**PENNSYLVANIA**

 **PUBLIC UTILITY COMMISSION**

 **Harrisburg, PA 17105-3265**

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Commissioners Present:

 Robert F. Powelson, Chairman

 John F. Coleman, Jr., Vice Chairman

 James H. Cawley

 Pamela A. Witmer

 Gladys M. Brown

# Investigation of Pennsylvania’s I-2013-2381742

Retail Natural Gas Supply Market

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#  TENTATIVE ORDER

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**BY THE COMMISSION:**

On September 12, 2013, the Pennsylvania Public Utility Commission (Commission) issued an Order initiating the Investigation of Pennsylvania’s retail natural gas supply market. *Investigation of Pennsylvania’s Retail Natural Gas Supply Market*, I‑2013-2381742 (Order entered September 12, 2013) (September 12 Order). We issued the September 12 Order pursuant to the Natural Gas Choice and Competition Act, effective July 1, 1999, 66 Pa. C.S. §§ 2201-2212, which requires us to convene stakeholders and explore avenues to encourage increased competition in the natural gas supply market. *See* 66 Pa. C.S. § 2204(g). Upon review of the comments to the September 12 Order and through this Tentative Order, we announce the specific topics and issues that the Commission intends to pursue in this Investigation. We invite interested parties to further comment on any issues or market enhancements that have not already been discussed and/or identified as matters to be addressed in this Investigation.

# BACKGROUND

On June 22, 1999, Governor Thomas J. Ridge signed into law the Natural Gas Choice and Competition Act, effective July 1, 1999, 66 Pa. C.S. §§ 2201-2212 (Act). Pursuant to the Act, beginning on November 1, 1999, all Pennsylvania retail natural gas customers were given the ability to choose an available Natural Gas Supplier (NGS), instead of receiving their supply service from their Natural Gas Distribution Company (NGDC). Despite this option for Pennsylvania customers, in our *Report to the General Assembly on Pennsylvania’s Retail Natural Gas Supply Market,* issued October 2005, the

Commission determined that effective competition did not exist in Pennsylvania’s retail

natural gas market.[[1]](#footnote-1) As a result of this determination, the Commission was required by law to convene a natural gas stakeholders working group to explore avenues, including legislative changes, in order to encourage increased competition in the Commonwealth. *See* 66 Pa. C.S. § 2204(g).

The Natural Gas Stakeholders Working Group, subsequently named SEARCH,[[2]](#footnote-2) first met on March 30, 2006, and numerous times thereafter. The SEARCH Working Group was facilitated by Commission staff and comprised of stakeholders from all segments of the industry – residential, commercial and industrial customers; statutory advocates; industry trade groups; NGSs; NGDCs; and pipeline companies. SEARCH categorized the various issues in the retail natural gas market into subject-matter groupings and created subgroups to examine assigned issues. Stakeholders were provided with interim summaries of the subgroups’ discussions and were permitted to critique, revise and comment on the drafts. From these interim summaries, Commission staff prepared a final report on the activities of the SEARCH collaborative (*SEARCH Report*).[[3]](#footnote-3) The SEARCH collaborative’s work and recommendations culminated in a Final Order and Action Plan, entered on September 11, 2008, at Docket No. I-00040103.[[4]](#footnote-4) This Final Order set out an action plan intended to reduce barriers to entry and to change the structure and operation of the retail market in order to increase competition in natural gas supply. Through that action plan, we implemented numerous changes, including completed rulemakings regarding NGDC cost recovery and rates[[5]](#footnote-5) and NGS licensing.[[6]](#footnote-6) However, we were not able to successfully implement all desired changes, especially those regarding NGDC business practices.[[7]](#footnote-7)

The SEARCH action plan concluded with a future milestone review after five years in 2013. Accordingly, we issued the September 12 Order and renewed our inquiry into natural gas competition and initiated a formal Investigation into the current status of Pennsylvania’s retail natural gas market. In the September 12 Order, we observed that less than 13 percent of current customers purchase natural gas from a competitive supplier, a disappointingly low number, especially in light of the abundance of natural gas resources in the Commonwealth. Based on data provided by the NGDCs as of May 2014, the current retail gas shopping percentage is 14.1% of all customers.[[8]](#footnote-8) As access to this abundant resource becomes increasingly available through the construction and utilization of necessary infrastructure, the Commission believes it is important to ensure that consumers have opportunities to realize the advantages of a robust and competitive natural gas supply market. Therefore, our goal in this Investigation is to identify issues in the retail natural gas supply marketplace and make recommendations to facilitate improvements and encourage competition in this market for the benefit of Pennsylvania customers.

In the September 12 Order, we requested comments from interested parties on the following questions:

1. What is the current status of retail natural gas competition for customers, by class and by service territory, and NGSs? For each such customer class and service territory, how accessible are competitive suppliers?
2. Are currently effective NGDC rates properly structured to reflect the separation between the costs of the NGDC’s role as a distribution utility and its role as a Supplier of Last Resort (SOLR)?
3. Does the existing market design of NGDCs serving as the SOLR present barriers that inhibit customer choice or prevent suppliers from fully participating in the retail market?
4. Should NGDCs continue in the role of SOLR?
5. Are there enhancements and updates to the current SOLR model that would further improve the state of competition within the retail natural gas market?
	1. Are there opportunities through the potential restructuring of the SOLR model and retail gas market to encourage expansion of natural gas distribution facilities into areas of the Commonwealth that do not currently have access to natural gas facilities?
	2. Are there changes to the retail natural gas market that the Commission can undertake *de novo* through regulation or policy that would promote retail natural gas competition?
	3. Are there changes to the retail natural gas market that the Commission can undertake *de novo* through regulation or policy that would remove barriers to retail natural gas competition?
	4. What legislative changes should be made to further improve the retail natural gas market in Pennsylvania?
6. Are there outcomes from the Commission’s recently completed electric Retail Market Investigation (RMI) that would be applicable and useful to implement in the retail gas market? To the extent possible, please provide comments on the following topics:
	1. Seamless Moves
	2. Accelerated Switching Timeframes
	3. Standard Offer Program
	4. Low-income customer shopping
	5. Expanded Consumer Education about shopping
	6. Any additional RMI initiative that would translate well to the retail natural gas market
7. To take advantage of the opportunity that is present through the Marcellus Shale resource, should NGDCs and NGSs be encouraged to explore opportunities with natural gas exploration and production companies?
8. Recognizing that the Commission withdrew the proposed rulemaking addressing NGDC business practices at Docket No. L-2009-2069117 and committed to commencing a new proposed rulemaking on these issues, please provide comments on the continued need to address standardized supplier tariffs and business practices with regard to imbalance trading, tolerance bands, cash out and penalties, nominations and capacity.

Twenty-one parties filed comments to the September 12 Order. Comments were filed by Columbia Gas of Pennsylvania, Inc. (Columbia); Dominion Retail d/b/a Dominion Energy Solutions, Interstate Gas Supply, Inc. d/b/a IGS Energy, Shipley Energy Company and Rhoads Energy Corporation (collectively, The NGS Parties); Energy Association of Pennsylvania (EAP); IDT Energy, Inc. (IDT); Industrial Energy Consumers of Pennsylvania, Central Penn Gas Large Users Group, Columbia Industrial Intervenors, PNG Industrial Intervenors and UGI Industrial Intervenors (collectively, the Industrials); National Fuel Gas Distribution Corporation (NFG); National Energy Marketers Association (NEM); Office of Consumer Advocate (OCA); Office of Small Business Advocate (OSBA); PECO Energy Company (PECO); Pennsylvania Energy Marketers Coalition (PEMC); Pennsylvania Independent Oil and Gas Association (PIOGA); Pennsylvania Petroleum Association (PPA); Pennsylvania Utility Law Project (PULP); Peoples Natural Gas Company LLC (Peoples) and Peoples TWP LLC (Peoples TWP) (collectively, The Peoples Companies); Philadelphia Gas Works (PGW); Retail Energy Supply Association (RESA); UGI Central Penn Gas, Inc. (UGI Central Penn Gas), UGI Penn Natural Gas, Inc. (UGI Penn Natural Gas), UGI Utilities, Inc. – Gas Division (UGI Utilities – Gas Division) (collectively, The UGI Companies); UGI Energy Services, LLC (UGIES); Valley Energy, Inc. (Valley); and Washington Gas Energy Services, Inc. (WGES).

In the September 12 Order we directed the Commission’s Office of Competitive Market Oversight (OCMO) to provide recommendations outlining specific courses of action to be taken by the Commission to improve competition in Pennsylvania’s retail natural gas supply market.

# DISCUSSION

We have reviewed the comments to the September 12 Order. Upon review of those comments and based on OCMO’s recommendations, we find that specific avenues should be explored in our collective stakeholder effort to improve and encourage competition in the marketplace.

Through this Tentative Order, we will dispose of some issues, identify issues which OCMO will be directed to examine and seek comments on additional issues not previously identified in the September 12 Order or this Tentative Order.

## Comments

**1. What is the current status of retail natural gas competition for customers, by class and by service territory, and for NGSs? For each such customer class and service territory, how accessible are competitive suppliers?**

 Columbia states that, as of October 31, 2013, approximately 17 NGSs were providing offers to residential customers; 18 NGSs were providing offers to commercial customers; and 15 NGSs were providing offers to industrial customers. Additionally, Columbia notes that, also as of October 31, 2013, 28.3% of its residential, 26.8% of its commercial and 42.5% of its industrial customers are enrolled with competitive suppliers. Columbia notes that this reflects approximately 75.4% of its total load. Columbia Comments at 3 and 4.

 NFG avers that retail natural gas competition in its service territory is healthy. NFG states that, as of October 2013, 14.8% of its residential, 31.8% of its commercial and 70% of its industrial customers were enrolled with an NGS. It notes that this reflects 71.4% of its total load. NFG points out that, as of October 2013, out of 78 suppliers or brokers licensed to serve in the NFG service territory, 30 were licensed to serve residential customers; 67 were licensed to serve small commercial customers; 74 were licensed to serve large commercial customers; and 69 were licensed to serve industrial customers. Lastly, NFG states that, as of October 2013, eight of the NGSs serving residential customers and nine of the NGSs service non-residential customers also were actively participating in NFG’s Purchase of Receivables (POR) program. NFG avers that it saw an immediate increase in customer migration, particularly the residential segment, following the institution of its POR program. NFG Comments 2 – 4.

