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October 14, 2014

VIA E-FILING

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

Re: Investigation of Pennsylvania's Retail Natural Gas Supply Market;
Docket No. I-2013-2381742

Dear Secretary Chiavetta:

On behalf of the Retail Energy Supply Association, I have enclosed for electronic filing the Comments on Behalf of Retail Energy Supply Association in the above-captioned matter.

Copies have been served on all parties as indicated in the attached certificate of service.

Very truly yours,

Karen O

Karen O. Moury

KOM/kra
Enclosure
cc: Dan Mumford, Deputy Director, OCMO (*via e-mail*)
H. Kirk House, Director, OCMO (*via e-mail*)

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Investigation of Pennsylvania's Retail Natural Gas Supply Market	: : : :	Docket No. I-2013-2381742

COMMENTS
ON BEHALF OF THE
RETAIL ENERGY SUPPLY ASSOCIATION

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Dated: October 14, 2014

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I. INTRODUCTION

By Tentative Order ("T.O.") entered on August 21, 2014, the Pennsylvania Public Utility Commission ("Commission") sought comments on a series of proposals aimed at improving competition and implementing enhancements to the retail natural gas market. Through this Tentative Order, the Commission identified several topics and issues that it proposes to pursue as part of this natural gas retail markets investigation ("Gas RMI").

The Retail Energy Supply Association ("RESA")[1] appreciates the opportunity to provide comments and commends the Commission for its efforts to enhance the functioning of the retail natural gas market so that consumers can fully realize the benefits of competition. Given the availability of Marcellus Shale gas in Pennsylvania, it is a particularly opportune time to improve the rules so that this low cost resource can be more fully accessed by consumers.

RESA believes that increased customer engagement in the competitive natural gas markets is of utmost importance for customers to receive the full benefits of competition. A customer that actively engages in the market by affirmatively choosing a natural gas product is more likely to be educated about the prices and products available in the market. Further, an engaged customer base is essential for the development of innovative products and services that enable customers to use and consume energy more efficiently.

Fundamentally, the most effective way to engage customers in the market and otherwise ensure the success of the retail natural gas market is to remove natural gas distribution

[1] RESA's members include: AEP Energy, Inc.; Champion Energy Services, LLC; Consolidated Edison Solutions, Inc.; Constellation NewEnergy, Inc.; Direct Energy Services, LLC; GDF SUEZ Energy Resources NA, Inc.; Homefield Energy; IDT Energy, Inc.; Integrys Energy Services, Inc.; Interstate Gas Supply, Inc. dba IGS Energy; Just Energy; Liberty Power; MC Squared Energy Services, LLC; Mint Energy, LLC; NextEra Energy Services; Noble Americas Energy Solutions LLC; NRG Energy, Inc.; PPL EnergyPlus, LLC; Stream Energy; TransCanada Power Marketing Ltd. and TriEagle Energy, L.P. The comments expressed in this filing represent only those of RESA as an organization and not necessarily the views of each particular RESA member.

companies ("NGDCs") from the supplier of last resort ("SOLR") role and allow natural gas suppliers ("NGSs") to assume procurement responsibilities for all customers on the distribution system. While RESA understands the Commission's desire to take measured steps in moving NDGCs away from the SOLR function, the value of moving in that direction is significant. Not only would such an approach ensure a robust competitive market, it would also eliminate the need for most, if not all, of the measures described in the Tentative Order.

If the Commission continues to defer serious discussions regarding removal of the NGDCs from the SOLR role, RESA urges the Commission, as more fully detailed below, to establish a three-phase implementation process for several critical retail market enhancements. Initially, the Commission should adopt a short-term action plan that tackles the "low-hanging fruit" measures that would improve the competitive retail gas market within a relatively short time period. Such initiatives would include many that the Commission has already implemented or directed the implementation of in the retail electric market, including a joint NGDC/NGS bill, account number access mechanism, accelerated switching, seamless moves/instant connects, and PaGasSwitch.com enhancements.

As those measures already enjoy the Commission's support from a policy perspective, multiple rounds of comments and protracted discussions are unnecessary. A single round of comments and reply comments would afford stakeholders an adequate opportunity to offer perspectives that may be unique to the natural gas industry or their particular organization, would satisfy due process requirements, and would provide the Commission with sufficient information upon which to base a decision about whether a particular enhancement is appropriate and warranted as part of the Gas RMI.

A second phase of the action plan would entail adoption of a mid-term work plan that addresses enhancements that may require more time to implement. Examples of such measures may include supplier consolidated billing, standardization of system balancing rules and standardization of the assignment of capacity and use of storage assets by NGSs.

As to any initiatives that the Commission elects not to pursue at this time, RESA urges the Commission to conduct a third phase of the Gas RMI by establishing a specific date in the future to revisit them. In this manner, the Commission can ensure that the development of the retail natural gas market remains dynamic and that efforts continue until such time as consumers realize the full potential of competition.

