PENNSYLVANIA ENERGY MARKETERS COALITION

January 17, 2012

Rosemary Chiavetta
Secretary, Pennsylvania Public Utility Commission
PO Box 3265
Harrisburg, PA 17105-3265

Dear Secretary Chiavetta:

Please find enclosed the Comments of the Pennsylvania Energy Marketers Coalition ("PEMC"), in response to the Pennsylvania Public Utility Commission's Tentative Order of December 15, 2011, in the matter of the proposed Intermediate Work Plan for the Investigation into Pennsylvania's Retail Electricity Market (Docket No. I-2011-2237952). Please do not hesitate to contact me with any questions or concerns regarding our Comments.

Sincerely,

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Enclosures

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Investigation of Pennsylvania's Retail Electricity Market:)
Intermediate Work Plan) Docket No. I-2011-2237952

COMMENTS OF THE PENNSYLVANIA ENERGY MARKETERS COALITION

INTRODUCTION

Pursuant to Docket No. I-2011-2237952, the Pennsylvania Public Utility Commission ("PUC," or "Commission") seeks comments on a Tentative Order issued on December 15, 2011, regarding the proposed Intermediate Work Plan for the ongoing Investigation of Pennsylvania's Retail Electricity Market ("RMI" or "investigation"). This work plan was developed by the Office of Competitive Market Oversight ("OCMO") with significant input from stakeholders and participants in the technical conferences led by OCMO as part of the RMI process.

The Pennsylvania Energy Marketers Coalition ("PEMC")[1] appreciates the opportunity to comment on this proposed work plan and is grateful for the hard work of OCMO and the vision of the Commission in developing a serious, comprehensive approach to enhancing the competitiveness of the retail electricity market in the Commonwealth.

CONSUMER EDUCATION STRATEGY IS ROBUST AND WELL-ARTICULATED

The Commission has proposed a three-pronged approach to consumer education for 2012: (1) a PUC-endorsed postcard mailing on shopping and switching to be sent to all customers by the electric distribution companies ("EDCs") no later than February 29, 2012; (2) a PAPowerSwitch.com brochure to be set to all customers by the EDCs in May 2012, which will include a detailed walk-through of the shopping process as well as a highlight of savings that can be achieved by the

[1] For purposes of this filing, the PEMC consists of Agway Energy Services, LLC ("Agway"), Energy Plus Holdings LLC ("Energy Plus"), Gateway Energy Services Corporation ("Gateway"), Interstate Gas Supply, Inc. ("IGS"), Pennsylvania Gas & Electric ("PAG&E"), and Vectren Retail, LLC ("Vectren"). PEMC members supply electricity, natural gas, and various other energy services to residential and commercial customers across a large number of utility markets throughout several states. PEMC works collaboratively on non-competitive, regulatory issues to advance competitive markets and consumer choice.

consumer; and (3) a letter to customers from their EDC encouraging shopping, directing customers to PAPowerSwitch.com, and emphasizing that utilities will continue to deliver electricity reliably even after customer switching, in early Fall 2012.

The PEMC strongly supports these proposals. As we have noted previously in both written Comments and in oral testimony at the November 10, 2011, *en banc* hearing on the instant proceeding, these are important steps towards helping consumers become well-educated about energy choice and confident in making decisions that are in their own best interest. This approach to consumer education will set the standard for other states to follow.

We offer one note of caution, however. It is critical for the Commission, suppliers, utilities, consumer advocates and others to take care not to give consumers unreasonable expectations about the cost savings they may enjoy by switching to an electric generation supplier ("EGS"). Shopping is in the best interest of the consumer primarily because it aligns the consumer's interest with a supplying party and the consumer's needs with the service being provided. When the utility is the only option from which customers can purchase supply, the consumer's interests and the utility's interest are not aligned; the utility does not need to compete for customers' business in order to earn a return. In an open market, competitive energy suppliers have to be responsive to consumer needs, or risk the customer switching to another supplier. In a utility-centered paradigm, captive customers have no alternative and thus no ability to act in their own best interest. Competitive energy suppliers can and must offer consumers innovative products and services to meet individual energy needs – such as fixed or variable prices, time-of-use pricing, renewable energy options, energy efficiency audits, and other value-added benefits – or risk losing the customer to another supplier. Energy choice is not solely about lower prices; energy choice first and foremost should be about empowering consumers in a way which enables them to make informed energy decisions that best meet their individual needs.