 PECO states that, as of November 2013, 60,012 customers are shopping in the competitive retail natural gas market. Specifically, as of November 30, 2013, 11.5% of residential, 19.3% of commercial and 100% of industrial customers are shopping in PECO’s service territory. Additionally, PECO notes that of the 26 NGSs currently active in its territory, three serve commercial customers; one serves residential customers; 22 serve both commercial and residential customers; and 10 serve both electric and natural gas customers. PECO believes NGSs are accessible in its market through tools like active links on PECO’s website, PECO’s Gas Price to Compare (PTC) tool to evaluating potential savings and through the Commission’s PAGasSwitch website. Additionally, PECO notes that its customer service representatives are trained to inform customers where they can obtain information about retail natural gas competition. PECO Comments at 4 – 6.

 Peoples believes it has a healthy competitive market with 25% of residential, 39% of commercial and 83% of industrial customers using alternative suppliers as of July 31, 2013. It notes that 18 NGSs currently serve Peoples’ customers. Ten of those suppliers serve residential and small commercial customers. The customer class breakdown of Peoples TWP is 0% residential, 1% commercial and 79% industrial. Currently, two NGSs serve customers in Peoples TWP’s service territory. The Peoples Companies Comments at 2 – 3.

 PGW avers that more than 50% of its firm commercial customer load and almost its entire firm industrial customer load is supplied by NGSs. PGW states that it has been working collaboratively with stakeholders to develop a POR Program; utility-consolidated billing; an electronic data interchange (EDI) platform; and a choice-related customer education program. PGW believes these initiatives will increase residential and small business customer participation in the competitive market. PGW Comments at 1 and 2.

 UGI Utilities – Gas Division states that 11.1% of its residential, 30.0% of its commercial and 57.0% of its industrial customers are shopping with NGSs as of September 30, 2013. UGI Penn Natural Gas notes that 0.6% of its residential, 24.7% of its commercial and 70.7% of its industrial customers are shopping as of the same date. Lastly, UGI Central Penn Gas avers that 0.2% of its residential, 13.7% of its commercial and 53.4% of its industrial customers are receiving supply from NGSs as of September 30, 2013. Additionally, the UGI Companies state that 30 NGSs are currently active in their service territories. The UGI Companies Comments at 4 – 6.

 Valley submits that, as of November 2013, 89.9% of Valley’s total throughput is served by an NGS. This 89.9% represents 46 commercial and industrial (C&I) customers. Valley avers that its small number of customers and geographic limitations make its service territory an unattractive target for NGSs. Valley Comments at 7 and 8.

 Suppliers note the differences in the levels of competitions in the eastern versus the western half of the state. The NGS Parties Comments 2 – 4; NEM Comments at 2 and 3; PEMC Comments 2 – 4; WGES Comments at 2 and 3. RESA proposes the development of a more sophisticated natural gas shopping webpage, akin to the Commission’s retail electric PAPowerSwitch.com website. RESA Comments at 2 and 3. Regarding the residential and small commercial customer sectors, IDT avers that delivery issues due to storage and demand constraints have resulted in a less robust market. IDT believes that the NGDC POR Programs will aid NGSs in serving smaller customers. IDT Comments at 1 and 2. UGIES believes that fine-tuning, as opposed to restructuring, is required to increase participation in Pennsylvania’s competitive retail natural gas marketplace. UGIES Comments at 2 and 3.

 OCA compares the retail natural gas market to the retail electricity market, stating that the current residential natural gas market at 2,643,000 customers is significantly smaller than the current residential electricity market, at 4,980,186 customers. Additionally, OCA believes the ability to compete for customers based on product differentiation is constrained in the natural gas marketplace. OCA Comments at 4 and 5.

 The Industrials aver that large C&I customers have a long-standing tradition of shopping for alternative NGSs and have had the opportunity to transport natural gas procured from NGSs since the mid-1980s. They urge the Commission to ensure that any initiatives adopted in furtherance of increased retail competition preserve the status quo for large C&I customers. The Industrials Comments at 3 and 4.

**2. Are currently effective NGDC rates properly structured to reflect the separation between the costs of the NGDC’s role as a distribution utility and its role as a Supplier of Last Resort (SOLR)?**

 Columbia refers to its 2008 base rate case, at Docket No. R-2008-2011621, in which it removed its gas supply uncollectible costs from distribution rates charged to all customers and added them to gas supply costs on monthly bills. Additionally, Columbia refers to Docket No. L-2008-2069114, in which NGDCs were ordered to establish a Gas Procurement Charge (GPC), which identified costs associated with gas procurement. Columbia believes the GPC was introduced to move costs associated with the NGDC gas procurement function out of distribution charges and bill them only to customers purchasing their gas supply from the NGDC. However, Columbia believes that further modifications could be made that would separate the costs between the NGDC’s distribution role and its SOLR role, while also reflecting a separation of the NGDC’s costs associated with its role as an administrator of retail market functions. Columbia encourages the Commission to consider breaking out of distribution rates those costs caused by retail natural gas programs and to bill those costs directly to the customers and/or the NGSs benefitting from such services. Additionally, Columbia proposes that the Commission consider a straight-fixed-variable rate design that will distinguish the fixed costs of facilities from variable gas supply costs. Columbia Comments at 4 and 5.

 The majority of the NGDCs believe that currently-effective NGDC rates are properly structured to reflect the separation between costs of the NGDC’s distribution role and its SOLR role. NFG Comments at 5; PECO Comments at 6 and 7; The Peoples Companies Comments at 4; PGW Comments at 2; The UGI Companies Comments at 6 and 7; Valley Comments at 8 and 9.

 Many in the supplier community do not believe costs have been fully unbundled. The NGS Parties Comments at 4 and 5; NEM Comments at 3 and 4; PEMC Comments at 4 and 5; WGES Comments at 4. IDT requests that the Commission identify those merchant-function-related costs that should be removed from a customer’s charges when they are applied by an NGS. IDT Comments at 2. RESA believes that the Commission should remain vigilant on this issue and ensure in every NGDC rate proceeding that SOLR costs are properly classified and allocated for cost of service purposes between true distribution system costs and gas procurement and sale costs. RESA Comments at 3. UGIES proposes creating a PTC that is separate and distinct from the SOLR Rate; is market-reflective; would be adjusted monthly; and is set at a monthly market index, such as the New York Mercantile Exchange (NYMEX), plus volumetric upstream transport costs and some fixed delivery adder reflecting demand charges to deliver the gas. UGIES Comments at 4 and 5.

 OCA submits that revisions could be made to the PTC to make it more easily understood, including the current legislative effort to be rid of Migration Riders.[[9]](#footnote-9) OCA proposes that the PTC change every six months, as opposed to quarterly, to enable customers to make better decisions when weighing offers. It also believes that it would be useful to include the most recent one-year weighted average PTC along with the current PTC, as well as information on the next quarter’s PTC. OCA Comments at 9 – 11. OCA submits that, other than legislative efforts, no further changes are necessary at this time because the upcoming winter season will be the first full winter heating season during which the Commission’s current unbundling efforts have been implemented. OCA Comments at 17 – 20.

 OSBA remains concerned that the existing PGC pricing mechanism does not provide an understandable price signal for competition due to PGC rates’ high variability and medley of current period costs and prior period reconciliations. OSBA believes the C-Factor, Migration Riders and E-Factor all lead to significant confusion with regard to natural gas pricing. OSBA Comments at 2 – 4.

**3. Does the existing market design of NGDCs serving as the SOLR present barriers that inhibit customer choice or prevent suppliers from fully participating in the retail market?**

 EAP recommends that, should the Commission consider removing the SOLR responsibility from NGDCs, it should also consider the potential impact such action could have on the reliability of gas service to small customers. EAP Comments at 4.

 Most of the NGDCs believe the current market design does not inhibit customer choice or prevent suppliers from fully participating in the retail market. Columbia Comments at 6; NFG Comments at 6; PECO Comments at 7 – 10; The Peoples Companies Comments at 5; PGW Comments at 3; Valley Comments at 9.

 The UGI Companies believe the existing market design may contain inherent limitations to greater customer or NGS participation rates. They believe such limitations should be addressed through Commission regulations or policy activities, especially where it can help shape future legislative actions by the General Assembly. The UGI Companies Comments at 7.

 The NGSs generally support a review of the current SOLR model and consideration of the removal of NGDCs from the SOLR role. Additionally, the majority of the NGSs believe that, should the NGDCs remain as SOLRs, the Commission should review the pricing mechanism and determine whether changes are required to make the PTC more market-reflective. The NGS Parties Comments at 5-9; RESA Comments at 3-5; NEM Comments at 4 and 5; PEMC Comments at 5 and 6; IDT Comments at 2 and 3; UGIES Comments at 5; WGES Comments at 2. The NGS Parties and WGES aver that the “SOLR” model is actually a supplier of *first* resort model as new customers automatically are enrolled in default service when signing up or moving. The NGS Parties Comments at 5 – 9; WGES Comments at 2.

 OCA and OSBA do not view the NGDC SOLR model as a barrier to competition. OCA Comments at 20 – 22; OSBA Comments at 4. OCA avers that the SOLR model provides no advantage to NGDCs and that the procurement process of the NGDCs acting as SOLRs is transparent. Additionally, OCA notes that the NGDCs make no profit on the sale of the gas commodity. OCA proposes the following potential areas for review: NGDC Supplier Tariff provisions; electronic data transaction protocols between NGDCs and NGSs; security deposits required by NGDCs; and any other anticipated impacts of current regulatory requirements that could or should be mitigated when cost-effective. OCA Comments at 20 – 22. OSBA states that it would be opposed to any alternative to the current practice in which NGSs are required to take mandatory capacity assignment from NGDCs when supplying customers. OSBA Comments at 4.

