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January 23, 2017

Via Electronic Filing

Rosemary Chiavetta, Secretary
PA Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

Re: Petition of NRG Energy Inc. for Implementation of Electric Generation
Supplier Consolidated Billing, Docket Number: P-2016-2579249

Dear Secretary Chiavetta:

Enclosed for electronic filing please find the Comments of the Retail Energy Supply Association with regard to the above-referenced matter. Copies to be served in accordance with the attached Certificate of Service.

Sincerely,



Deanne M. O'Dell

DMO/lww
Enclosure

cc: Cert. of Service w/enc.

CERTIFICATE OF SERVICE

I hereby certify that this day I served a copy of RESA's Comments upon the persons listed below in the manner indicated in accordance with the requirements of 52 Pa. Code Section 1.54.

Via Hand Delivery & Email

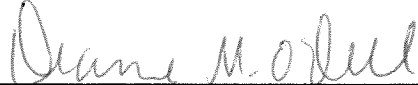
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Dated: January 23, 2017



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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of NRG Energy, Inc. for :
Implementation of Electric Generation : Docket No. P-2016-2579249
Supplier Consolidated Billing :

**COMMENTS OF
THE RETAIL ENERGY SUPPLY ASSOCIATION**

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I. INTRODUCTION

On December 8, 2016, NRG Energy, Inc. (“NRG”) filed a Petition requesting that the Commission issue an order implementing Supplier Consolidated Billing (“SCB”) as a billing option that is available to customers of electric generation suppliers (“EGSs”) by the second quarter of 2018. Pursuant to notice published in the Pennsylvania Bulletin (46 Pa.B. 8154), the Commission invited comments from interested parties to be filed by January 23, 2017.¹ The Retail Energy Supply Association (“RESA”)² – a diverse organization of competitive energy suppliers which includes EGSs of varying sizes and business plans serving all types of consumers in Pennsylvania and elsewhere – fully supports the NRG Petition. Enabling the entities providing generation service to directly bill their customers through the implementation of SCB is an important and necessary evolution of the retail electricity marketplace which will allow EGSs to begin to deliver on the original promises of technological and services-related innovation that were an integral part of the Electricity Generation Customer Choice and Competition Act (“Choice Act”).³ The implementation of SCB, as proposed in the NRG Petition, presents an important first step necessary to begin addressing this issue as it will spur development of innovative products and services that add value to consumers beyond the electric commodity. While EGSs are starting to develop these products today (which include electricity

¹ 46 Pa.B. 8154 (December 24, 2016).

² The comments expressed in this filing represent the position of the Retail Energy Supply Association (RESA) as an organization but may not represent the views of any particular member of the Association. Founded in 1990, RESA is a broad and diverse group of more than twenty retail energy suppliers dedicated to promoting efficient, sustainable and customer-oriented competitive retail energy markets. RESA members operate throughout the United States delivering value-added electricity and natural gas service at retail to residential, commercial and industrial energy customers. More information on RESA can be found at www.resausa.org.

³ 66 Pa. C.S. §§ 2801-2812.

bundled with energy efficiency, demand response, direct load control, smart thermostats, distributed solar generation and other forms of on-site generation, battery storage technology, products bundled with loyalty rewards and products bundled with home protection), the lack of a direct billing relationship with customers negatively impacts the ability to offer the full value of these products and services to customers.

As explained more fully below, the current structure wherein only the electric distribution companies (“EDCs”) can bill retail customers stifles innovation. The exclusive reliance on utility consolidated billing (“UCB”) blocks the ability of the EGS and its customer to form a direct relationship. This, in turn, stifles the innovation that occurs in a competitive market where EGSs can establish direct relationships with customers and must continue to innovate in response to customer demands in order to be successful. There is no shortage of examples that exist today showing how industries can and are responding to consumers’ desires by implementing new and novel approaches to traditional industries and service models. From ride sharing applications to Amazon, technological advances today are focused on directly connecting consumers to service providers to tailor the service to the consumer’s individual needs and preferences. Importantly, the common thread to all of these innovations is a direct connection to the customer – which is not available to customers of EGSs in Pennsylvania today. In fact, there is no parallel example of another industry where a consumer gets billed from the transportation company for the product or service bought from another company. In other words, consumers are not billed by Federal Express for the products they purchase on Amazon. Ultimately, consumers are harmed by the fact that the current billing structure in place in Pennsylvania today for energy is not keeping pace with the evolution occurring in the rest of our economy.

