**Investigation of Pennsylvania’s Retail Electricity Market**

Responses of the Pennsylvania Public Utility Commission (PUC) Staff to

Frequently Asked Questions Regarding March 2, 2012 Secretarial Letter

and Staff Discussion Document

1. **Do all three Default Service models described in the Secretarial Letter and Staff Discussion Document envision more than one Electric Generation Supplier (EGS) serving as a Default Service Provider (DSP) for a particular Electric Distribution Company (EDC) territory?**

Yes, Staff envisions more than one EGS being approved as a DSP for a particular EDC territory, although that would not be necessary if only one EGS was interested and qualified.

1. **If more than one DSP is chosen for a particular EDC territory, how would customers be assigned?**

Staff recognizes that this issue would need to be addressed and has assumed that a random assignment process would be utilized.

1. **What is the difference between Default Service and Provider of Last Resort Service in these models?**

Default service would be provided to all non-shopping customers, as well as customers who return to default service from an EGS for any reason. Provider of last resort (POLR) service would be available to customers being served by a DSP that exits the market.

1. **What product would be offered by the POLR?**

That is an issue that needs to be addressed. For Model C, Staff would hope to define this service in a manner that is consistent with current statutory language in Chapter 28 of the Public Utility Code.

1. **Could POLR be provided by the one of the other DSPs?**

As currently written, this is not the approach that would be followed in any of the models. However, Staff does not see a problem with altering any of the models to make that an option, provided that more than one DSP is available. Having the EDC in the POLR role was intended to offer some assurances to customers about the continued availability of default service.

1. **Does Staff view these models as being the final “end state” or as a transition to the final “end state?”**

Staff has suggested that each of the models would last for a two-year period, with a “look back” starting in January 2016 for the purpose of evaluating whether changes should be made. Therefore, it is fair to characterize these models as representing a transition to the final “end state.”

1. **Has the PUC decided to remove EDCs from the Default Service role?**

No, that decision has not been made. Rather, the PUC sought to focus the discussion at the upcoming *en banc* hearing on the Default Service product that is offered to consumers.

1. **Which entity would handle the procurement under each of the models?**

The DSP would handle the procurement.

1. **What would the PUC’s role be in overseeing the DSP’s procurement process or the resulting prices?**

The PUC would not regulate the prices under any of the models. As for Models B and C, the PUC would oversee the procurement process in much the same way as it currently oversees the EDC’s procurement process. Under Model A, PUC oversight would be limited to monitoring prices to ensure that they accurately reflect the hourly LMP prices and agreed-upon administrative adder.

1. **Why would the prices not be reconcilable under Models A or B?**

In Staff’s view, the current reconciliation process used by EDCs eliminates their risk in setting the price and can also produce a default service price to compare that has little, if any, relationship to current market conditions. This can make it difficult for EGSs to present offers because they assume a significant price risk and may have to “compete” with a default service that is not always a market-reflective product. For that reason, Staff has proposed to remove the reconciliation requirement if a move is made away from an Act 129 compliant product. Staff would welcome suggestions for changes to the current reconciliation process.

1. **What is meant by the “product length” being a two-year period?**

This should be clarified since we meant to suggest a two-year period for the length of the program.

1. **By suggesting that Supplier Consolidated Billing (SCB) and Third Party Billing (TPB) be made available under all three models, is Staff implying that current practices (such as EDC consolidated billing or dual billing) would no longer be available?**

No. Staff intended this proposal to mean that SCB and TPB would be made available in addition to current billing scenarios.