**RMI Technical Conference – October 17, 2012**

**Submit all deliverables to** **ra-rmi@pa.gov**

**All discussion documents/deliverables available at**

[**RMI Discussion Documents & Deliverables**](http://www.puc.state.pa.us/electric/Retail_Markets_Investigation_Discussion_Documents.aspx)

**Action Items highlighted in yellow**

**Organizational Issues**

* Moury: Purpose of discussion is to provide feedback on factors that need to be considered, have been overlooked, may make the proposal unworkable, may not be effective, and may have adverse/unintended consequences. Will try to answer all questions within Tentative Order (T.O.).

**Default Service Provider**

* Moury: The electric distribution companies (EDCs) will remain as the default service providers (DSPs) unless Commission approves alternative DSP per Chapter 28.
* Dominion/IGS: Unless alternative DSP is approved – any intention for Commission to encourage that outcome or is that just a statement of the law?
* Moury: No encouragement. Just want to make sure we’re not limiting it to the EDCs.
* PASEA: Always be a DSP regardless of who it is?
* Moury: For the period this proposal covers, the Commission has not departed from a model with a DSP.
* PPL: Is this open-ended or is it for the entirety of the EDCs’ next default service plans (DS plans)?
* Moury: Proposal for foreseeable future – at least through the entirety of the next DS plans.

**Default Service Product**

*Medium & Large Commercial and Industrial (C&I) Product*

* Moury: DS product broken down between medium and large C&I vs. residential and small C&I customers. For medium and large (above 100 kW), expect hourly locational marginal pricing (LMP) pricing, or load profiling pricing if metering capabilities don’t permit.
* Electric Generation Suppliers (EGSs): Anticipating that hourly pricing would be in place for customers over 100 kW regardless of whether or not there’s full deployment of interval meters? With LMP, will product be purchased directly from the PJM wholesale market?
* Moury: If interval meters aren’t available, load profiling will determine the hourly pricing. With LMP, would expect wholesale suppliers to provide the product with an administrative adder.
* EDCs: Is the Commission delineating rate classes by the 100 kW demand figure or will it allow the EDCs to retain use of traditional rate schedules? If both metered and load profile customers are receiving hourly pricing, who would receive the 90-day full requirements product in 2.b. of the proposal? Do small EDCs fall within this directive?
* Moury: Expect Commission to defer to existing rate schedules, recognizing that 100 kW is a reasonable cut-off. The product in 2.b. is for a customer who doesn’t have an interval meter and for whom the EDC doesn’t have load profiling capabilities available. The T.O. will address what EDCs are subject to these directives.

*Residential and Small C&I Product*

* Moury: Residential and small C&I have 90-day full requirements load following price resulting from quarterly auctions.
* Office of Consumer Advocate (OCA): For product, suggesting something other than average price (currently get average)? For auctions, consider layering/laddering? Will product be reconcilable? Will legislative changes be needed?
* Wurst: Would be fixed rate over quarter that would be result of single auction before that quarter that solicits full requirements load following product (not an average). No laddering – would be simple 3-month blocks of load following contracts. As next quarter comes, another auction for next quarterly block. Would be reconcilable.
* Moury: Would need legislative changes – will mention in the T.O. Probably wait for the Final Order (F.O.) before determining what changes are needed.
* EDCs: Would there be a spot component? Would this be a fixed price 3-month product? If utility had to acquire financial transmission rights (FTRs) and auction revenue rights (ARRs), would those get added in? Contemplating each of the 90-day auctions being a single contract or will it be broken into blocks? Full requirements load following price includes everything – energy, capacity, ancillary, renewables, etc.? Proposal doesn’t discuss PTC – Need to provide notice of estimate of PTC 90 days in advance. With this proposal, would have to use New York Mercantile Exchange (NYMEX)? Must take into account reconciliation and auction price in determining when PTCs will be available. Is philosophy with going to quarter-by-quarter procurement to reflect seasonal changes? Or do EDCs buy product and reconcile like they currently do? Why go quarterly? Possibility of EDCs being on different schedules help ease burden on suppliers.
* Wurst: No spot component. Would be a 3-month fixed price full requirement load following. FTRs and ARRs will be addressed later. Don’t envision having single contract – would be broken into multiple tranches. Potential to retain long-term renewable contracts separate from DS plans. Everything else, generally, will be in contract. Put as much liability as possible onto wholesalers. The PTC would be related to auction timing. Estimates may be stronger than today because based on NYMEX. May have to construct a tariff for customer notifications of PTCs. Want to minimalize number of over- and under-collections. Reasoning behind the quarterly product isn’t to reflect seasonal changes. It’s to reflect market circumstances instead of historical circumstances or significant over- and under-collections. Will consider idea of EDCs being on different schedules.
* EGSs: How far ahead will auctions be conducted? Would all utilities use same timeframe? Can expect T.O. to have language/requirements around standardization or, because of frequency of procurements, can wholesalers be pre-certified? Or have one procurement for all utilities at once? Are these calendar or PJM quarters?
* Wurst: Still deliberating on timing of auctions. Haven’t looked into standardization or certification details yet. Will try to get uniformity in DS plans and credit requirements. Would run on the PJM calendar year.
* PASEA: How often would customers see DSP change?
* Wurst: Wouldn’t change. Will be the EDC.
* Citizen Power: Given rate variability, consider recommending EDCs have dynamic budget billing that takes into account future rates?
* Mumford: Can review and consider. Under current regulations, EDCs should be reviewing budget billing multiple times per year.

