

RMI Technical Conference – February 1, 2012

Submit all deliverables to ra-rmi@pa.gov

All discussion documents/deliverables available at
[RMI Discussion Documents & Deliverables](#)

Action Items highlighted in yellow

Organizational Issues

Moury: Staff summary of default service end-state proposals. Talking points: Comments appropriately summarized? If didn't submit comments, what is position? If PUC chooses model you didn't advocate, what should be included?

Statewide Consumer Education Campaign

Charles: Volunteers? Funding, message, structure, scope, etc? Have call within next 2 weeks and another by end of month. Proposal by end of March for RMI stakeholder group. Volunteers – Pennsylvania Energy Marketers Coalition (PEMC), Office of Consumer Advocate (OCA), Duquesne, FirstEnergy (FE), PECO, PPL and Constellation.

Universal Services Issues Subgroup

Mumford: PPL prepared document: [PPL Generation Supply Shopping by CAP Participants](#). To participate in subgroup, contact via ra-rmi@pa.gov w/name and contact info. Start this month.

End-State Default Service Models

1. Electric Generation Supplier (EGS) in Default Service Role

Retail Energy Suppliers Association (RESA) Proposal

ConEd/RESA: Modeled after April 2011 comments. Objective is to transition to end-state where EDC is no longer providing Default Service (DS). 2-step process: (1) transitional DS w/EGS providing service for 1-year, opt-out; (2) only have Provider of Last Resort (POLR) service provided by EGSs. 6/1/15 – all customers who didn't select EGS would be on POLR service (provided by EGSs). 2015-2016 – competitive enhancements in place. After, true POLR service – EGS default or exit only. Products results of competitive procurement processes so resulting

To the extent possible, information was compiled under one entity heading. It should be noted that this information may not reflect the views/opinions of all entities encompassed under that heading (e.g. "EGSs")

market price is what customers pay. Can implement under existing legal framework. One model is determined by Commission, look at possible regulatory changes. Use stakeholder meetings to address details. Use 5/31/15 PTC to determine discount off PTC option. After transitional period, POLR service is only for EGS default and priced at prevailing LMP plus adder. If POLR EGS goes bankrupt, customers picked up by other POLR EGSs. Discuss obligations in stakeholder meetings. Price compensatory for all load serving entity obligations and cash flows – have adder to compensate POLR – no reconciliation. 6/1/15 – no customers served supply by EDCs. Discuss contact overhang issue in stakeholder meetings. Have EDC provide billing and other services – move toward EGS end-state. POLR would be hourly – use average LMP and load profile.

Direct/Dominion/IGS Proposal

Dominion: Steps to get to end-state w/fully functioning competitive market – 100% shopping. Key elements: (1) 6/1/15, new customers initiate service through EGSs; (2) temporary DS for customers on DS as of 6/1/15. Assign to winning EGSs to serve for period of time. Winning EGSs would continue serving for as long as customer stays. End of period, no DS. Doesn't include POLR option. If EGS providing DS for temporary period of time defaults or leaves, other EGSs pick up customers. Haven't fully addressed who picks up customers in event of EGS default. One standard DS product from EGSs – probably fixed price with term. New/moving customers start with EGS directly via EDI. Would have to determine mechanism for EDC services. EDC awaits EDI transaction from EGS. If less than 5 EGSs show up in auction, accept lesser amount – have one auction. If customer doesn't choose, goes directly to DS. Different from RESA proposal in that customers initiate service through EGS. Differences in billing and universal service. Envision EDCs having POR programs.

WGES Proposal

WGES: Ultimately get to EGS Supplier Consolidated Billing (SCB). Envisions having number of customers on EDC DS by 06/2015. Have auction to place customers w/several EGSs. Participating EGSs would be ready to provide POLR service – formula basis – LMP. Initial auction would have common price. POLR formula may be adjusted over time based on market. Ideally, still have POR process in place.

Walmart Proposal

Walmart: SCB would be available.

Other

PEMC: Members submitted individual comments. In favor of model in which EGS is DSP.

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2. EDC in Default Service Role

OCA Proposal

OCA: Recommending plain vanilla DS. Continue to remove barriers to retail choice.

AARP/Pennsylvania Utility Law Project (PULP)/Community Legal Services (CLS)/Pennsylvania Coalition Against Domestic Violence (PCADV) Proposal

AARP: Add one item to emphasize – issue of approval of current statutory obligations/policies. Any radical changes require statutory changes.

Constellation Proposal

Constellation: Move to different section. Indifferent. Comments spoke to either scenario.

