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| PUC logo | COMMONWEALTH OF PENNSYLVANIAPENNSYLVANIA PUBLIC UTILITY COMMISSIONP.O. BOX 3265, HARRISBURG, PA 17105-3265 | **IN REPLY PLEASE REFER TO OUR FILE** |

February 16, 2011

To: Electric Generation Suppliers and Electric Distribution Companies

Re: Budget Billing Obligation for Dynamically-Priced Products

Docket No.: M-2009-2082042

The Commission is aware of questions that have arisen about whether electric generation suppliers (EGSs) that are offering dynamically-priced products must provide a budget billing option to customers. At our request, the Office of Competitive Market Oversight (OCMO) has discussed these issues with the Committee Handling Activities for Retail Growth in Electricity (CHARGE). Consistent with the consensus among CHARGE members participating in that discussion, we are clarifying that EGSs are exempt from the budget billing obligation when offering dynamically-priced products to residential customers.

In the context of this Secretarial Letter, dynamically-priced products represent those offerings that fluctuate in price, at a maximum by month, based on wholesale electric market trends and/or offer differing rates and rebates based on peak/off-peak usage periods. Examples of some dynamically-priced product offerings include monthly, daily, time-of-use, real-time, critical-peak, and peak-time rebate pricing.

The budget billing obligation is in Chapter 56 of the Commission’s regulations and requires that “a gas, electric and steam heating utility shall provide its residential ratepayers with an optional billing procedure which averages estimated utility service costs over a 10-month, 11-month or 12-month period to eliminate, to the extent possible, seasonal fluctuations in utility bills.” 52 Pa. Code §56.12(7). Section 2809(e) of the Public Utility Code obligates the Commission to impose requirements on EGSs that are necessary to ensure that the Chapter 56 standards and billing practices for residential service are maintained. 66 Pa.C.S. §2809(e). This provision also authorizes the Commission to forbear from applying any requirements of the Public Utility Code that are unnecessary due to competition among electric generation suppliers.

 In our view, exempting EGSs that are offering dynamically-priced supply products from the budget billing obligation in no way jeopardizes the consumer protections afforded by Chapter 56 and would be beneficial to the development of the retail electric market. Nonetheless, we reiterate the Commission’s long-standing requirement that budget billing be made available for residential consumers who purchase conventionally-priced service (*Budget Billing Obligations of Electric Generation Suppliers*, M-00960890F0011, Order entered June 18, 1998).

Particularly to the extent that dynamically-priced supply products fluctuate based on price signals from the wholesale market and/or incentivize end-users to adjust electric usage patterns, it would seem counterproductive to insist that residential customers be afforded a budget billing option when selecting these products. Indeed, dynamically-priced supply products are more consistent with the overall conservation goals of Act 129 of 2008, and budget

billing can interfere with the consumers’ ability to readily obtain the information needed to adjust their consumption and demand in response to price signals.

Residential customers who wish to avail themselves of a budget billing option would either choose a different EGS, a fixed priced product of the same EGS, if offered, or remain with the default service provider. If residential customers prefer the certainty of a budget billing option and are reluctant to accept dynamically-priced supply products without that feature, EGSs in the market offering such products would have to make a business decision of whether to respond to the desires of those consumers.

Any questions about this Secretarial Letter should be directed to the Office of Competitive Market Oversight by email at ra-OCMO@state.pa.us or by calling the Director of Operations at 717-783-5331.

 Very truly yours,

 Rosemary A. Chiavetta

 Secretary

cc: Office of Competitive Market Oversight