In all three proposed mailing campaigns, we strongly urge the Commission and the EDCs to focus primarily on the idea that competition empowers consumers, using language that balances the potential for savings with the other benefits of choice. In particular, the May brochure should be careful to indicate that the potential savings calculated on the brochure are examples only, and to emphasize that by shopping the customer takes control over his or her energy purchasing decisions. Further, energy choice will drive suppliers to provide products and services that meet customers' particular needs and purchasing desires.

ACCELERATED CUSTOMER SWITCHING TIMEFRAMES A POSITIVE STEP FORWARD

The PEMC submitted Comments on the PUC's Tentative Order on *Interim Guidelines Regarding Standards for Changing a Customer's Electricity Generation Supplier* (Docket No. M-2011-2270442) on December 14, 2011. In those Comments, we noted our support for the accelerated switching timeframes guidelines; in particular, the Commission's proposal to waive the current 10-day waiting period after an EGS submits a new enrollment or change request to an EDC. While the members of the PEMC strongly support robust and appropriate consumer protections we believe this waiting period unnecessarily prolongs the switching process and can result in customer dissatisfaction and frustration. While there are, unfortunately, incidents of true slamming that occur because of unscrupulous actors, these occasions are rare, and can *always* be addressed through customer communication with the EGS, the EDC, and when necessary and appropriate, through the Commission's complaint and dispute resolution process.

As we noted in our December 14, 2011 Comments, the PEMC proposes a number of other clarifications and modifications to ensure that the accelerated customer switching guidelines can be implemented most effectively. These recommendations include: (1) requiring EGS to provide a good faith estimate, rather than a date certain, of when a customer can expect a switch to be active *after* a customer has authorized such a switch to take place, but before the EGS submits the EDI enrollment transaction to the EDC; (2) clarifying how EDCs should process customer enrollment requests received *after* the current billing cycle's switching deadline; (3) making explicit the acceptability of an EGS using an audio recording of a customer authorization for a switch in a dispute resolution process, consistent with statute; and (4) ensuring that EGSs are held liable for true instances of slamming, as distinct from unintentional and non-malicious errors.

CUSTOMER REFERRAL PROGRAMS A GOOD INTERIM STEP TO ENCOURAGE SHOPPING

Following careful consideration of the topic in the RMI technical conferences, in this Tentative Order the Commission has laid out two approaches to implementing a customer referral program in the Commonwealth. First, the PUC proposes the establishment of a "New/Moving Customer Program," to be implemented during 2012, which would be primarily targeted at customers moving to or within an EDC territory, but would be open to all default service customers. In particular, the Commission is seeking comments on the following elements of such a program: (1) the use of a dedicated referral call center versus an existing EDC call center; (2) the types of customer contacts that should include mention of the referral program; (3) the customer groups eligible for the program, specifically whether small business customers and those customers on financial assistance should be eligible; and (4) the inclusion of a "hot transfer" process which would allow the call center to instantly transfer the customer to the EGS for the enrollment process.

Overall, the PEMC is strongly supportive of the customer referral program concept. Experience in other jurisdictions, New York in particular, has demonstrated that referral programs not only increase shopping but also: (1) demonstrate to customers that the utilities not only approve of, but actively support, customer shopping; and (2) help reduce the incumbent advantage enjoyed by utilities by emphasizing to consumers that default service should not be their first option.

We are concerned, however, that New/Moving Customer Program is not robust enough, and requires too many steps, to result in any measurable movement away from default service. A new mover who contacts the utility call center wants a one-stop shopping experience. As proposed, the program will only will work if the customer is aware ahead of time that he or she would like to begin service with a specific EGS. Otherwise, an opportunity to provide the customer with a powerful incentive to switch will be lost. Instead, we recommend that EDCs implement a customer referral program offering for new movers, similar to Standard Offer Customer Referral Program ("SOCRP") discussed below. An additional benefit of this approach is that the same programming needed for the SOCRP should be adaptable for a New/Moving Customer Program, resulting in a more efficient process. The PEMC believes both of these programs can be implemented by EDCs in 2012.

