

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In the Matter of the Pennsylvania Public Utility Commission's Advanced Notice of Proposed Rulemaking, Proposed Policy Statement and Tentative Order	Docket Nos. M-00072009 L-00040169 M-00061957
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**COMMENTS OF
CONSOLIDATED EDISON SOLUTIONS, INC.**

Consolidated Edison Solutions, Inc. ("CES") is an active retail supplier of energy and energy related services, with approximately 200,000 residential, industrial and commercial customers within PJM, New York, New England and Texas. Consolidated Edison Energy, CES's affiliate, provides wholesale supply throughout PJM and provides Basic Generation Service in New Jersey and Delaware. CES respectfully submits these initial comments regarding the Advanced Notice of Proposed Rulemaking, Proposed Policy Statement and Tentative Order in the above dockets.

Comments

Mitigation and Wholesale Procurement

CES believes that the competitive markets provide the best way of determining commodity prices for all customers. Ideally, individual customers should have a choice of commodity supply from several different retail providers and, based on an informed comparison of the competitive offers, select the supply option that is best for them. The

Commission must maintain this vision of competitive markets as it develops ongoing market rules. Only in instances when a specific group of customers does not have workably competitive retail supply options AND is not capable of responding to price signals by curtailing usage during high priced periods should any mitigation efforts be considered. In these circumstances, CES recommends that the Commission develop a hedged Default Service Provider (“DSP”) product through a competitive wholesale procurement mechanism that in turn establishes the EDC’s retail default/POLR price. CES believes that using a competitive wholesale procurement mechanism to establish the Price to Compare (“PTC”) is far preferable to allowing an EDC to actively hedge the customers’ load by entering into individual supply contracts for components of the customers’ supply obligation as recognized by the Commission in Section 69.1805. By using competitive bidding to select wholesale suppliers for the remaining EDC customers, those customers receive the benefits of the competitive wholesale market, and are provided a truly market based price against which EGSs can compete. This approach should also appeal to the EDCs because the wholesale supplier assumes the risk associated with supplying the remaining retail customers. Additionally, CES believes that a shorter/more frequent bidding process will send the appropriate price signals and reduce long-term risk to Pennsylvania electric customers

POLICY STATEMENT

CES generally supports the Proposed Policy Statement and applauds the Commission’s effort to develop vibrant and competitive retail electric markets.

While we recognize the benefits of allowing the EDCs some flexibility in developing a procurement model that is best suited to its individual service territory (section 69.1805), it is imperative that each EDC has a well defined and transparent procurement process and that the results of that procurement process be readily known to both EGSs and customers. CES is not suggesting that the specifics of any individual contracts be disclosed and agrees with paragraph (7) of Section 69.1807 which states that “The Public Interest would be served by the adoption of uniform rules for the confidentiality of competitive solicitation information.” In fact, CES would encourage the Commission to maintain confidentiality about specific supplier bids and awards. However, it is critical for the EDC to make publicly available the percentage (or volume quantity) of supply that they have actually procured, along with the duration of such procurements, so the customers and EGSs can anticipate likely movements in the PTC based on pre-existing hedges. This information should be made available immediately after the bidding process has been completed and approved by the Commission.

Additionally, while CES supports EDC flexibility in developing a procurement process, it should be recognized that the more varied the approach amongst the EDCs, the higher the costs for retail suppliers to serve multiple markets. Similarly, it may add confusion to individual customers, if the Commission is forced to roll out different educational programs for each EDC service territory. Through broad TV and radio campaigns, individual Pennsylvania electric customers may be exposed to multiple educational plans, which could add to their confusion.

Finally, CES also supports Rate Ready Billing 69.1813 and Purchase of Receivables 69.1814 as these are essential elements to reducing the cost of serving smaller customers and will help attract EGSs to serve residential and small commercial customers in Pennsylvania. However, these services need be cost based and available to all EGSs on a non-discriminatory basis.

EDUCATION PROGRAM

An effective Education Program is essential to the creation of a robust retail market. CES agrees with the Commission that the Education Program should be instituted on an EDC by EDC basis. However, CES also believes that all interested industry sectors should be involved in the creation of the educational material. Additionally, CES also agrees with the Commission that state wide educational programs should be limited, since, the wholesale procurement rules will vary across service territories. Therefore, the timing of retail price changes will also vary across service territories.

PHASING IN RATE INCREASES

CES understands the Commission's interest in phasing in rate increases once the rate caps expire. CES asks the Commission to consider the impact that the phasing in of rate caps may have on retail markets. The phasing in of customers coming off rate caps could keep the PTC artificially low, if the deferral results in a reduced/below market PTC. To prevent this, the Commission should pass through the deferrals in a completely revenue neutral basis. This can be accomplished by reducing the delivery portion of a customer's

bill during the transition period, then recovering the deferral on the same portion of the bill after the completion of the transition period; the PTC will remain at market rates during the transition allowing competitive markets to develop.

CONCLUSION

CES applauds the Commission's continuing efforts to create a robust competitive retail market, and generally agrees with the Commission's Policy Statement, Tentative Order and Advanced Notice of Proposed Rule Making.

Respectfully Submitted,

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By



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