PennFuture Proposal

PennFuture: Protect net metering customers. EGSs don't have to provide full net metering benefits. Highlight importance of long-term Alternative Energy Portfolio Standards (AEPS) contracts. Cost recovery tied to generation charges. Unsure if Commission could make change to have EDCs procure credits and perform cost recovery. May need legislative changes.

Energy Association of Pennsylvania (EAP) Proposal

EAP: Move to 3rd section – see if enhancements work first. Give time and see how Commission feels about level of success. Neutral on ultimate end-state. Refer to General Assembly. EDCs would be OK under either model if done right. Act 129 provides for hybrid model.

PPL Proposal

PPL: Joint comments of PPL and PPL Energy Plus. Comments could be multiple categories. Issue of status quo vs. non status quo.

Duquesne Proposal

Duquesne: Plain vanilla DS. Neutral to end-state. Significant changes need legislative changes.

3. Revisit End-State of Default Service Later

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FirstEnergy Solutions (FES) Proposal

FES: Fit into several categories. See how competitive enhancements work. Use lessons learned to determine DS model – focus on product. Indifferent to provider. If EDC continues, make DS a POLR product. With possible legislative changes, access to customer data, billing, support fits with EDC. Going to EGS as DSP more difficult.

FE Proposal

FE: Likely that legislative/regulatory reform is needed. Ensure any model benefits customers and doesn't financially harm EDCs.

4. Focus on Product vs. Provider

Citizen Power Proposal

Citizen Power: 2 concerns – (1) protection against price spikes for DS customers; (2) viability of market – DS ends up being cheaper than market prices being offered due to quick energy price changes. Lessen impact by having EGSs offer similar products to DS to hedge risk.

Tendril Proposal

Tendril: Not just price competition – energy efficiency, alternative energy, etc. Put policies around consumer access to data. Irrespective of DSP, have policies to promote non-price competition. Encourage thinking about metering/billing in context of range of PA policy goals. Have various price offerings.

Staff to reorganize summary of end-state proposals.

Next Meeting

Moury: Value in allowing parties to criticize other parties' proposals?

Consensus – no.

PPL: Commission provide a Strawman?

Moury: Possibly let stakeholders in on what Staff's perspective is and give opportunity to try to persuade. Staff will determine what next steps will be.

PPL: Intermediate Work Plan (IWP) and Accelerated Switching Orders timeframe?

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Moury: IWP – Target Public Meeting of 3/1/12. Accelerated Switching – no target yet.

Future Meetings

1. Thursday, Feb. 16 at 1:30 PM – Split time between Consumer Education and Universal Service Subgroups.
2. Thursday, March 1 at 1:30 PM
3. Thursday, March 15 at 1:30 PM
4. Wednesday, March 21 – *en banc* – 10:00 AM – 4:00 PM – Hearing Room 1

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PAPUC Staff Summary of End-State Default Service Proposals

1) EGS in Default Service (DS) Role

Rationale offered by various commenters:

- Elimination of status quo bias afforded to EDC
- Ensure creation of opportunities for EGSs to offer vast array of products and services
- Development of new customer service options (i.e. billing structures)
- Allow EDCs to focus on their strengths – distribution of reliable electric service

Summary of RESA Proposal:

- Starting 6/1/15, EGSs provide Transitional Default Service
 - All DS customers are served by TDS providers through competitive procurement process (auction, market index or discount off price to compare)
 - Back-stop Provider of Last Resort (POLR) services provided by EGSs through competitive procurement process
- Starting 6/1/16, EGSs provide market-based Provider of Last Resort (POLR) for non-shopping customers – hourly LMP and admin adder
- Uniform statewide approach
- 2013-2015 planning phase
- Stakeholder processes for billing and end-state market design issues such as appropriate pricing methodology, methodology for allocating/aggregating customers, and process for communicating with customers
- Consumer protections – unchanged; need to address how service terminations are handled
- All licensed EGSs may be TDS provider but should have heightened standards if EGS is in POLR role – criteria need to be developed
- TDS providers and POLRs should pay PUC assessments

Billing	Metering	Universal Service	Act 129-EE	AEPS	PJM Settlement
1) During TDS: EDC 2) After TDS: Bill Co and SCB	EDC	EGS; Programs and funding levels remain intact; Allow CAP customers to shop	EDC	EGSs, TDSs, POLRs	EDCs

Summary of Direct/Dominion/IGS Proposal:

- By June 2012, require DS customers to select supply option from menu that includes EDC but not as a superior choice
- Establish date certain for end of EDC-Supplied DS; suggests 6/1/15
- Assign DS customers to EGSs via auction, with winning EGSs providing DS service for a set period
 - No EGS assigned more than 20% of eligible customers
 - No fewer than 5 winning EGSs in each EDC service territory
- All EGSs serving in DS role would serve in backstop/POLR role on rotating basis
- Each EDC would do own auction
- New/moving customers would arrange service through EGS, not the EDC
- Enhanced security and standards for EGSs in DS role are appropriate
- POR programs would continue with the EDC
- EDC would manage terminations under current rules
- PUC Assessments paid via non-bypassable surcharge as part of EDC bill

Billing	Metering	Universal Service	Act 129-EE	AEPS	PJM Settlement
EDC	EDC	EDC	EDC	Same as today	EDC

Summary of WGES Proposal:

- Multiple EGSs, load caps of 10-20%
- DS provider and POLR provider are same entity
- 6/1/15 implementation
- Either formula or auction to set DS price, random assignments of customers
- 1-2 year periods
- DS adjusted monthly to reflect current market costs
- Supplier Consolidated Billing should be available

Summary of Wal-Mart Proposal:

- Multiple EGSs, load caps of 30-40%
- Establish a date certain, suggests 6/1/15
- Auction for 1-2 year DS period
- DS – plain vanilla, 12 month fixed price product

- No early termination fee
- All licensed EGSs would be eligible to be DS provider
- Consumer education performed and paid for by the EGSs
- POR programs continue with EDC when doing consolidated billing
- Supplier Consolidated Billing should be available

2) EDC remains as Default Service Provider

Summary of OCA Proposal:

- DS should be plain vanilla – one product, flat rate, reconcilable on 12-month rolling basis
- DS should be available to all customers who do not choose EGS or whose chosen EGS fails to provide service
- EDC should procure mix of generation on a least cost basis over time
- No mark-up or profit on DS; price should reflect competitive wholesale market prices at which supply was acquired
- Price should change no more often than quarterly
- EDC should not promote DS and should present all information in neutral manner
- Reasonable competition enhancements should be implemented to inform, educate and facilitate a customer's choice of EGS, including referral programs and possibly retail opt-in auction
- POR programs should continue
- Commission may approve entity other than EDC as DS provider only after finding that EDC is not operationally or financially able to provide DS under reasonable rates and conditions and that an alternative DS provider could better meet the goal of providing reasonably-priced, stable default service

Summary of AARP, PULP, CLS and PCADV Proposal:

- Supports current statutory model-it is working well; EGSs are serving significant portion of commercial and industrial classes and a growing portion of residential class
- DS prices should not be based on short-term wholesale markets that would expose residential customers to risky and volatile prices for essential electric service
- Customers need stable and predictable default service
- Policies that expose customers to risky and volatile electric prices are contrary to current law

- Any changes need to be consistent with various guiding principles, including least cost overtime, low-income customer protections, quality of service, adequate reserve margins and customer standards/billing practices
- Departures from current model of the nature proposed by others would require statutory changes

Summary of Penn Future Proposal:

- Prefer to keep DS with EDC because of net-metering and effect on long-term AEPS contracts
- If DS provider is EGS:
 - Should impose net metering requirement on EGS
 - Address issues of long-term AEPS contracts
- Act 129-EE should stay with EDC

Summary of Industrial Customer Groups

- Prefer to keep EDC in DS provider role
- Support a model that includes as low an adder as possible associated with hourly-priced default service product; consider whether procuring the hourly product in-house is lower cost than using an auction
- A fixed price option should be available to large C&I customers

3) Focus on Product /Compliance with Existing Statutory Framework; Revisit End-State of DS after Implementation/Evaluation of Intermediate Work Plan

Summary of Energy Association Proposal:

- Keeping EDC in DS role ensures compliance with Act 129 “least cost over time” standard, which is intended to provide rate stability for customers who do not choose an EGS
- Current statutory policy is to provide non-shopping customers with relatively stable prices derived from competitive procurement strategies in the wholesale market
- Legislative amendment is needed to change current policy to move toward a model that requires customers to participate in market to obtain price stability
- EDCs have physical assets, financial stability and practical experience
- Give Intermediate Work Plan time to enhance competition

Summary of PPL and PPL Energy Plus Proposal:

- EDC should be DS provider because EDCs are certificated and regulated by PUC, are familiar with regulatory processes of Commission and are the entities customers expect to provide adequate service; also this is the most logical approach given current systems and protocols, which would have to be comprehensively redesigned
- Shifting DS obligation to EGS(s) will likely have very little impact on competitive market; more important to design DS so that it is compatible and reflective of market
- Should implement Intermediate Work Plan, more consumer education, and smart meter enhancements and move toward more market-based DS products
- If EDC is removed from DS role, law needs to be changed, customer protections should be identified, PJM protocols should be changed and EDCs should be permitted to recover stranded costs