In regard to the specific program elements on which the PUC seeks comment, first, the PEMC does not have a position on which type of call center (EDC versus state-run) would be best for the program. We believe, however, as a general rule it is better to use existing infrastructure rather than to build new systems. With that in mind it may be more beneficial to use the EDCs' calling centers for the program, if implementation can be done correctly and a proper code of conduct can be maintained.

Second, with regard to the types of customer contacts that should result in the call center representative mentioning the referral program, there are clear cases when such discussion is *not* appropriate, including emergency calls, service disruption reports, and requests to disconnect service because of a move out-of-state. In other more routine interactions, it *would* be appropriate for the call center representative to discuss the referral program. In addition to the referral program, or perhaps as an alternative for calls where discussion of the referral program is not appropriate, call center representatives could use a short, standard "sign-off" statement directing consumers to PAPowerSwitch.com (for example, "Thank you for calling [EDC name]. Remember, you have a choice when it comes to your electricity supply. Please visit PAPowerSwitch.com for more information."

Third, regarding eligibility, the PEMC believes customer referral programs should be open to all residential customers, including those on customer assistance programs ("CAP customers"). We recognize that there are administrative, policy, and educational hurdles to effectively implementing this policy. In particular, stakeholders need to collaborate on solving the benefits portability issue; customers on assistance programs should be able to take their benefits with them if they switch from utility-provided default service to competitive supply. PEMC pledges to work with all stakeholders to resolve this critical issue. Further, we recommend that eligibility for all referral programs be extended to small commercial customers as well (for example, commercial customers with a load of 25 kW or less). Such customers are more similar to residential customers than other C&I customers in terms of needs and propensity to shop, so their inclusion in the program makes sense.

Fourth, the PEMC appreciates the thinking behind the inclusion of a "hot transfer" element in order to connect interested customers directly with the EGS of their choice (or the EGS randomly selected for the customer). This approach would ensure compliance with statutory and regulatory requirements for EGS enrollment, and would also emphasize to customers that their primary relationship when it comes to their energy supply will be with the EGS. We caution, however, that experience in other jurisdictions demonstrates that the hot transfer can be an administrative burden for EDCs and can delay implementation. We are not sure that a hot transfer offers the best avenue to refer customers – and we are concerned about potential delays that could result in the launch of a referral program if hot transfers were included.

The Commission also proposes a second referral program, known as the Standard Offer Customer Referral Program ("SOCRP"). This program as proposed is more aggressive than the first program described by the Commission, which would primarily encourage shopping among existing supplier offers. Under the SOCRP, participating EGSs would offer customers who opt-in to the program a percentage reduction off the effective EDC price-to-compare ("PTC") for a minimum of three months. Customers could select an EGS or be randomly assigned to one; the offers would be consistent across suppliers.

PEMC endorses the concept of SOCRP, but offers two suggestions for ensuring that the program is implemented transparently and even-handedly. First, call center representatives should be instructed to not offer any opinions or suggestions to customers regarding the value of one EGS over another, but should maintain strict neutrality. Second, more clarity is needed on how the percentage off the PTC will be calculated, and which entity or entities will have the final decision-making authority in this regard. It is vital that this percentage be set at a consistent level across all markets. We suggest seven percent (7%), which is similar to rates used in referral-type programs in other jurisdictions that have seemed to work well. The final percentage should be determined by the Commission with stakeholder input, and be applied uniformly across each service territory.

RETAIL OPT-IN AUCTION REQUIRES CAREFUL DESIGN IN ORDER TO STRENGTHEN COMPETITIVE MARKETPLACE

In its Final Order on EDC Default Service Plans (Docket No. No. I-2011-2237952), issued on December 15, 2011, the Commission expressed its position that the EDCs' next default service plans (to be filed for approval in 2012 in order to take effect by June 1, 2013) should include a retail opt-in auction, in which customers currently on default service could voluntarily elect to participate and suppliers would bid to serve tranches of these customers. In the instant proceeding, the Commission has provided more detail on, and seeks comments regarding, a number of elements of such an auction, including: (1) customer eligibility; (2) EGS and EDC participation; (3) pilot programs; (4) program length or term; (5) timing of an auction; (6) customer participation caps; (7) supplier participation load caps; (8) composition of customer offer – product; (9) customer options upon program expiration; (10) opt-in auction structure; and (11) creditworthiness and security.

