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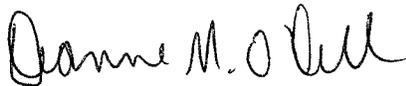
Rosemary Chiavetta, Secretary
PA Public Utility Commission
PO Box 3265
Harrisburg, PA 17105-3265

Re: Investigation of Pennsylvania's Retail Electricity Market
Docket No. I-2011-2237952

Dear Secretary Chiavetta:

On behalf of the Retail Energy Supply Association ("RESA") enclosed please find the original of its Comments along with the electronic filing confirmation page with regard to the above-referenced matter.

Sincerely yours,



Deanne M. O'Dell, Esq.

DMO/lww
Enclosure

cc: ra-OCMO@state.pa.us w/enc.

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I. INTRODUCTION

As the Commission correctly notes in its order initiating this proceeding, “in 1996, Pennsylvania emerged as a national leader in electricity policy” with the passage of the Electricity Generation Customer Choice and Competition Act (“Choice Act”).¹ The Choice Act was intended to give the Commonwealth’s residents and businesses the opportunity to free themselves from their decades long need to rely exclusively on the electric distribution company (“EDC”) for their electricity generation service.² Instead, the Choice Act envisions consumers receiving their generation from the competitive market through electric generation suppliers (“EGS”) such as the members of the Retail Energy Supply Association (“RESA”).³

The reason for transitioning away from the traditional monopoly supply approach is clear – “competitive market forces are more effective than economic regulation in controlling the cost of generating electricity.”⁴ The legislature implicitly recognized that a well functioning, robust competitive market is the best way to provide the most innovative products and services at the most reasonable prices. Recognizing that breaking the well established monopoly would take time, the Choice Act set forth a transition plan which the Commission has been dutifully implementing for almost a decade and a half now – first through EDC restructuring plans, then

¹ *Investigation of Pennsylvania’s Retail Electricity Market*, Docket No. I-2011-2237952, Order entered April 29, 2011 (“*Investigation Order*”) at 1; 66 Pa.C.S. § 2801 et. seq.

² 66 Pa. C.S. § 2806(a).

³ RESA’s members include: Champion Energy Services, LLC; ConEdison *Solutions*; Constellation NewEnergy, Inc.; Direct Energy Services, LLC; Energetix, Inc.; Energy Plus Holdings, LLC; Exelon Energy Company; GDF SUEZ Energy Resources NA, Inc.; Green Mountain Energy Company; Hess Corporation; Integrys Energy Services, Inc.; Just Energy; Liberty Power; MC Squared Energy Services, LLC; Mint Energy, LLC; MXenergy; NextEra Energy Services; Noble Americas Energy Solutions LLC; PPL EnergyPlus, LLC; Reliant Energy Northeast LLC and TriEagle Energy, L.P.. The comments expressed in this filing represent the position of RESA as an organization but may not represent the views of any particular member of RESA.

⁴ 66 Pa. C.S. § 2802(5).

through the adoption of regulations implementing the Choice Act and, more recently, through the approval of default service plans for the EDCs as well as numerous retail market opening initiatives and rulemakings.

Pennsylvania has made a tremendous amount of progress in implementing the goals of the Choice Act. Today, EGSs including many of RESA's members, are providing service to all types of customers in Pennsylvania. However, the status of retail competitive market development is markedly different across customer classes and EDC service territories. Customer migration levels are substantially higher for the large commercial market where default service is structured as a fully market responsive hourly priced product. On the other hand, in the smaller customer market, where default service is structured as a quarterly adjusted fixed price product based largely on longer term supply contracts, customers have been much slower to switch. To date, only 20.3% of all Pennsylvania service accounts have switched to a competitive supplier and there is a significant portion of the Commonwealth (predominately in Western Pennsylvania) where only the smallest amount of customers have switched and there are very few to no competitors making offers.⁵ Now that the generation rate caps – an artificial pricing of generation that bore no relationship to the market price – have been removed for all EDCs the question becomes whether additional actions are needed to realize the “end state” envisioned by the Choice Act which is a market where competitive suppliers – and not the monopoly EDCs – are providing generation service to a significant number of consumers in all customer classes. RESA's answer is unequivocally yes.

For these reasons, RESA enthusiastically supports the Commission's initiative in this proceeding to “to address the status of the current retail market and explore what changes need to

⁵ See <http://www.papowerswitch.com/>

be made to allow customers to realize the benefits of competition.”⁶ As explained further below, there are a number of barriers that currently exist in Pennsylvania which are hampering the development of a fully robust competitive market such as the failure of the EDCs to fully unbundle, the present “default” structure wherein the EDCs automatically provide electric generation service to customers, the over reliance on longer term procurement contracts providing default service to residential and smaller commercial customers, the offering of other retail generation products by the EDCs in addition to default service, the continuation of the billing relationship with the incumbent EDC, and a wide variety of operational barriers preventing competitors from accessing needed information within the control of the EDC to price and offer competitive supply.

RESA urges the Commission to find during Phase I of this investigation that several elements of the current default service structure and retail market design in Pennsylvania are not fulfilling the objectives of the Choice Act for all consumers and must be improved. As discussed in detail below, there are a number of ways to address the current deficiencies to ignite participation by a much more significant number of Pennsylvanians in the retail market. Thus, as part of Phase II of this proceeding, RESA supports a detailed examination of all the changes most likely to effectuate the goals of the Choice Act, including a full analysis of how each of the changes may be implemented.

⁶ *Investigation Order* at 2.

II. RESPONSES TO QUESTIONS SET FORTH BY COMMISSION

A. Question No. 1: What is the present status of competition for retail electric generation for customers, by class and service territory, and for alternative suppliers?

The Choice Act permitted EDCs to recover their “stranded costs,” i.e. investments in infrastructure made before the law was passed that may have become uneconomic and unrecoverable in a competitive environment. To do this, generation, transmission and distribution rates were capped at 1996 levels. In subsequent years, the market price of energy increased but EDCs were still charging consumers pursuant to the rate cap levels. This stalled the ability of competitors to enter the market because they could not compete with the artificially lower price of generation being assessed by the EDCs.

Prior to January 1, 2010, rate caps were lifted for approximately 15% of Pennsylvania ratepayers (living in the service territories of Citizens, Pike County Power & Light, Wellsboro, UGI, Penn Power, and Duquesne). On January 1, 2010, rate caps were lifted for 25% of all Pennsylvania ratepayers living in the service territory of PPL. On January 1, 2011, the remaining 60% of Pennsylvanians subject to generation rate caps expired (those consumers living in the service territories of PECO, Allegheny, Met-Ed, and Penelec).

Since PPL’s generation rate cap expired on January 1, 2010 and with the assistance of various market opening policies adopted by the Commission, the competitive retail market in Pennsylvania has started to develop with more competitors entering the market and more Pennsylvanians receiving their supply from an EGS. Today, all types of customers are enjoying the benefits of competition. In areas where competition has developed the most significantly (mainly the PECO, PPL, and Duquesne service territories) customers have a variety of new product and service offerings available. While the level of savings will vary as the default rate changes, currently, residential customers can save up to 20% off their EDC’s default service rate.