II. SUMMARY OF COMMENTS

In summary, RESA respectfully suggests that the Commission and OCMO adopt the following structure for addressing the important issues affecting the development of competitive retail natural gas markets in Pennsylvania:

A. Short Term Action Plan

- Direct development of a joint NGDC-NGS bill that would include enhancements such as making the NGS information more prominent, including the NGS's logo, providing increased spacing for NGS messaging and allowing for NGS bill inserts.

- Require NGDCs to develop a secure portal mechanism that allows an NGS to obtain customer account information to facilitate enrollment of customers, streamline the enrollment process and eliminate the needs for the customer to take additional steps later.

- Implement "seamless moves (moving a customer's choice of NGS to a new address without interruption of the NGS's service) and "instant connects" (starting competitive supply service on day one of public utility service without first being enrolled in SOLR service).

- Initiate affirmative choice enrollments, enhance PaGasSwitch.com, and utilize call center scripts that advise customers of their ability to choose an NGS when they call to initiate service or lodge a billing dispute.

- Review the quarterly NGDC reconciliation process so that prices are more reflective of current market conditions.

- Require the NGDCs not currently maintaining a separate supplier tariff to aggregate their supplier rules in a separate tariff.

- Direct development of a gas standard offer program by the NGDCs that would emulate the success of the award-winning electric industry standard offer program.

B. Mid-Term Action Plan

- Remove the NGDCs from the SOLR role, with competitive NGSs fulfilling that role as a back-stop service provider, or alternatively establish a date certain in the foreseeable future for formally revisiting this issue, as many issues impacting the current SOLR model would then be unnecessary to address.

- Establish ground rules for the development of NGS consolidated billing.

- Issue a Commission Policy Statement based on supplier experience in gas procurement indicating the types of costs that are to be reflected in NGDC PTCs, or in the alternative, require NGDCs to submit cost of service studies in Section 1307 filings to address the issue of gas procurement costs in PTCs.

- Conduct an examination of capacity assignment and storage assets of NGDCs, including a review of collaborative work done in New York State to identify how more flexibility can be introduced while maintaining system reliability.

- Examine the availability and use of NGDC access points by NGSs, including the issue of NGS access to new affiliated gathering/midstream systems.

- Require more standardization on scheduling, nominations, tolerances, penalties and cash-outs, with an emphasis on best practices and exceptions being narrowly drawn.

- Re-examine creditworthy requirements by NGDCs to determine if more standardization can be achieved, as well as possible reductions in amount and more flexibility in the forms of collateral instruments permitted and acceptance of parent company guarantees.

- Explore the acceleration of switching times to close the gap with electric industry switching time frames.

- Confirm the availability of the shopping market to low income customers and survey NGDCs on the participation of customers on customer assistance programs in the retail gas market with the aim of identifying enhancements to improve participation.

- Investigate the potential for standardization of NGDC POR programs and adopt best practices across the industry.

- Adopt gas industry customer disclosure requirements and move toward consistency between the gas and electric industries over time.

- Examine the future of migration riders in the event legislative action is not forthcoming.

- Explore the issue of Electronic Data Protocols with the aim of achieving more automation and uniformity among NGDCs.

C. Final Phase of Gas RMI.

- Address any issues that have not been fully resolved and are still necessary to promote the functioning of the natural gas retail competitive market.

III. <u>RESA COMMENTS</u>

A. NGDC in the Supplier of Last Resort Role

In the Tentative Order, the Commission acknowledged the benefits of a marketplace in which the distribution utility no longer provides default or last resort supply service. Recognizing that changes may be required to SOLR service in order to develop a more robust and competitive retail natural gas marketplace, the Commission nonetheless declined to propose removal of NGDCs form the SOLR role. Instead, the Commission proposed that the Gas RMI focus on initiatives that can be implemented within the current SOLR structure to allow for a more competitive and beneficial retail natural gas market in Pennsylvania. T.O. at 30-31. While not taking up the issue of NGDCs serving as the SOLR provider at this time, the Commission proposed to direct the Office of Competitive Market Oversight ("OCMO") to examine the current reconciliation process for SOLR service. The Commission said this review should consider whether improvements in the timing of the reconciliation process would improve the retail market. T.O. at 31.

The ultimate end-state of the Gas RMI should be removal of NGDCs from the SOLR role, with competitive NGSs fulfilling that role as a back-stop provider. As long as NGDCs continue in their current SOLR role, the Commonwealth will not realize the full benefits of retail choice due to the difficulty, if not impossibility, of ensuring a level playing field between NGSs and NGDCs. As incumbent providers, NGDCs continue serving the majority of retail customers primarily due to customer inertia, while NGSs face major barriers and incur significant costs in acquiring and serving these customers.

It is in the best interest of Pennsylvania's natural gas retail market to provide a structure that promotes the expansion of the NGS customer base. Migration of a significant number of customers into the competitive market will encourage NGSs to invest the capital into the Pennsylvania market that is often required to develop a broader array of innovative products and services. A framework that places competitive NGSs in the SOLR role naturally encourages customers to explore their supply options, leading to more diversity in the product offerings. Likewise, such a shift allows NGDCs to focus on their core business, the safe and reliable delivery of natural gas, and to attend to the necessary maintenance and replacement of infrastructure.