**Timing of Transition**

* Moury: Start on 6/1/15 to coincide with next round of DS plans.
* EGSs: Is timing relating to the product? To the extent that there are tail contracts in next round of DSPs past 6/1/13, simply blend remaining tail contracts into new procurements?
* Moury: Timing is related to product.
* Wurst: Overall, want to make sure that contracts will be held harmless. On case-by-case basis, blend those into PTC.
* EDCs: Have we determined a drop-dead date for law changes to be in effect to meet 6/1/15 date? Would want to know by roughly November 2013. To the extent that there are alternatives already in place (e.g. NUGs), not forcing into PTC, right?
* Moury: Using current timeframe for DS proceedings, would expect to see legislative changes during 2013. Also plan to include authority to promulgate temporary regulations in legislation.
* Wurst: May need to retain various riders for things like NUGs or AEPS contracts. Will be case-by-case basis will costs remaining recoverable.

**Consumer Protections**

* Moury: All protections will be maintained. Not contemplating changes to Chapters 28 or 56 regarding consumer protections.
* PULP: Intended to include policies/practices/procedures that Commission has been following through SLs and policy statements for things like U.S. programs? Effective date for maintenance, as of date of Act; as of date of order; or as of 6/1/15 (i.e. compared to some initial date)?
* Mumford: Don’t expect changes other than things that have been announced (e.g. PECO DS program with CAP shopping). Not changing language of Ch. 28 regarding consumer protections so would be as of the date of the Act. Will clarify in T.O.

**Low-Income Customers**

* Moury: Want to enable all customers, including low-income customers on CAP, to be able to shop for electricity.
* PULP: Will OCMO be the preparer of the plan and it will go into effect without stakeholder input or other processing? Will there be significant changes to CAP? How does this relate to the RMI Universal Service Working Group? Will there be considerations of effects of CAP shopping on non-CAP low-income customers? Will consumer education for CAP customers be discussed? If result in changes to CAP, will this require changes to universal service plans?
* Mumford: OCMO will not be developing alone – will solicit stakeholder feedback. Process will be addressed in T.O. Plan will go into effect no later than 1/1/15. Focus is on getting customers to shop. Unsure what Universal Service Working Group will be doing for foreseeable future. Have not considered effects on non-CAP low-income customers – include in comments. If changes are made, customer education will be amended to suit. Not envisioning changes to universal service plans, but will make changes if need be.
* CLS: Is plan set of guidelines or order or what? How does this relate to directives in PECO DS plan to have PECO work with OCMO to develop plan by 1/1/14? Without specific guidelines, just making sure CAP customers can shop?
* Moury: PECO has to *make* plan by 2014. 2015 is drop-dead date for *implementation* of plan for CAP shopping. Just making sure CAP customers can shop.
* EDCs: Should set a date to finish plan so can be implemented 1/1/15. May be a timing issue in aligning with filing of DS plans. For EDCs who already allow CAP shopping, will changes be made to portability or will those programs continue as-is? Will all EDCs have to have same mechanics?
* Moury: Through legislative revisions, may be changes to DS plan requirements. May need plans for first filings due to transition issues but may change later on – to something like generation service adjustment filings.
* Mumford: If already allowing CAP shopping, don’t see need for changes in those territories. Don’t foresee all EDCs needing to have same mechanics.
* EGSs: Not having DS plan filings would reduce costs for all parties. Is intent to ensure that low-income customers can shop or that they can shop and retail full value of subsidy?
* Mumford: Retain benefits while shopping.