Customers have green energy options and at least one supplier is offering a competitive dynamic pricing option to residential customers.

In the commercial and industrial market, customers have a plethora of commodity and energy service products to choose from, including fixed and variable price options, renewable energy options, demand response products and other innovative energy solutions. This Commission, the legislature, consumer advocates, and market participants (including retail and wholesale suppliers and the EDCs) deserve significant credit for working to implement foundational policies to promote the development of retail competition and for fostering greater customer awareness of retail choice. While the initial post-rate cap period has been widely viewed as a success story, the current status of retail competition in Pennsylvania is far from the desired end-state envisioned when the Choice Act was first enacted.

The current status of the retail market can be assessed and analyzed from a variety of perspectives. Two commonly used metrics include customer switching statistics and the number of competitive suppliers and offers available in the market. Below are the Commission's latest statics regarding this:

Weekly PA Power Switch Update

Pennsylvania Public Utility Commission
www.PAPowerSwitch.com

CUSTOMERS SWITCHING TO AN ELECTRIC GENERATION SUPPLIER WEDNESDAY, JUNE 1, 2011

Electric Utility	Date Updated	Total Switching Customers			Residential Switching Customers			Commercial Switching Customers			Industrial Switching Customers		
		#	%	% of Load	#	%	% of Load	#	%	% of Load	#	%	% of Load
Duquesne	5/28/11	165,382	28.2	67.68	145,113	27.7	30.37	19,609	31.8	76.35	660	57.0	93.62
Met-Ed	6/1/11	18,088	3.3	38.9	7,293	1.5	1.1	10,069	15.6	37.5	726	49.5	83.5
PECO	5/31/11	309,530	20.0	51.0	245,682	17.0	18.0	61,278	38.0	54.0	2,570	81.0	91.0
Penelec	6/1/11	34,531	5.8	44.3	16,077	3.2	1.1	17,577	21.3	39.8	877	54.0	85.7
Penn Power	6/1/11	31,224	19.5	54.7	26,487	18.8	12.6	4,578	23.3	64.7	159	65.2	96.3
Pike County	5/24/11	3,338	72.0	63.0	2,688	74.0	71.0	647	66.0	56.0	3	43.0	63.0
PPL	5/28/11	549,831	39.1	74.8	470,337	38.3	42.4	76,797	44.2	84.0	2,697	61.2	95.7
UGI	5/28/11	467	0.73	16.02	1	0.0	0.0	404	4.87	29.43	62	32.8	76.34
West Penn Power	6/1/11	34,088	4.8	36.6	15,854	2.6	0.7	18,122	19.1	53.8	112	88.2	64.6
Statewide Total	6/1/11	1,146,479	20.3*	49.66**	929,532	18.7	19.69**	209,081	29.4	55.06**	7,866	59.1	83.31**

* Percentage based on the total number of customers of regulated electric utilities in Pennsylvania as of 12/31/10. (4,970,057 Residential + 680,045 Commercial/Industrial = 5,650,102 Total Customers).

** Percentage represents megawatt hours currently delivered by alternative suppliers.

From these statistics, there are a few key observations that are important:

- The number of customers receiving service from competitive suppliers is significantly higher in the larger customer market across all jurisdictions.
- The majority of residential customers are remaining on EDC-provided default service in all jurisdictions.
- The number of active suppliers serving the smaller customer market is significantly higher in some areas of the state, and residential customers in some territories have few or no alternatives (MetEd, Penelec, Citizens Electric, Wellsboro, and UGI).

These are indicators that retail competition has not yet reached its full potential in Pennsylvania. As discussed further in subsequent questions, these indicators are also evidence of underlying structural problems inherent with Pennsylvania's current retail market design which assigns the default service role to the incumbent EDC.

According to generally accepted economic theory, effective competition can be measured according to the following basic principles: (1) the presence of many buyers and many sellers; (2) the lack of barriers to entry; (3) free and non-discriminatory access to information, technology and facilities necessary to participate in the market; (4) lack of horizontal and vertical market power or a means to mitigate market power; and, (5) the substitutability of products (i.e. the product is homogenous). While no market can meet the definition of perfect competition, these concepts can be used to evaluate the relative competitiveness of markets, including the market for retail electricity. The Commission has also used these general concepts to measure the competitiveness of the natural gas market in Pennsylvania.

Utilizing these criteria, there are several areas in which the Pennsylvania market cannot be considered fully competitive:

- *Many buyers and many sellers:* In some areas of the Commonwealth there are no alternatives to default service in the residential market. In others, there are only a few.
- *Barriers to entry:* Substantial barriers to entry remain as discussed more fully below. These barriers include a strong status quo bias in favor of the incumbent EDC, as well as cost, operational and technical barriers.
- *Information and technology access:* Information access continues to be a challenge because suppliers are dependent on the EDC, which is effectively a competitor in the market, for access to essential data and information, including customer historic and interval usage data, Regional Transmission Organization (“RTO”) settlement data, and default service procurement cost information. Additionally most residential suppliers must use utility consolidated billing in order to overcome the natural cost advantages related to billing, collection and customer care infrastructure enjoyed by default service. This also restricts information to market participants because suppliers are unable to build and foster an ongoing, direct customer relationship.

While the progress in Pennsylvania to date is commendable, other states with fully functional competitive retail markets have designed market structures that encourage the development of competition while also ensuring that the default service provider meets requisite

standards to serve that function. In Illinois, for example, a “glide path” approach has been used where classes of customers have been declared competitive based on various benchmarks. Upon this declaration, the mandatory fixed-price EDC option for such customer class is terminated. In Texas, the regulated distribution company is no longer a commodity supplier and competitive retail suppliers fulfill the default service role. By further analyzing experiences such as this in Phase II, the Commission can develop an appropriate market structure for Pennsylvania.

B. Question No. 2: Does the existing retail market design in Pennsylvania present barriers that prevent customers from obtaining and suppliers from offering the benefits of a fully workable and competitive retail market? To the extent barriers exist, do they vary by customer class?

Yes as to both questions. As discussed below, the retention of the incumbent EDC as the provider of default service presents structural barriers that impede competitive market development, to varying degrees based on customer class, ultimately preventing customers from achieving the benefits of a fully workable and competitive market. The extent to which barriers exist may vary by customer class. However, the opportunity for additional improvements and ultimately increased customer choice and the associated benefits remains a laudable goal for all consumers in the Commonwealth.