Notably, making a fundamental change in the identity of the SOLR provider would essentially eliminate the need for many of the enhancements discussed by the Tentative Order and RESA's Comments. For instance, if competitive NGSs are in the SOLR role, the rate unbundling issues disappear because NGDCs cease to incur any supply costs. Likewise, discussion of Standard Offer Programs or migration riders would no longer be necessary. In short, the Commission should give serious consideration to at least establishing a subgroup to explore the mechanics of this approach instead of deciding not to tackle it at this time. A discussion with RESA members about their experiences in other jurisdictions where NGDCs were transitioned out of the SOLR role could prove very beneficial in appreciating how this approach can and does work in practice.

If the Commission continues to be reluctant to pursue removal of the NGDC from the SOLR role, at a minimum, a few other important steps should be taken. First, the Commission should establish a date certain in the foreseeable future when it will formally revisit this issue. It is critical for the Commission to signal its long-term commitment to the retail gas competition so that NGSs continue to invest and participate in the Pennsylvania market.

Second, the Commission, as suggested in the Tentative Order, should examine the current reconciliation process. RESA agrees that the quarterly reconciliation process should be improved so that prices charged by NGDCs for natural gas supply are more reflective of current market conditions. This approach is consistent with that taken by the Commission in conducting the electric RMI, where the Commission recognized that a default service product that more closely resembles market conditions encourages supplier investment in Pennsylvania due to certainty and a more level playing field, and "consumers enjoy competitive prices and a wide variety of innovative product offerings." *Investigation of Pennsylvania's Retail Electricity Market: End State of Default Service,* Docket No. I-2011-2237952 (Order adopted February 14, 2013 at p. 15).

Third, if the Commission decides to keep the NGDC in the SOLR role for now, it is absolutely essential that programs are implemented that encourage significant customer migration away from default service. In the current market structure, all legacy NGDC customers are assigned to the NGDC supply service by default and all new customers that enroll in distribution service are assigned to NGDC supply service by default – this makes the NGDC not only the supplier of last resort, but also the supplier of first resort. RESA is supportive of a Standard Offer Program such as that implemented in the electric industry. Particularly given its success, RESA strongly encourages the Commission to pursue implementation of a similar program in the natural gas market, which is more thoroughly discussed immediately below. Further, RESA urges the Commission to consider other mechanisms (as more fully described in these comments) that would encourage customers to engage in the competitive retail electric market, even if the Commission decides that the NGDC should remain as SOLR.

B. Standard Offer Program

By the Tentative Order, the Commission proposed to delay the consideration of Standard Offer Programs ("SOPs") for the natural gas industry to the later phases of the Gas RMI. Despite recognizing the success of SOPs in the electric industry and the benefits they have provided to consumers and the retail market, the Commission expressed concerns that the current retail natural gas market may not provide the security of a safe, fixed rate that offers potential savings for consumers, while affording NGSs the opportunity to serve customers profitably and with minimal acquisition costs. T.O. at 44.

RESA disagrees with the Commission's reluctance to immediately implement SOPs in the natural gas industry. On July 28, 2014, the Commission issued a press release touting the success of the electric SOP and noting its recognition by Governor Corbett as the year's "Best Customer Service Innovation" at the Commonwealth's 2014 Innovation Expo. In that press release, the Commission reminded consumers that saving money on electricity can be as simple as enrolling in the SOP. Chairman Powelson described the SOP as providing "a voluntary, innovative approach to introducing non-shopping customers to the competitive marketplace." He went on to say that: "In our view, the Standard Offer Program is a 'win-win-win' for electric consumers, competitive suppliers and the Commonwealth. This is why more than 200,000 electric customers in Pennsylvania have found the Standard Offer to be anything but standard."[2]

The electric SOP was launched in August 2013 to offer non-shopping electric customers a simple way to enter the competitive market with guaranteed, immediate savings. The Commission has estimated that the launch of the SOP is projected to have saved Pennsylvania residential and small business customers nearly $19 million in annual savings since its inception. Through this program, customers receive a 7 percent discount off the utility's price to compare at the time of enrollment for 12 months, and can switch or cancel at any time without penalty. To take advantage of the SOP, customers can call their utility and ask about the plan. The utility explains the offer and transfer the customer to one of its participating suppliers, randomly chosen, who help enroll the customer in the program. The choice of supplier makes no difference in electric service or contract terms. The utility will then distribute the electricity to the customer's home, restore outages and send monthly bills.[3]

Generally, RESA is supportive of the structure of the SOP that has been implemented for the electric industry. However, before its implementation in the natural gas industry, RESA suggests that the components be reviewed and slightly adjusted based on what has been learned in the electric industry. For instance, RESA believes that the program would be even more successful if the NGDC could simply enroll a customer who wishes to participate rather than transferring the customer to a participating NGS. This would be a more convenient process for consumers and likely result in a greater level of participation since customers could conclude the transaction within the initial call.

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[2] http://www.puc.pa.gov/about_puc/press_releases.aspx?ShowPR=3396.
[3] http://www.papowerswitch.com/standard-offer-program.