The PEMC believes that a properly designed and implemented opt-in auction would help build the further development of the retail electricity market in Pennsylvania. At the same time, we recognize that such an auction is an interim step, and just one such step, on the way towards a fully competitive marketplace in which well-educated customers act on their own behalf to select the suppliers, products, and services that best meet their energy needs.

Bearing these thoughts in mind, the PEMC offers the following Comments on the specific aspects of a retail opt-in auction on which the Commission is seeking input.

Customer Eligibility

First, the PEMC supports the Commission's position that eligibility for an opt-in auction be focused on residential customers. As the PAPowerSwitch.com statistics bear out, large commercial and industrial ("C&I") customers already shop and switch to competitive supply at significantly higher rates than residential customers. Additionally, large C&I customers typically have the time and resources needed to educate themselves about choice and select a supplier that best meets their needs. As such, the emphasis of any large-scale program should be on residential customers, where a "kick-start" to increase shopping is most needed.

We note, however, that shopping numbers for *small* commercial customers are relatively similar to residential numbers. This customer class is also in need of a shopping "kick-start." Evidence from focus groups made up of small businesses in PECO and PPL utility territories as well as statewide surveys of a representative sample of small commercial customers in all major utility territories, has demonstrated that small commercial customers are supportive and interested in participating in a retail opt-in auction program. We recommend that the Commission include small commercial customers (those under 25 kW or identified as in a "small commercial" class by EDCs) in an opt-in auction.

The PEMC is also sensitive to the issue raised by the Commission that customers who have already switched to a supplier will hear about an opt-in auction and wish to participate. That being said, we are deeply concerned that the Commission's proposal to allow customers who have already switched to participate in an auction would undermine the gains that have already been made in the competitive marketplace, and may unfairly discriminate against smaller suppliers or suppliers which choose not to participate in the auction process. This also raises a number of legal concerns; for example, if a customer has signed a contract with a supplier, but wishes to participate in an auction, is the Commission proposing that the contract be nullified? Or would only customers that are on month-to-month service with a supplier be allowed to opt-in to an auction? To avoid these entangling issues, and to focus efforts on the real purpose of the opt-in auction (to encourage shopping by customers on default service), the PEMC strongly recommends limiting auction participation to those customers that are not currently served by a supplier. At a minimum, any affirmative materials that are sent to consumers regarding the opt-in auction should be sent only to consumers that are on default service and not to any consumer participating with a competitive supplier.

With regard to those in Customer Assistance Programs ("CAP customers"), the PEMC recommends that they also have the right to op-in to participate in the retail auction. We reiterate our caveats from above, however; it is critical to resolve the issue of benefits portability for switching CAP customers, to ensure they do not lose their assistance funds by shopping and switching.

EGS and EDC Participation

The PEMC supports the participation of all licensed suppliers in a retail opt-in auction, as long as participation remains voluntary.

Pilot Programs

The PEMC understands the concerns of the Commission with regard to implementing a pilot program for an opt-in auction in 2012, particularly the timing issue. It is critical that the full-scale opt-in auction be done correctly, transparently, and with regard for maximizing the benefit to consumers. To that end, we urge the Commission to reconsider its decision on a pilot auction. We believe a pilot program would assist in better understanding customer response to a retail auction prior to launching full scale opt-in auctions in each of the utility territories in 2013. Customer feedback on changes to product offerings and customer education and marketing materials, along with technical feedback from EDCs on the administration of the pilot program will help inform the structure of the full scale opt-in auctions in all territories and ensure successful implementation. We believe such a pilot can be successfully organized for the fourth quarter of 2012, and we recommend a limited participation pilot program or programs in those utility territories whose residential migration levels are the lowest in the Commonwealth.

The PEMC urges the Commission to establish a working group under OCMO leadership which allows all stakeholders to provide input into the implementation of the full-scale opt-in auction and to raise any issues or concerns that might prevent the effective implementation of the program.

