

PA Retail Markets Investigation

End State Recommendations

Submitted by Direct Energy,
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End State Goals

- Move all customers from utility-provided default service to individual contracts with competitive suppliers by a date certain.
- Default service will be eliminated and replaced with market provided service.
- The process will provide a seamless transition for customers.

Pre-End-State Transition Mechanisms

- We suggest that as a preparatory step, the Commission should require that default service customers affirmatively select their supply option from a menu that includes default service as a supply option, but not in a prominent or superior position to EGS provided options. (June 2012)
- We also suggest that as a precursor to our desired end-state model, that the Commission establish a date-certain after which utility supplied default service will no longer be available as an option for customers.

Preferred End State Model

- Our preferred end state model eliminates utility provided default service.
- Customers who remain on default service as of June 1, 2015 would be assigned to Suppliers via a default service auction.
- Move-Ins (new or moving customers) will be required to initiate new electric service through a supplier, not via the EDC. EGS will arrange the service start via EDI.

Specifics

- Move-Ins must “Pick a Supplier” beginning June 1, 2015
- EDCs will direct new move-ins to call a supplier and initiate the service start by calling a supplier (Premises will need to have pre-assigned or fixed account numbers for sign-up purposes).
- Current default customers as of June 1, 2015 will be assigned to winning suppliers via an auction.
- Each EDC will conduct a separate retail auction where customers will be assigned in tranches.
- Auction winning share thresholds will be determined, we suggest no supplier be permitted to be assigned more than 20% of a single EDC’s eligible customers and that there be no fewer than 5 winning suppliers in each EDC service territory.
- Winning suppliers will serve these customers for predetermined initial term.
- Winning suppliers will be able to continue serving assigned customers after the initial term.
- At the end of the initial term, the assigned customers will be provided a fixed price offer from their current supplier or be able to continue service from their supplier (as the default option) on a variable price which must be posted each month on PA Power Switch.
- Winning auction suppliers will be required to post additional credit for the initial term prior to the start of the term. Thereafter additional security will be based on current, per customer, standards.
- Auction contracts will not include early cancellation fees.
- EDCs would continue to provide billing and collection services, and would continue to offer POR. EDC’s would perform disconnects as they do today.

Staff Issues List

- **Price Regulation/Auction Process/PUC Role.** The PUC’s “rate regulation” role would be to oversee the initial auction process and to ensure the variable rates were being posted and adhered-to.
- **Uniformity of Default Service Procurement.** Each EDC territory has unique characteristics that make a “state-wide” auction impractical. We propose that each EDC conduct its own auction using consistent general rules developed by the PUC.
- **Need for Incremental Security.** We support a requirement for incremental security to be posted prior-to customer assignment, based upon the number of customers to be assigned. Thereafter, the incremental security would be based on the number of customers served and could be calculated using the standard method.
- **Qualifications for Providing Default Service.** We support the need for a heightened demonstration of technical fitness requirement for suppliers that participate in the auctions – at a minimum, such suppliers must demonstrate an ability to manage all aspects of service for a large number of customers.
- **Customer Service Protections.** Customer terminations would be managed by the EDC under current rules . Suppliers that are assigned customers continue to be subject to Chapter 56.
- **Billing/Metering.** Billing and metering services (including POR) would continue to be provided by the EDC, at least for the foreseeable future.

Staff Issues List, cont.

- **Provider of Last Resort/Backstop Provider.** All suppliers taking assignment of new/moving customers would be required to participate in the default assignment pool and would be assigned customers of suppliers who exited the market, or who, for whatever reason could not obtain service, on a *pro rata* basis unless some other arrangement were made by the participating suppliers and approved by the Commission.
- **Universal Service Provider.** EDCs would continue to manage universal service programs and those programs would be portable and would apply to energy charges.
- **Transition Period/Timeframes.** The initial transition would start with the implementation of the requirement that customers affirmatively choose a supplier if they have not already done so. The auctions would be held in 2014-15, for service to begin June 1, 2015.
- **POR.** POR programs will continue as today.
- **Act 129 Obligations. –Energy Efficiency Load Management Programs.** Act 129 energy efficiency programs would remain EDC functions since EDCs have the ability to recover those costs. Demand response would become a market option.
- **Alternative Energy Portfolio Standards Act.** AEPS requirements would apply as today.
- **Settlement/Aggregation of Load.** EDCs would continue to manage this process since they possess the meter information and already have the systems in place.

Staff Issues List, cont.

- **Commission Assessments** – Assessments would be recovered from all customers through an EDC non-bypassible surcharge.