**4. Should NGDCs continue in the role of SOLR?**

 EAP notes that the removal of NGDCs from the role of SOLR would require legislative changes. It states that it is possible that removing NGDCs from the SOLR role would stimulate the market. However, EAP also believes that a possible downside to such a policy change would be that some customers, who may prefer having a regulated option available from the NGDCs, would not want to enter the market. EAP Comments at 5 and 6.

 The NGDCs believe that they should remain in the role of SOLR as it is their role to maintain safe and reliable service. Columbia Comments at 6 and 7; NFG Comments at 6; PECO Comments at 11 and 12; The Peoples Companies Comments at 5 and 6; PGW Comments at 4; The UGI Companies Comments at 7 and 8; Valley Comments at 9 and 10.

 Many of the suppliers support efforts to ensure that the primary duties of NGDCs are building infrastructure and operating the natural gas distribution system. The NGS Parties Comments at 9 and 10; NEM Comments at 5 and 6; PEMC Comments at 6 and 7; WGES Comments at 4 and 5. Additionally, the NGS Parties believe any SOLR service should be temporary and limited to being a true backstop service. The NGS Parties Comments at 9 and 10. RESA proposes a collaborative in order to develop a consensus that improves shopping levels without endangering NGDC cost recovery, while also establishing a larger NGS role in the provision of SOLR service. RESA Comments at 5. IDT believes that, before allowing an NGDC to exit the SOLR role, issues surrounding capacity ownership, the provision of POR billing services and the ability to terminate service for non-payment need to be addressed. IDT proposes that a transition mechanism potentially be developed allowing the NGDC to retain short-term SOLR responsibilities for customers that are in transition from NGS to NGS or are new to the distribution systems. IDT Comments at 3.

 UGIES believes that NGDCs should retain the role of SOLR in order to maintain reliable natural gas markets and for creating incentives to connect local gas production to local natural gas markets. UGIES Comments at 6 and 7.

 PPA requests that the Commission, during the course of its investigation, ensure the development of the competitive retail natural gas market not extend to a promotion of natural gas over other fuel supply options. It avers that fuel-neutral regulation prevents market distortion and is in the public interest. PPA Comments at 4 – 7.

 OCA views NGDCs as being in the best position to provide SOLR service in the most cost-effective manner and avers that the current market design ensures safe and reliable service. It also opines that SOLR service provides a benchmark for natural gas prices, allowing customers to compare various competitive offers and also provides the Commission and stakeholders with a benchmark to gauge if prices are just and reasonable. OCA Comments at 22.

 OSBA supports the introduction of more gas producers into the marketplace and the elimination of regulation and NGDC policies that discourage the economic interconnection of new local producers. OSBA Comments at 5 and 6.

 The Industrials believe the status quo should be maintained for large C&I customers. The Industrials Comments at 5.

**5. Are there enhancements and updates to the current SOLR model that would further improve the state of competition within the retail natural gas market?**

Many suppliers expressed support for changing the SOLR model and possibly even eliminating it as we currently know it. The NGS Parties think that the most significant improvement the Commission could make would be to eliminate the NGDC in the role of SOLR and to substitute NGSs in that role, wherein the Commission could provide incentives for NGDCs to exit the merchant function. The NGS Parties Comments at 11 – 13. PEMC likewise asks the Commission to implement a complete exit of the merchant function by NGDCs and allow NGSs to be the SOLR. PEMC Comments at 7. RESA and UGIES ask that if the NGDC remains in the SOLR role, we should move toward a more market-reflective price for SOLR service. RESA Comments at 5-6; UGIES Comments at 7.

PECO recommends investigating if the implementation of an annual PGC rate instead of the present quarterly rate would enhance shopping. PECO Comments at 13.

However, other parties expressed skepticism at the need for significant SOLR changes. OCA, the Peoples Companies and Valley question the need for any revisions to SOLR service. OCA Comments at 22; The Peoples Companies Comments at 6; Valley Comments at 10.

**5a. Are there opportunities through the potential restructuring of the SOLR model and retail gas market to encourage expansion of natural gas distribution facilities into areas of the Commonwealth that do not currently have access to natural gas facilities?**

OCA believes that restructuring the SOLR model is not necessary or appropriate in order to promote the extension of natural gas service to unserved or underserved areas. Instead, developing an appropriate economic test would be a definitive step in making natural gas service available to more Pennsylvania residents. OCA Comments at 23 – 24.

NFG notes that the expansion of facilities should depend on whether investment in the pipeline infrastructure needed to expand the system to new customers will be covered by the rates charged to new customers such that existing customers are not subsidizing uneconomic system expansion. NFG Comments at 6 – 7. The Peoples Companies support initiatives that would allow NGDCs to recover utility extension costs. The Peoples Companies Comments at 6. The UGI Companies note that they have recently proposed growth extension tariffs (“GET Gas”) to facilitate the extension of distribution systems into un-served and under-served areas of the Commonwealth. The UGI Companies Comments at 8.

The NGS Parties note that it is difficult for NGSs to participate in expanding natural gas facilities. The NGS Parties Comments at 13. However, UGIES and WGES suggest that the Commission explore what can be done to encourage NGDCs to expand their service territories. UGIES Comments at 7; WGES Comments at 5. RESA proposes that the investigation explore how barriers to new approaches to expansion can be achieved in a way that is fair to all stakeholders. RESA Comments at 6.

**5b. Are there changes to the retail natural gas market that the Commission can undertake *de novo* through regulation or policy that would promote retail natural gas competition?**

Many parties answered this question similarly to how they answered question number 5 (see above). OCA asks that unbundling proceedings should be given a reasonable amount of time to work prior to taking additional action. OCA also thinks that the natural gas Eligible Customer List (ECL) interim guidelines will provide NGSs with important customer information. OCA Comments at 25.

**5c. Are there changes to the retail natural gas market that the Commission can undertake *de novo* through regulation or policy that would remove barriers to retail natural gas competition?**

NFG, the Peoples Companies and the UGI Companies did not identify any major changes. NFG Comments at 7; The Peoples Companies Comments at 7; The UGI Companies Comments at 9. Columbia does not believe there are any barriers to retail natural gas competition on its system and suggest that any changes should be undertaken on a utility by utility basis rather than statewide. Columbia comments at 8.

The NGS Parties think we should normalize rules across the state and eliminate the ability of affiliates to engage in competition by leveraging the use of the utility name. The NGS Parties Comments at 14 and 15. PEMC advocates the further unbundling of costs related to natural gas procurement and more frequent reconciliation of actual and estimated natural gas supply costs. PEMC Comments at 9. IDT believes that the Commission should identify embedded costs and remove those costs from the bills of customers who are supplied by NGSs. IDT Comments at 4.

OCA is not aware of any new initiatives at this time and adds that perhaps NGSs may need to create new or innovative products or services to capture customer attention and interest. OCA Comments at 26.

OSBA points out that some NGDCs offer discounted distribution rates to customers who might otherwise bypass their distribution systems and notes that, while this policy benefits distribution ratepayers by retaining some margin from these customers, it may also serve to discourage the development of some new supply sources. OSBA also thinks that NGDCs may impose unreasonably high tariff charges on gas suppliers who use the distribution systems to access the interstate markets. OSBA Comments at 6.

**5d. What legislative changes should be made to further improve the retail natural gas market in Pennsylvania?**

Several NGDCs, as well as OCA, NEM and WGES, voice their support for House Bill 1188.[[10]](#footnote-10) The Peoples Companies Comments at 7; PGW Comments at 5; The UGI Companies Comments at 9; Columbia Comments at 8; PECO Comments at 13; OCA Comments at 26; NEM Comments at 6 and 7; WGES Comments at 6 and 7.

However, in addition to HB 1188, WGES believes that a legislative change is needed to clarify that gas procurement may be handled by suppliers under reasonable market condition. WGES call for the elimination of the absolute requirement that NGSs accept releases, assignment, or transfers of capacity from NGDCs as a condition of participating in the retail market. WGES is unsure if a legislative change is needed to provide relief to suppliers who must pay high levels of financial performance security to NGDCs. WGES Comments at 6 and 7.

The NGS Parties call for legislation, if needed, to transition the NGDC out of the SOLR role or eliminate the reconciled default service rate. The NGS Parties Comments at 15 and 16. RESA likewise thinks action is needed to modify current NGDC gas procurement practices and potentially transfer SOLR responsibilities to NGSs. RESA Comments at 8.

**6. Are there outcomes from the Commission’s recently completed electric RMI that would be applicable and useful to implement in the retail gas market? To the extent possible, please provide comments on the following topics:**

 **a. Seamless Move**

 **b. Accelerated Switching Timeframes**

 **c. Standard Offer Program**

 **d. Low-income customer shopping**

 **e. Expanded Consumer Education about shopping**

 **f. Any additional RMI initiative that would translate well to the retail natural gas market**

The Peoples Companies supports accelerated switching timeframes and consumer education. The Peoples Companies Comments at 8.

Valley thinks that the Commission should ensure that the benefits of any initiatives adopted to facilitate shopping outweigh the costs of implementation. Valley Comments at 12.

NFG cautions that these initiatives should be carefully examined as they may actually hinder competition by removing protocols that protect customers from unauthorized enrollments. NFG Comments at 8.

The UGI Companies add that, if these initiatives are implemented, there should be associated cost recovery mechanisms established. The UGI Companies Comments at 10.

PGW believes that significant costs may be involved in developing seamless moves and accelerated switching and that seamless moves are not permitted by current regulations (52 Pa. Code 62.75). Concerning switching, PGW is concerned that mid-billing cycle changes may increase customer confusion. PGW Comments at 6 – 8.

Columbia supports seamless moves and accelerated switching in the context of an elimination of its “freeze period” (from the 16th to 20th of every month) for enrollments by April 2015. However, Columbia cautions that Standard Offer Programs should be carefully considered because of the differences between the electric and natural gas industries and the differences among NGDCs. Columbia believes that consistent, statewide combined natural gas and electric residential consumer shopping education is likely to increase the number of shopping customers – but any such plan must include cost recovery for any expenses incurred by the NGDCs. Columbia Comments at 8 – 10.

