



Pennsylvania Public Utility  
Commission  
POLR Roundtable

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NRG Energy Center Pittsburgh  
June 2, 2004



# My Perspectives

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- As a long-time marketplace developer and advocate
  - Consumers benefit from competitive markets
  - Committed to the early arrival of competitive electricity markets
- As a buyer of electricity from an EGS
  - Concerned about the state of wholesale electricity markets



# Two Observations

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1. EDCs will not be getting out of the merchant function soon
2. Therefore, this proceeding is really about determining *how* the EDCs will pass wholesale prices to their customers in a manner that will not inhibit the growth of competitive markets



# Three Recommendations

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1. Focus on the large C&I market
2. Keep an eye on the wholesale market (markets)
3. Be patient



# Seven Energy Marketplace Absolutes

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1. Markets need sellers, buyers, and a commodity or service that they can beneficially trade.
2. Consumers benefit from competitive markets as costs are controlled, quality improved, and technology increased. Prices will fluctuate, but decrease over time when competition flourishes.



# Seven Energy Marketplace Absolutes

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3. Competition won't occur in the desired robust fashion unless or until the utility is out of the market as a utility entity.
4. Well-functioning wholesale markets are a necessary precursor to competitive retail markets. The Commission must continue its efforts to affect proper market design.



# Seven Energy Marketplace Absolutes

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5. The Commission can directly affect the development of retail markets through:
  - Its regulation of utilities
  - Its continuing efforts to implement the competitive electricity act
  
6. Developing confidence in markets takes years. Utilities can't get out of the merchant function, or cease being POLRs, until that confidence exists.



# Seven Energy Marketplace Absolutes

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7. Marketers must have the opportunity to make money. That opportunity is driven by more than just the spread between sales and purchases of the commodity.





## Recommendation 1:

# Focus on the Large C&I Market

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1. Maintain the policy of encouraging growth in competitive markets
2. Study what the Commission did to allow the large C&I gas markets to reach 95% saturation in the 1980's and 90's



## Recommendation 1:

# Focus on the Large C&I Market

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3. Monitor market developments:
  - Number of switching customers
  - Number of active marketers
  - Types of offerings
  - Pass-throughs of wholesale prices
  
4. Make EDC business practices more market-friendly



## Recommendation 2: Keep an Eye on the Wholesale Market (Markets)

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1. Wholesale markets are developing and maturing
2. EDC assumption of wholesale price risk will work only if wholesale markets remain viable
3. Continue active participation as a stakeholder in PJM proceedings



## Recommendation 3: Be Patient

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1. The New Jersey and Maryland markets are new. We have time to watch and learn.
2. The Duquesne Light case really is a pilot. We must learn from what is decided here.



## Recommendation 3: Be Patient

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3. The statutory requirements for POLR service can be satisfied by setting POLR principles. These principles can be revisited in a few years in a proceeding like this or on a case-by-case basis.