In addition to saving customers money, the electric SOPs have been extremely successful at encouraging Pennsylvania customers to engage in competitive electric markets. Thus, the hundreds and thousands of Pennsylvanians who have participated in these programs are more knowledgeable and aware of electric products and pricing, as well as being more comfortable selecting a competitive supplier. Further, programs like the SOP attract more suppliers to Pennsylvania markets which will encourage the development of a more diverse range of innovative product offerings to customers.

Given the success of this award-winning program in the electric industry, there is absolutely no reason not to give it a chance to deliver some competitive benefits to the natural gas industry. A concern about the enrollment levels is not a reason to forego SOP implementation. To the contrary, encouraging customers to participate in the competitive market while at the same time giving them the opportunity to realize savings by simply enrolling in an SOP creates the possibility of producing another "win-win-win." From the NGS standpoint, the idea of going to the market and trying to acquire customers when profit margins are slim and NGDCs have a strong hold on the customers, a program that offers immediate market growth is appealing. In RESA's view, it is likely that a SOP in the natural gas industry would be successful since it would give NGSs a prime opportunity to acquire a high number of customers with limited acquisition costs. It is certainly likely enough to be successful to make it worthy of an attempt.

C. Affirmative Choice Enrollments

Although not addressed in the Tentative Order, the Commission should explore other measures that would move the NGDC away from the provider of *first* resort role, and into a role as only a true back-stop SOLR natural gas commodity provider.[4] Under the current construct, all new NGDC distribution customers are by default automatically enrolled with NGDC gas supply service, unless the customer affirmative enrolls with an NGS. This paradigm should be modified so that new distribution customers are encouraged to make an affirmative choice for gas supply service.

Further, the customer should only be enrolled in NGDC gas supply service if the customer affirmatively elects that service. For instance, when a customer initiates an enrollment for natural gas distribution service with the NGDC, the Commission could require that customers are directed to a list of competitive gas supply offers; and only when the customer specifically asks for NGDC gas supply service, would the customer be enrolled in NGDC gas supply service. This change to the regulatory construct would still keep the NGDC as the SOLR provider, but significantly improve the competitive landscape by encouraging customers to affirmatively choose a competitive supplier.

D. Expanded Consumer Education About Shopping

By the Tentative Order, the Commission proposed to direct the Office of Communications, in coordination with OCMO, to explore enhancing consumer education statewide with a strong emphasis on enhancements to PAGasSwitch.com. Besides conducting a comprehensive review of PaGasSwitch.com, the Commission identified various other elements of a statewide plan, including surveys; radio, television, print and online ads and media buys;

[4] This is assuming that the Commission does not decide to remove the NGDC from the SOLR role. As RESA indicates earlier in these comments, removing the NGDC as the SOLR provider would be the optimal solution.

social media; educational videos; and consumer events. The Commission also noted the importance of considering how costs for such efforts should be allocated. T.O. at 45-46.

RESA is supportive of all efforts by the Commission to enhance consumer education. Heightening the visibility of PAGasSwitch.com and enhancing its functionalities are excellent strides toward better educating Pennsylvania's natural gas consumers. RESA also supports a statewide consumer education campaign. While RESA understands the Commission's desire for NGSs to have a role in funding this initiative, it is clear that regardless of the funding source, it is customers who will pay the bill. For that reason, it makes the most sense to assign these costs to the NGDCs who can allocate them to all distribution customers. Customer education initiatives benefit all customers and the market in general since participation by consumers in the retail market leads to the introduction of a wide array of innovative product offerings by NGSs.

Another consumer education initiative, which was not mentioned by the Tentative Order but has the potential to significantly improve customer awareness of natural gas choice, is the use of call center scripts that advise consumers of their ability to choose an NGS when they call the NGDC to initiate natural gas service or to lodge a billing dispute. Such call center scripts have been implemented in the electric industry and can only help advance the growth of the retail natural gas market.[5] This is relatively simple measure that can produce immediate results.

Finally, it should be noted that while RESA supports customer education efforts, the best means to educate customers is for customers to actually engage in the market. When customers affirmatively chose a natural gas product they necessarily become more aware of the prices and products available to them and generally become more savvy shoppers. Thus, while the Commission should implement the customer education measures described in these comments, it

[5] http://www.puc.state.pa.us/pcdocs/1211101.docx.

should also continue to encourage customers to choose their NGS since that will only enhance the consumer education efforts.

E. Seamless Moves and Instant Connects

By the Tentative Order, the Commission proposed to direct OCMO to include a discussion of seamless moves and instant connects as part of the Gas RMI. In offering this proposal, the Commission described a "seamless move" as the ability to move a customer's choice of NGS to a new address without interruption of service from that NGS. The Commission explained that "instant connect" is the ability of supply service to start on "day one" of new utility service, without the customer first having to be entered into default service. Although the Commission acknowledged that several procedural and programming changes may need to be made to accommodate a seamless move or an instant connect, it noted its belief that seamless moves are a natural and expected part of the competitive market. As to instant connects, the Commission views them as necessary to avoid having the SOLR service viewed as primary, which results in the SOLR provider automatically obtaining customers who may stay with them simply out of inertia. T.O. at 38-39.