Regarding low-income shopping, Columbia notes that, since 2000, its Customer Assistance Program (CAP) has included a shopping component in which Columbia acts as agent for the CAP aggregated customers and solicits NGSs via a Request for Proposal (RFP). Columbia believes this aggregation is a form of low-income shopping that has many benefits. It notes that non-low-income customers benefit when an NGS is awarded the CAP contract because the CAP aggregation results in a CAP natural gas supply cost that is lower than Columbia's PTC. This, in turn, lowers the cost of CAP that is passed through to the non-low-income customers. The NGS providing the service to the CAP customer benefits because Columbia purchases the natural gas supply, via POR, with no discount; because the monthly quantity of gas delivered only changes every six months; because Columbia's firm pipeline capacity is assigned for 100% of the gas deliveries; and because the NGS receives full payment every month based on its deliveries rather than from the CAP customer’s usage or payments. Columbia adds that its CAP Portability Feasibility Study from July 2000 found that CAP customers were not interested in shopping and preferred Columbia to act as an agent on their behalf. Columbia's believes that their CAP aggregation is superior to individual low income customer shopping because it guarantees savings for CAP customers and to non-CAP customers who subsidize the CAP. It opines that low-income customers shopping individually could easily be incented by an up-front bonus for signing up, such as a gift card or tickets to a sporting event, and do not have an incentive for obtaining a low-cost gas supply product because they are billed a fixed monthly amount without regard to their natural gas supply rate. Columbia concludes that all customers win with Columbia's aggregation program and “for that reason alone, Columbia's CAP aggregation is the gold standard for low income shopping.” Columbia Comments at 9 and 10.

PULP urges caution in exploring low-income customer participation in the competitive market, as low-income customers represent a distinct subgroup that should be protected. PULP notes that the Natural Gas Choice and Competition Act requires the Commission to ensure that the level and nature of consumer protections, policies and services to assist low-income retail gas customers to afford natural gas service that were within its jurisdiction and in existence as of the time of the Act remain the same (see 66 Pa. C.S. § 2203). PULP also notes that low-income issues are more than just CAP-issues; in fact most low-income households are not enrolled in CAP and thus pay natural gas utility bills at the full-tariff rate. Potential uniform low-income protections include assurances that the competitive price charged to them is always below the PTC; they should be able to switch to an alternate supplier or back to the default service provider without any fee or penalty; should be exempt from security or other deposit requirement; and should receive written information regarding the rights and responsibilities of CAP customers who shop. PULP Comments at 2 and 6.

PECO thinks that the Commission should explore the possibility of changing the existing rules such that seamless moves would be allowed for natural gas customers; and that we should determine, during this investigation, whether experience from the electric rulemaking concerning accelerated switching may be applied to natural gas. PECO opines that shopping for natural gas CAP customers should include the same protections as PECO’s electric CAP shopping plan. PECO also endorses expanded customer education. PECO Comments at 15 and 16.

WGES believes that the Commission should first examine core operational issues that limit the retail natural gas market before evaluating enhancements and that enhancements should only be made so long as they are cost-effective. WGES Comments at 8.

The NGS Parties support seamless moves that would allow customers who move to continue service with their supplier without switching back to default service and that accelerating the switching timeframes are critical for customer satisfaction with the shopping experience. They also advocate the portability of any type of customer assistance as to allow customers who are on any type of support program to shop. The NGS Parties Comments at 17 and 18.

UGIES supports seamless moves, accelerating switching, low-income shopping and expanded consumer education. UGIES also supports new and moving customer referral programs but does not support programs that are designed to have the NGDCs step into the shoes of NGSs to market choice and products on their behalf - NGDCs should have a neutral role of providing information regarding choice. UGIES Comments at 9.

PEMC thinks that seamless moves and instant connects should be the default. PEMC also supports accelerated switching, enhanced consumer education efforts and believes low-income customers should be able to shop without losing CAP benefits. However, PEMC expresses reservations regarding the use of a Standard Offer Program until more NGSs enter the market. PEMC Comments at 10 and 11. NEM supports seamless moves and accelerating switching. NEM suggests that the waiting period built into the switching process is not the correct means to preventing slamming. According to NEM, the Commission’s marketing standards are a powerful deterrent for that behavior. NEM also supports Standard Offer Programs, low-income shopping, and expanded consumer education efforts. RESA likewise supports these initiatives. RESA Comments at 8 and 9. NEM also asks for the development of a joint branded utility-supplier bill. NEM Comments at 7.

OSBA has concerns with the Standard Offer Program and believes it is unclear, given the unstable nature of PGC rates, whether a standard offer program would provide a consistent, predictable benefit to ratepayers. Additionally, OSBA questions whether NGSs would be willing to participate without being able to quickly opt in and out each time the PGC rate changes. OBSA Comments at 6 and 7.

**7. To take advantage of the opportunity that is present through the Marcellus Shale resource, should NGDCs and NGSs be encouraged to explore opportunities with natural gas exploration and production companies?**

In general, the NGDCs expressed their beliefs that no new regulations are needed in this area and that they are already utilizing Marcellus Shale resources. Valley states that no additional regulation is necessary - Valley already purchases locally-produced gas and NGDCs are capable of seeking out advantageous opportunities themselves. Valley Comments at 12. Likewise, NFG believes that no further initiatives are needed - all of its summer supply and 75% of its winter supply are sourced from northeast production. NFG Comments at 8 and 9. The Peoples Companies and PECO note that they already take advantage of Marcellus Shale production, with PECO noting that it has increased its Marcellus Shale purchases from 0% in 2009 to 40% in 2014 at the least cost for its customers. The Peoples Companies Comments at 8; PECO Comments at 17 and 18.

UGIES believes that the Commission should require NGDCs to actively pursue such potential arrangements in connection with carrying-out their reliability planning obligations. It also suggests that the Commission revise its Natural Gas Glossary of Terms to include a “Marcellus” label akin to the “organic” or “green” labels customers see when shopping for other items. Further, UGIES proposes that the Commission consider requiring a percentage of natural gas to come from local natural gas production. UGIES Comments at 9 and 10. NEM suggests that the utility be offered incentive rates of return for focusing its resources on delivery infrastructure improvements that facilitate distribution of Marcellus gas for its sale by competitive natural gas suppliers. NEM Comments at 9. The NGS Parties agree to the use of Marcellus Shale production to the extent that NGDCs currently have interconnections that enable local production to be brought in for default service supply, but caution that, if NGSs are not permitted to do the same, it would be clear discrimination and should not be tolerated by the Commission. The NGS Parties Comments at 18. In general, RESA believes that such rules should be as uniform as possible and set for typical system conditions. RESA Comments at 9. IDT thinks that creating the structure where NGSs can identify opportunities will naturally lead to affiliations with exploration and production companies. IDT Comments at 5.

OCA and OSBA caution that requirements for NGDC to use Marcellus Shale production may conflict with the requirement of procuring gas in a least cost manner. OCA Comments at 32; OSBA Comments at 7.

**8. Recognizing that the Commission withdrew the proposed rulemaking addressing NGDC business practices at Docket No. L-2009-2069117 and committed to commencing a new proposed rulemaking on these issues, please provide comments on the continued need to address standardized supplier tariffs and business practices with regard to imbalance trading, tolerance bands, cash out and penalties, nominations and capacity.**

NGDCs generally caution against imposing uniform rules and standards, usually citing their unique operational characteristics. Valley Comments at 13; The UGI Companies Comments at 12; NFG Comments at 9; PGW Comments at 9. The UGI Companies think that a single choice program design for all NGDCs would not be workable or cost-effective. The UGI Companies Comments at 12. Columbia believes that the development of a standardized content within tariffs when NGDCs have such varying degrees of complexity may threaten an NGDC’s ability to provide safe, reliable service to its customers. Columbia Comments at 11. PECO opines that individual NGDC tariffs are the appropriate mechanisms to implement tolerance bands and cash outs/penalties, nominations, and capacity. PECO Comments at 18 and 19. PGW proposes that a working group be convened in order to determine what commonality exists among service territories. PGW Comments at 9.

On the other hand, many of the NGSs, as well as PIOGA, generally urge a movement toward standardization and uniformity. IDT Comments at 6; NEM Comments at 10; PIOGA Comments at 6. WGES proposes that the Commission allow flexibility, but require standardization in areas that will likely lead to a more robust and competitive market. WGES Comments at 9. The NGS Parties believe that current operational rules tend to place substantial and often undeserved risk on NGSs and that further discussion is needed regarding rules on imbalance trading. The NGS Parties Comments at 19 and 20. PEMC believes that the assets of gas pipeline and storage capacity should follow the customers of each utility, regardless of where the customer purchases his or her natural gas supply. PEMC comments at 11.

OSBA cautions that NGDC practices vary from utility to utility and standardization would be a complex undertaking. OBSA Comments at 7. The Industrials also caution that standardization of NGDC business practices could disturb the status quo for large commercial and industrial customers and may jeopardize reliability for these customers. The Industrials Comments at 3 and 4. OCA does not oppose standardization, but advises that it should only be done where cost-effective and prudent. OCA Comments at 33.

 **9. Other Issues Raised in Comments**

Valley asks that the Commission consider adopting a separate procedural track for small gas utilities given their unique challenges. Valley Comments at 6.

PPA encourages the Commission to take all necessary steps to ensure that any retail market enhancement measures adopted preserve customer choice and fuel neutrality for all consumers. PPA believes that the Commission should not promulgate regulations demonstrating undue favor or support for natural gas over other fuel supply options. PPA Comments at 4 and 7.

OSBA questions whether retail natural gas customers who currently shop are paying lower prices than customers who do not shop. OSBA Comments at 1 and 2.

## Disposition

###  1. Next Steps for Pennsylvania’s Retail Natural Gas Market

 In our September 12 Order, we stated that this investigation would proceed in two phases. The first phase was to assess the status of the current retail natural gas market and explore changes that are needed to allow customers to best realize the opportunities in the competitive market. At the conclusion of that first phase, OCMO would be charged with an examination of the issues raised in the first phase and explore how best to resolve those issues and how to implement recommended solutions to improve the competitive retail gas market. September 12 Order at 3.

