**RMI Technical Conference – December 2, 2011**

**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**

**Retail Opt-In Auction**

[Retail Opt-In Auction Subgroup Final Report 11 30 11](http://www.puc.state.pa.us/electric/pdf/RetailMI/RMI_Agenda120211.pdf)

*See discussion document for more detailed positions.*

1. *Participation*
   1. *Rate class (i.e. residential, small commercial, etc.) – pg. 14*

* Retail Opt-In Auction Subgroup (Subgroup): Consensus: definitely have residential included. Non-consensus: inclusion of small commercial.
* Electric Generation Suppliers (EGSs): Data shows large amount of small commercial customers not shopping – “sticky.” Purpose should be to get as many shopping as possible.
* Electric Distribution Companies (EDCs): General consensus: only to residential. Small commercial rate classes differ among EDCs. Commercial customers also in separate procurement groups.
* Moury: Because challenging to define small commercial and because all commercial customers are also residential customers, may be easier and as valuable to only offer to residential customers.
  1. *Non-shopping vs. shopping customers – pg. 15*
* Subgroup: Consensus: target non-shopping customers. Need proper consumer education. What happens to existing EGS customer when they hear about auction and want to go to default service (DS) to participate?
* EGSs: Concern with migration of existing EGS customers. When existing customer contacts EDC to drop back to DS to participate, EDC should have customer contact EGS to perform drop. Gives EGS chance to offer customers incentive to stay. To participate, customer should be on DS at beginning of enrollment period. Some EGSs believe focus should be on non-shopping only. Provide customer with as much information as possible to make decision. Create messaging ahead of time that only non-shopping customers can participate – may limit number of existing EGS customer who try to participate.
* EDCs: Don’t want to act as “traffic cop” by telling customers they cannot participate. Referring those EGS customers who want to participate back to their associated EGS would be more intense conversations than those EDCs currently have with customers. Need to be careful with marketing and customer protection issues. Make process simple. Target customers who aren’t shopping but allow shopping customers who want to participate the opportunity to do so.
* AARP: Difficult to handle EGS customers who want to participate and may incur early termination fees by ending contract. May cause adverse customer reactions.
* Moury: Reasonable approach may be to market to non-shopping customers but not exclude other customers who want to participate.

1. *Incentives*
   1. *Non-bonus incentives – pg. 18*

* Subgroup: Guaranteed savings off? 1- and/or 2-year products?
* Direct Energy (DE)/Dominion/IGS: 1-year term. Target non-shopping customers. Non-shopping customers may not be receptive to offering longer than 1 year. Should be EDC-specific offering. Fixed price that would be lower than reference price or below DS price for first six months. Percentages off could differ between EDCs.
* FirstEnergy Solutions (FES): 1-year term OK, despite FES’s proposal of 2-year term. Price needs to be better than Price to Compare (PTC). If PTC moves up or down, EGS should offer fixed price or beat PTC (whichever is lower).
* Exelon: Do not guarantee savings based on forecasting – causes confusion. Savings could disappear in months 7-12. Any kind of savings guarantee should remain with transparency of actual PTC.
* EDCs: Offer to customer should be lower than known EDC PTC and clear language should state length of PTC-applicability. Could be problem with promising discount off of estimated rate. Some EDCs open to possibility of percentage off. Need clarity as to how long offer is guaranteed for and when EDC PTC could change.
  1. *Bonuses – pg. 20*
* Subgroup: Have a signing bonus? If so, what is it?
* DE/IGS: Signing bonus would draw people in. Amount would be acquisition cost savings. Goal is to keep customers. Commission should announce bonus amount before auction period begins – different bonuses for residential and for small commercial. Should be consistent bonus statewide. Customer must stay with EGS for 3 months to receive bonus.
* FES: Bonus not appropriate. Customers prefer lower price over a bonus. Bonus does not differ substantially from currently-offered bonuses by some EGSs.
* UGI Energy Services (UG ES): Bonuses create market distortion and limits number of participating EGSs. What should be offered should guarantee high EGS participation and not interfere with existing EGS contracts.

1. *Timing (i.e. pilots; when to implement full-scale auctions) – pg. 22*

* DE: Pilot in 2012 with auction in 2013. Use pilot to determine what does and does not work. Recommend flexibility in size of pilots within territories and within wholesale DS contracts. Some procurements may need to happen after enrollment period to know how many customers are part of auction. Get commitment from customer to enroll beforehand based on promise of price below reference price or PTC, as well as provision of signing bonus.
* FES: Don’t need pilots – may impact existing DS contracts. Not enough time to do pilot. DS procurements should be completed before opt-in auction process starts, but need to know there will definitely be an auction when bidding.
* Liberty: Between now and June 2013 (full-scale auction), what if shopping increases? Still need auctions?
  + *DE: Yes. Some EDCs haven’t had rate caps for years and shopping still not greater than 25-35%.*
  + *Moury: Want to improve participation in all service territories. Unless 100% shopping, can use improvement.*
* Exelon: Opt-in numbers would be known by April-May 2013. How much would need to be procured by 6/1/13? With DE proposal, still have situation where majority of tranches that serve 6/1/13 would be procured.
  + *Duquesne Light (DLC): Have at least 50% acquired before 6/1/13. Go out in increments of 6 months.*
* EDCs: To know PTC for 6/1/13, need to know procurements to set price. Can get communications approved in advance and have bidder meetings but can’t have bids until PTC is filed 45 days in advance of 6/1/13. Need to determine logistics. Under DR plan, customer receives offer that states proposition of bonus and price below reference price or PTC. Don’t have actual price known. Customer needs all information clearly available. FE proposed schedule allows auction to occur after last DS bid so marketing to customers is clear and exact.