RESA is completely supportive of these proposals in the Tentative Order and believes they should be implemented as short-term initiatives. Regarding seamless moves, these are customers who have already opted to shop for natural gas supply. If they have made that choice and negotiated a contract with which they are happy and want to continue, they should be able to retain that selection when they move. These customers should not be required to forfeit savings and revert back to the NGDC for a period of time simply because they are moving to a different location. Such a result would likely and understandably frustrate customers and affect their satisfaction with the retail market.

With respect to instant connects, in today's environment where most decisions by consumers can be implemented almost immediately, it is unacceptable to require customers signing up for natural gas service to have an NGS selection delayed. Moreover, the ability to instantly sign up with an NGS goes a long way in reversing the current approach of the NGDC being treated as the supplier of first resort.

F. Supplier Consolidated Billing

Although not addressed by the Tentative Order, RESA urges the Commission to explore the implementation of NGS consolidated billing in the retail natural gas market. It is critical for natural gas choice that NGSs establish a relationship with customers through the billing process. An NGS consolidated bill would give NGSs the billing flexibility they need in order to offer customers various valued added products and services. Further, customers will never fully identify natural gas service with the NGS if they continue to receive a bill from the NGDC. It is human nature that the entity being paid for the service is the one that is providing the service.

Although some ground rules certainly need to be established, the concept of competitive suppliers providing consolidated billing is not new. Indeed, electric distribution companies ("EDCs") agreed to this process in 1998 when negotiating settlements of their restructuring proceedings. No operational differences exist between EDCs and NGDCs that would prevent a similar approach from being implemented for the natural gas industry. While it is tempting for the Commission to forego or defer this proposal due to some of the technical and policy issues that need to be addressed, it is a critical change that would have immediate impacts on the vibrancy of the retail market and needs to be seriously considered.

G. Joint NGDC/NGS Bill

By the Tentative Order, the Commission proposed to direct OCMO to examine the concept of a Joint NGDC-NGS bill. Noting that this initiative is underway in the electric industry, the Commission suggested that changes be made to the NGDC consolidated bill to make it more supplier-oriented. The enhancements would include making the NGS's information more prominent; including the NGSs' logo on the bill; providing increased spacing for NGS messaging; and allowing NGS bill inserts. The Commission observed that such changes would aid customers in not only developing a stronger recognition of, and relationship with, their NGS, but would increase customer awareness when participating in the retail natural gas market. T.O. at 48. *See Investigation of Pennsylvania's Retail Electricity Market – Joint Electric Distribution Company-Electric Generation Supplier Bill*, Docket No. M-2014-2401345 (Order adopted May 22, 2014).

RESA is supportive of these proposed changes as they represent a good start in the process of ensuring that customers are aware of the entity that is supplying their natural gas. RESA also agrees that bill enhancements to include NGS logos and other information will result in greater visibility and stronger recognition of the NGS by customers. Given the extensive review this issue received in the electric industry, this is an initiative that should be quickly implemented for the natural gas market.

Beyond these enhancements, NGSs should be permitted to include products and services other than natural gas supply services on the NGDC bill. As competitive markets evolve, it is becoming increasingly important that NGSs have flexibility to bill for a diverse range of energy related products and services. More and more customers are demanding value-added products and services with their natural gas commodity. Further, it is necessary to be able to bill for these products and services in a way that is convenient for customers. For instance, if a customer enrolls in a product with an NGS that includes the natural gas commodity, a smart-thermostat, energy monitoring, energy efficiency and demand response, the customer likely will not want separate bills for each individual component of that product. The customer may not even want a separate price for each service, but rather may want a bundled all-in price. In this proceeding, the Commission should explore measures to enhance the billing flexibility of NGSs to offer bundled and energy related products conveniently to customers.

H. Rate Unbundling

While the Commission committed to continuing to monitor rate unbundling and to revisit later if it determines that further unbundling is warranted, the Commission proposed not to examine unbundling at this time. Referring to the Revised Final Rulemaking Order at Docket No. L-2008-2069114 (Order entered June 23, 2011), the Commission noted that NGDCs were recently directed to modify their price to compare ("PTC") to ensure that it accurately reflects commodity procurement costs in order to provide a better comparison model for customers comparing PTCs to NGS offers in the market place. Since most of those changes occurred in individual NGDC rate filings in 2013, the Commission suggested that the modifications should be given longer to be in effect before embarking on additional rate unbundling efforts. While proposing not to examine further unbundling at this time, the Commission indicated that NGSs are free to raise this issue in relevant rate proceedings. T.O. at 32.

RESA appreciates the effort the Commission has devoted in the past to the issue of unbundling gas procurement related costs from NGDC delivery rates and having those costs reflected in the PTC. However, it is not practical for the NGSs to "police" the issue of making certain that all NGDC procurement costs are included in the PTC by presenting alternative cost of service studies and expert witnesses in each NGDC's rate proceedings, when this is a ratemaking issue that the Commission can decide as a matter of regulatory policy. RESA recommends that OCMO be directed to gather input from NGSs regarding the general cost categories they currently pay to provide service. Based on OCMO's recommendation, the Commission should issue a policy statement indicating the types of costs it expects NGDC PTCs will include so that all procurement costs beyond demand and commodity supply costs will be reflected in the PTC. The NGDCs' annual Section 1307 gas cost recovery filings should reflect this policy. As an alternative, NGDCs could provide a cost of service study as part of their Section 1307 annual filing process to address the issue of the PTC including all gas procurement costs.

