

Jay L. Kooper
Director of Regulatory Affairs

Enclosures

cc: Lawrence F. Barth, Esq. (Assistant Counsel, Law Bureau) (via e-mail)

**COMMONWEALTH OF PENNSYLVANIA
PUBLIC UTILITY COMMISSION**

Default Service and Retail Electric Markets -)
Retail Markets Working Group) Docket No. M-00072009

POSITION PAPER OF HESS CORPORATION

INTRODUCTION

Hess Corporation (“Hess”) submits this Position Paper in response to the Commission’s April 15, 2008 letter notice (“Notice”)¹ in the above-reference proceeding. In the Notice, the Commission requests parties to submit position statements on issues addressed by the Commission in its Final Policy Statement on default service and retail electric markets (“Policy Statement”) issued on May 10, 2007 in the above-referenced proceeding.²

By way of background, Hess is a licensed competitive electric generation supplier (“EGS”) in Pennsylvania and the largest provider of electricity and natural gas in the Mid-Atlantic, New England, Ohio Valley and Southeast regions. Hess is a strong supporter of the measures addressed in the Policy Statement and believes that these measures – coupled with a default service structure that relies on consistently market-reflective price signals – will help to establish a robust retail electric market that will

¹ See *Default Service and Retail Electric Markets – Retail Markets Working Group*, Docket No. M-00072009, Letter from Pennsylvania Public Utility Commission To All Interested Parties (dated April 15, 2008) (“Notice”).

² See *Default Service and Retail Electric Markets*, Docket No. M-00072009, Final Policy Statement (May 10, 2007) (“Policy Statement”).

provide customers with ample choice of a variety of product and service offerings that are tailored to the customer's specific electric consumption needs.

As stated in our prior Comments³ filed in this proceeding, Hess strongly supports the creation of the Retail Markets Working Group, has championed the inclusion of the issues that were incorporated into the Group's purview by the Commission in the Policy Statement, and looks forward working with the stakeholders in the collaborative process.

HESS POSITIONS

I. BILL-READY AND RATE-READY CONSOLIDATED BILLING

In Section 69.1813 of the Policy Statement, the Commission states: “[T]he public interest would be served by the consideration of the availability of rate and bill ready billing in each service territory.”⁴ Hess strongly agrees with the Commission's holding and supports adoption of this policy through the work of the Retail Markets Working Group.

Currently, bill-ready and rate-ready comprise the two consolidated billing practices employed by Pennsylvania Electric Distribution Companies (“EDCs”). The bill-ready practice requires EGSs, after receiving customers' usage data, to calculate the customers' charges and send this calculation along with billing information and bill messages to the EDC through an Electronic Data Interchange (“EDI”) transaction in a format compatible with the EDC's bill format. The rate-ready practice requires EGSs to furnish to the EDC in advance of the billing cycle the rates, rate codes or prices (fixed

³ See *Rulemaking Re Electric Distribution Companies' Obligation To Serve Retail Customers at the Conclusion of the Transition Period Pursuant To P.A.C.S. §2807(e)(2)*, Docket No. L-00040169; *Default Service and Retail Electric Markets*, Docket No. M-00072009, Comments of Hess Corporation (March 2, 2007) (“Comments”).

⁴ See Policy Statement, Annex A § 69.1813.

and/or variable), billing information and bill messages. The EDC then uses this information to calculate the EGS's charges.⁵

Rate-ready consolidated billing is an incompatible consolidated billing practice for EGSs when serving large C&I customers because many of the EGS products used to serve these customers are at least partially based on a variable price. In Hess' experience, large C&I customers tend to be highly sophisticated energy users who desire custom-fit tailored hybrid products that are partially fixed-price and partially based on variable, spot market prices. The incompatibility of the rate-ready practice occurs where the EGSs must provide the prices to EDCs in advance of the next billing cycle. In this situation, EGSs will not know what the variable price component of the hybrid product will be at the date of the next meter read. The price information provided to the EDC on the due date ahead of the meter read is therefore stale and inaccurate because the variable price on the submission date to the EDC is not the same price on the day of the meter read. This situation creates a substantial disincentive for EGSs in serving large C&I customers through consolidated billing.

