



The Electric Choice Act recognizes that competitive market forces are more effective than economic regulation in producing efficient prices [Section 2802(5)], and the Act’s post-transition POLR pricing standard reflects this. Section 2807(e)(3) provides that electricity for POLR service is to be acquired at prevailing market prices and provide for full recovery of all other reasonable costs. Accordingly, post-transition POLR pricing must be market responsive if competition is to flourish as envisioned by the Act. Market responsive POLR pricing also reflects the fact that POLR providers and competitive suppliers obtain power from the same competitive markets to serve their customers.

For the large commercial and industrial (“C&I”) customers, hourly energy pricing for POLR pricing is most market responsive and most appropriate because these customers are sophisticated buyers of goods and services, including energy, and have the ability to respond to market signals and the incentive to shop for energy products that reflect their needs. For less sophisticated residential customers and smaller business customers, POLR prices should be subject to regular adjustment to follow market conditions and prices.<sup>2</sup> Market responsive pricing will also mitigate seasonal switching activity and eliminate the incentive for the seasonal switching and, thus, remove any need for restrictions on a customer’s right to switch.

2. Costs Included in POLR Prices

- POLR prices must include all costs associated with providing the service
- POLR should be designed so that the POLR provider is able to fully recover all costs of being the POLR

Post-transition POLR prices must provide for the recovery of all the costs associated with providing the POLR service, including retail customer care costs, as required by Section

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<sup>2</sup> The OCA acknowledges that “there is no single price that can be pointed to as the prevailing market price for establishing the POLR rate.” OCA Comments at 12.

2807(e)(3); these costs should not be included in distribution rates and should be fully recovered in POLR rates. In addition, the statute requires post-transition POLR prices to fully reflect the full cost of being the POLR provider, such as the costs incurred to address the various risks associated with POLR service. Designing POLR so that all these costs can be recovered via the market responsive pricing structure will ensure that POLR service does not obtain a competitive advantage over competitive suppliers prices.

3. Threshold between small C&I and large C&I customers

- To be determined in stakeholder discussions to reflect relative sophistication of business customers<sup>3</sup>
- Consistent with cost/benefits, advanced meters with two way communications should be installed for C&I customers before the end of transition.

As stated above, large C&I customers are sophisticated buyers of energy products, and the post-transition POLR rules and pricing should recognize this by differentiating such large business customers from smaller business customers. The appropriate threshold should be determined in collaborative stakeholder discussions, including a plan to reduce the threshold over time as smaller customers become more familiar with and able to respond to market based pricing.

In addition, interval metering is important for the industry to better react to market price signals, and the Commission should establish policies that expand interval metering.

Accordingly, and consistent with cost/benefits analysis, advanced meters with two-way communications should be installed for C&I customers before the end of each EDCs' transition

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<sup>3</sup> 52 Pa. Code § 54.3 defines “small business customer” as a customer “that receives electric service under a small commercial, small industrial or small business rate classification, and whose maximum registered peak load was less than 25 kW within the last twelve months.”

period because advanced meters support demand side response as well as efficient use of energy by being able to reflect market conditions and send the appropriate signals to the customers.<sup>4</sup>

Finally, data from advanced meters should be “open access” to EGSs to comply with the requirement of Section 2804(6) of the Electric Choice Act, which requires an EDC to provide access to and use of its distribution system to EGSs and their customers on a basis comparable to the access and use to the system by the EDC itself.

#### 4. Switching Restrictions

- There should be no switching restrictions related to POLR service

Restrictions on customers switching are anathema to competitive markets and anticompetitive. Transition period switching restrictions should not be continued into the post-transition period, in which market forces are to replace economic regulation as much as possible. Accordingly, there should be no switching restrictions, including minimum stay provisions, fees, or other penalties (such as GRAs) related to POLR service to permit a customer to switch to or from the competitive supply market. Switching restrictions are inconsistent with customer choice, and market responsive pricing is a far more reasonable way (and the required method in the post-transition period) to address legitimate risks and concerns associated with seasonal switching activity.<sup>5</sup>

#### 5. Customer Migration Risk

- Should not be managed through switching rules
- Should be managed through market responsive pricing, including but not limited to seasonal pricing

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<sup>4</sup> MAPSA notes that many of the major EDCs have initiated and, in some cases nearly completed, installation of advanced meters for certain C&I customers.

<sup>5</sup> The OCA acknowledges that “there is no evidence that residential customers have switched back and forth to take advantage of seasonal cost differences. OCA Comments at 17.

Any risk of customers migrating to and from POLR service should be built into market responsive POLR prices rather than managed through switching restrictions. If the POLR price accurately reflects prevailing market prices, then customer migration risk will be substantially mitigated, if not eliminated, and to the extent it is not, the costs of hedging this risk should be reflected in the design of the POLR prices.

6. The Purpose of Post-transition POLR Service

- POLR service should be for a customer that does not choose a competitive supplier or who does not receive service from their chosen competitive supplier
- EDCs should be prohibited from promoting, marketing or in any way endorsing POLR service

In accordance with the Pennsylvania's Electric Choice Act, POLR service should be available for a customer that does not choose a competitive supplier or who does not receive service from its chosen competitive supplier, as required by Section 2807(e)(3) of the Act.

7. Uniformity of Post-transition POLR Service across PA

- POLR service terms & conditions should be uniform across Pennsylvania
- POLR prices should reflect the market conditions in each EDCs service territory

POLR service terms and conditions should be uniform across the state. Different rules for different utilities create barriers to entry by preventing competitive suppliers from benefiting from economies of scale. EDC-specific terms and conditions also impede the development of the competitive market by imposing unnecessary additional costs on competitive suppliers' ability to do business in the various EDC territories. The EDC-specific nature of the Pennsylvania EDCs' restructuring, phase-in and transition plans is proof of this, and EDC diversity among POLR service terms and conditions should be eliminated in the Commission's post-transition POLR regulations.

However, POLR prices need not be uniform across the state but should reflect local market conditions. MAPSA members operate in many states and jurisdictions, so MAPSA acknowledges that differences in local market conditions must be appropriately reflected in local POLR prices.

8. Demand Response

- Market based price signals are the most effective method for supporting demand response

One issue on which all POLR roundtable participants appear to agree is that market based price signals provide the most effective method for supporting demand response activities and programs. Accordingly, market responsive POLR pricing will send the appropriate price signals to promote effective demand response. The Commission is well aware of the benefits of demand response programs. PJM has initiated a variety of demand response and demand side management programs for load serving entities and their customers, and many Pennsylvania EDCs have also established demand response programs for certain customers.

9. Customer Billing and Customer Care offerings

- Should be reflected in the POLR prices.
- Electric generation suppliers should be able to provide these services in competition with the POLR provider.

The POLR provider's retail customer billing and customer care services<sup>6</sup> should be reflected in POLR prices because competitive suppliers also incur such costs.

Respectfully submitted,



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<sup>6</sup> Including, but not limited to, customer call center, customer information and recordkeeping, customer agreement initiation and maintenance, customer enrollment and switching support, billing, credit and collection, revenue accounting and disbursement, uncollectibles, EDI processes and maintenance, managing renewable requirements, demand response programs.