1. Status Quo Bias

The current EDC provided default service model perpetuates a strong status quo bias in favor of the incumbent EDC. Transitioning customers from their historical monopoly provider of generation service to the competitive market represents a very significant paradigm shift in the way customers think about electric generation supply. Under the historically regulated model, customers were accustomed to receiving their electric generation service from the local utility. With passage of the Choice Act and removal of the generation rate caps, now customers can

choose to have their generation service provided by a competitive supplier. But despite the existence of many competitive alternative suppliers in markets like PPL and PECO, the majority of customers are remaining on default service provided by the EDC.⁷ These customers are currently paying more for their electricity service than necessary and are missing out on innovative, value added products and services. For example, the current Price To Compare (“PTC”) for PPL residential customers is \$.0877 per kWh and ten EGSs are offering a price that is lower. Despite this, almost 61% of consumers in PPL’s service territory continue to receive generation service from PPL.⁸

There are many reasons why customer migration away from EDC provided default service is not greater in these markets where significant choices do exist. These include a lack of appropriate price signals, a lack of awareness and education about electric choice, a resistance to change and fear that new suppliers would provide inferior service, among other things.. However, many of these reasons could stem from what is known as the “status quo bias.”

Significant behavioral research has been conducted on the subject of status quo bias in decision making. In an article on this subject written by Professors William Samuelson (Boston University) and Richard Zeckhauser (Harvard University), they discuss the tendency of individuals to prefer status quo options when faced with new alternatives, such as electing an incumbent, purchasing the same product or brand, staying in the same job, etc.⁹ Interestingly, the status quo bias effects increase when individuals are faced with more options to choose from. This status quo bias effect presents a substantial challenge in the context of Pennsylvania’s retail

⁷ The level of status quo bias is much more significant in the smaller customer market.

⁸ Weekly PAPowerSwitch Update, June 1, 2011 available at <http://www.papowerswitch.com/>

⁹ See <http://www.hks.harvard.edu/fs/rzeckhau/SQBDM.pdf>

market design. The very existence of a “default option” is counterproductive to one of the primary goals of electric restructuring which is to encourage consumers to make an affirmative choice for their electricity supplier. Moreover, establishing the incumbent EDC as the “default service provider” further exacerbates the problem because nothing is changed from the customer’s perspective in terms of who is supplying their generation service. This perspective is further reinforced by the customer’s identification with the “brand” of the EDC and feelings of loyalty. These two factors further entrench customers with the incumbent perpetuating the status quo bias regardless of whether there are better options available elsewhere. As discussed in more detail below in Section II.F, RESA believes that there are a number of retail market design changes that can be implemented to mitigate or eliminate the current status quo bias, where it may exist, which favors the incumbent EDC.

2. Long Term Procurement Contracts

The current default service procurement and pricing structure for the smaller customer market wherein customers are presented with a fixed price default rate creates barriers to achieving full, sustainable competition by relying too heavily on longer term procurement contracts which can create a “boom or bust” cycle for competitive suppliers and sends incorrect price signals to customers. For the residential and small to medium commercial markets, most existing EDC default service plans rely heavily on longer term procurement contracts ranging from 12 to 29 months. Many of these contracts are entered into significantly in advance of the service period covered by the contract which effectively extends the length of the contracts further. Reliance on longer term, fixed price contracts virtually guarantees that default service rates will be divorced from prevailing market prices and conditions at the time the customers receives default service.

When current market prices are below the prices in the underlying contracts, retail suppliers have an opportunity to “beat” the EDC’s default service rate. However, when prices rise above the default service rate, customers have an incentive to return to default service and retail market development is stymied. While this may appear to provide the “best of both worlds” to customers, in the long run, this market design is unsustainable and will not lead to the most economically efficient outcome. Additionally, this market design creates an incentive for EGSs to predominantly compete against the EDC’s artificial default service rate rather than driving prices towards the efficient market based outcome. This tendency to offer savings compared to the default service rate limits and distorts the effects of both price and product competition among EGSs, thus preventing customers from receiving the full benefits of an efficient market.

3. Failure to Reflect All Costs in Default Service Rate

The current retail market design wherein default service is provided by the incumbent EDC also presents barriers to competition by failing to fully and accurately reflect all costs in the default service rate that suppliers must compete against, creating a significant cost advantage for default service. The EDC provides both regulated distribution service and generation supply service to customers remaining on default service. While many EDC assets, such as employees, facilities, systems and other infrastructure are used both in the provision of default service and distribution service, the EDCs have not undertaken an extensive cost unbundling review to separate these costs from regulated distribution costs and allocate these costs to default service rates. When a customer calls to inquire about his or her bill, the customer is receiving simultaneously a generation and distribution service. However, all of the costs related to the customer care function are recovered through nonbypassable distribution rates. Similarly, the

EDC's general overhead expense, such as salaries, facility costs, etc., are all reflected in distribution rates.

If all of the EDC's costs of providing default service costs are not properly allocated to default service rates, then the EDC has a competitive advantage over EGSs. This is because the EGS must reflect all of its customer care costs, credit costs, capital costs and general overhead expenses such as salaries, facility costs, etc. in its competitive offers. The EGS does not have a captive customer class from which to recover these costs. Moreover, misallocated default service costs force shopping customers to pay twice for many cost components (i.e., once to the EDC through their distribution rates and once to the EGS through their price for generation).

4. Default Service Competitive Advantages

Default service enjoys competitive advantages due to the economies of scale and scope that are immediately present for default service that are not available for competing EGSs without expending significant resources to organically acquire a large customer base. Due to the very nature of default service, the EDC has no customer acquisition costs. Conversely, EGSs must expend significant resources in sales and marketing activities to acquire customers and must reflect these costs in the pricing for generation service. Thus, by virtue of the fact that the EDC is the incumbent provider of the service, it gains an automatic competitive advantage in pricing default service relative to new entrants. Additionally, EDC-provided default service may have other advantages because the EDC has a statutory guarantee to recover its procurement related costs. RESA recommends that the Commission investigate the extent to which these competitive advantages exist, and if they do, as discussed further below, consider whether transitioning the default service role to competitive EGSs is a way to mitigate these advantages.

5. Lack of Equal Access and Control over Necessary Data

EGSs also lack equal access and control over necessary data, information and infrastructure. EGSs are dependent upon EDC managed systems and processes in prospecting, enrolling and servicing customers. If an EGS has an operational need for additional data, or a more streamlined process for interacting with customers, the EGS must pursue these changes through lengthy collaborative processes and, if those fail, through lengthy regulatory approval processes. These operational difficulties do not exist for EDCs because they are using their own (legacy) systems and have access to the customer's information that is needed to provide service. They are not required to work with any other entity or system to gather needed information or to ensure that the appropriate systems are in place to effectuate service. This lack of equal access and control over data necessary to provide generation supply presents significant barriers to entry and efficient operation.

- C. **Question No. 3: What are the economic and managerial costs associated with electric distribution companies (EDCs) fulfilling the default service role? Are the EDCs accurately passing those costs along to default service customers? Do default service rates include any elements that are not cost-based? Is an examination of distribution rates needed to ensure proper cost allocation? Are there barriers to competition as a result of having EDCs provide default service?**

As discussed above in Section II.B.3, the EDC enjoys a significant cost advantage in providing generation service as the default supplier that is not available to EGSs providing competitive supply. Thus the failure to fully unbundle default service costs while requiring the EDC to be the provider of default service does present a significant barrier to competition. As discussed further below in Section II.F.1, RESA recommends that this issue would be best addressed by assigning the default service function to a competitive providers who would have the proper incentive to reflect all generation related costs in their supply price.