Finally, as an ongoing issue of regulatory import, the Commission should seize any opportunity in proceedings before it to encourage transparency in the cost components of the PTC. This will ensure that all gas procurement costs are included in NGDC PTC rates, enabling a true apples-to-apples comparison to NGS prices.

I. Assignment of Capacity and Use of Storage Assets

By the Tentative Order, the Commission proposed that OCMO be directed to conduct an examination of capacity assignment and storage assets, with specific emphasis on how capacity assignment and the use of storage assets impact system reliability. In offering this proposal, the Commission explained the existing statutory mandates that provide the NGDC with the option to release, assign or otherwise transfer capacity to NGSs and that require NGSs to accept such releases, assignments and transfers. The Commission recognized the value of OCMO conducting a fresh examination of these issues, noting proposals to eliminate the mandatory capacity assignments and to permit capacity to follow the customer, regardless of where the customer purchases natural gas supply. T.O. at 33-34.

RESA supports the Commission's directive that OCMO undertake a fresh examination of current NGDC approaches to capacity and storage, with the objective of identifying how more flexibility can be introduced while maintaining system reliability. RESA understands that in the absence of a regional transmission authority, responsibility for ensuring adequate upstream capacity and upstream or online storage puts each NGDC in the forefront of this issue. However, Pennsylvania is undergoing an unprecedented shift in the location of gas supply sources and pipeline capacity options for customers due to the Marcellus Shale phenomenon. It is an appropriate time to conduct an in-depth examination of NGDC capacity and storage issues. The policy objective of this examination should be to reduce current fixed cost requirements in favor of greater flexibility where it can be prudently obtained. OCMO's examination should include a review of the successful collaborative work done in New York State on the issue of capacity and storage.

J. Non-discrimination in Access Points on NGDC Systems

By the Tentative Order, the Commission proposed that OCMO be directed to examine the issue of allocating system access points and to recommend whether changes are needed to permit non-discriminatory access to locally-produced natural gas. This proposal was based upon allegations that NGDCs may be providing favorable access to local production for the purposes of obtaining default supply while preventing such access to NGSs. Noting the statutory prohibitions against such discrimination as found in the standards of conduct in the Competition Act, 66 Pa. C.S. § 2209(c), and the Commission's regulations at 52 Pa. Code § 62.142, the Commission described the importance of ensuring that such practices are not occurring. T.O. at 34.

RESA supports the Commission's tentative decision to task OCMO with examining the issue of access point discrimination. Specifically, OCMO should require the submission of information from the NGDCs that documents the availability and use of NGS access points on those systems, how it has changed over time and for what reasons. Particular attention should be paid to any recent modifications of NGS access points and the basis for those modifications. Projections of changes in access points by NGDCs should also be examined, in addition to the concerns on this issue raised by the Commission in its Tentative Order.

RESA strongly recommends that OCMO also explore the issue of access by NGSs to new gathering and midstream systems affiliated with the NGDC that interconnect with the utility's distribution system. Systems that are neither FERC regulated nor Commission regulated have no open non-discriminatory access obligation. The development of these new systems raises the issue of whether there will be portions of NGDC systems that NGSs will not be able to access, but the NGDC's affiliate will be able to access. RESA commends to the Commission specific inclusion of this issue in the access point examination by OCMO.

K. System Balance, Tolerances and Penalties

By the Tentative Order, the Commission proposed to direct OCMO to examine system balancing issues, including scheduling, nominations, tolerances, penalties and cash-outs as part of the RMI. The Commission further proposed that OCMO consider whether these provisions may be imposing unreasonable barriers to entry into the retail market and include in its recommendation an analysis of the best practices which properly balance the reliability needs of NGS and NGDC customers, as well as the true costs of imbalances. The Commission added that this examination should also address the extent that standardization of these requirements across all NGDCs is appropriate. T.O. at 35-36.

RESA strongly supports the Commission's inclusion of these system balancing issues within the matters OCMO is directed to examine. Generally speaking, these requirements can be divided into the categories of NGS informational and reporting obligations, standards of NGS performance and penalties/compensation. For too long the general mantra that NGDC "differences" preclude any industry standardization of NGS obligations, standards and penalties/compensation has been accepted. Although there may be structural peculiarities of some NGDC systems that require isolated departure from a best practices "norm," the line should be redrawn on where discretion on these balancing issues is permitted. Where good cause for an atypical requirement can be shown to be necessary to ensure reliability, it should be permitted. However, far more standardization than is currently present can and should be imposed by the Commission on scheduling, nominations, tolerances, penalties and cash-outs should be mandated. Best practices should be adopted across the industry, with exceptions being narrowly drawn.

