



Pennsylvania Public Utility Commission Provider of Last Resort Roundtable

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Reliant's Presence in Pennsylvania



Reliant's Activities in Pennsylvania

- Approximately 1,400 Employees
- 3rd Largest Generator in Pennsylvania with ~ 6,000 MWs generation

Retail Activities in PJM

- Large customer load > 700 MWs in Maryland and New Jersey



POLR Design Principles

Competitive market forces are more effective than economic regulation.



- Provide the electric service appropriate for different customers (e.g term, pricing level, price certainty)
- Establish prices that facilitate efficient consumption decisions;
- Ensure that customers have a real choice of providers and are not slammed; and
- Ensure that any POLR price has an adjustment mechanism that links the retail price to changes in wholesale prices.

POLR Design Characteristics

Desires of Market Participants:

- Four POLR design principles
- *Customers:* pricing, innovation, etc.
- *EGSs:* ongoing opportunity to participate in the market
- *POLR Providers:* adequate compensation for POLR risk

Key POLR Design Features

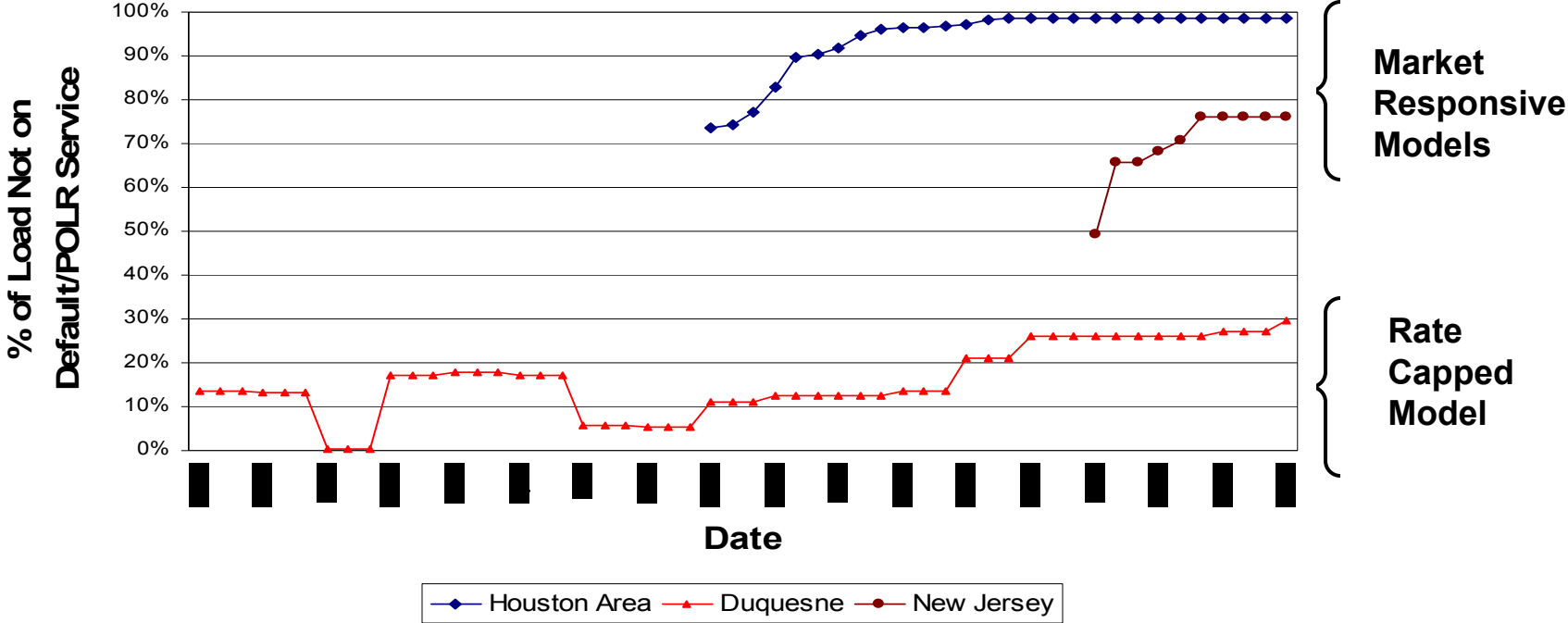
- **Large Customers**
 - Hourly Priced Model
- **Mass Markets**
 - Market Adjustable Model

Large Customer POLR Service

POLR Service for Large Customers

Design Features	Hourly Priced Model	Rate Capped Model
No product is a substitute for a competitive market	<input checked="" type="checkbox"/>	X
No switching restrictions to impede customer choice	<input checked="" type="checkbox"/>	X
POLR pricing that is responsive to market forces	<input checked="" type="checkbox"/>	X
Vigorous customer choice/competition	<input checked="" type="checkbox"/>	X