 Upon review of the comments filed to our September 12 Order, we have determined that those comments have provided this Commission with substantial information regarding the current state of the retail natural gas market. While the parties filing comments may differ in their views on the state of the competitive market, almost all of the comments agreed that it was time for this Commission to conduct this Investigation. Further, as the comments addressed the specific questions directed in our September 12 Order, it became clear that we can forego the proposed initial phase of the Investigation and direct OCMO to move to an examination of the issues identified in the September 12 Order, issues identified in this Tentative Order and additional issues that may be raised in comments to this Tentative Order. *See* September 12 Order at 3 – 4.

 We agree with comments submitted by RESA that improvements to current data sets are needed in order to more effectively monitor the retail natural gas market. We also agree with RESA that the current data that is available reveals that improvements to the market are necessary to provide for a more robust shopping experience for Pennsylvania consumers. RESA Comments at 2 and 3. Similarly, WGES comments that residential shopping statistics indicate very few customers in that class are actively participating in the retail market. It notes that, while Columbia does have approximately 30% of its residential customers shopping, that number is far lower in the other service territories. WGES also points out that several service territories have no suppliers listed on the Commission’s PAGasSwitch website while others have only a very few. WGES Comments at 2 and 3. Other comments express the same concerns regarding the apparent lack of customer participation in the retail market. *See*, *e.g*., UGIES Comments at 2 – 4; PEMC Comments at 2 and 3; NEM Comments at 2 and 3. We also note that, while the OCA does not express concerns regarding levels of customer shopping, it nonetheless agrees that the Investigation should proceed with the goal of improving the market. For example, the OCA comments that there are areas within the current structure of the retail natural gas market that should be examined and pursued in order to provide greater opportunities for customer participation in the market. OCA Comments at 12.

 Based on the foregoing, we have determined to forego an initial examination of the state of the market and tentatively direct OCMO to examine various issues which will lead to an improvement in the retail gas market and stimulate customer participation.

###  2. Provision of Supplier of Last Resort Service

 The Commission acknowledges the comments provided by many of the parties that express concerns with the current SOLR model implemented in Pennsylvania. As discussed during our Electric RMI, this Commission understands the benefits of a marketplace in which the distribution utility no longer provides default or provider of last resort service.[[11]](#footnote-11) However, in our Electric RMI Final Order, we determined that the various revisions to the electric default service product as well as the multiple initiatives for increasing customer participation in the market directed in that proceeding were reasonable steps in the evolution of Pennsylvania’s retail electric market. Based on those initiatives, we believed that time should be provided to determine the effects of those directives. Specifically, we stated the following:

[p]ermitting the EDCs to continue to provide default service strikes an appropriate balance that allows the retail electric market to continue its fairly steady progress of organic growth while providing the Commission with the ability to take further action in the future, if necessary.[[12]](#footnote-12)

 We maintain the same opinion with regard to retail natural gas supplier of last resort service. While we understand that there may be changes required to SOLR service in order to develop a more robust and competitive retail natural gas marketplace, we do not believe it is appropriate, at this time, to remove NGDCs from the SOLR role. Instead, as was determined on the electric side, we propose that this Investigation focus on initiatives that can be implemented within the current SOLR structure to allow for a more competitive and beneficial retail natural gas marketplace for Pennsylvania ratepayers. However, we would like to make it clear that we may, at any point in time, revisit this decision.

 Although we will not take up the issue of NGDCs serving as the SOLR provider at this time, we will direct OCMO to examine the current reconciliation process for SOLR service to determine whether improvements in the timing of the reconciliation process would improve the retail market. *See*, PEMC Comments at 4-5.

###  3. Rate Unbundling

 We have stated above that the role of the NGDC as the SOLR is an issue which would be better examined at a later time, after recommendations which arise from this Investigation are implemented and have an opportunity to impact the market. We believe that similar considerations affect our consideration of further rate unbundling. On this issue, we agree with OCA.

 OCA points out that this Commission issued our *Revised Final Rulemaking Order* at Docket No. L-2008-2069114 (Order entered June 23, 2011) (*Unbundling Order*), which, *inter alia*, directed NGDCs to unbundle certain gas procurement charges from their distribution base rates. In addition, the NGDCs were directed to modify their PTC to ensure that it accurately reflected commodity procurement costs in order to provide a better comparison model for customers who were comparing PTCs to NGS offers in the market place. OCA Comments at 17 and 18.

 OCA also notes that the implementation of these directed changes was to occur through individual NGDC rate filings, almost all of which had effective dates in 2013. As stated by OCA, many of these modifications have not been in force for a full year. Accordingly, OCA states, and we agree, that these modifications should be given a chance to operate before we embark on additional rate unbundling efforts. OCA Comments at 17 and 18. For these reasons, we will not direct OCMO to examine the issue of further rate unbundling, at this time. However, we will continue to monitor this issue and will revisit it in the event we determine that further unbundling is warranted. We note that although we will not examine further unbundling at this time, NGSs are free to raise this issue in relevant rate proceedings.

###  4. Assignment of Capacity and Use of Storage Assets

Section 2204(d)(1) of the Natural Gas Choice and Competition Act (Competition Act) provides the NGDC with the option to release, assign or otherwise transfer capacity or Pennsylvania supply in whole or in part on a nondiscriminatory basis to suppliers or industrial customers on its system. 66 Pa. C.S. § 2204 (d)(1). Section 2204(d)(4) of the Competition Act requires a licensed supplier to accept such release, assignment or transfer of capacity. 66 Pa. C.S. § 2204(d)(4). However, Section 2204(5) of the Competition Act provides NGSs with a mechanism to petition the Commission to avoid such mandatory capacity assignments. 66 Pa. C.S. § 2204(5)(ii). Also, Section 2204(e) of the Competition Act provides NGSs and others the opportunity, under certain circumstances, to renew expiring NGDC contracts or to provide alternative contracts to meet system requirements. 66 Pa. C.S. § 2204(e).

The issue of capacity assignment mandates and whether they need to be modified was a subject of the previous SEARCH investigation and continues to be an issue raised by some parties. RESA urges a fresh examination. RESA Comments at 5 and 6. WGES proposes the elimination of the absolute requirement that NGSs accept capacity assignments. WGES Comments at 6 and 7. PEMC believes that capacity should follow the customer, regardless of where the customer purchases their natural gas supply. PEMC Comments at 11.

Conversely, OSBA opposes any alternative to the current mandatory practice of capacity assignment. OSBA Comments at 4. Columbia points out that capacity is essential in assuring reliable service. Columbia Comments at 7. The Peoples Companies note that, with no regional entity, the responsibility falls onto the NGDC to manage capacity and ensure reliability. The Peoples Companies Comments at 5.

While the Commission acknowledges the role and importance of the NGDC in ensuring system reliability, this does not preclude us from exploring this issue. We also acknowledge that the NGDCs are differently positioned when it comes to storage and capacity. Each system has a certain amount of available storage and firm capacity - some systems have actual on-system storage, while others have none or a limited amount of on-system storage. Still, others may contract out the on-system or off-system storage to third party managers, which may include firm upstream capacity contracts. We believe that there are possible reforms we can consider that would not endanger reliability. We direct OCMO to conduct an examination of capacity assignment and storage assets, with specific emphasis on how capacity assignment and the use of storage assets impact system reliability.

###  5. Non-discrimination in Access Points on NGDC Systems

The NGS Parties raise the issue of discriminatory access to interconnections – the possibility of NGDCs providing favorable access to local production for the purposes of obtaining default supply while preventing such access to NGSs. They opine that this practice is discriminatory and should not be tolerated by the Commission. The NGS Parties Comments at 18.

We believe this is a relevant concern as local Marcellus Shale production becomes more available and plays an ever-increasing role in the Commonwealth’s natural gas supply. This is also a serious allegation because, if true, it could indicate practices contrary to statutory prohibitions against discrimination as found in the standards of conduct in the Competition Act, 66 Pa. C. S. § 2209(c), and Commission regulations at 52 Pa. Code § 62.142. As part of this investigation, we direct OCMO to examine the issue of allocating system access points and to recommend whether changes are needed to permit non-discriminatory access to locally-produced natural gas.

###  6. System Balance, Tolerances and Penalties

The type of relationship established between the NGDC and the NGS dictates the frequency of daily information exchanges regarding nominations and deliveries. In a partnership type of relationship, where an NGS is expected to manage supply, capacity and storage assets, information exchange is expected on a more routine and regular basis. In situations where the NGDC acts as the controlling party and is expected to manage the array of assets, there is less interaction. Under the latter arrangement, the NGS is expected to deliver daily requirements for its customers each day and the NGDC manages the movement of gas among the assets on its system to make the delivery to the customer while maintaining system reliability. Under a partner relationship, the NGDC provides the NGS with outlooks for its customer pool, based upon weather forecasts and consumption activity. The NGS then uses this information to prepare its daily nominations.

Generally, the NGS is expected to deliver an amount of supply within tolerance bands as specified in the supplier tariff or operations manual. Tolerance bands establish the permissible variations between nominations and actual deliveries over a period of time. To accommodate these variations, NGDCs must retain gas supply assets, such as storage, without using the gas supply assets of other users of the system. Penalties are assessed by NGDCs to discourage the failure to meet tolerance bands. In many cases sizable penalties are assessed for under-delivery while excess gas delivered is subject to a cash-out transaction, where the cash-out payment to the NGS is usually below the market price of the excess gas delivered.

NGSs have traditionally expressed a preference for wider tolerance bands and the opportunity to roll balances over time rather than cash out or incur penalties over short periods of time. It is also a source of frustration for NGSs when system balancing requirements can vary considerably between the NGDCs. WGES, NEM and IDT all urge standardization, with the NGS Parties and UGIES suggesting that the rules must also be reviewed to ensure transparency and reasonableness. WGES Comments at 10 and 11; NEM Comments at 10; IDT Comments at 6; The NGS Parties Comments at 19 and 20; UGIES Comments at10.