At a bare minimum, however, EDC costs should be fully examined in order to properly unbundle and reflect all default service related costs in default service rates. To date, there has been no cost allocation study of any of the EDCs to ascertain the extent of their economic advantage due to a lack of unbundling and to ensure that all costs of default service are being properly recovered in default service rates. RESA supports the undertaking of such a study to ensure that costs are being appropriately allocated or assigned. However, any unbundling process must recognize the imperfect nature of cost allocation practices. A simple allocation of costs between default service and distribution service may not adequately reflect the competitive advantage present with EDC-provided default service.

D. Question No. 4: Are there unintended consequences associated with EDCs providing default service, and related products, such as time-of-use rates?

Yes, as discussed above in Section II.B, barriers to the competitive market exist today as a result of requiring the EDC to provide default service.

1. Other Unintended Consequences – Diversion From Core Distribution Functions

In addition to presenting barriers to the competitive market, requiring EDCs to provide default service diverts their attention and resources away from what should be their core function – the reliability and security of the distribution network. Given the critical importance of ensuring that consumers receive electricity, relieving EDCs of the default service function will enable them to refocus their attention on this important core function.

2. Time-of-Use Rates

Requiring the EDC to provide other generation products, such as time-of-use (“TOU”) rates rather than relying on the competitive market further entrenches the utility in the role as a

generation services provider which may create barriers depending on how the product is structured. For example, the TOU products offered by PPL, PECO and Duquesne are made available only to the utility's default service customers and customers who receive service from an EGS are precluded from availing themselves of the product.¹⁰ Requirements such as these create an additional "default service" product and are counterproductive to encouraging customers to receive generation supply from the competitive markets.

In addition, requiring EDCs to provide these programs can lead to unintended anticompetitive pricing. Pricing in commodity markets, such as the electricity market, presents certain trade-offs between price certainty and cost. Retail pricing options for electricity service can fall anywhere on a continuum between fully variable and fully fixed. As with any commodity, there is a cost associated with locking in a fixed price. A customer who is willing to accept price variability can take service under a product that fully passes through the volatility inherent in the wholesale energy market. Pricing for such fully variable products carries very little premium because the EGS assumes little risk in providing the service. Conversely, a customer that values price stability can obtain a fixed price electricity product from an EGS. That EGS will procure energy in the wholesale market at fixed prices and will reflect the costs of these hedges (e.g., the cost of locking in fixed prices) in the derivation of its retail price offered to that customer. In such a situation, the customer is essentially paying the retail supplier for "price insurance."

¹⁰ *PPL Electric Utilities Corporation Supplement No. 94 To Tariff Electric Pa. P.U.C. No. 201 Time-of-Use*, Docket Number R-2010-2201138, Order entered December 2, 2010; *Petition of PECO Energy Company for Approval of its Initial Dynamic Pricing and Customer Acceptance Plan*, Docket No. M-2009-2123944, Opinion and Order entered April 15, 2011; and, *Petition of Duquesne Light Company for Approval of a Time-of-Use Plan*, Docket No. P-2009-2149807, Order entered June 23, 2010.

The TOU program recently proposed by Allegheny, which is structured similarly to the currently effective PPL TOU program, created the false impression of fixed prices without exposing customers to the inherent price variability associated with a fully variable procurement approach and without reflecting an appropriate risk premium to monetize this underlying price variability.¹¹ The TOU rates lock-in forward market prices at the time that Allegheny calculates the TOU rates (around April each year). However, the TOU rates do not reflect the inherent cost of locking in these market prices. Furthermore, Allegheny would not have borne the risk that future spot market prices will deviate substantially from the initially set retail rates. Instead, Allegheny proposed to pass this risk onto future TOU customers by imposing a quarterly reconciliation adjustment in a future quarterly period. The TOU customer does not bear this market price risk either, because the customer can leave the TOU program to obtain standard default service from Allegheny, or competitive retail service at a fixed price from an EGS. If timed correctly, the customer could fully avoid any reconciliation. In the worst case event that all customers leave the TOU program (leaving no future TOU customers to apply the reconciliation adjustment), Allegheny would have been able to seek extra extraordinary cost recovery because the EDC has a statutory guarantee of cost recovery.

No retail supplier could effectively compete with such a pricing structure, because retail suppliers must either pass through the underlying pricing variability to customers or embed risk premiums in retail prices to cover this risk. EGSs cannot rely on a statutory guarantee of cost recovery to mitigate this price risk. The result is that the competitive market is not likely to

¹¹ *Petition of West Penn Power Company d/b/a Allegheny Power for Approval of its Dynamic Pricing Plan for Time-of-Use Rates*, Docket No. P-2011-221868, Petition filed December 30, 2010. Allegheny Power proposes to withdraw its proposal consistent with a Joint Petition for Settlement filed May 13, 2011, decision from Commission pending.

supply these products. This deprives consumers because EGSs are better positioned to offer better and more innovative products based on their different business models and experiences in other states.

In sum, requiring EDCs to provide default service is problematic and not conducive to the development of a fully functional competitive market. These problems only expand and new ones are created when the EDC is also required to offer other generation supply products beyond default service.

E. Question No. 5: Should default service continue in its current form? Does default service impede competition or otherwise prevent customers from choosing electricity products and services tailored to their individual needs? Does default service provide an advantage to the incumbent EDC and/or its generation affiliate(s)?

No, default service should not continue in its current form, particularly as it exists today for the smaller customer markets. While the competitive retail market has shown greater development for larger commercial, industrial and governmental (“C&I”) customers for the reasons discussed in response to various questions above, the current structure of default service impedes competition and prevents customers from looking to the competitive market for generation service. Ways to reform the present default service structure are provided in the next section.

F. Question No. 6: Can/should the default service role be fulfilled by an entity, or group of entities, other than the EDC? If the default service role should be filled by an entity other than an EDC, what mechanisms could be employed to transition the default service role away from the EDC and onto competitive electric generation suppliers (EGSs)? Are different approaches appropriate for different customer classes? What criteria should be used to ensure that EGSs are qualified to assume the default service role and maintain reliable service?

Yes, RESA believes that “default service” – the provision of retail generation service to those customers who fail to affirmatively choose their generation supplier – can and should be fulfilled by competitive EGSs rather than the EDC. A path toward achieving this end result is set forth below. RESA recognizes that there are different barriers to achieving a more robust competitive retail market for smaller commercial and residential customers (“mass market”) compared to the larger C&I customers. That being said and consistent with the options discussed below that RESA suggests be considered in Phase II, RESA welcomes the Commission’s investigation of the removal of the EDC from the default service role for larger C&I customers as well as the mass market customers.

