

Testimony of Cory Byzewski
Vice President and General Manager US North, Direct Energy
Default Service Plans Beyond June 2013

Thank you Chairman Powelson, members of the Commission, and to your dedicated Staff for your nationally recognized leadership on electric competition, as evidenced most recently by this Retail Markets Investigation Proceeding. It is exciting to take part in a process directed at creating even more robust, sustained and real competition for all Pennsylvanians.

Direct Energy is committed to Pennsylvania's growth, and serves the electricity and gas needs of thousands of Pennsylvania businesses and households every single day. We are continuing to Pennsylvania jobs, economic and community development, and innovative products and services including a "Free Saturday's" product. This is due to the progressive retail competition policies fostered by the Commission. There has been commendable progress in shaping the competitive market, but the market has not reached its full potential. We want to be a partner in making this vision a reality.

Near-term Vision

What is the potential of the retail electric market in the Commonwealth? The first step will be achieved when most customers receive generation service from the competitive market and that a "back-stop", rather than a "first-stop" default service is provided by an entity other than the utility.

This vision would not eliminate default service. Contrary to the claims of others, default service would continue it would just be provided by one or more entities other than the utility. This would permit the utility to focus on providing safe and reliable service. Residential and small business customers should receive additional consumer education and

encouraged to participate in interim measures, many of which you have already identified in your Tentative Order.

We urge the Commission to work to move in this direction by placing these interim measures in place in 2012 because receiving generation service from the competitive market gives customers the best opportunity to save money, enjoy a variety of "value added" products and services, and have the benefit of true choice.

Plans Beyond June 2013

While the Commission appears to be seriously considering major reforms to the present system, it has tentatively directed that the utilities file "bridge plans" for two years to account for the need to obtain legislative authorization (or affirmation) of default service reforms.

Direct Energy enthusiastically welcomes these recommendations. We urge the Commission to set-up a structure to permit these reforms as soon as possible. Such a structure will incent capital investment and economic development by competitive suppliers while fully advancing competition. Accordingly, Direct believes that the Commission should address three issues in its Final Order:

- First, it should clarify that the utilities must file Default Service plans with sufficient flexibility to permit the implementation of longer term reforms sooner than June, 2015, if possible. To get this greater flexibility, the utilities should be directed to file one year plans with the ability to extend the procurements for an additional year, if required.

- Second, the “bridge plans” should explicitly reaffirm that any wholesale suppliers electing to supply full requirements power for default service are not guaranteed any particular level of load; the bridge plan should put wholesale suppliers on notice that the Commission intends to enact competition enhancing measures as soon as possible and reaffirm that full requirements providers are not guaranteed any particular level of load
- Third, the plans should contain provisions that would explicitly permit their assignment to alternative default service providers, or otherwise provide certainty that such contracts will be honored, if necessary to effectuate this transfer as soon as possible.

In conclusion, Direct Energy is gratified to see the progress being made in Pennsylvania. But, as default service plans are established for 2013 and beyond, care must be taken to ensure that additional reforms can be incorporated into those plans. Customers should not be forced to wait for 2 ½ years for even intermediate reforms and wait up to 4 years or more for the Commission to enact a fully competitive market, if they can be implemented sooner.

Today we have offered Free Saturday’s and bundled service offerings assisting customers to better manage their energy usage. Based on the actions you are considering today, and with appropriate reforms to the existing market model, the future will likely result in even more innovative products and services in the Commonwealth.

You clearly have some challenging decisions to make over the next few months. To provide some perspective, I would like to leave you with a quote from Arthur Schopenhauer:

“All truth passes through three stages. First it is ridiculed. Second, it is violently opposed. Third, it is accepted as being self-evident”

Pennsylvania is fast becoming the national model for other states seeking to give customers the benefits of robust, sustained and real retail electric competition. Direct Energy looks forward to continued growth in Pennsylvania, and stands ready to assist the Commission in creating an environment which will deliver benefits to consumers that can be derived only from fully competitive markets.

Again, thank you for the opportunity to appear before you today. I would be delighted to answer any questions.

END