Beyond creating a gatekeeper between the EGS and its customer, the exclusive reliance on UCB has fostered other barriers which stifle innovation. These include the mindset of many EDCs that they own the exclusive relationship with consumers in their service territories which can derail further retail market advancement and innovation. In addition, exclusive use of UCB reinforces inaccurate messaging to consumers such as: (1) the mistaken belief that EDC provided default service is superior to EGS service (because consumers only receive bills from the EDC); and, (2) the only accurate measure of the value of shopping comes from comparing the utility price-to-compare (“PTC”) to EGS price offers. If SCB were offered as a billing option for suppliers, it would create a real opportunity for EGSs to begin to distinguish their products and services on metrics beyond a comparison to the PTC. The result would spurn innovation and lead to the availability of a variety of competitive offers from which consumers could choose.

Notably, NRG’s Petition does not propose the elimination of UCB but, rather, the addition of SCB as a billing option. RESA supports maintaining the existing UCB model with the Purchase of Receivables (“POR”) program as it has been shown to be particularly successful in enabling new entrants to quickly begin to provide service to customers by leveraging existing utility billing platforms (especially right after generation rate caps expired in 2010). However, given the passage of time and the status of the retail market today in Pennsylvania, now is the right time to expand the available billing options to better enable innovation and to generate a greater variety of consumers options. The availability of SCB – along with the necessary attendant consumer education surrounding its implementation – will broaden consumer awareness about competitive products and services enabling consumers to make more informed choices about the types of products and services that meet their individual preferences. The end result of this will be a greater variety of choice for consumers and incentives for EGSs to

innovate their products and services to meet the particular needs of individuals to include those who might prefer to receive their bill from the utility.

For these reasons, RESA supports NRG's Petition and wishes to emphasize the importance of receiving timely clear policy direction from the Commission that SCB will be implemented followed by a reasonable period of time for the industry to address implementation issues. NRG's proposal contemplates this by requesting that the Commission provide clear direction in an order on June 15, 2017 followed by nearly a year to finalize the implementation details. RESA supports this timing approach so that all competitive suppliers have a reasonable opportunity to develop their own SCB models and wishes to emphasize that clear and reasonably quick policy direction from the Commission is needed for EGSs to begin the project planning, resources allocation and systems development work that will be needed to successfully develop SCB billing capabilities.

Ultimately, consumers benefit when there are a variety of products and services from which to choose. SCB is exactly the right retail market enhancement to undertake at this point in time to work toward achieving that result for the benefit of consumers.

II. COMMENTS

A. Real Innovation Cannot Happen In Today's Environment Where The Provider Of Service Does Not Have A Direct Relationship With Its Customer And EDCs Are Subjected To Cost Based Regulation

The foundation of the Choice Act is a recognition that consumers benefit from competition.⁴ Importantly, the General Assembly recognized that true innovation occurs in a competitive market where private entities are competing against one another to acquire and maintain customers. In such an environment, companies are incented to innovate and fine-tune

⁴ 66 Pa.C.S. § 2802(7).

their products and services in response to customer demands. These companies are competing against each other and, as a result, need to constantly evolve and enhance their products in order to be successful. The end result benefits consumers because they are able to select from a variety of products and services developed with the intent of serving their individual needs. Expecting such innovation from the utility is not realistic because the utility is subject to cost based regulation in which every expense must be scrutinized, justified and approved in a rate case. Thus, real-time responsiveness to customer demands and innovation simply cannot occur through the traditional regulatory model under which EDCs must operate.

While the Commission has done much to date to foster the development of a competitive retail market, approving the NRG Petition will open up a significant pathway for much broader innovation among EGSs. Some of the most important changes happening in today's economy are driven by major tectonic shifts in the way consumers approach traditional industries and service models. To properly examine the importance of market enabling features like SCB, it is useful to look at the retail energy industry against the backdrop of these other industry transformations.

