RETAIL MARKETS INVESTIGATION

August 10, 2011 Technical Conference

DISCUSSION DOCUMENT

PRICE TO COMPARE (PTC)

- Displayed on bills.
- Quarterly changes.

NOTE: This informal discussion document was prepared by Commission staff to facilitate discussion at the August 10, 2011 Technical Conference. It is not intended to be an official statement of Commission policy, nor is it intended to be a comprehensive discussion of all of the issues involved or to represent the position(s) of any party.

DISPLAYING THE DEFAULT PRICE TO COMPARE (PTC) ON CUSTOMER BILLS:

Almost all of the EDCs either currently place the Price To Compare (PTC) of default service on the bill or plan on doing so in the near future. This is intended to let the customer know the price that he or she is paying for default service and to use this information when shopping for competitive generation supply. However, this practice has never been the subject of a Commission formal or informal proceeding, and, as a result, how this information is presented on the bill varies by EDC. This subject has been further complicated by the implementation of quarterly changes to the PTC in 2011 for most EDCs.

Concerns with placing the default PTC on the bill include:

- Simply placing the PTC, by itself, on the bill provides insufficient information for the customer when shopping and comparing prices.
- Placing the PTC, by itself, on the bill leaves the customer with the impression that the price for default service is “permanent” or “fixed” when it fact it can change quarterly for most EDCs.
- Placing the current PTC on the bill is of little use to a customer when shopping because that PTC will, again due to quarterly changes, likely be expired by the time the customer actually starts receiving service from a supplier.

- Placing the default PTC on the bill inappropriately invites comparison with the default service; when customers really should be comparing suppliers with other suppliers. A related concern is the use of the term "Price to Compare," because, again, it invites comparison only to the default service. Some also object because the term appears to invite comparison based on price only; not on other products or services that may be compared and considered when shopping for a supplier.

DIFFERENT MODELS FOR PLACING THE DEFAULT PTC ON THE BILL (EXAMPLES):

1) Your price to compare is $0.1085 per kWh.

2) Your current PRICE TO COMPARE for generation and transmission from [EDC] is listed below. For you to save, a supplier's price must be lower.
Standard Residential : 8.78 cents per kWh

3) [EDC] price to compare for your rate is 8.992 cents per kWh effective 6/1/2011 to 8/31/2011. For a list of supplier offers visit papowerswitch.com.

4) The "Maryland model" (note that the term "Price to Compare" has been changed to "Standard Offer Service"):

Supply Price Comparison Information: The current price for Standard Offer Service electricity is x.x cents/kWh, effective through [date]. Standard Offer Service electricity will cost x.x cents/kWh beginning on
[date] through [date]. The price of Standard Offer Service electricity after [date] has not yet been set. The weighted average price of Standard Offer Service electricity will be x.x cents through [date].

QUARTERLY CHANGES TO THE DEFAULT SERVICE PTC:

Starting in 2011, the PTC for default service (for most EDCs) now changes quarterly. These quarterly changes are necessitated by the increasing use of short-term/spot-market purchases to obtain default service supply. The adjustment of default service rates is addressed in 52 Pa Code § 54.187:

> (h) Default service rates shall be adjusted on a quarterly basis, or more frequently, for all customer classes with a maximum registered peak load up to 25 kW, to ensure the recovery of costs reasonably incurred in acquiring electricity at prevailing market prices and to reflect the seasonal cost of electricity.

DSPs may propose alternative divisions of customers by maximum registered peak load to preserve existing customer classes.

(i) Default service rates shall be adjusted on a quarterly basis, or more frequently, for all customer classes with a maximum registered peak load of 25 kW to 500 kW, to ensure the recovery of costs reasonably incurred in acquiring electricity at prevailing market prices and to reflect the seasonal cost of electricity. DSPs may propose alternative divisions of customers by maximum registered peak load to preserve existing customer classes.

(j) Default service rates shall be adjusted on a monthly basis, or more frequently, for all customer classes with a registered peak load of equal to or greater than 500 kW to ensure the recovery of costs reasonably incurred in acquiring electricity at prevailing market prices and to reflect the seasonal cost of electricity. DSPs may propose alternative divisions of customers by registered peak load to preserve existing customer classes.

While these adjustments may make default service rates more reflective of current market prices, there are concerns that frequent adjustments confuse and frustrate consumers, maybe to the point that it discourages shopping (customers feeling that they have to deal with a "moving target").

- Do quarterly changes to the default PTC inhibit customer shopping? Or is this just the proper way the market operates and customers will have to get used to it and adapt?
- If quarterly changes inhibit shopping, do all parties, the PUC, the statutory advocates, the EDCs and the EGSs, need to do a better job of educating consumers about the quarterly changes (see above discussion about placing the default PTC on customer bills)? Or is this a bigger problem that cannot be overcome by just "more consumer education?"
- If quarterly changes to the default PTC are a problem, what, if any, alternatives (6-month rates; annual rate, etc.) should be used for future default service plans?
- Whether quarterly changes to the default PTC will remain an issue depends on the comprehensive changes that may be made to the default market as a result of the current investigation. Are there any possible default market structures where this issue will "go away"?