1. Non-EDC Provided Default Service

Yes, as noted above, RESA believes that “default service” – the provision of retail generation service to those customers who fail to affirmatively choose their generation suppliers – can and should be fulfilled by competitive EGSs rather than the EDC. This policy change will serve to mitigate the structural barriers inherent with the current market design. Such a policy change is clearly necessary for the smaller customer market which is subject to a fixed price default service product and where there appears to be significant customer inertia and status quo bias in favor of EDC provided default service. As discussed below in Section II.F.2, RESA favors maintaining the current hourly priced default service model for the large C&I market but

also welcomes the Commission's investigation of the removal of the EDC from the default service role for larger C&I customers.

RESA supports exploring a variety of mechanisms to transition customers away from EDC provided default service onto service provided by competitive EGSs. Any such mechanism should adhere to the following principles:

- A transition period should be established prior to transitioning the default service role to competitive retail providers during which customers would be encouraged to affirmatively select an EGS;
- Any mechanism to transition customers to competitive retail providers should be nondiscriminatory among the EGSs and allow for maximum participation among eligible retail suppliers, rather than assigning customers to a single supplier; and
- Once customers are transitioned to this new default service, customers should maintain an unfettered ability to affirmatively choose an EGS (e.g., no switching restrictions or penalties)

Building upon these principles RESA would support a process as follows to transition customers away from EDC provided default service. RESA recognizes that there may be additional mechanisms that could achieve a similar result and supports a full examination of these alternatives during Phase II of this investigation.

- The Commission should establish June 1, 2013 as the effective date for implementation of a new default service model. This would correspond to the expiration of the existing default service plans and allows for sufficient time for a transition period to further encourage affirmative supplier selection.
- During the transition period leading up to the June 1, 2013 date, customers would be informed through comprehensive education campaigns that effective June 1, 2013, the incumbent EDC will no longer provide generation service to customers. This education campaign would be coupled with measures to facilitate and encourage affirmative selection of an EGS and may include the following programs: Customers would be directed to select from a list of available offers at new service initiation, when moving or transferring service, through bill inserts and when contacting the EDC's customer care center, and in a notice sent to all customers prior to the June 1, 2013 transition date.
- Effective June 1, 2013 the current "default service" would be restructured into two products :

- A new “Transitional Default Service” product to be supplied at retail by multiple qualifying EGSs to those customers who have selected not to choose an EGS.
- A new Provider of Last Resort Service that would be structured as an emergency service which would be provided in instances where a customer’s supplier is unable to provide service that has been contracted for, due to financial stress or operational failures.

The “Transitional Default Service” would be supplied by multiple competitive EGSs.

Customers transitioned to this service would be free to shop without restriction or penalty. The service would be transitional in nature, and the winning suppliers would be required to make the product available for a defined term (no longer than one year). RESA is open to exploring a variety of mechanisms to price and transfer customers to this EGS provided Transitional Default Service. RESA recognizes the perspective of some policymakers and advocates that smaller customers desire the price stability of fixed priced products and believe that an EGS provided Transitional Default Service could be structured to satisfy this objective. RESA presents the following options for implementing such an EGS provided Transitional Default Service mechanisms:

- **Retail Auction Approach:** Under this approach, interested EGSs would submit bids to supply the Transitional Default Service product. The nature of the product would be defined in advance and could be a market reflective standard 6-month or 12-month fixed priced service. Winning suppliers would be selected on the basis of price and customers would be transferred to the winning EGSs. In order to trigger robust competition and address potential market power concerns a market share cap and rules should be established, such that no single suppliers would emerge in a dominant position. RESA would recommend a market share cap of 10 percent.
- **Index or Formula Based Price Approach.** Under this approach, the Commission would define a pricing formula that would be representative of prevailing market prices. The formula would be based on a transparent market index, such as NYMEX electricity futures, plus a reasonable administrative adder to reflect the cost of additional components such as capacity, ancillary services, alternative energy requirements, etc. Winning suppliers would provide service to customers at the price established by this formula. All qualified participating suppliers would receive an equal share of customers under this approach.

- **Discount to Price to Compare Approach:** Under this approach, the price for Transitional Default Service would be set at a discount off of the prevailing EDC Price to Compare in existence on May 31, 2013. Similar to the Index/Formula based approach under this scenario all participating EGSs would receive an equal share of customers on a nondiscriminatory basis and would provide service to customers at the same price.

During Phase II of this proceeding, the Commission and parties would develop the process, rules, terms and conditions for this Transitional Default Service process.

The new “Provider of Last Resort Service” (“POLR”) is intended to address the continued need for an emergency, back stop service in the event that a supplier abruptly exits the market or is unable to provide generation service to its customers due to financial, operational or other failures. This POLR service would be priced at prevailing hourly LMPs plus an appropriate adder to reflect other elements of full requirements service. It may be appropriate to consider assigning this POLR obligation to Transitional Default Service suppliers.

Suppliers interested in assuming the Transitional Default Service and/or Provider of Last Resort Service role would be required to meet stringent eligibility criteria to ensure safe and reliable service to customers. These criteria would be developed in Phase II but would include at a minimum the following:

- A demonstration of managerial, technical, and operational readiness to provide electric generation service.
- An adequate demonstration of financial fitness, including the posting of an appropriate level of financial security.
- An ability to comply with relevant regulations and consumer protection requirements.

2. Different Customer Classes

The status of the retail market and the barriers to a full transition to competition appear to vary by customer class, with the large C&I classes showing materially higher levels of migration

than the mass market classes. The fully market responsive hourly default service model for the large C&I market does not appear to create the same level of barriers to full competition as exist for the smaller mass market. In fact, experience in both Pennsylvania and other utility service territories shows that hourly pricing has led to robust competition in the large customer market segment:

Various PJM/Northeast Region Shopping Statistics for Large C&I Customers

State/ EDC	Customer Group	% Shopping	Source Document Link
Illinois-ComEd	Over 400 kW	92.9% of customers	http://www.icc.illinois.gov/electricity/switchingstatistics.aspx % monthly kWh taking competitive supply. Data as of March 2011
PECO	Industrial	81% of customers	http://extranet.papowerswitch.com/stats/PAPowerSwitch-Stats.pdf?/download/PAPowerSwitch-Stats.pdf Data as of June 1, 2011
West Penn Power	Industrial	88.2% of customers	http://extranet.papowerswitch.com/stats/PAPowerSwitch-Stats.pdf?/download/PAPowerSwitch-Stats.pdf Data as of June 1, 2011
Maryland-All EDCs	Equal to or greater than 600 kW	91.7% of all customers	http://webapp.psc.state.md.us/intranet/ElectricInfo/enrollmentrpt_new.cfm Data as of March 2011

Nonetheless, in Pennsylvania, the persistence of EDC default service even in the larger customer classes indicates the need to examine carefully the conditions in those markets as well. In Pennsylvania, more than 70% of commercial customers (representing approximately 45% of the total load) and approximately 60% of the industrial customer class (representing about 16%

of the total load) remain on utility service.¹² Further, while 88% of industrial customers in the service territory of Allegheny Power are being served by an alternative EGS, only 57% of industrial customers are being served by an EGS in the service territory of Duquesne. For these reasons, RESA encourages the Commission to consider all reasonable options for improving conditions in all customer classes, recognizing that the options or needs may differ based on customer class. While RESA supports maintaining the currently hourly priced structure for the larger C&I market (and would advocate for lowering the threshold for application of hourly priced service), it may also be appropriate to consider transitioning this hourly priced service to a non-EDC default service provider.