Conversely, bill-ready consolidated billing is more compatible for serving large C&I customers on consolidated billing. This is because this practice enables the EGS to take the up-to-date variable price component of the hybrid product, utilize this fresh variable price in calculating the customer's charges, and send the calculated charge to the EDC in a timeframe almost immediately prior to the meter read date via an EDI transaction. In this situation, the variable portion of the price of the hybrid product is

⁵ The Pennsylvania EDCs have varied in their approach to consolidated billing practices. The Pennsylvania Electric Company ("PECO") and Pennsylvania Power and Light Company ("PPL") employ bill-ready only consolidated billing. The Duquesne Light Company ("Duquesne") and UGI Energy Services ("UGI") employ rate-ready only consolidated billing. Allegheny Power Company ("Allegheny") and First Energy Corporation employ both bill-ready and rate-ready consolidated billing options.

fresh, more accurate, and the benefits of ensuring an accurate customer charge calculation far outweighs any cost of the EGSs “doing the math” and providing the customer charge calculation.

In sum, it is Hess’ experience that the bill-ready method is a preferable mechanism for EGS facilitation of large C&I customers on consolidated billing where the rate-ready method actually stands as a barrier to such facilitation. Hess is cognizant, however, that EGSs serving smaller commercial and residential customers may generally prefer rate-ready consolidated billing because it allows EDCs to “do the math” and calculate the customer’s charges. To ensure that there is maximum opportunity for and a reduction of barriers to customers of all sizes receiving consolidated billing if that is their choice, Hess recommends that all Pennsylvania EDCs be required to make available for EGSs both bill-ready and rate-ready consolidated billing with the EGS selecting one of these options provided by the EDC.

II. CUSTOMER DATA ACCESS

In Section 69.1812 of the Policy Statement, the Commission states in part that “[T]he public interest would be served by common standards and processes for access to retail electric customer information and data.”⁶ Hess strongly agrees with the Commission’s holding and supports adoption of this policy through the work of the Retail Markets Working Group.

Critical to EGS product development – and by extension customer choice – is the ability of EGSs to have access to timely, complete and accurate customer usage and demand data. Wherever possible, such data should be accessible through electronic

⁶ See Policy Statement, Annex A § 69.1812.

means, preferably through EDI or EDC websites. The ability of such electronic access becomes all the more crucial as EGSs begin to offer green power and demand response products requiring more granular data, smart meters enabling more granular data become more prevalent, and as Pennsylvania moves toward the expiration of the EDC rate caps.

Hess recommends that all Pennsylvania EDCs be required to provide to EGSs historical usage in kilowatt hours (“kWh”) for the most recent 12-month period along with 12 individual months of data for both usage and registered demand in kilowatts (“kW”). Hess further recommends that the Retail Markets Working Group develop standards for enabling access to historical usages data through EDI. Such access will enable EGSs to provide more accurate and customer-specific offers in a more timely and efficient manner, thereby further enhancing customer choice. This enhancement, in turn, will facilitate more innovative EGS product development through new product and service offerings that require and utilize more granular data. Finally, Hess recommends that the Retail Markets Working Group examine what data elements currently not included in EDI should be included in EDI going forward.

III. RETAIL CHOICE OMBUDSMAN

In Section 69.1817 of the Policy Statement, the Commission states “[T]he public interest would be served by the designation of an employee as a retail choice ombudsman at each EDC and the Commission.”⁷ Hess strongly agrees with the Commission’s holding and supports adoption of this policy through the work of the Retail Markets Working Group.

⁷ See Policy Statement, Annex A § 69.1817.