The NGDCs, as well as the Industrials and OSBA, argue that there are significant structural differences among the NGDCs that make standardization of practices complex if not impossible. Columbia Comments at 11; NFG Comments at 9; PECO Comments 18 and 19; The Peoples Companies Comments at 9; PGW Comments at 9; The UGI Companies Comments at 11 and 12; Valley Comments at 12 and 13; the Industrials Comments at 5; OSBA Comments at 7.

We acknowledge that system balancing is a complex and contentious issue. The Commission unsuccessfully attempted to address some of these issues via a rulemaking that it withdrew in December 2011.[[13]](#footnote-13) Upon withdrawing the rulemaking, the Commission declared that the “use by NGDCs of a common set of business practices and standards should increase efficiency in industry operations and may increase the participation of NGSs in the retail natural gas supply market” and that the Commission would explore these issues again.[[14]](#footnote-14) Consistent with that statement, we direct OCMO to include an examination of system balancing issues, including scheduling, nominations, tolerances, penalties and cash-outs in this investigation. OCMO’s examination should include the issue of whether these provisions may be imposing an unreasonable barrier to entry into the retail market. OCMO’s recommendation on this issue should include an analysis of best practices which properly balance the reliability needs of NGS and NGDC customers and the true costs of imbalances. This examination should also include analysis of the extent that standardization of these requirements across all NGDCs is appropriate.

###  7. Creditworthiness Requirements

 We will direct OCMO to examine the issue of creditworthiness requirements for NGSs operating on NGDCs’ systems. A preliminary review of the various supplier tariffs reveals a wide range of requirements. There also appears to be varying analyses as to the nature of the risks involved.

 Our direction on this issue is prompted, in part, by the Commonwealth Court’s decision in *UGI Utilities, Inc. – Gas Division v. Pa. Public Util. Comm’n*, 878 A.2d 186 (Pa. Cmwlth. 2005), upholding this Commission’s decision finding that an NGDC’s creditworthiness requirements were unrelated to the risk involved and acted as a barrier to market entry by NGSs. 878 A.2d at 192-93. We also examined this issue in the context of the electric industry in *Public Utility Commission Bonding/Security Requirements for Electric Generation Suppliers; Acceptable Security Instruments*, Docket No. M-2013-2393141 (Order entered July 24, 2014).[[15]](#footnote-15) Similar to our decision in *UGI*, we found that creditworthiness requirements for electric generation suppliers (EGSs) overstated the risks being secured and reduced the requirements accordingly. In that proceeding, we also explored the issue of acceptable security instruments and expanded that list. We believe this issue is ready for re-examination in the context of this Investigation and will direct OCMO to review the current creditworthiness requirements for NGSs to see if any changes are needed.

###  8. Seamless Moves and Instant Connects

In the Electric RMI Final Order,[[16]](#footnote-16) the Commission directed the electric distribution companies (EDCs) to file, by the end of 2013, plans for implementing *seamless moves* and *instant connects* in their service territories by June 2015. A *seamless move* is the ability to move a customer’s choice of supplier with the customer to a new address without interruption of service from that supplier. An *instant connect* is the ability of supply service to start on “day one” of new utility service, without the customer first being entered into default service.

We acknowledge that there are several procedural and programming changes that may be required to implement seamless moves. We also note that PGW observes that the concept is contrary to the regulation at 52 Pa. Code § 62.75(c)(7), relating to disclosure statements.[[17]](#footnote-17) PGW Comments at 6. The regulation cited by PGW is in the natural gas customer disclosure regulations and informs NGSs of specific terms and conditions that must be contained in the NGS disclosure statement. The specific subsection cited by PGW only requires the NGS to disclose to a supply customer that the supply service will be terminated upon a customer move, if and only if the supply contract contains such a provision. This regulation does not require such a provision in the supplier contract. Accordingly, we do not believe this regulation in any way prohibits seamless moves as PGW asserts.

 The Commission believes seamless moves are a natural and expected part of the competitive market that has been hindered only by the current limitations of NGDC account information systems. NEM, the NGS Parties, PEMC, RESA, UGIES and PIOGA support this initiative. NEM Comments at 7; The NGS Parties Comments at 17; PEMC Comments at 10; RESA Comments at 8; UGIES Comments at 9; PIOGA Comments at 2. Requiring all customers to first be enrolled in SOLR service before obtaining service from a competitive supplier inappropriately makes the SOLR service the “primary” service. In this model, the SOLR automatically obtains customers who may stay with them simply out of inertia. Furthermore, the current practice may frustrate customers who wish to enjoy the benefit of a negotiated supply contract immediately, rather than waiting one or more billing periods to enjoy such benefits. We believe that such a practice may be contrary to good customer service. This aspect of the current market construct should be examined. Therefore, we direct OCMO to include discussion of seamless moves in this investigation. For similar reasons, we also direct the examination of instant connects.

###  9. Accelerated Switching Timeframes

Accelerating the timeframes it takes for the customer to switch to a natural gas supplier is a vital area of inquiry for this investigation. While most parties are aware of efforts to substantially accelerate switching in the electric industry,[[18]](#footnote-18) there has been little momentum and progress with respect to retail natural gas consumers.

The Commission’s statutory authority for the existing switching regulations in the gas industry arises from Section 2206(b) of the Competition Act, 66 Pa. C.S. § 2206(b). This Section requires the Commission to:

**(b) Change of suppliers.--**The commission shall, by order or regulation, establish procedures to ensure that a natural gas distribution company does not change a retail gas customer's natural gas supplier without direct oral confirmation from the customer of record or written evidence of the customer's consent to a change of supplier.

Following this statutory directive, the Commission promulgated regulations in 2000 to address the supplier switching process and to guard against “slamming.”[[19]](#footnote-19) These regulations are found at 52 Pa. Code §§ 59.91 – 59.99 (standards for changing a customer’s natural gas supplier).

Based on customer complaints and supplier concerns, and at the request of the Commission, in 2011, OCMO began exploring options to shorten the timeframe for switching a customer to another supplier. This switching timeframe was the result of a variety of Commission regulations as noted above, as well as utility and supplier procedures that were established in large part to guard against slamming. Unfortunately, the resulting delay in transferring a customer’s account has been perceived by consumers to be a lost savings opportunity that results in customer frustration, disappointment and a less than favorable opinion of the competitive retail market. Because customer satisfaction is key to the success of any retail market, OCMO became concerned that the length of the switching timeframes had become an impediment to achieving an effective competitive retail energy supply market in Pennsylvania.

OCMO presented this topic to the CHARGE[[20]](#footnote-20) working group on March 24, 2011, in order to obtain the perspectives of the EGSs, OCA and other interested parties. With the initiation of the Electric RMI in 2011, it was decided to bring this issue to that forum as well and to give RMI participants an opportunity to present their perspectives and concerns. The possibilities of using mid-cycle, off-cycle or estimated meter reads were considered as means to shorten the switching timeframe.

 The capabilities of the metering systems currently used by NGDCs vary significantly. Some NGDCs have advanced metering systems,[[21]](#footnote-21) while others still utilize traditional basic meters that require field visits and manual readings to obtain metering information. This variation in metering capabilities and practices presents some challenges to moving immediately to a mid-cycle read protocol.

Current supplier procedures were also examined by OCMO to determine if changes could be made to shorten the switching timeframe. Some supplier practices may adversely affect the switching process timeframes. For example, the practice of batching enrollments before sending them to the EDC instead of immediately sending them may unnecessarily delay some account transfers. Additionally, some suppliers hold enrollments and do not submit them to the utility until the last day of the three-day right of rescission period provided for in 52 Pa. Code § 62.75.

OCMO’s exploration of these issues culminated in a November 10, 2011 Tentative Order*,* which proposed several options to accelerate switching timeframes.[[22]](#footnote-22) In that Tentative Order, we proposed to eliminate the ten-day waiting period found in 52 Pa. Code § 59.93(2). We also raised the possibility of off-cycle meter readings to effectuate switching. Seventeen parties filed comments in response to the Tentative Order.[[23]](#footnote-23) The parties generally supported reducing customer wait time for switching suppliers. After careful review and consideration of the comments, we decided that instead of the complete elimination of the ten-day confirmation period at 52 Pa. Code § 59.93(2), we would retain the confirmation period but shorten it to five days. This change was applied to both retail electric and retail natural gas switching.

These efforts were followed up in April 2014, in regards to the electric industry, with the previously noted rulemaking to revise the electric switching regulations. In that rulemaking, the electric regulations were revised to require an EDC to effectuate a switch within three business days of notification of an enrollment by a supplier. We allowed for a six-month implementation timeframe subsequent to the effective date of the regulations.[[24]](#footnote-24) Accordingly, the three-business day switching must be implemented by December 14, 2014. The Commission declared that this was necessary because:

A customer’s ability to escape from a high-price product with a supplier is often frustrated by the switching timeframes currently in place, as a customer is often exposed to at least one more entire billing cycle beyond the billing cycle in which the customer requested to switch suppliers. This lag when switching is unacceptable. We routinely advise consumers impacted by high electric prices to “select a lower-cost supplier.” However, for this to be an effective, meaningful course of action, switching must be easier and faster. We can no longer tolerate a scenario in which a customer is held captive for another entire billing cycle. This situation not only imposes unacceptable financial burdens on consumers, but also chills current consumer confidence in the competitive retail electric market and discourages potential shoppers from entering the market.[[25]](#footnote-25)

Further, the Commission noted that:

While the potential cost-savings benefits to consumers from accelerating the switching timeframes are readily apparent, we believe there are other benefits as well. For example, speeding up switching will help minimize impacts due to slamming and protect consumers when it does occur. With the current switching timeframes, a customer has to remain captive to the supplier that slammed them for an entire billing period, sometimes longer. This is unacceptable. If a customer can quickly escape a supplier that has “slammed” them, the customer’s exposure to financial harm will be significantly reduced. Furthermore, when a customer can quickly escape a “slammer” there will be less incentive for a supplier to slam a customer in the first place.[[26]](#footnote-26)

The Commission believes that the above rationales are equally applicable to the natural gas industry, and that an examination of the natural gas-supply switching timeframes is overdue. Several of the parties, including NEM, PEMC, RESA, PIOGA and UGIES, agree. NEM Comments at 7; PEMC Comments at 10; RESA Comments at 8; PIOGA Comments at 2; UGIES Comments at 9.