Summary of Duquesne Proposal:

- EDCs are the logical entity to provide DS based on experience and stability, as well as obligations to provide universal service, energy efficiency programs, smart meters and delivery services
- Important to have essential service provided at reasonable price for customers who do not wish to choose
- Duquesne is implementing fifth default service plan and has successfully advanced competition; 9th in country in shopping stats, with 69% of load taking supply from EGSs
- Most rate caps just expired in the last year or two; time is required for markets to develop and mature
- Statutory framework is designed to use competitive procurement processes to obtain prudent mix of contracts to ensure adequate and reliable DS at least cost over time, taking price stability into account
- Legislative changes would be necessary to move away from this model
- Supports most competition enhancements in December 2011 Tentative Order; they should be implemented and their results analyzed before altering DS model

Summary of First Energy Solutions Proposal:

- Defer decision until Intermediate Work Plan can be implemented and evaluated
- First priority should be to get the DS product right
- Residential shopping statistics showed dramatic increases in 2011
- RMI enhancements need time to work
- DS programs effective on or after June 2015 would benefit from “lessons learned” from IWP initiatives

- Make some changes to existing EDC Default Service structure:
 - Plain vanilla
 - Eliminate spot supply
 - Standardize PTC
 - Enable CAP customers to shop
- Determine end state product before deciding who should provide DS
 - DS should be 100% market based product that is a temporary last resort
 - DS should include all costs of providing service
- Statutory and/or regulatory changes may be required
 - Least cost over time
 - Act 129 obligations, i.e. TOU and smart meter
 - Purchase of receivables
 - Customer protections
 - PUC assessments

Summary of First Energy Companies Proposal:

- Wait to see effect of enhancements from Intermediate Work Plan
- Shopping has increased over the past year
 - In April 2011, residential shopping load ranged from 1.2% (West Penn) to a14.2% (Penn Power)
 - On Jan. 18, 2012, residential shopping load ranged from 10.3% (Met-Ed) to 22.3% (Penn Power)
 - 12 EGSs are making offers to residential customers, up from 4 in June 2011
- Significant changes are proposed in pending DS plan including enhancements proposed by Tentative Order
- Should include an adder in DS product since it is so difficult for for-profit EGS to compete with a not-for-profit product
- Alternative DS models would likely require legislative and regulatory reform
- Impact of significant changes to model needs to be considered and evaluated from standpoint of whether customers would benefit and EDCs would be financially harmed

Summary of Citizen Power proposal:

- Current residential shopping rate in PA is 25%
- Main barrier to higher numbers is customers' perceived and actual risk in terms of time and money
- Customers should not be penalized for not shopping beyond the cost of missing the opportunity for a lower price from an EGS

- DS should be provided through portfolio approach and result of auction to achieve relatively low prices and price stability for customers
- Rely on market enhancements to increase customer participation and remove DS bias
- If EGS is providing DS, it should be done under a separate brand name and EDC should still provide backstop
- EGSs should be incentivized to offer longer-term contracts to consumers that end at the same time as default service period
- Transition period is needed to move to EGS in DS role – 6/1/15 implementation

Billing	Metering	Universal Service	Act 129-EE	AEPS	PJM Settlement
EDC	EDC	EDC	EDC	Same as today	EDC

Summary of Constellation Proposal:

- With appropriate structures for each customer class, clear/transparent pricing, strong affiliate rules, enhanced consumer education, and timely provision of customer data, DS provided by EDC is a model that can facilitate effective competition
- If PA moves away from EDC in DS role, several core principles need to be adhered to:
 - Single DS/POLR rate for each class (no TOU rates, energy efficiency offerings, demand response products)
 - Existing wholesale DS contracts should not be compromised or abrogated
 - Reasonable transition period should be adopted
 - Metrics should be developed to evaluate progress
 - Removal of EDC from DS role should be carefully considered
 - Market structures should continue to rely on competitive procurements
 - Needs to be a system for providing POLR service
 - Universal service issues must be addressed
 - Should consider new consumer protections
 - EGSs should not be required to support uneconomic investments of EDCs

Summary of Tendril proposal:

- Tendril is energy management technology provider
- All consumers should have access to energy usage information
- All consumers should have access to energy management products/services

- Entity that has obligation to meet energy efficiency and peak energy reduction requirements should be able to meet those obligations through competitively provided energy and peak load reductions