The most exciting and popular trends in today's economy all revolve around new, disruptive or more direct and dynamic ways to engage the consumer. This Commission is already very familiar with one of the most exciting innovations driven by this trend, the advent of Uber, Lyft and other ride-sharing platforms. In moving to quickly adopt transportation network regulations, this Commission has recognized this trend and should be commended for enabling this new business model which is helping to place Pennsylvania on the innovation

map.⁵ AirBnB is another example of a highly popular and disruptive business model. Yet another example is Amazon, which has revolutionized the customer shopping experience. In the energy industry, examples include the popular Nest thermostat and surging consumer interest in distributed solar. There is one common thread to all of these innovations: a direct connection to the customer. Connecting passengers to drivers via a smart phone app. Connecting guests to a host via AirBnB. Connecting a shopper with his or her product, often in only one to two days, via Amazon's fulfillment service. In today's retail energy industry the connection to the customer is broken because EGSs are removed from the ongoing customer interface via the billing relationship. While EGSs can develop new and useful ways of presenting energy consumption information to consumers and empowering them with new tools to act on this information, these innovations are of very limited value if the EGS cannot easily convey the value of these measures to its customer through the customer's bill.

EGSs cannot do this in Pennsylvania today since SCB is not available as a billing option. For residential customers, UCB is the only viable billing option available for EGSs. Most EDCs require EGSs wishing to participate in the Purchase of Receivables ("POR") program to utilize UCB for all EGS residential customers.⁶ This means that if EGSs want to utilize the POR program for any residential customer, then they are required to utilize UCB for all residential customers. While POR is an effort to mitigate the competitive advantages that utilities enjoy with respect to customer care and billing costs, the reality of Pennsylvania's current UCB/POR structure is that it prevents EGSs from establishing direct relationships with their customers or offering them non-commodity based value-added products and services.

⁵ See <https://techcrunch.com/2016/09/14/1386711/>

⁶ See, e.g., PECO Supplier Tariff Page 96, Billing Service Options, Section 19.

Through UCB, consumers receive one bill which includes the utility charges and EGS charges. In addition, POR limits the charges EGS can have billed through UCB to basic service which further stifles EGS innovation. While the Commission has required EDCs to create a more “supplier friendly” EDC-consolidated bill,⁷ these actions do not overcome the barriers presented to EGSs by their inability to directly bill their customers. The EDC consolidated bills do not offer EGSs any real ability to customize their messaging and/or products and services for their customers. For EGSs who bill innovative products, such as a flat bill, there is very little flexibility in how the flat monthly charge appears on the bill. Existing billing systems will only accommodate a finite number of characters and, as a result, limits the EGS’s ability to more clearly explain the charge. As more innovative products are developed, it is important that EGSs maintain the flexibility to accurately represent the product and charges on the bill. Moreover, as a result of paperless billing available from many utilities, enrolled consumers generally receive an email that that their bill is due and in what amount without any reference that the customer is receiving service from a particular supplier. The only way for these customers to see these bills (since they forgo paper bills) is to: (1) logon to the utility’s website; (2) remember their password and sign in; (3) navigate to their bill; and, (4) scroll to the end of the bill where most suppliers are relegated some limited space for messaging.

In conclusion, true innovation in the retail electricity market in Pennsylvania has stagnated as a result, in part, of the current exclusive reliance on UCB. NRG’s Petition presents a viable path forward to evolve this market by stimulating true innovation. Just like the industries discussed above, it is simply not possible to predict today the innovation that will

⁷ *Joint Electric Distribution Company – Electric Generation Supplier Bill*, Docket No. M-2014-2401345, Order entered May 23, 2014.

occur tomorrow if SCB is adopted. Based on these other industries, however, it is more than reasonable to predict that the resulting innovation will provide significant value to consumers.