 The Commission believes a review of natural gas switching timeframes is needed in light of the significant difference in timeframes between switching in the retail electric industry under the new regulations and the current practices and guidance in the retail natural gas industry. We think, and OCA agrees, that there is value in keeping the regulations as consistent as possible across both industries – especially considering that there are consumers who obtain both competitive retail electric and natural gas supply service from the same supplier. Inconsistencies in rules, procedures and timeframes between the two industries can confuse customers and complicate compliance for suppliers. While we acknowledge that the differences in metering technologies in the electric and natural gas industries may make identical rules and timeframes difficult, we believe that there is plenty of room for improvement in the natural gas industry. Accordingly, we direct OCMO to explore this issue during the investigation.

###  10. Standard Offer Program

As of July 31, 2014, over 220,000 residential and small business electric consumers have enrolled with a competitive electric supplier through the EDC’s Standard Offer Programs (SOP).[[27]](#footnote-27) These customers are receiving the benefit of a fixed price for 12 months that starts at seven percent below the EDC’s PTC at the time of customer enrollment. These programs were a directive from the Commission in its Electric RMI Intermediate Work Plan Final Order.[[28]](#footnote-28)

While we are pleased with the electric SOPs and believe that they have provided real benefits to consumers and the retail electric market in general, we have concerns regarding whether these programs can be similarly successful in the natural gas market. For the programs to be successful, both suppliers and consumers have to be willing to participate. Consumers want the security of a safe, fixed rate that offers potential savings, while suppliers want to be able to serve customers profitably and with minimal acquisition costs. We are concerned that the current retail natural gas market may not provide the environment needed to attract suppliers and/or consumers to an SOP.

 The same problems that afflict the retail gas market in general and that have precipitated this Investigation are often the same problems that could hobble an SOP. On this basis, we have concerns that an exploration of SOPs in the early phases of this Investigation may be premature. However, as the Investigation progresses and market reforms are implemented, the environment may become more conducive to the development of SOPs. Therefore, we direct OCMO to move consideration of SOPs for the natural gas industry to the later phases of this Investigation.

###  11. Low-income Customer Shopping

 We believe the participation of low-income customers in the competitive market, including those participating in CAP, is an important topic that must be addressed as part of this Investigation, as we believe this group is most in need of ensuring that its statutorily created right to shop is protected.[[29]](#footnote-29) There is also value in allowing these customers to procure lower-cost gas supply service that the competitive market may provide if they so choose. Such elections will benefit distribution customers, as a whole. To that end, we direct OCMO to survey the NGDCs on their CAP participation in the retail natural gas market and recommend any enhancements, as needed, in order to improve those programs.

###  12. Expanded Consumer Education about Shopping

Many of the parties support increasing consumer education statewide, including heightened visibility for PAGasSwitch.com, the Commission’s natural gas shopping website for Pennsylvania consumers.  We agree and direct the Office of Communications, in coordination with OCMO, to explore enhancing consumer education statewide with a strong emphasis on enhancements to PAGasSwitch.com.

This effort should include a comprehensive review and analysis of PAGasSwitch.com and how the website, in its current format, compares with PAPowerSwitch.com, the Commission’s nationally recognized website for electric shopping.  In recent years, the Commission has continuously improved PAPowerSwitch.com to enhance the shopping experience for consumers in the retail electric market. These efforts have included: giving small business customers the ability to shop in the same manner as residential customers; the addition of consumer alerts on the homepage; more in-depth information on fixed versus variable rates; new headers and links to simplify navigation within the website; new educational videos and fact sheets; and the launch of a mobile device site.

We strongly encourage OCMO and our Office of Communications to explore a similar approach to PAGasSwitch.com, including a determination of current consumer awareness of PAGasSwitch.com, the strengths and weaknesses of the website in its existing format, and consideration of enhancements that will provide consumers with more information and the ability to navigate the site more easily.  In addition to these website enhancements, we also recommend consideration of a comprehensive statewide consumer education plan to include pre- and post-benchmarking surveys; radio, television, print and online ads and media buys; social media; educational videos; and consumer events.  We will seek input from industry leaders, consumer advocates and Pennsylvania’s small business customers. Strong consideration needs to be given as to how the costs of any new consumer education initiatives would be allocated, including the allocation of costs to NGSs, ratepayers and the Commission.

###  13. Purchase of Receivables Programs

Many NGDCs currently operate POR programs through which they buy the NGSs’ receivables and then collect the monies due from the customer. These programs facilitate customer participation in the competitive natural gas market by making it possible for the customer to continue to receive one combined bill from their utility for all services and to continue to pay the utility directly for all services. This helps make the competitive supply service more “seamless” from the customer’s perspective and also allows customers to more easily shop for supply service by avoiding supplier credit screening. Suppliers likewise benefit because they are relieved of the burdens associated with billing, collecting and credit screening.

POR programs in the natural gas industry have been traditionally litigated and authorized through the NGDCs’ base-rate filings (in contrast to the electric industry – where PORs are usually the subject of default service plan filings[[30]](#footnote-30)). As a result, PORs in the natural gas industry may be somewhat less standardized than those found in the electric industry. We direct OCMO, as part of this investigation, to examine the PORs in the natural gas industry and determine which “best practices” should be applied in a more consistent manner to all utility PORs.

###  14. Disclosure Requirements

On April 3, 2014, the Commission adopted a Final Omitted Rulemaking Order[[31]](#footnote-31) revising the disclosure regulations in the electric industry – especially in the context of variable pricing and the information that customers must have to make informed decisions given the various products offered in the retail electric market. These new regulations, which became effective July 14, 2014, are now significantly different than the analogous natural gas industry regulations at 52 Pa. Code § 62.75 (Disclosure statement for residential and small business customers). As discussed above, there are many benefits to both consumers and suppliers in having consistent cross-industry rules. We also think that many of the concerns with variable rates that led us to make the changes to the electric rules may also be relevant to the natural gas industry. This includes the availability of historical pricing information, notice of price changes and explicit disclosure of limits or the lack of limits on price variability. Other changes to the electric rules, in addition to those concerning variable rates, are also worth examining to determine their applicability to the natural gas industry. These include the use of a supplier contract summary page and supply contract expiration notices. We direct OCMO to examine this issue during the course of this investigation.[[32]](#footnote-32)

###  15. Joint Natural Gas Distribution Company – Natural Gas Supplier Bill

Another initiative which arose from the electric RMI was the development of what is commonly referred to as a “joint bill.” In a joint bill construct, the utility bill is formatted in a way to make supplier information more prominent and useful. In the Electric RMI, the Commission directed OCMO to provide recommendations on how the EDC-consolidated bill could be more supplier-oriented.[[33]](#footnote-33) This could include, but was not limited to, making the supplier’s information more prominent; including the supplier’s logo on the EDC bill; providing increased spacing for supplier messaging and potentially allowing supplier bill inserts. In a May 22, 2014 Final Order,[[34]](#footnote-34) the Commission directed EDCs to develop a number of bill format changes, including: the inclusion of the EGS’s logo on the EDC bill; the expansion of EGS bill messaging space from two to four lines with up to 80 characters each; and the inclusion of a Shopping Information Box. As we stated with regard to the electric industry, these three mechanisms will aid customers in not only developing a stronger recognition of, and relationship with, their supplier, but also will increase customer awareness when participating in the competitive retail energy market.

The Commission believes these same rationales may apply to the natural gas industry as well and we direct OCMO to examine the concept of a joint NGDC-NGS bill in this investigation.

###  16. Account Number Access Mechanisms

During its Electric RMI, the Commission directed the EDCs to develop mechanisms that allow suppliers to obtain customer account numbers from the utility to facilitate the enrollment of customers. In a Final Order adopted July 16, 2013,[[35]](#footnote-35) the Commission directed EDCs to develop secure internet portals that suppliers could access to obtain account numbers. This mechanism is intended to facilitate supplier marketing in public places (e.g., malls, community events, fairs, etc.) where consumers are unlikely to have their utility bill or their account number. EDCs were to develop portals with a variety of security mechanisms, including password-protected, secure websites that require a supplier to submit the customer’s full name, service street address and five-digit postal code. The mechanisms also document the supplier’s attestation that the supplier is enrolling the customer in a public location and has obtained photo identification and a signed letter of authorization from the customer. The mechanism also tracks the usage of the system and identifies who accessed what data and when. This information has to be retained for three years and maintained in a fashion which can be easily provided to the Commission upon its request.

This type of secure portal mechanism may also be useful in the natural gas industry. Accordingly, we direct OCMO to examine this in the investigation. We are interested in any initiative that encourages supplier marketing in more public venues with the hope that this will diminish the use of more intrusive marketing that risks bothering consumers in the privacy of their homes.

### 17. Migration Riders

NGDCs in Pennsylvania use a migration rider to help reconcile differences in the actual versus projected costs of providing SOLR service. The migration rider is a rate mechanism that applies to each customer account, even after the customer is enrolled with an NGS. The OCA and the OSBA both mention the current use of migration riders by NGDCs as an element that makes the shopping experience more confusing. OCA Comments at 17, 26-27; OSBA Comments at 4. The Commission believes these concerns warrant an examination of the migration rider during the course of this investigation. We are aware that House Bill 1188 is currently pending in the General Assembly which may have a dramatic impact on the migration rider. Any action we would decide to take will obviously take into account that legislative activity. However, an examination of the migration rider in the context of this Investigation will be helpful.

### 18. Electronic Data Protocols

In Pennsylvania, many of the NGDCs use different communication protocols to remit customer billing data back and forth with the NGSs. However, that same type of communication follows relatively uniform protocols in Pennsylvania’s electric industry. The OCA briefly mentions that the electronic data transaction protocols may be an area worth investigating. The OCA submits that a redesign of these protocols may be warranted pending the results of a cost/benefit analysis. OCA Comments at 21. The Commission believes that data transaction protocols have been a factor that helped facilitate success in the retail electric sector. This issue should be examined in this Investigation in order to determine if changes are appropriate. Consequently, we direct OCMO to include electronic data transaction protocols as part of this Investigation.

