**RMI Technical Conference – January 5, 2012**

**Submit all deliverables to** [**ra-rmi@pa.gov**](mailto:ra-rmi@pa.gov)

**All discussion documents/deliverables available at**

[**RMI Discussion Documents & Deliverables**](http://www.puc.state.pa.us/electric/Retail_Markets_Investigation_Discussion_Documents.aspx)

**Action Items highlighted in yellow**

**Organizational Issues**

1. *Schedule for Remaining Calls*

Moury: 1/20/12 RMI conference call (CC) canceled. Deliverables for 2/1/12 RMI CC due 1/24/12.

1. *Discussion Documents/Subgroups*

Moury: Staff envisions soliciting discussion documents from any/all stakeholders on what market end-state should be, including benefits of their idea and the method to reach that. February 1 meeting will be open discussion between parties and questions from staff. Deliverables will help drive RMI discussions and provide Staff with viewpoints in order to make recommendations to Commission. *En banc* agenda will be determined in early March after more RMI CCs/discussions.

**Potential Options for End-State of Default Service**

1. *Electric Generation Suppliers (EGSs) in Default Service Role-Varying Degrees of Electric Distribution Company (EDC) Involvement*

Moury: Varying degrees of EDC involvement in this model. Would need to be determined.

1. *EDC in Default Service Role with More Robust Retail Auctions*

Moury: Keep EDC in default service (DS) role but provide for more robust retail auctions. Have auctions be opt-out instead of opt-in; more customer eligibility; more difficult to return to DS.

1. *EDC in Default Role Offering Only Plain Vanilla Products*

Moury: Keep EDC in DS role but offer vanilla products. Try to lessen bias towards EDC DS. Provide proposals on end-state model. Include synopses of any legal issues related to that model. Staff will try to categorize/organize models as much as possible to facilitate future RMI discussions. If organization is effective, should set nice framework for *en banc* agenda. Also, respond to other parties’ proposed models. Example – SEARCH report contained what you wanted, why it would be good for competition and what would need to be done to implement (included any regulatory/legislative changes).

Wurst: Looking at possible uniformity among procurements; more market-responsive DS pricing with PUC oversight over hourly/quarterly/monthly changes.

EGSs: Contemplate idea of “backstop” service in proposals, as well.

**EGS in Default Service Role**

1. *Default Service Provider (DSP)*
   1. *Price Regulation/Auction Process*

Wurst: Currently, PUC oversees all wholesale solicitations to EDCs. Every auction is reviewed for “prudency.” Don’t necessarily accept an auction because pricing is prudent in comparison to market, but can reject an auction if pricing is imprudent as it deviates greatly from market. Envision similar oversight with EGS-provided DS.

EDCs: Currently, must have specific portfolio attributes. Would need regulatory review to confirm portfolio complies. Need regulatory review over any DSP.

EGSs: Call it “regulatory review” instead of “price regulation.” Some procurement models have passed where Commission hasn’t approved specific portfolio of contracts (ex. Duquesne, Pike County). Commission currently reviews plans, not pricing – can’t set bid price. Review process for auctions. Will provide comments in proposals as to what Commission role should be.

Office of Consumer Advocate (OCA): Act 129 – no matter the entity, DSP must comply. Must make filings and present portfolios to Commission. Disagree with Duquesne reference and evidence of portfolio was provided.

* 1. *Enhanced Security*

House: If EGS is DSP, Staff expects need for enhanced security requirements in order to do so. How should it be designed? What is risk assessment formula to be used? Enhanced security in comparison to standards today for EGSs. Issue with current model is inherent safety for EDC as provided via cost recovery – no EDC defaulting. Provides advantage of competitors. Incremental security needed?

Wurst: Similar to wholesalers bidding into EDC providing increased collateral on top of PJM operations.

EDCs: Determine beneficiary of security – Commission or EDC acting as provider of last resort (POLR)?

EGSs: Determine whether *enhanced* security in comparison to current EGS and/or EDC security requirements or *incremental* security in comparison to current EGS and/or EDC security requirements.

* 1. *Qualifications*

Moury: EGSs currently provide evidence of technical and financial fitness. Additional qualifications needed to be DSP? Would assume there would be.

EGSs: Don’t require it to be EGSs who may act as DSP in other jurisdictions. Some EGSs have capability to be DSP but just don’t do so in other jurisdictions or have not be able to do so. Would agree that additional financial, managerial and technical obligations should be met.

* 1. *Customer Service Protections*
  2. *Billing*
  3. *Metering*

Mumford: If EGS is DSP, who handles billing, payments, collections, disputes, terminations, universal service, purchase of receivables (POR), etc? Need to ensure same consumer protections currently in place, especially those in Chapter 56. Much depends on the end-state model.

EGSs: Would EGS have to provide dual billing or supplier consolidated billing? Some EGSs favor keeping POR with EDCs. Could be EDC, EGS or other 3rd party performing many of these operations. Requiring EGSs to do certain functions (e.g. billing) could limit number of EGSs willing to act as DSP.

EDCs: Account for functions in any model proposed. Add aggregation and settlement of load with PJM as another function.