G. Question No. 7: How can Pennsylvania's electric default service model be improved to remove barriers to achieve a properly functioning and robust competitive retail electricity market? Are there additional market design changes that should be implemented to eliminate the status quo bias benefit for default service?

As discussed in response to the preceding question, RESA supports transitioning customers away from utility provided default service and recognizes that there may be a variety of mechanisms that could be employed to achieve that result. The process set forth in the preceding question is an example of one such process.

H. Question No. 8: What modifications are needed to the existing default service model to remove any inherent procurement (or other cost) advantages for the utility?

As explained in previous questions, RESA supports transitioning away from EDC provided default service which would address the problems that exist with the current model. RESA submits that the Commission should focus on that as an end goal or structure further

¹² Weekly PAPowerSwitch Update, June 1, 2011 available at <http://www.papowerswitch.com/>

aspects of this investigation on how to accomplish the goal. RESA offers the below additional policy recommendations to improve Pennsylvania’s retail market design. Some of these options such as ensuring that default service is a “plain vanilla” option that is fully market reflective are offered as alternative should the Commission reject the policy of transitioning default service away from the EDC. Others such as ensuring proper unbundling and cost allocation, allowing suppliers to assume the billing function and implementing programs to encourage affirmative EGS selection – should be implemented regardless of whether default service is transitioned away from the EDC.

1. Plain Vanilla Default Service

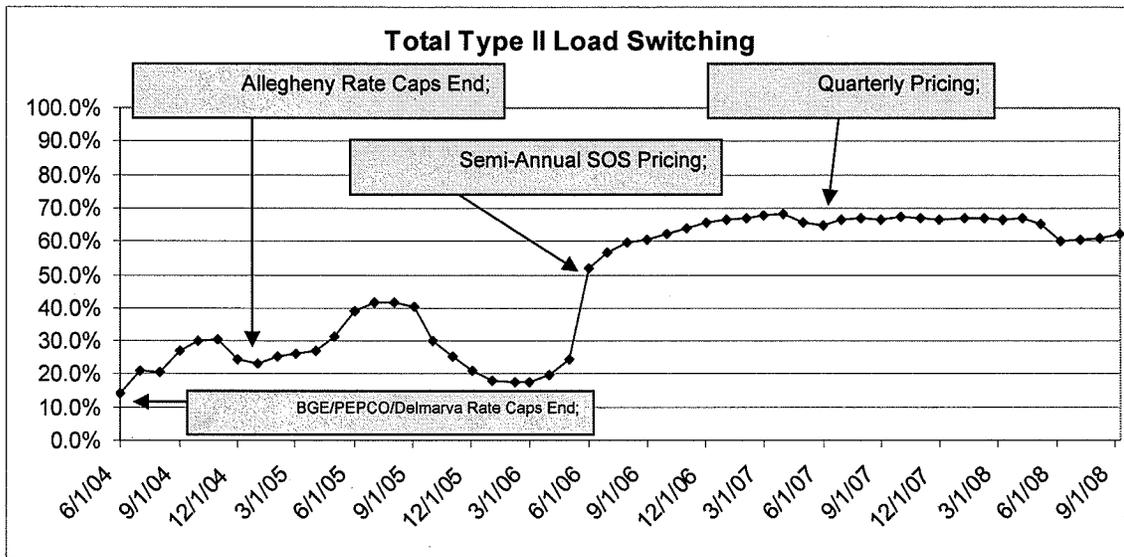
If EDCs are going to continue to be required to provide default service, then this service should be limited to one, “plain vanilla” service. Default service should not include other “optional” “default service products” such as the optional fixed price service that has been offered to large commercial customers in various EDC service territories. Likewise, for the reasons discussed in Section II.D, EDCs should not be required to provide any additional generation services intended to achieve other public policy goals such as energy conservation. As long as the EDCs are required to and provide these products, competitors will be crowded out of the market. This deprives consumers of the option of receiving these products from entities whose sole business is providing generation service and crafting products intended to meet the individual needs and desires of consumers.

2. Market Responsive Default Service Rates

Default service rates must be market-responsive. If default service rates do not accurately track changes in market prices over time, then the default service rate will become out-of-market. This creates, at best, intermittent opportunities for competitive suppliers to attract

customers, and spotlights price as the sole benefit of competition to the detriment of consumers who are then denied the myriad value-added products and services and renewable energy options that are possible in a fully functioning market. Such a market design is not sustainable and will ultimately take many suppliers of the market, thereby, reducing the options available to customers and ensuring that competition does not thrive in the long-term. Thus, default service rates that are divorced from the market price – whether they are higher or lower – force customers to pay whatever is charged because they have no other alternatives. While some may argue that it does not matter so long as the default service rate is as low as possible, this view ignores the clear and express intent of the Choice Act to utilize the competitive market to ensure least cost generation over time as well as the serious long term consequences that would result from generation rates held artificially below (or above) the market.

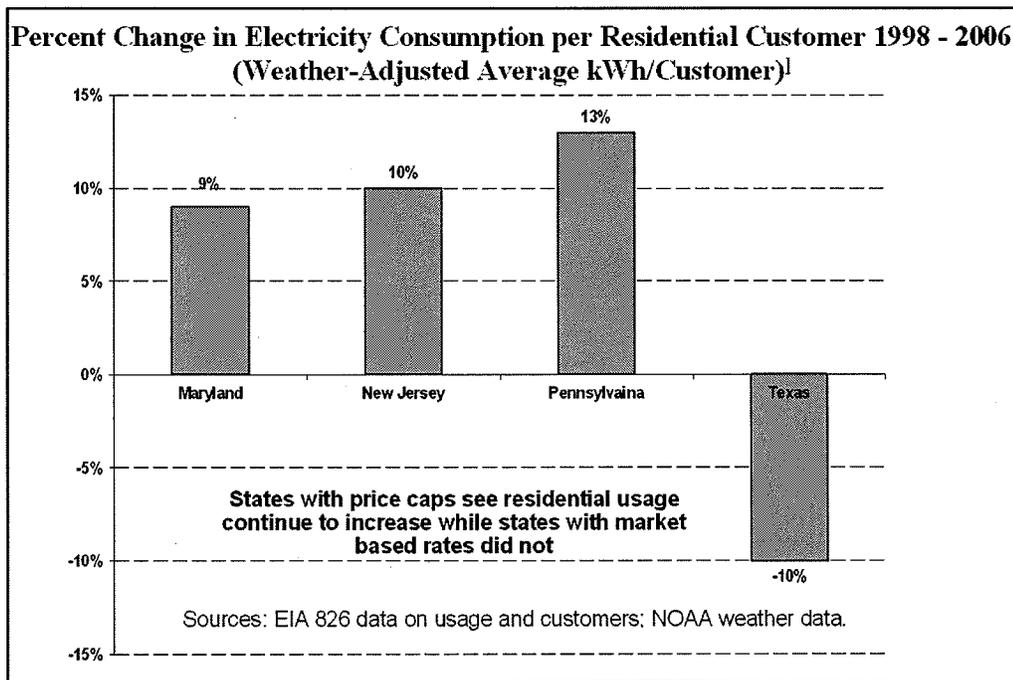
The development of retail competition in Maryland illustrates the value of market responsive pricing on the development of retail competition. As shown below, once Maryland instituted market responsive (first semi-annual and then quarterly adjusted) pricing for Type II non-residential customers (25 kW to 600 kW), shopping levels increased dramatically and remained relatively stable.