As the Commission has recognized that the development of robust and sustainable retail electric markets is in the public interest, the need for both a Commission and EDC resource to monitor the retail market for the benefit of customers, EGSs and choice in general becomes substantial. The need for a Retail Choice Ombudsman – particularly at the Commission – to champion customer education, customer complaint resolution, EDC-EGS dispute resolution and operational improvements to retail market structure is essential as retail competition develops. This is particularly true as more customers become empowered through smart meters and other tools to control their usage and choose among a variety of demand response, green power, energy efficiency, and other new products not solely focused on the fixed-price/variable-price dichotomy.

In establishing a Retail Choice Ombudsman, the Retail Markets Working Group need not start from scratch. In New York, the Public Service Commission has effectively promoted retail competition first through its Office of Retail Market Development and more recently through this office as reconstituted in the Office of Industry and Governmental Relations. Based on Hess’ positive experiences in New York with a designated resource for monitoring and fostering efficient and fair retail markets, implementation of a Retail Choice Ombudsman based on the New York model will serve to benefit EDCs, EGSs and customers alike.

IV. SUPPLIER TARIFF UNIFORMITY

In Section 69.1816 of the Policy Statement, the Commission states “[T]he public interest would be served by the adoption of supplier tariffs that are uniform as to both form and content.”⁸ Hess agrees with the Commission’s holding with one addendum,

⁸ See Policy Statement, Annex A § 69.1816.

and that is the adoption of supplier tariffs that are uniform as to their *adoption of statewide best practices* is in the public interest and will help facilitate customer choice through robust retail competition. Hess recommends that the Retail Markets Working Group apply this litmus test when exploring how to make the various Pennsylvania EDC supplier tariffs more uniform.

In approaching supplier tariff uniformity, Hess recommends that the Retail Markets Working Group conduct a review of each EDC's EGS Coordination Tariff, identify areas of inconsistency, and develop a recommendation for how greater uniformity can be achieved using best practices as the guiding principle for which practice should be the one adopted as uniform for all Pennsylvania EDCs. Hess is cognizant that given the wide array of issues involved with such an examination of EGS Coordination Tariffs, it is likely that the process could extend beyond the reasonably expedited schedule that this working group should adhere to. If such a situation arises going forward, Hess recommends that the supplier tariff uniformity component of the Policy Statement be addressed by the Retail Markets Working Group on a separate track that enables the remainder of the retail market enhancement issues to be finalized and implemented on a more expedited basis.

V. TIMELINE

It is Hess' firm position that the purpose in establishing the Retail Markets Working Group is to develop specific policy tools to enhance retail markets for all Pennsylvania EDCs in a timely manner and certainly well ahead of the expiration of the EDC rate caps. Thus, the most productive use of the Retail Markets Working Group is to focus on how these policies should be implemented as opposed to whether they should be

implemented. This process should not be used as a forum to delay or defer consideration of retail market enhancement programs in the EDCs' respective default service plans. On the contrary, the Commission has recognized these policies to be in the public interest and expects the Retail Markets Working Group to complete its work with sufficient time to implement these policies prior to the expiration of the various rate caps.

In support of this approach as clearly mandated by the Commission, Hess recommends that the Retail Markets Working Group proceed on an expedited schedule that enables final recommendations to be submitted to the Commission no later than the end of January 2009 (providing for a full six months plus accounting for holidays). Hess submits that such a schedule is absolutely necessary to enable EDCs to have sufficient time to adjust their information technology and business processes to implement the retail market enhancement policies endorsed by the working group and adopted by the Commission.

CONCLUSION

Hess appreciates the opportunity to present this Position Paper and encourages the Commission – and Law Bureau Staff who will oversee the Retail Markets Working Group – to incorporate the recommendations set forth herein. Hess looks forward to working with all Pennsylvania stakeholders in this critical initiative.

Dated: June 6, 2008
Woodbridge, New Jersey

Respectfully submitted,



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