1. *Provider of Last Resort/Backstop Service Provider*

Moury: Distinguish between DSP and POLR/Backstop provider. Model might include, in addition to different DSP, EDC or 3rd party acting as backstop provider. Explain role of backstop provider.

EGSs: Possibly just a short-term provider of service, characterized by function, during certain scenarios (e.g. EGS defaults). Could be EDC as DSP providing purely spot market pricing, short-term. EGS could adopt same role as current DS structure. Added security, have backstop to step in. Could have another EGS pick up the role if one EGS can’t do it. Don’t necessarily need to include EDCs.

EDCs: EDC concern – if EGS is backstop and EGS defaults, EDCs are control area. Falls back to EDC. Then what? Need to define the service.

1. *Universal Service Provider*

Moury: Need to address who will provide universal service if EGS is in DS role.

1. *Transition Period*

Moury: How long until an EGS is moved into DS role? How do we get there? Multiple EGSs, how are customers allocated?

1. *Purchase of Receivables Programs*

Moury: Do they continue as-is? Moved to EGSs if possible?

1. *Act 129 Obligations – EE&C; TOU; Smart Meters*

Moury: Do obligations shift? Combination of who does what to meet obligations?

*Adding: aggregation and settlement of load; assessments; AEPS obligations; actual model*

**EDC in Default Service Role with More Robust Retail Auctions**

1. *Opt-Out Model*
2. *More Customers Eligible*
3. *No Return or Delayed Return to EDC*
4. *Reduced Tranches/Load Caps*

Moury: Feedback? Any other issues to be reviewed? Any other ways to make it better?

EGSs: Agree that procurement structure and level of market-responsiveness for DS rate is issue with any model. If EDC remains as DSP, heightened concern about ensuring that DS rate is market-responsive. Issue of further rate-unbundling. Ensuring overhead costs are more properly allocated between generation and distribution.

EDCs: More opt-in auctions? Provide new description. Assume idea is to include more competitive enhancements.

**EDC in Default Service Role Offering Plain Vanilla Products**

Moury: What can be changed from current model to move towards plain vanilla product?

House: Objective is to drive consumers to market for better products.

OCA: 2nd and 3rd models could be combined.

**SUBMIT PROPOSALS AS TO END-STATE OF DEFAULT SERVICE – DUE 1/24/12 FOR 2/1/12 RMI CC.**

**Statewide Consumer Education**

1. *Message About Changes*
2. *Call to Action*
3. *Funding*

Charles: Purpose would be two-fold – 1. Educate consumers about changes being made through RMI; 2. Drive consumers to PAPowerSwitch (PAPS) and shopping. Comments? Other issue is funding? Proposals as to how it would be funded and the mechanism to do so? One idea presented was to have contest where winning consumer(s) would get free service from EGS for certain time – must sign-up or shop via PAPS in order to be entered. Gives framework for public events where consumers could come and meet suppliers, talk to EDC and get on computer to sign up. Gives incentive for customers to attend/participate. Tail-end – announcement of winners could create buzz and drive consumers to PAPS. Comments?

PEMC/ACCES: Any and all ideas sound great. Would be happy to participate in a working group. Giving away energy for a year garners interest and creates enthusiasm.

**Universal Service Issues Subgroup**

Mumford: Form a subgroup. PPL will provide information as to how Customer Assistance Program (CAP) customers shop. Short-term: should CAP customers shop? Long-term: change DS model; who is responsible for providing universal service programs? See Staff discussion document from October. [Staff Info Sheet re: Universal Service - 9 30 11](http://www.puc.state.pa.us/electric/docs/RMI/DD-Staff-Info_Sheet_Universal_Service_093011.doc)

PA Utility Law Project (PULP): Emphasize that while we’ve been discussing CAP shopping, it’s only 1 narrow issue related to the universal service sector. Look at array of services to be provided and not just CAP.

PECO: Offer to coordinate subgroup.

**PPL to submit deliverable regarding ability of CAP customers to shop – due 1/24/12 for 2/1/12 RMI CC**

**Other**

Moury: 1/20/12 RMI CC Canceled. Tom Charles to determine need for consumer education subgroup. Focus a Feb CC on consumer ed. Staff will send out outline based on today’s agenda and discussion to be used for structuring discussion documents. (*Editorial note: Sent on 1/9/12, attached to this recap and will be posted on website at* <http://www.puc.state.pa.us/electric/Retail_Electricity_Market.aspx>).

**Deliverables**

1. Interested Parties – Proposals as to end-state of DS – due 1/24/12 for 2/1/12 RMI CC
2. PPL – Summary of CAP shopping model – due 1/24/12 for 2/1/12 RMI CC

**Future Meetings**

1. ~~Friday, Jan. 20 at 10:00 AM~~  CANCELED. OPEN FOR USE BY UNIVERSAL SERVICE SUBGROUP.
2. Wednesday, Feb. 1 at 1:30 PM
3. Thursday, Feb. 16 at 1:30 PM
4. Thursday, March 1 at 1:30 PM
5. Thursday, March 15 at 1:30 PM
6. Wednesday, March 21 – *en banc* – 10:00 AM – 4:00 PM – Hearing Room 1