Program Length or Term

The Commission recommends that the length of the initial opt-in auction program term between a customer and an EGS be six months to a year, and that the customer retain the right to terminate service with the supplier without penalty (but with the stipulation that such a customer may not re-enter the retail opt-in auction program after returning to default service). The PEMC supports this approach.

Timing Sequence of an Opt-in Auction

The Commission notes the benefits and challenges surrounding different approaches to the timing sequence of a retail opt-in auction, in particular whether the supplier bidding process or the customer enrollment in the program should come first. The Commission prefers the sequence of auction first, followed by customer enrollment, in order to ensure that customers have full information about the price they will pay *before* opting-in to the program. The downside of this approach, as the Commission notes, is that suppliers will not have precise knowledge of the size of the customer pool on which they are bidding and for which they are procuring supply. This adds significant risk for suppliers, and could result in lower supplier participation and higher prices for consumers.

The PEMC appreciates the difficulty faced by the Commission in striking a balance between the information needs of both consumers and suppliers. However, the PEMC believes it might be possible to have the best of both worlds if the starting price point for planning an opt-in service rate were to be established at or near the current utility default service rate, to eliminate adding another "price to compare" to the market which would confuse consumers. Armed with this knowledge, consumers could then be solicited to determine their potential interest in participating in the opt-in auction. Following this (and no doubt with many more details to work through), the opt-in auction could be established, whereupon true pricing will be determined. This would give customers some comfort in knowing an approximate default service rate, and provide a better idea to suppliers about the number of potential customers that might be included in the opt-in auction.

Customer Participation Caps

The Commission proposes a cap of 50% of an EDC's default service base to participate in the opt-in auction. The PUC's argument is that a cap will provide EGSs with greater certainty about the size of the auction pool on which they are bidding, as well as provide wholesale suppliers with certainty regarding the size of the default service pool which they will be providing for in the 2013-2015 default service plans.

The PEMC respectfully disagrees with the imposition of a customer participation cap, for three reasons. First, the cap may provide some degree of certainty to wholesale suppliers, but will provide no more information to retail suppliers participating in the *voluntary* opt-in auction process than if there were no cap. As the Commission is proposing that customer enrollment take place *after* the auction, whether 50,000 customers are eligible to participate in an auction or 100,000 customers are eligible is statistically irrelevant, as the EGSs will have no additional useful information about what percentage of the eligible customer base will actually enroll in the program.

Second, the cap may discourage some EGSs from participating in the auction, which will mean less competition and the price savings and product innovation that a more robust marketplace brings. Third, by limiting the participation to 50%, but also acknowledging this auction will be a one-time occurrence, the PUC appears to be backtracking on its commitment to energizing the retail electricity market. The Commission has offered a bold, visionary approach to bring consumers the full benefit of competition. Opening up the opt-in auction process to all customers will demonstrate the PUC's commitment to realizing the promise of energy choice as well as extending the benefits of the program equitably across the Commonwealth, while still leaving the decision appropriately within the consumer's purview.

Supplier Participation Load Caps

In order to avoid the establishment of a new incumbent market advantage, held by a large supplier rather than a utility, the Commission has proposed limiting the maximum share of an EDC opt-in auction pool to 50% for a single EGS. Additionally, the Commission recommends dividing the eligible auction pool into tranches, which would be bid on by EGSs individually. The PEMC strongly supports this approach, however we believe that a load-cap of 33% would contribute significantly to maintain a diversity of suppliers in the auction process. This is crucial to developing an even more innovative, competitive marketplace.

Composition of Customer Offer – Product

The Commission, recognizing differences that exist across EDC territories, has proposed that the product offered by EGSs through the opt-in auction program be flexible enough to allow the avoided costs of customer acquisition to be returned to customers through a variety of value-added means (including reduced monthly rates and the payment of a one-time bonus). The Commission proposes two different models: (1) a fixed rate product that includes a one-time bonus; and (2) a guaranteed percentage off the default service rate, adjusted quarterly, but without a bonus. The Commission also proposes that a customer that drops out of the program before three months elapse should not be paid the bonus under the first model.