B. Beyond Acting As A Gatekeeper Between The EGS And Its Customer, The Exclusive Reliance On UCB Has Fostered Other Barriers Which Stifle Innovation

Aside from the barriers to EGS innovation presented because EGSs cannot establish a direct billing relationship with customers, the exclusive reliance on UCB has fostered other barriers that stifle innovation. These barriers, as discussed more below, can be ameliorated (if not eliminated) by approving NRG's Petition.

As the historical monopoly provider of all energy services and the current monopoly provider of distribution service, maintaining exclusive reliance on the EDC as the billing entity only serves to reinforce the utility mindset that the utility "owns" the customers and is responsible for "protecting" them from perceived harms of the competitive market. The Commission is well-aware of this mindset and the need to take steps to eliminate it as demonstrated in the below admonishment from 2012:

Lastly, we feel compelled to state once again that the Commonwealth's EDCs do not "own" their customers. We feel strongly that our EDCs must rid themselves of this mindset, which is a relic from the pre-competition days of vertically integrated service provided by a single entity.⁸

Implementing SCB is consistent with the Commission's expressed goal of ridding the utilities of this mindset.

From a consumer perspective, only enabling an EDC to issue bills is confusing and negates consumer education efforts about shopping. This is because consumers are not being

⁸ *Petition of PECO Energy Company for Expedited Approval of its Dynamic Pricing Plan Vendor Selection and Dynamic Pricing Plan Supplement*, Docket No. P-2012-2297304, Final Order entered September 26, 2012 at 13.

billed by the provider of service depriving the customer of the opportunity to have the EGS reinforce the reasons upon which the consumer elected the EGS in the first place. As discussed above, the current bills issued through UCB do not address this issue. By not allowing EGSs to reinforce their messaging directly with their customer, EGSs are unable to distinguish their products and services in the minds of the customer. Thus, building customer loyalty is difficult. In addition, EGSs do not receive the benefit of a one-on-one dialogue with their customers that would enable the EGS to further refine and enhance services in response to customer feedback. In fact, consumers can select an EGS, receive service from the EGS and cancel that service without ever having a direct conversation with any representative from the EGS. This separation of consumer and provider of services is unreasonable, confusing and serves as an impediment to the development of real innovation for consumers.

Moreover, the fact that only EDCs are billing for service could result in consumers mistakenly believing that the EDC-provided default service is superior because only the EDCs are issuing bills. As the Commission has rightly concluded in other contexts, endorsement of default service over competitive EGS supply products “would not be commensurate with the intent of the Competition Act and [the Commission’s] duty to promote and assist in the development of the retail electric supply market.”⁹

Another negative consequence of the exclusive use of UCB today is that it reinforces the messaging that the utility PTC is an appropriate benchmark by which competitive offers should be measured. As the Commission has already acknowledged this is not an appropriate

⁹ See 66 Pa. C.S. § 2802. *Petition of Duquesne Light Company For A Waiver Of The Three Business Day Switching Requirements Under 52 Pa. Code § 57.174*, Docket No. P-2014-2448863, Order entered December 4, 2014 at 11.

benchmark because “when the quarterly reconciliation process (which makes the EDCs whole despite errors in forecasts) is layered over these price projections, risk premiums and EDC reconciliation accounting practices, the result is that EGSs are competing with a PTC that, at any given time, may not be reflective of current market conditions.”¹⁰ In addition to the PTC not aligning with the commodity market price of EGSs, the focus only on commodity pricing is too narrow. As competitive markets and technology evolve, customers will start seeing electricity as more than just the commodity, but rather a package of products and services that include the electric commodity. Since the utility’s PTC does not include products and services beyond the commodity encouraging consumers to evaluate competitive offers by evaluating the PTC is not worthwhile.

Despite this, reliance on the PTC as the benchmark to evaluate competition offers is reinforced by the fact that the utility is the entity issuing the bill and – prominently displayed on page one of that bill – is the utility’s PTC. Therefore, while the reliance on the PTC to judge competitive offers is both misleading and not forward-thinking, the exclusive use of UCB only reinforces this type of mis-comparison in the minds of consumers and stymies the next natural “beyond commodity” market evolution. This is to the detriment of consumers because they are being denied the opportunity to have access to the innovation that the electricity market has to offer.