L. Creditworthiness Requirements

In the Tentative Order, the Commission proposed to direct OCMO to examine the issue of creditworthiness requirements for NGSs operating on NGDCs' systems. Noting that a preliminary review of the various supplier tariffs reveals a wide range of requirements, the Commission also observed that there appears to be varying analyses as to the nature of the risks involved. In support of this proposal, the Commission referred to its initiative in the electric industry to reduce creditworthiness requirements and to expand the list of acceptable security instruments. *Bonding/Security Requirements for Electric Generation Suppliers; Acceptable Security Instruments*, Docket No. M-2013-2393141 (Order entered July 24, 2104). T.O. at 37.

RESA also supports the Commission's designation of creditworthiness requirements as an OCMO agenda item. The Commission has correctly discerned that further review of this issue in the electric industry has resulted in a reduction of those requirements and more flexibility for competitive suppliers, without sacrificing proper coverage of risks and exposures. OCMO should examine standardization of creditworthiness requirements, whether reductions in those requirements can be set, whether more flexibility can be provided relative to the different forms of collateral instruments permitted and the acceptance of parent company guarantees.

M. Supplier Tariff

By the Tentative Order, the Commission did not propose to require all NGDCs to develop separate NGS tariffs. While some NGDCs have stand-alone supplier tariffs, this is not a Commission requirement and is not the practice of all NGDCs. Likewise, in the Tentative Order, the Commission did not suggest any standardization of supplier tariff provisions such as terminology and the placement of rules on certain topics within specified sections of the tariff.

Particularly for NGSs operating on a statewide basis, the lack of a separate supplier tariff and the lack of standardization among tariff provisions are barriers that interfere with their ability to offer competitive prices and other product offerings to retail customers. The lack of a stand-alone supplier tariff requires NGSs to comb through many irrelevant tariff provisions to identify those that are applicable to them. Additionally, the lack of standardization, especially in the use of terminology and where rules are placed throughout tariffs, unduly increases the burdens that NGSs must assume when operating in Pennsylvania. Any efforts to facilitate the process for reviewing applicable tariff provisions would greatly assist NGSs in their daily participation in Pennsylvania's retail market. The Commission should reconsider not taking the purely procedure step of requiring all NGDCs to aggregate their NGS requirements in a separate supplier tariff. It should direct NGDCs to adopt this modification, where necessary, for clarity and as an industry best practice.

N. Accelerated Switching Timeframes

By the Tentative Order, the Commission proposed to direct OCMO to explore the issue of accelerating the switching timeframes, especially in light of the significant difference between switching timeframes in the retail electric industry under the new regulations and the current practices in the retail natural gas industry. While the Commission suggested that differences in metering technologies in the electric and natural gas industries may make identical rules and timeframes difficult, the Commission expressed the view that there is plenty of room for improvement in the natural gas industry. *See Final-Omitted Rulemaking Order: Rulemaking to Amend the Provisions of 52 Pa. Code, Chapter 57 Regulations Regarding Standards for Changing a Customer's Electricity Generation Supplier*, Docket No. L-2014-24093983 (Order entered April 3, 2014). T.O. at 39-43.

Generally, RESA is supportive of shortening the time period for switching to NGSs. Customers in 2014 expect a quick transition and those expectations should be fulfilled. Additionally, if customers find themselves in contracts with terms they no longer favor, they should be able to quickly move to a different NGS. RESA further notes that the availability of advanced metering need not interfere with efforts to accelerate the process for customers to switch. Although this approach was only intended as an interim measure in the electric industry, allowing estimated meter reads or customer reads – subject to later reconciliation – to facilitate a mid-cycle switch, provides value without any downsides. The only caveat is that the Commission should be mindful of back office issues for both NGDCs and NGSs that may need to be addressed.

O. Low-Income Customer Shopping

By the Tentative Order, the Commission proposed to direct OCMO to survey the NGDCs on the participation in the retail natural gas market by customers on customer assistance programs and to recommend any enhancements, as needed, to improve those programs. In offering this proposal, the Commission noted its view that the participation of low-income customers is important since this group is most in need of ensuring that its right to shop is protected. T.O. 44-45.

RESA also agrees with the Commission's decision to focus OCMO on this issue. Establishing a data baseline of how many low income customers receiving assistance are currently taking advantage of shopping is an important first step. In terms of next steps, all customers, including low income customers should have the opportunity to shop for gas supply and the Commission can support that principle by making any customer financial assistance portable for shopping customers. Similar to its policy for the electric industry, the Commission should not attempt to regulate the price of NGS offerings available to low income customers and certainly should not bar them from freely shopping for gas supply.

P. Purchase of Receivables Programs

By the Tentative Order, the Commission proposed to direct OCMO to examine purchase of receivables ("POR") programs in the natural gas industry and determine which "best practices" should be applied in a more consistent manner to all NGDC PORs. The Commission explained that the POR programs currently operated by many NGDCs, through which they buy the NGSs' receivables and then collect monies due from the customer, facilitate customer and NGS participation in the competitive natural gas market. Noting that the POR programs in the natural gas industry have been traditionally litigated through NGDCs' base rate filings, the Commission suggested that the POR programs may benefit from some standardization. T.O. at 46-47.