The PEMC is supportive of allowing EGSs some flexibility in the opt-in product(s) offered in each specific utility territory, providing they are consistently administered. Individual suppliers may have differing preferences for one model over the other. Regardless, we believe that it is crucial for the Commission to provide clear, specific, and transparent guidance to the EGSs and EDCs about which products are acceptable, and which are not, in the opt-in auction process. The PEMC urges the Commission to consider a fixed rate product that may include a variety of options such a percentage off the default service rate or a one-time minimum bonus payment. Either option would have the potential to provide an incentive that raises the interest of the consumer and would certainly help achieve the mission of the opt-in auction – to accelerate the migration of customers from default service to Choice through their initial exercise of which option appeals to the customers most.

Suppliers would then participate in the auction, bidding on the number of customers they are willing to serve, and the amount of discount or bonus payment they are willing to provide. The auction would then clear once the total number of customers that are to be served is met, and awarded to those suppliers who have provided discounts or incentives.

Customer Options upon Program Expiration

The Commission has proposed that upon the expiration of the initial term, a customer receiving service from an EGS through the opt-in auction program would be treated identically to customers who had switched to a supplier outside of the program. The EGS would need to provide the customer with the required notices within the mandated timeframes but that absent an affirmative decision to sign a new agreement, or switch to another supplier, the customer would remain with the incumbent EGS on a month-to-month, variable rate basis.

The PEMC strongly supports this approach. The point of this retail opt-in auction is to encourage customers to take their energy decisions into their own hands. Returning customers to default service provided by the EDC following expiration of the initial period would undermine the whole purpose of this initiative and would reinforce the idea that the supply provided by EDCs should be a customer's "first resort" or "default position," rather than a backstop.

Opt-In Auction Structure

The Commission is undecided as to whether a sealed bid auction or a descending clock auction would be the best approach. The PEMC agrees that there are benefits and drawbacks to each format. The sealed bid approach is simpler to administer and would likely cost less for the utility and the competitive suppliers. A sealed bid may not always result in the lowest bid, however, since holding offers open during the approval phase of a non-transparent process requires greater risk premiums to be priced into the offers. Conversely, a descending clock auction is more complex, could be time-consuming, and would likely be more expensive for all parties. On the other hand, a descending clock auction provides more transparency to market participants and allows for some adjustment in strategy during the process. More importantly, it generally results in the lowest price for consumers.

We recommend additional discussion be held through a Retail Markets Investigation ("RMI") technical conference with suppliers, utilities, consumer advocates and PUC Staff to further consider these two options and make a recommendation to the Commission.

Creditworthiness and Security

The Commission is similarly undecided as to the best approach to any additional creditworthiness or security requirements than an EGS should meet before being allowed to participate in the auction process. The PEMC believes it is critical to consider this question in light of the role of suppliers in a future marketplace in which generation service (including default service) is being provided exclusively by competitive suppliers. When Ohio utilities began using auctions to set default commodity service prices, for example, stakeholders had to address cross-default concerns. The major issue identified was that suppliers serving in a default service role should have a responsibility to provide a backstop in the event another supplier also providing default service fails to meet its obligations. There should be compensation to suppliers, however, for shouldering this additional risk.

A simple solution is to require default service customers to pay part of the risk premium, in exchange for the certainty of being served at the same rate by another supplier in the unlikely event of a supplier default. This will ensure that consumer benefits are properly aligned with consumer costs as well as guarding against a "cascading" default scenario where one supplier defaults and the following obligation to serve at a pre-determined price causes another default, and that default results in another, etc. Requiring an insurance premium to be paid by those customers receiving default service properly aligns the interests and risks with the costs, and provides sufficient collateral to ensure service will continue without interruption in either the service or price.

PRICE TO COMPARE SHOULD NOT BE PRINTED ON CUSTOMER BILLS

The Commission proposes that each EDC include on customers' bills the rate class or customer-specific price to compare ("PTC"). The Commission further proposes the EDCs include a statement regarding the effective dates of the PTC as well as that the PTC can be adjusted (and how often that adjustment can take place). Optionally, if space permits, the Commission recommends the EDCs include a reference to PAPowerSwitch.com.