**Consolidated Billing**

* Moury: OCMO will work with stakeholders to develop recommendation to move forward with EGS or Third Party Consolidated Billing (CB). Not required of EGSs to do it. Want option to be available. Will be soliciting stakeholder input. Want comments on implementation, not policy discussion as to whether or not CB should be implemented.
* EGSs: Do EDCs have to offer it? Is staff contemplating ensuring that EDCs implement vigorous cost allocation unbundling to identify avoided costs? Might be helpful to get some clarity regarding scope – both operational and other issues.
* Moury: Would be requirement for EDCs to offer. Would not be requirement of EGSs to do it. Still need to figure out cost allocation issues. Will address both operational and other issues regarding scope in T.O.
* EDCs: If EDC pays EGS to bill on EDC’s behalf, would reverse apply (EGS pays EDC to bill on EGS’s behalf)? Need to discuss reciprocity of charges and Purchase of Receivables (POR).
* Mumford: Will address issues in T.O.
* PULP: Specific implications/issues for low-income customers as to how CB may affect CAP or LIHEAP benefits or coordination of benefits. Incorporate into stakeholder discussions for CB or address in low-income shopping section of T.O.?
* Mumford: CB.

**Accelerated Switching**

* Moury: Have proceeding for short-term processes re: accelerated switching. This issue addresses long-term switching issues. Will put recommendation together that allows customers to between meter read switching.
* EGSs: End point or will there more something more aggressive later? First date switch isn’t necessarily meter read issue (more seamless move issue).
* Moury: Need to determine what between-meter-read-switches encompass – frequency, timing, etc.
* Mumford: Unsure about more aggressive steps in future. Put in comments.
* EDCs: Will this be based on estimates? Will be done via smart meters? Prorations?
* Mumford: Unsure. Want comments on this.
* PULP: Assuming CAP customers shopping, will process assure that CAP customers won’t have benefits reduced or delayed? Some current CAP switching has led to delays/reductions in CAP benefits for certain periods of time.
* Mumford: If CAP customers can shop, don’t see why benefits would be affected. Provide comments on issue.

**Metering Services**

* Moury: EDCs will continue providing metering services and provide PJM settlement functions.
* PennFuture: Concerned that most EGSs don’t offer net metering to customers, so net metering customers not switching. Will you address this in T.O.? Make EGSs offer net metering? (SEIA and Wal-Mart agree with importance of net metering customers retaining compensation benefits if shopping)
* Moury: Not contemplated yet with this proposal. Raise in comments. One of the concerns that may be raised will be if that’s a regulatory requirement to be imposed by Commission or allow it to be a business decision by EGSs. Customers need to be made aware that customers may lose those benefits if they shop.
* EGSs: Real issue isn’t whether they offer it. Issue is that they’re not required to buy back excess at PTC. If EGSs had guaranteed rate recovery, would be offering same or better net metering compensation. Caution against any prescriptive mandate that would dictate the terms and conditions of a contract between an EGS and its customer (legality issues).

**Energy Efficiency & Conservation Plans**

* Moury: Per Act 129, EDCs would continue to fulfill statutory obligations.
* PPL: Do you want comments on time of use products in this section of T.O.?
* Moury: Not planning on addressing time of use within T.O. but comments may be filed.