RESA applauds the Commission's historic and longstanding support for mandating POR programs across the Pennsylvania utility industry. That being said, it is time for all stakeholders to "get their second wind" and take POR to the next level of achievement. Consistent with the Commission's desire to determine and propagate "best practices," OCMO and the Gas RMI participants should investigate the potential for standardization of NGDC POR programs and start by charting their current similarities and differences.

Q. Disclosure Requirements

By the Tentative Order, the Commission proposed to direct OCMO to examine the changes recently implemented for the electric industry to promote greater transparency of information to customers and consider whether they should be applied to the natural gas industry. *See Final-Omitted Rulemaking Order: Rulemaking to Amend the Provisions of 52 Pa. Code Section 54.5 Regulations Regarding Disclosure Statement for Residential Customers and to Add Section 54.10 Regulations Regarding the Provision of Notices of Contract Renewal or Changes in Terms*, Docket No. L-2014-2409385 (Order entered April 3, 2014). In offering this proposal, the Commission noted the benefits to both consumers and NGSs of having consistent cross-industry rules. T.O. at 47.

RESA is supportive of uniformity between EGS and NGS disclosure requirements. However, rather than simply imposing the EGS requirements on NGSs, RESA would prefer to establish an acceptable set of requirements for the natural gas industry and then ensure consistency with the electric industry through subsequent proceedings. While RESA generally agrees that more information being provided to consumers is better in that it results in more informed consumers and greater overall satisfaction with the retail market, it would be prudent to revisit some of the requirements imposed by the Commission on the electric industry before expanding them to the natural gas market. However, RESA fully supports shorter time periods for sending out initial notices and options notices when a contract is nearing the expiration date or the NGS is proposing changes to the terms of service.

R. Account Number Access Mechanism

By the Tentative Order, the Commission proposed to direct OCMO to examine development of a secure portal mechanism that would allow NGSs to obtain customer account numbers from the NGDC to facilitate the enrollment of customers. Noting that this mechanism is being developed in the electric industry, the Commission described its benefits as facilitating supplier marketing in public places (e.g., malls, community events, fairs, etc.) where consumers are unlikely to have their utility bill or account number. T.O. at 49.

RESA is very supportive of implementing this mechanism in the natural gas industry and believes this initiative should be addressed in the short-term. As recognized by the Commission, such a tool would streamline the enrollment process and alleviate the need for a customer to take additional steps at a later time to complete the transaction. Since the consumer protections and protocols have been established by the Commission for the electric industry, this is a tool that can easily be adapted for use by NGSs.

Specifically, RESA proposes that password-protected website portals be developed so that NGSs may request an account number from the NGDC upon obtaining an executed letter of authorization from the customer, along with the customer's name, service address and photo identification. *See EDC Customer Account Number Access Mechanism*, Docket No. M-2013-2355751 (Final Order adopted July 16, 2013). Additionally, while the Commission limited its use in the electric industry to sales in public venues, RESA suggests that the Commission consider allowing this tool to be utilized for all sales since it eases the enrollment process and is more convenient for customers even when they are at home and may not have their bill readily available. With all of the protocols established by the Commission to ensure sufficient consumer protections, there is no reason not to expand its use to streamline the enrollment process regardless of the type of sale.

S. Migration Riders

By the Tentative Order, the Commission proposed that migration riders should be examined in the context of the Gas RMI if legislative efforts to address them are not successful. The Commission explained that a migration rider is a rate mechanism that applies to each customer account even after the customer is enrolled with an NGS, to help reconcile differences in the actual versus projected cost of providing SOLR service. In making this proposal, the Commission recognized that the use of migration riders by NGDCs makes the shopping experience more confusing. T.O. at 50.

RESA supports examination of the migration rider issue, unless and until it is addressed legislatively. In RESA's view, the migration riders are not only confusing to customers, they are anti-competitive in that they clearly chill customer interest in shopping for gas supply alternatives and frustrate the goal of establishing a firm energy budget for the customer. RESA encourages examination of the migration rider issue and a search for ways to mitigate or eliminate its harmful effects.

T. Electronic Data Protocols

By the Tentative Order, the Commission proposed to direct OCMO to include electronic data protocols as part of the Gas RMI. Explaining that many NGDCs using different communication protocols to exchange customer data with NGSs, the Commission noted that the same exchanges in the electric industry follow relatively uniform protocols. The Commission suggested that electronic data transaction protocols have been a factor that has helped facilitate success in the retail electric sector. T.O. at 50.

Generally, RESA is supportive of transitioning to electronic data transaction protocols in the natural gas industry, while noting that the current system of exchanging customer data with NGDCs is working effectively. Increases in the volume of customers who are shopping, however, could dictate the need for more automation and uniformity in the near future. As these issues are examined, it is important to ensure that the NGDCs' certification processes and testing queues do not delay entry into the market by NGSs.

IV. CONCLUSION

RESA urges the Commission to consider these comments in the development of short-term and long-term action plans to enhance the functioning of the natural gas retail market.

Respectfully submitted,

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