1. *Auction Mechanism – pg. 27*

* Moury: Staff believes no difference between sealed bid process and descending clock mechanism. Leave up to individual EDCs? Uncertainty for wholesale suppliers if bidding before auction information is available, would it help to have participation limits to reduce uncertainty?
* DE: Sealed bid less expensive. If goal is to get as many people into market as possible, limits arbitrarily reduce value of auction. Could have another auction, but costly. EDCs have indicated that if notice goes to all customers, lower kind of response than with opt-out. If didn’t have limits, unlikely that everyone will opt-out.
* FES: Prefer descending clock auction because provides better result for customers.
* OCA: Agree that participation limits reduce uncertainty. Have thriving ongoing one-on-one market which shouldn’t be interfered with.

1. *Participation Limits – pg. 21*

* Moury: Proposals for participation limits in 10-20% range. Higher?
* DE: 10-20% for pilots. Unlimited for full-scale. Dayton Power and Light had program that was opt-in. Given history, for full-scale program, don’t have limit. Difficult to get customers to opt in versus opt out.
* Commissioner Witmer’s Office: Any states that have done opt-out, % customer response?
  + *PECO: Around 80%. Opt-in is around 10-20%.*
  + *FES: Opt-out around 80%. Opt-in around 10. Less concern about DS suppliers. If have cap of greater than 20%, doubt that many would participate.*
* OCA: Solicit broad group and limit enrollment to 10-20%.  *Citizen Power agrees.*

1. *Load Caps – pg. 34*

* DE: Theoretically, no load cap provides lower price to customer but want to make sure number of competitive EGSs participating and winning to facilitate choice.
* FES: Supports minimum number of participating EGSs. Customer outcome is most important. Example: Start descending clock auction, auctioneer sets price. 50 suppliers participating. Whatever minimum is met, makes competitive. As clock ticks down, suppliers leave or stay and provide amount of load willing to handle. Minimum of participating suppliers is bidders not acquiring customers. EGSs will need to know load in order to manage risk.
* Analysis Group: Auction establishes share of accounts per EGS – random assignment. Ensure balancing of number of accounts and average loads. Under DE proposal, know number of accounts and associated data regarding total load so no uncertainty. Have enrollment before auction to ensure uncertainty for suppliers bidding into auction is minimized.
* Wurst: Bid would be tranche of accounts, not load.

1. *End of Opt-In Auction Program Period – pg. 37*

* DE: Precondition as bidder would be to offer fixed price offering to customer at end of program period. Customer must affirmatively choose that offer or may receive variable pricing offer. Continue month-to-month with no termination fees. Mirror existing Commission regulations and rules.
* Office of Consumer Advocate (OCA): Customer must receive fixed rate offer at end of term. Month-to-month with no termination fees. Customer doesn’t have to affirmatively sign up for rate. Variable rate shouldn’t become default if customer doesn’t make affirmative decision. Have to disclose program end, new terms & conditions.
* AARP: Emphasize consumer protection.

1. *Enrollment Mailing – pg. 44*

* DE: Utilities would send information to eligible customers. Develop materials in consultation with PUC, OCA, EGSs, EDCs.
* Moury: EGS pay for auction?
  + *No disagreement.*

1. *EGS Security – pg. 45*

* Subgroup: No consensus. Who bears risk of participation in program? If competitive supplier defaults during program, what happens?
* EGSs: Must have appropriate financial assurance. Provide additional assurance for bonus payments. If EGS went from 2% to 30% share of load, would need additional assurance. Existing security requirements cover supply obligations. Once level of load determined, actual calculation for exposure may need to happen.
* EDCs: EDC shouldn’t be responsible for EGS default and loss of incentive payments.

**Other** – Karen Moury

* Moury: Staff reconsidered idea of bifurcating opt-in auction and customer referral programs from DS plans. Tentative Order on Intermediate Work Plan will provide as many Commission proposals as possible to get uniformity. Let issues that EDCs need in specified plans be worked out in individual proceedings.

**Future Meetings (2012)**

1. Thursday, Jan. 5 at 1:30 PM
2. Friday, Jan. 20 at 10:00 AM
3. Wednesday, Feb. 1 at 1:30 PM
4. Thursday, Feb. 16 at 1:30 PM
5. Thursday, March 1 at 1:30 PM
6. Thursday, March 15 at 1:30 PM
7. Wednesday, March 21 – *en banc* – 10:00 AM – 4:00 PM – Hearing Room 1