Additionally, market responsive pricing also promotes energy efficiency, conservation and demand response. Default service customers experiencing hourly priced market responsive rates receive the price signals necessary to encourage conservation and efficiency. Also, because market responsive pricing promotes retail market development, customers who shop have a wider range of competitive energy service options that enable them to make more informed energy consumption decisions. As shown below, states with non-market responsive pricing structures for residential customers have experienced increased consumption on a per customer basis, while Texas (where customers experience market based rates) has seen a decline in consumption on a per customer basis.¹³

¹³ For the time period examined, Texas had both a market responsive default service pricing structure known as the Price to Beat as well as robust retail competition. The Price to Beat expired in 2007 and Texas no longer has a utility-provided default service.

Proper price signals lead to customer demand resources reducing peak usage.....



Source: ERCOT Texas's Competitive Power Experience: A View from the Outside Looking In, Analysis Group, October 2008

3. Proper Unbundling and Cost Allocation

For the reasons discussed above in Section II.B.3, all costs associated with providing default service must be recognized and recovered in the default service rate because default rates that do not fully reflect all of the costs of providing generation service (for example due to misallocated costs and cross-subsidization) result in EGSs having an unfair competitive disadvantage compared to the EDC's default service rate.

Unbundling can be structured in a manner that does not place the utility at risk for stranded costs. As an example, in Maryland, an "administrative charge" was developed to act as a proxy for full unbundling. Default service related costs were identified and an administrative charge was applied to default service rates to reflect these costs on the supply side of the bill. Utility distribution rates remain unchanged (i.e., the revenue requirement is not reduced).

Revenue collected from application of the charge is applied as a nonbypassable credit to all customers. This makes the unbundling mechanism revenue neutral.

4. Give EGSs Access to the Billing Function

Another inherent problem with the present structure is the fact that the EDC reinforces its relationship to the customer every month with its EDC branded billing.¹⁴ While Purchase of Receivables (“POR”) and utility consolidated billing programs are regulatory mechanisms that attempt to mitigate the competitive advantages that utilities enjoy with respect to customer care and billing costs, these programs do not address the relationship advantages that the EDCs continue to enjoy with customers. The continuation of the billing relationship between the incumbent and the customer even where the customer is receiving service from a competitive supplier presents another barrier to achieving the desired “end-state” for retail competition.

Regardless of whether the structure or nature of default service is changed, Pennsylvania should implement policies to allow EGSs the option to build and maintain a direct billing relationship with customers of all sizes. This can be accomplished through an economically viable, optional, supplier consolidated billing program. Through this, the supplier handles the billing of all the charges to the customer in bills that are issued by the supplier. There is currently no requirement that EDCs in Pennsylvania offer suppliers the option to do this. In fact, this is available in Illinois and is the only billing option available in the Texas market. EGSs have the ability to bill customers for all of their electricity components, including the distribution and transmission services provided by their local utility.

¹⁴ Note that for most larger C&I customers, EGSs are able to utilize dual billing and, therefore, do not need to rely on single bills from the EDC.

An effective supplier consolidated billing program must also address the inequities that exist between EGSs and the EDC regarding the tools available to manage bad debt risk. Currently, only the EDC can terminate service when a customer fails to pay his or her bill. While the current POR programs have been successful at placing EGSs on a level playing field with the EDC in terms of bad debt expense, these programs are only available for EGSs utilizing utility consolidated billing and they still permit only the EDC to terminate service for nonpayment. To address this concern EGSs should be given additional tools in managing bad debt risk to include the ability to terminate service to customers for nonpayment.

Another option is to require the EDC to unbundle the billing function. This could be done by requiring the utility to tariff its billing function which would require suppliers to buy utility billing services at cost-based tariffed rates. Under this approach, all billing and customer care costs would be removed from distribution rates and customers receiving default service as well as suppliers utilizing a utility consolidated billing service would pay the same tariff rates for access to the regulated utility billing and customer care infrastructure. A similar outcome could be achieved by designating another third party entity to handle all the billing for those EGSs that choose to utilize it. This third-party entity could be structured to enable it to submit bills branded with the name of the supplier. By giving competitors more flexible access to the billing of customers, the supplier can control the content and format of the bill and change it to fit the needs of the customer. Such ability would enable the bill to become a vehicle for competitive suppliers to establish a real retail relationship with the customer.

5. Programs to Affirm EGS Selection

Regardless of whether the current default service model is reformed, RESA encourages the Commission to consider adopting programs to encourage customers to affirmatively select an

EGS. This can be accomplished through a variety of programs that recognize the hesitancy of residential and small commercial customers to seek out competitive market offerings because they are unsure of and/or lack awareness of their choices. Such programs would be implemented by the EDC and would utilize a variety of customer communication channels to educate customers about available EGS supply offers and provide easy, convenient methods for enrollment. These measures should include:

- The development of a prominent section on the EDC website that would direct customers to the www.papowerswitch.com website.
- Development of quarterly bill inserts that would include information on available competitive offers and a return mail enrollment card.
- Development of a process to allow customers to learn about competitive offers when contacting the EDC customer service center.
- Development of a process to allow customers to select an EGS at the time of new service initiation and when customers move service to a new location.

I. Question No. 9: What changes, to Regulations or otherwise, can the Commission implement on its own under the existing default service paradigm to improve the current state of competition in Pennsylvania?

The Commission has authority within its existing regulations to make the changes supported by RESA in these comments. However, RESA reserves the right to reconsider this assessment in Phase II of the investigation depending on the specific proposals under consideration.

1. Non-EDC Provided Default Service

The Commission has the authority and the discretion to designate an alternative default service provider other than the EDC in a service territory and has set forth in regulations the

process by which such an alternative default service provider may be assigned.¹⁵ The process of assigning an alternative default service must be initiated in one of the following three ways: (1) an EDC petitioning to be relieved of the obligation; (2) an EGS petitioning to be assigned the role; or, (3) the Commission, through its own motion, proposing that an EDC be relieved of the default service obligation.¹⁶ This existing regulatory process may be utilized to implement the suggestions set forth by RESA in these comments.