# CONCLUSION

We expressly note that, as OCMO moves forward with its examination of the issues identified herein, and any additional issues identified in comments to this Tentative Order and set forth in our Final Order upon review, OCMO will consider all positions of interested parties in developing recommendations for this Commission’s consideration. However, OCMO will not be required to achieve consensus on every recommendation submitted. We reiterate that comments to this Tentative Order should focus on issues not identified and discussed in the September 12 Order and/or this Tentative Order. Based on the foregoing discussion, and pursuant to our authority in Sections 501 and 2204 of the Pennsylvania Public Utility Code, 66 Pa. C.S. §§ 501 and 2204, we will move forward with this Investigation of Pennsylvania’s Retail Natural Gas Supply Market as discussed above; **THEREFORE,**

**IT IS ORDERED:**

 1. That this Tentative Order shall be served on the Office of Consumer Advocate, the Office of Small Business Advocate, the Energy Association of Pennsylvania, the Retail Energy Supply Association, and all parties that filed comments to the September 12, 2013 Order at Docket No. I-2013-2381742.

 2. That comments filed in response to this Tentative Order are due no later than thirty (30) days from the date the Notice of this Tentative Order is published in the *Pennsylvania Bulletin*. Interested parties may submit comments (an original with no copies), to the Secretary, Pennsylvania Public Utility Commission, P.O. Box 3265, Harrisburg, PA 17105-3265. Comments may also be filed electronically through the Commission e-File System. No reply comments shall be permitted.

 3. That the contact persons for this Investigation are H. Kirk House, hhouse@pa.gov or 717-772-8495, and Dan Mumford, dmumford@pa.gov or 717-783-1957. Inquiries regarding this Investigation may also be e‑mailed to the Commission’s Office of Competitive Markets Oversight at ra-ocmo@pa.gov.

 4. That a copy of this Order shall be sent to the electronic distribution list established for SEARCH and posted on the Commission’s website at the Natural Gas Retail Markets Investigation web page:

<http://www.puc.pa.gov/utility_industry/natural_gas/natrual_gas_rmi.aspx>

 5. That the Secretary shall deposit a Notice of this Tentative Order with the Legislative Reference Bureau for publication in the *Pennsylvania Bulletin*.



 **BY THE COMMISSION,**

 Rosemary Chiavetta

 Secretary

(SEAL)

ORDER ADOPTED: August 21, 2014

ORDER ENTERED: August 21, 2014

1. In the Commission’s *Report to the General Assembly on Pennsylvania’s Retail Natural Gas Supply Market,* “effective competition” was defined as: (1) Participation in the market by many sellers so that an individual seller is not able to influence significantly the price of the commodity; (2) Participation in the market by many buyers; (3) Lack of substantial barriers to supplier entry and participation in the market; (4) Lack of substantial barriers that may discourage customer participation in the market; and (5) Sellers are offering buyers a variety of products and services. *See Report to the General Assembly¸* p. 25 (issued October 2005). [↑](#footnote-ref-1)
2. “SEARCH” is an acronym for Stakeholders Exploring Avenues for Removing Competition Hurdles. [↑](#footnote-ref-2)
3. Documents related to *SEARCH* are available on the Commission’s website at <http://www.puc.pa.gov/utility_industry/natural_gas/committees_and_working_groups/search.aspx> . [↑](#footnote-ref-3)
4. *See Investigation into the Natural Gas Supply Market: Report on Stakeholders’ Working Group (SEARCH); Action Plan for Increasing Effective Competition in Pennsylvania’s Retail Natural Gas Supply Services Market,* Docket No. I-00040103F0002 (Order Entered September 11, 2008). [↑](#footnote-ref-4)
5. *See* Docket No. L-2008-2069114. [↑](#footnote-ref-5)
6. *See* Docket No. L-2008-2069115. [↑](#footnote-ref-6)
7. *See* Docket No. L-2009-2069117. [↑](#footnote-ref-7)
8. For more information, please see <http://www.puc.pa.gov/consumer_info/natural_gas/natural_gas_shopping.aspx>. [↑](#footnote-ref-8)
9. H.B. 1188, 2013 Gen. Assem., Reg. Sess. (Pa. 2013) (HB 1188). [↑](#footnote-ref-9)
10. House Bill 1188 of the 2013-2014 legislative session seeks to amend the Public Utility Code by providing for a sliding scale of rates and adjustments and imposing duties of natural gas distribution companies. While the bill passed the House on June 3, 2013, no further action has been taken since the bill was referred to the Senate Committee on Consumer Protection and Professional Licensure on June 7, 2013. [↑](#footnote-ref-10)
11. *See, Investigation of Pennsylvania’s Retail Electricity Market: End State of Default Service*, Docket No. I-2011-2237952 (Order entered February 15, 2013) (Electric RMI Final Order), p. 20. [↑](#footnote-ref-11)
12. *Id*. [↑](#footnote-ref-12)
13. *See Order Withdrawing Rulemaking, Proposed Rulemaking: Natural Gas Distribution Company Business Practices*; 52 Pa. Code §§ 62.181-62.185. Docket No. L-2009-2069117 (Order Entered December 1, 2011). [↑](#footnote-ref-13)
14. *Id*. at p. 7 [↑](#footnote-ref-14)
15. This Order can be found on the Commission’s website at <http://www.puc.pa.gov/utility_industry/electricity/electric_competitive_market_oversight.aspx> [↑](#footnote-ref-15)
16. *See, Investigation of Pennsylvania’s Retail Electricity Market: End State of Default Service*, Docket No. I-2011-2237952 (Order entered February 15, 2013), pp 69-75, 112. [↑](#footnote-ref-16)
17. 52 Pa. Code § 62.75(c) (7) The cancellation provisions, if applicable. When a customer moves from one location to another, even if the move is within an NGDC’s service territory, the agreement is cancelled. [↑](#footnote-ref-17)
18. *See Final-Omitted Rulemaking Order: Rulemaking to Amend the Provisions of 52 Pa. Code, Chapter 57 Regulations Regarding Standards for Changing a Customer’s Electricity Generation Supplier*, Docket L-2014-2409383 (entered April 3, 2014). [↑](#footnote-ref-18)
19. “Slamming” refers to the unauthorized change of a retail natural gas supplier. [↑](#footnote-ref-19)
20. “CHARGE” is an acronym for the Committee Handling Activities for Retail Growth in Electricity. Its participants include EDCs, EGSs, industry trade organizations, consumers, the OCA and the OSBA. [↑](#footnote-ref-20)
21. Note that these advanced meters are generally not classified as “smart meter technology” as defined at 66 Pa. C.S. § 2807(g) (relating to duties of electric distribution companies), but have a capability to be read remotely. [↑](#footnote-ref-21)
22. *Interim Guidelines Regarding Standards For Changing a Customer’s Electricity Generation Supplier,* Docket No. M-2011-2270442 (Order entered Nov. 14, 2011). [↑](#footnote-ref-22)
23. Those parties were AARP/Pennsylvania Utility Law Project/Community Legal Services Inc. (AARP/PULP/CLS); Columbia; DTE Energy Supply Inc. (DTE Energy); Duquesne Light Company (Duquesne); EAP; FirstEnergy Solutions Corp. (FES); Industrial Customer Groups; Metropolitan Edison, Pennsylvania Electric Company, Pennsylvania Power Company, West Penn Power (collectively FirstEnergy); NEMA; OCA; PEMC; PECO; PGW; PPL Electric Utilities (PPL); RESA; Verde Energy USA (Verde Energy); and WGES. [↑](#footnote-ref-23)
24. The regulations were effective upon their publication in the *Pennsylvania Bulletin* on June 14, 2014. [↑](#footnote-ref-24)
25. *See Final-Omitted Rulemaking Order: Rulemaking to Amend the Provisions of 52 Pa. Code, Chapter 57 Regulations Regarding Standards for Changing a Customer’s Electricity Generation Supplier*, Docket L-2014-2409383 (entered April 3, 2014) at pp. 16 and 17. [↑](#footnote-ref-25)
26. *Id.* at p. 17. [↑](#footnote-ref-26)
27. The current Standard Offer Program statistics are available at <http://www.papowerswitch.com/standard-offer-program>. [↑](#footnote-ref-27)
28. *See* Final Order: *Investigation of Pennsylvania’s Retail Electricity Market: Intermediate Work Plan,* Docket No. I-2011-2237952 (Order Entered March 2, 2012) at pp. 13 – 33. [↑](#footnote-ref-28)
29. 66 Pa. C.S. § 2203(2). [↑](#footnote-ref-29)
30. Also see the Policy Statement at 52 Pa. Code § 69.1814 (Purchase of receivables). [↑](#footnote-ref-30)
31. *See Final-Omitted Rulemaking Order: Rulemaking to Amend the Provisions of 52 Pa. Code, Section 54.5 Regulations Regarding Disclosure Statement for Residential and Small Business Customers**and to Add Section 54.10 Regulations Regarding the Provision of Notices of Contract Renewal or Changes in Terms*. Docket Number L-2014-2409385 (Order entered Apr. 3, 2014). [↑](#footnote-ref-31)
32. We note that the Commission has already initiated a proceeding examining some of the issues resulting from the current inconsistency between the electric and gas disclosure rules. *See Tentative Order on Request for Clarification on Notice Requirements for Combined Electricity & Natural Gas Disclosure Statements,* Docket No. L-2014-2409385 (Order entered July 9, 2014). [↑](#footnote-ref-32)
33. *See Investigation of Pennsylvania’s Retail Electricity Market: End State of Default Service*, Docket No. I-2011-2237952 (Order entered February 15, 2013) (End State Final Order). [↑](#footnote-ref-33)
34. See *Final Order Investigation of Pennsylvania’s Retail Electricity Market: Joint Electric Distribution Company – Electric Generation Supplier Bill*, Docket Number M-2014-2401345 (Order entered May 23, 2013). [↑](#footnote-ref-34)
35. *See Final Order on EDC Customer Account Number Access Mechanism for EGSs* – Docket No. M-2013-2355751(Order entered July 17, 2013). [↑](#footnote-ref-35)