Large Customer* Switching



*Large Customers in Texas $\geq 1,000$ kW; Large Duquesne Customers ≥ 300 kW, and Large Customers in New Jersey $\geq 1,500$ kW

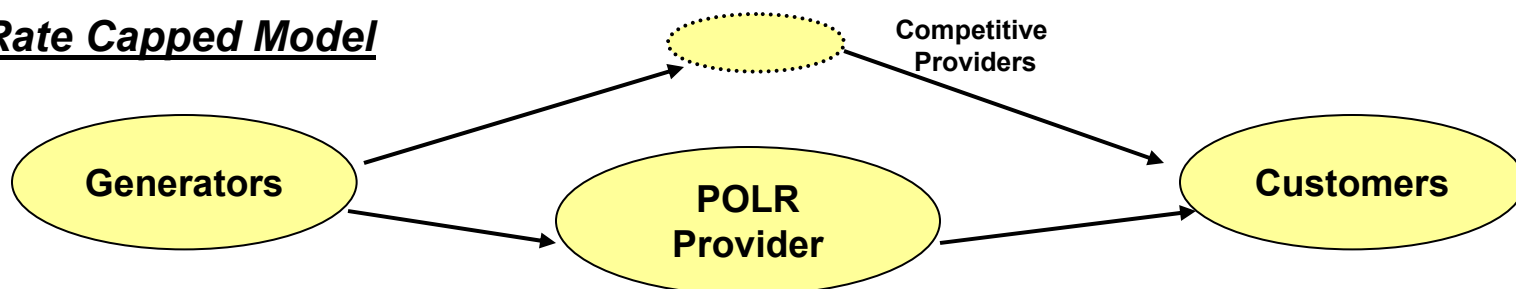
Mass Market POLR Service

POLR Service for Mass Markets

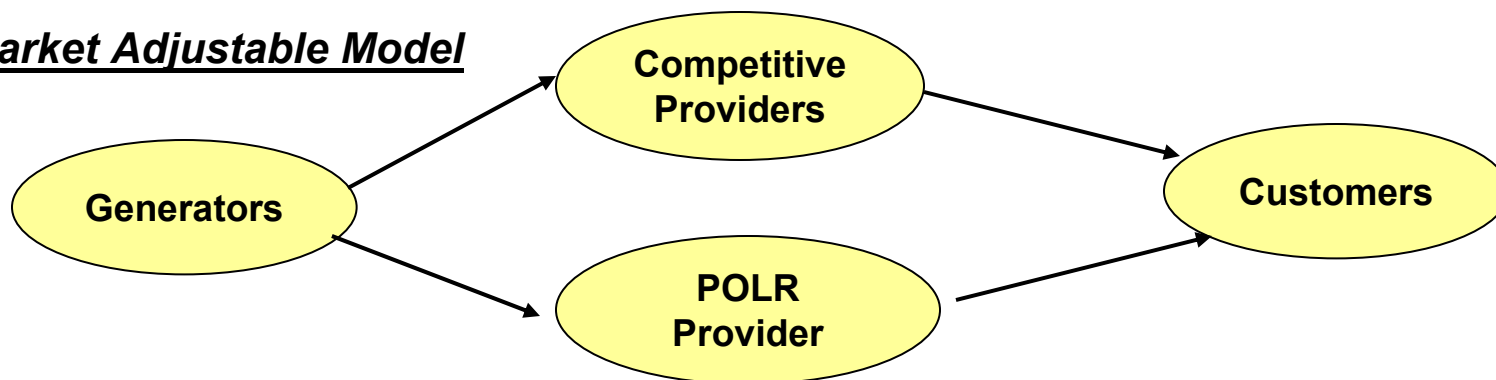
Design Features	Market Adjustable Model	Auction Model	Rate Capped Model
Provides customers reasonable price protection while allowing ongoing opportunities for EGSs to participate in the market	<input checked="" type="checkbox"/>	X	X
No switching restrictions to impede customer choice	<input checked="" type="checkbox"/>	?	?
POLR pricing that is responsive to market forces	<input checked="" type="checkbox"/>	X	X
Vigorous customer choice/competition	<input checked="" type="checkbox"/>	X	X

POLR Service Models for Mass Markets

Rate Capped Model



Market Adjustable Model



Number of Providers Offering Competitive Electric Service to Residential Customers

	Texas (in Houston and Dallas Areas)	Duquesne Light Company
Start of Customer Choice	9 Providers	15 Providers
4 th Quarter 2003	10 Providers	4 Providers

Benefits of REI's POLR Proposal

- Provides customers the electric attributes they desire for their electric service (price level, price certainty, term, etc.)
- Mitigates POLR providers' risk by allowing POLR prices to reflect changes in wholesale price
- Provides certainty to EGSs that POLR prices will not become below market

Therefore,

- Creates a market design wherein robust, sustainable competition will exist
- Allows for better utilization of technological advances