**Long-Term Contracts**

* Moury: Will address long-term Alternative Energy Portfolio Standards (AEPS) contracts and other contracts to be held harmless.
* PennFuture: Will this apply to new contracts or just existing? Will Commission encourage long-term AEPS contracts? Important for renewables. (SEIA and MAREC echo sentiments)
* Wurst: Both. Commission may encourage use of long-term contracts. See T.O.
* OCA: Can EGS refuse assignment of AEPS credits from EDC? Wouldn’t be paying for them so costs would be recovered via nonbypassable rider.
* Wurst: Unsure. Current mechanisms could be continued. Put in comments.
* EGSs: Provision not simply for existing long-term contracts? Envisioning ongoing long-term renewables contracts? Difference between EDC purchases AEPS credits for EGSs and EGSs meeting own obligations. Recognize ongoing need for long-term renewables contracts. Would be worth replicating FirstEnergy’s credit allocation model if articulated by Commission.
* Wurst: Only talking about AEPS credits, not energy procurement. Going away from long-term energy procurements. To extent EDC still serving modest amount of DS load, EDC will still go out and have long-term AEPS credit procurements.
* Industrials: Assignment to EGSs done regardless of level of DS load?
* Wurst: Don’t have prescriptive policy on AEPS credit procurements. Will need to be determined in next EDC DS plans.

**Consumer Education**

* Charles: Questions on proposal? New version of campaign to be distributed which includes a Steering Committee.
* ACCESS: Looks good. Do you envision consumer education working group continuing to contribute to campaign?
* Charles: New version of campaign to be distributed.
* PULP: T.O. should highlight that low-income customers need specific education provided to them re: changes for CAP shopping and such. How will this be funded?
* Charles: Expect you’ll see cross-reference between consumer protection and consumer education sections of T.O. Regarding funding, still working on funding. Fee based on fair share will probably be proposed.
* EDCs: Does consumer education tie into assessments? Separate fee could run through currently-in-place consumer education riders?
* Charles: No. Would be a separate fee. For EDC portion of funding, yes.
* EGSs: Cost recovery mechanism for EGSs for consumer education? How will it be calculated and allocated? Possible mechanism under consideration for customers who have already shopped? Should those EGSs who have already expended monies to provide consumer education be required to pay more based on market share?
* Charles: Still working on it. Some kind of fee. Separate fee. Currently, thinking of tiered process based on number of customer accounts. Provide comments.

**Regulatory Costs/Assessments**

* Moury: 12.b. Would need statutory change to assess EGSs. Continuing concerns about assessments due to competitive issues. Looking at having EDCs recover electric industry assessments from consumers. The whole portion of assessments allocated to electric industry will be recovered from consumers through surcharge. 12.a. EGSs need to have skin in the game – have an annual licensing fee imposed on EGSs to cover some of Commission’s most basic costs for EGS work.
* EGSs: Magnitude of licensing fee? For assessments, things fee would be intended to cover would be subtracted out? Only fees for EGS-related activities? Envisioning that entirety of EDC assessment cost would continue to be recovered on nonbypassable basis from all ratepayers or via PTC? Continue to collect from all EDCs?
* Wimer: Comment on licensing fee. Set forth couple ways to structure fee in T.O. Maybe have max annual cap.
* Moury: No plans to assess EGSs. Looking to allow EDC to recover electric industry assessments through surcharge. Will determine fees for some specific EGS-related activities.
* OCA: How does surcharge relate to competition? Isn’t assessment based on proportion of time spent on industry?
* Moury: Section 510 currently requires assessments to be based on time spent on industry and on gross operating revenues of utilities. May be changes to Section 510 but trying to recover expenses for time spent on EGSs without assessing EGSs in a way that is fair to the EDCs.
* EDCs: EGSs report revenues?
* Wimer: Yes, for gross receipts tax purposes.
* Citizen Power: Does 12.b. cover more of expenses than 12.a.
* Moury: 12.b. would cover entire budget so amount is much greater. Looking at annual fee similar to licensing fee ($350).

**Process**

* Moury: Submit T.O. for 11/8/12 Public Meeting. Expect that Commission will allow 30 days for comments. No reply comments. Anticipate a Final Order in February 2013 and trying to start working on legislative changes around that same time.