In conclusion, exclusive reliance on UCB only further entrenches misimpressions about shopping in Pennsylvania. SCB presents a way to: (1) untangle some of these misimpressions, (2) incentivize innovation from the competitive market; and, (3) reinvigorate shopping. In the

¹⁰ *Investigation of Pennsylvania’s Retail Electricity Market: End State of Default Service*, Docket No. I-2011-2237952, Final Order entered February 15, 2013 at 13-14.

end, this will benefit all consumers just as they are benefitting in other industries from all the exciting innovations driving some of today's most popular trends.

C. Implementing SCB As An Additional Billing Option Gives Consumers More Options To Elect Products And Services That Best Suit Their Individual Preferences

NRG is not proposing to eliminate UCB but, rather, to direct implementation of SCB as an additional billing option for consumers. RESA supports maintaining the existing UCB model with POR. This billing platform has and will continue to enable and facilitate the development of retail competition in the Commonwealth. UCB with POR was particularly successful during the initial market development period following expiration of generation rate caps to enable new entrants to quickly begin serving customers by leveraging the existing utility billing platforms. However, now that we are past the initial market development phase in Pennsylvania, it is time to expand billing options to better enable innovation as discussed above.

Importantly, SCB and UCB are not mutually exclusive market models and allowing for both will only enhance the availability of a greater variety of competitive offers available to consumers. With both options, EGSs will be able to choose the model that best meets the particular EGS's business model and consumer needs. This will result in more choices for consumers. For example, a consumer will have the ability to choose a particular EGS that is using UCB. Whether this consumer makes this choice because that particular EGS using UCB is offering a product that more closely aligns with the consumer's individual preferences or because the consumer just feels more comfortable receiving the bill from the utility is not important. What is important is that the consumer have these choices available. Also notable is that implementation of SCB will necessarily result in enhanced consumer education that will assist in providing consumers a much broader view of retail competition (in terms of value added products and services) to enable consumers to better understand their options. Thus, in the end,

implementing SCB alongside the existing UCB model will incent EGSs to develop the products and services that consumers desire (to include those consumers preferring to receive the bill from the utility) and consumers will be better educated about the choices available in the market.

D. Clear Policy Direction From Commission Is Critical To Success

A successful outcome for this proceeding would be to create an environment where any EGS wishing to do so would be able to offer SCB and would have the flexibility to tailor its specific products and services to customers in the manner its customers desire. However, EGSs require significant lead time to allocate and deploy the resources necessary to implement billing capabilities. To reach this goal, it is necessary for the Commission to provide clear policy direction that SCB will be implemented followed by a reasonable period of time for the industry to address implementation issues is critical. NRG's proposal contemplates this with the request that the Commission issue an order on June 15, 2017 announcing that SCB should be available by the second quarter of 2018. Then, NRG proposes that an SCB Stakeholder Work Group (led by OCMO) be formed to address implementation issues. Approval of EDC compliance plans would be targeted on or before March 31, 2018 with the SCB option implemented during the second quarter of 2018.¹¹ By requesting that the Commission provide clear direction in an order on June 15, 2017 followed by nearly a year to finalize the implementation details, the Commission will be providing competitive suppliers with an opportunity to use that time to develop their own SCB platforms. RESA believes that this implementation timeline is adequate, however, this is predicated on the Commission clearly and quickly establishing the policy direction for SCB. If the threshold matter of whether or not SCB should be implemented is not

¹¹ NRG Petition at 10.

resolved as an early preliminary step in this proceeding, then EGSs will lack the regulatory certainty needed to begin the project planning, resources allocation and systems development work that will be needed to successfully develop SCB billing capabilities.

III. CONCLUSION

For the reasons explained more fully above, RESA recommends that the Commission approve NRG’s Petition and allow the retail energy market to begin to deliver on the original promises of technological and services-related innovation that were an integral part of the Choice Act. SCB is an important and necessary evolution of the retail electricity marketplace which will spur development of innovative products and services that add value to customers beyond the electric commodity. In the end, this will benefit all consumers just as they are benefitting in other industries from all the exciting innovations driving some of today’s most popular trends.

Respectfully submitted,



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