2. Unbundling and Cost Allocation

The Choice Act expressly provides that all reasonable costs of providing default service in the post transition period shall be fully recovered by the default service provider.¹⁷ It also requires that charges for generation, transmission and distribution be fully unbundled.¹⁸ Likewise, the default service regulations require the default service rate to include the sum of all generation and transmission related default service costs.¹⁹ Some of these costs include administrative costs such as billing, collection, education, regulatory, litigation, tariff filings, working capital, information system and associated administrative and general expenses related to default service.²⁰ The purpose for ensuring that all costs associated with the provisioning of default service are included in the default service rate is to prevent the EDC from gaining a competitive advantage by paying for these costs through distribution revenues and, therefore,

¹⁵ 66 Pa. C.S. § 2802(16); 52 Pa. Code § 54.183.

¹⁶ 52 Pa. Code § 54.183(b).

¹⁷ 66 Pa. C.S. § 2807(e)(3).

¹⁸ 66 Pa. C.S. § 2804(3); *Lloyd v. Pa. P.U.C.*, 904 A.2d at 1010, 1013-14 (Pa.Cmwlt. 2006).

¹⁹ *Default Service Final Rulemaking Order* at 26; 52 Pa. Code § 54.187(a).

²⁰ 52 Pa. Code § 69.1808.

creating a default service rate that does not reflect all of the costs associated with retail generation service.

J. Question No. 10: What legislative changes, including changes to the current default service model, should be made that would better support a fully workable and competitive retail market?

The Commission has authority pursuant to the Public Utility Code to make the changes supported by RESA in these comments. However, RESA reserves the right to reconsider this assessment in Phase II of the investigation depending on the specific proposals under consideration.

1. Time of Use and Real-Time Plan

While Section 2807(f)(5) of 66 Pa. C.S. requires a default service provider to submit a TOU rate and real time pricing plans with the Commission, it does not specify that the EDC must be the provider of these pricing options or that the energy supply for these options must come from the same source as the EDC's standard default service.

2. Least Cost over Time and Prudent Mix of Contracts

Pursuant to the Choice Act, generation (whether provided by EDC or EGS) is not a public utility service or function and it is not regulated by the Commission pursuant to its ratemaking authority in Chapter 13.²¹ Therefore, the actual default service rate is not specifically determined by the Commission to be "just and reasonable." Rather, the Commission approves the plan by which an EDC procures default supply and the default service *plan* is what must

²¹ 66 Pa. C.S. § 2804(10).

meet the “least cost to customers over time” standard (in addition to the other standards) of the statute.²²

RESA submits that the least cost to customers over time standard is satisfied by default service plans which result in a sustainable, competitive retail market. Adopting policies that promote the development of a robustly competitive generation market will, over the long term, drive both competitively priced generation prices and default service rates as low as possible to ensure that all consumers are able to purchase electricity at the “least cost” in compliance with the statute. As the policies supported by RESA are intended to spur competitive development of the retail market, RESA submits that its proposals herein are consistent with the Choice Act.

Likewise, Section 2807(e)(3.2) requires that the EDC procure power through a “prudent mix” of spot market purchases, short-term contracts and long-term purchase contracts. A “prudent mix” of spot, long-term, and short-term contracts is one which – when considered holistically – is the mix which is most reasonably likely to result in a sustainable, competitive retail market, which will ensure that all consumers receive the least cost generation over time. While any procurement strategy carries uncertainty and risks, approving a plan that will promote retail competition empowers consumers to assess these risks for themselves and choose the product that best meets their individual needs and risk tolerance levels. To stimulate competition, the default service plan must produce default service rates that are market-reflective, market-responsive and reflect all of the relevant costs incurred by the EDC in

²² 66 Pa. C.S. § 2807(e)(3.1) (“Following the expiration of an electric distribution company's obligation to provide electric generation supply service to retail customers at capped rates, if a customer contracts for electric generation supply service and the chosen electric generation supplier does not provide the service or if a customer does not choose an alternative electric generation supplier, **the default service provider shall provide electric generation supply service to that customer pursuant to a commission-approved competitive procurement plan.**”) (emphasis added).

providing default service. As this is consistent with the policies supported by RESA herein, RESA submits that its proposals are consistent with the Choice Act.

K. Question No. 11: Are there, or could there be, potential barriers being created by the implementation of the EDC Smart Meter plans?

Yes. As discussed above in Section II.D.2, the products that are a part of the EDC smart meter plans, such as demand response and energy efficiency can and should be provided by the competitive market.

Additionally, requiring the EDCs to be the default service provider and provide other generation-related products diverts time and resources away from their ability to focus on their core business function as the distribution company for consumers. Without needing to devote time and resources to generation products, EDCs would have more time and resources to focus on their infrastructure and reliability and the competitive market could work to ensure that consumers are receiving competitive offers and a variety of products. Such a result would be a win-win for all concerned.

III. COMMENTS ON THE NEXT STEPS FOR THIS INVESTIGATION

RESA urges the Commission to find during Phase I of this investigation that several elements of the current default structure and retail market design in Pennsylvania are not fulfilling the objectives of the Choice Act for all consumers and must be improved for all the reasons detailed above. RESA further urges the Commission to make clear in its Phase I order that Phase II of this proceeding will be a detailed examination of all the changes reasonably calculated to effectuate the goals of the Choice Act resulting in a Phase II order that specifically details the implementation plan of the approved changes. An illustrative example of a timeline

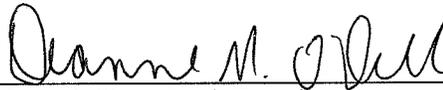
for implementing these next steps adopting the recommendation of RESA as set forth in Section II.F.1 is as follows:

- July 29, 2011: Phase I order adopted setting forth process for Phase II.
- Collaborative Process involving all stakeholders to develop consensus action plans undertaken.
- February 1, 2012: Phase II order adopted detailing the new market structure for default service that is to be implemented.
- June 1, 2012: Comprehensive consumer education program begins informing customers that effective June 1, 2013, EDCs will no longer provide generation service to customers. Efforts implemented to move customers into the competitive market prior to June 1, 2013.
- September 1, 2012: RFPs issued seeking suppliers to for the newly restructured “default service” products.
- April 1, 2012: Winning suppliers approved by the Commission.
- June 1, 2013: Implementation day for new default service provider model. Introduction of the new “Transitional Default Service” product and the new “Provider of Last Resort” service.

IV. CONCLUSION

RESA urges the Commission to find during Phase I of this investigation that several elements of the current default service structure and retail market design in Pennsylvania are not fulfilling the objectives of the Choice Act for all consumers and must be improved. As part of Phase II of this proceeding, RESA supports a detailed examination of all the changes most likely to effectuate the goals of the Choice Act to include a full analysis of how each of the changes may be implemented. RESA appreciates the Commission's initiative in opening this investigation and looks forward to continued participation.

Respectfully submitted,



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