The PEMC continues to be seriously concerned with the Commission's proposal to include the PTC on all customers' bills. By highlighting the PTC, the Commission is (1) perpetuating the misperception that utility supply is the "default" for consumers, rather than a backstop or last resort; and (2) encouraging customers to focus solely on price comparisons, rather than taking into account the range of products and services that suppliers offer that may be of great value to consumers. We appreciate and support information disclosure and share the Commission's concern that shopping customers have as much information as possible with which to make their energy decisions. The PTC display, however, does not provide valuable information to consumers as much as it maintains the incumbent advantage of the utility and encourages misperceptions about the role of utilities in providing energy supply. We urge the Commission to reconsider the inclusion of PTC on customer bills.

If the Commission decides to maintain its position on this issue, however, we recommend that EDCs at least be required to include on the bill alongside the PTC, language that communicates to customers the limitations of the PTC. An example of such a statement could be, "The PTC is valid for [dates] only and does not reflect what price changes may occur in the future." We recognize that the EDCs have limitations in bill message lengths, but we believe it is crucial that some indication of the limited value of the PTC be provided to consumers to ensure the proper functioning of the market. We also recommend that the PUC revisit this issue at a future date, when the competitive marketplace has matured, to determine if the PTC's placement on the bill still serves a purpose of if it is hampering achievement of the market end-state.

INCREASED EDC AND EGS COORDINATION CRITICAL TO ENSURING EXCELLENT CUSTOMER SERVICE

EDC Supplier Charges

Contrary to the understanding of the Commission expressed in the Tentative Order, we believe that the issue of charges by the EDCs to EGSs has not yet been resolved. We recommend that the PUC direct EDCs to submit an inventory of all of the existing charges for services, to determine if they are still applicable and appropriate, and to help determine best practices to encourage standardization of charges across utilities.

Access to Customer Bills

The Commission notes the issues that have arisen when EGSs seek to work with customers to resolve outstanding issues with billing but then face challenges when EDCs are reluctant to release customer bills to suppliers. The PUC recommends a new process by which EGSs can more efficiently examine customer bills when an issue arises.

The PEMC strongly supports the Commission's efforts in this regard. Reducing the administrative burdens that prevent EGSs and EDCs from successfully resolving customer concerns will be to the benefit of all parties involved. While recognizing the need to respect customer privacy and provide personal data security assurances, we believe it is entirely reasonable for EGSs to have access to the bills of their own customers. Further, we believe that existing letters of authorization are sufficient to provide EGSs with the authority to obtain their customers' billing information from EDCs.

Creditworthiness

The Commission notes that some suppliers have proposed that EDCs across the state adopt uniform creditworthiness standards for EGSs, with the Retail Energy Suppliers Association ("RESA") proposing that the standards used by Met-Ed be adopted by EDCs statewide. The proposal calls for an extension of the acceptable financial instruments that an EGS can use to demonstrate creditworthiness. The Commission notes its initial support for this proposal. The Commission also expressed its concern that the risk assessment formulas used by EDCs set an unnecessarily high bar for EGSs, and may not be based on the actual risk factors that would impact an EDC in case of an EGS default.

First, the PEMC believes that the RESA proposal for expanding the instruments that should be accepted by EDCs uniformly across the Commonwealth is a good one, and the PEMC wishes to associate itself with this proposal. Second, the PEMC appreciates the concerns expressed by the PUC regarding the risk assessment methodology used by EDCs.

CONCLUSION

The PEMC appreciates the significant amount of work that has been undertaken by the Commission and its Staff in developing both this intermediate work plan as well as the retail markets investigation in general. This is truly a historic undertaking and a unique opportunity for the Commonwealth to create a truly competitive marketplace for electricity, one in which the incentives for EDCs, EGSs, and customers, are all properly aligned.

The mechanisms identified in this plan are all vital to developing a more robust form of competition that serves the best interests of consumers. As we have noted previously, the single most powerful way to bring about a new, more competitive marketplace, however, is to eliminate the old one; to eliminate the status quo, while ensuring consumer rights are protected and the reliability customers have come to enjoy from today's utilities is preserved. But to reach what we believe is the desired end state – a market of empowered consumers choosing among varied, creative and competitive offers, delivered safely and consistently over the grid – we need to take a bold step. We recognize that more work remains to be done on this topic and others related to competition, and we pledge to the Commission our continued support to help with these efforts.

January 17, 2012

Respectfully submitted,

PENNSYLVANIA ENERGY MARKETERS COALITION

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