

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Retail Markets Working Group

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Docket No. M-00072009

**COMMENTS OF CONEDISON SOLUTIONS  
ON THE DEVELOPMENT AND IMPLEMENTATION OF CUSTOMER REFERRAL PROGRAMS**

By Secretarial Letter dated April 26, 2008, the Commission announced the convening of the Retail Markets Working Group (“RMWG”) referenced in its Order adopting the Policy Statement on Default Service.<sup>1</sup> The purpose of the RMWG is to develop policy recommendations to enhance customer choice and the development of robust and effective retail electricity markets. More specifically, the RMWG is to focus on the six specific areas identified in the Commission's Policy Statement at 52 Pa. Code §§ 69.1812 – 69.1817. Among those policy recommendations is the development of customer referral programs to inform customers about competitive retail supply offers and facilitate greater customer participation in retail choice. On January 5, 2010, Commission staff invited comments on a set of draft guidelines for the implementation of customer referral programs.

ConEdision Solutions offers these comments in response to the RMWG’s draft guidelines. ConEdision Solutions (CES), is a licensed electric generation supplier (EGS) serving all classes of customers in Pennsylvania. CES is an active participant in the PPL market and serves a large number of PPL residential customers. As an initial matter, CES would like to commend the Commission for its efforts in convening the RMWG to implement policies to further promote the development of retail competition. While the initial level of customer

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<sup>1</sup> *Default Service and Retail Electric Markets*, Docket No. M-00072009, Final Policy Statement Order entered February 9, 2007, at 13.

participation, particularly in the mass market, in PPL has been encouraging, continued steps to promote residential competition are warranted. Most Pennsylvania customers are still accustomed to having only a single electricity provider to choose from—their local EDC. The EDCs enjoy an advantaged relationship with customers and control all typical communication channels with customers (i.e., invoices, bill inserts, customer call centers, etc.) and all customer-specific data (consumption data and contact information) as a result. Therefore it is difficult for a new market entrant to overcome these substantial advantages that are stacked in favor of the EDCs' default service. A customer referral program is one of a series of tools that can be used to establish a more level playing field for competitive suppliers in the retail market. These measures will help effectuate the paradigm shift that must take place to successfully transition from a monopolistic to a competitive retail electric market in Pennsylvania.

As the Commission has repeatedly recognized, retail competition is superior to regulated service as it delivers customer-focused service, enables innovative product development and leads to the most efficient market price. All consumers should be afforded the opportunity to participate in properly functioning and workable competitive retail markets and to avail themselves of the resulting benefits that only such competitive retail markets can deliver. Accordingly, CES fully supports the development and implementation of properly structured customer referral programs in each Pennsylvania EDC. CES offers the following comments on the structure of such programs.

**A customer referral program should be a broad set of measures to inform customers about retail choice.**

The RMWG draft guidelines describe a specific type of customer referral program whereby customers receive an introductory discount rate and may be randomly assigned to a participating supplier. This type of program is modeled after the New York customer referral program. CES participates in the New York program and believes it is one example of a successful program. However, CES respectfully submits that a customer referral program should

encompass a broader set of measures to inform customers about available retail offers. These measures should include:

- The development of a statewide website that would list all available competitive retail offers.
- Development of quarterly bill inserts for all residential and small commercial customers that would include information on available competitive offers and details regarding how to enroll in these offers.
- Development of a process to inform customers about available competitive offers when customers contact the EDC customer service center.
- Development of a process to inform customers about available competitive offers when customers initiate new service or move service to a new location.

CES believes that a broader set of measures is appropriate because the introductory discount rate program may be viewed as too prescriptive by some suppliers in some circumstances. For example, suppliers may be able to offer a larger discount than the 7 percent introductory discount under the proposed program. CES notes that in the PPL service area, the initial residential offers were at levels equal to or greater than 10 percent off of PPL's 2010 default rate. If a supplier can offer a rate lower than the introductory discount rate, then it would be in the supplier's and customers' best interests for this offer to be communicated to customers through a broad set of means.

Specifically, CES recommends that the Commission develop a state wide website that would allow suppliers to post all of their available offers on a monthly basis. This website would be modeled after the Connecticut website, available at:

[http://www.ctenergyinfo.com/display\\_rates.htm](http://www.ctenergyinfo.com/display_rates.htm)

This website would allow suppliers to post multiple offers of varying product types and would encourage maximum participation of suppliers. Each EDC would include a prominent link to the state-wide website on its website.

Additionally, CES recommends that each EDC include bill inserts on a quarterly basis, which would include a printed copy of the available offers that are currently posted to the state-wide website for that particular EDC. Each EDC would also include references to the state-wide website, along with a printed copy of the currently available offers, in its welcome packets sent to new customers in service initiation and move-in scenarios.

**CES comments on the RMWG's proposed guidelines for an introductory discount rate referral program.**

CES offers the following specific comments in response to the draft guidelines for an introductory discount rate customer referral program.

1.) Effect of EGS Participation.

An EGS's participation in an EGS referral program shall not restrict its freedom to continue making offers and enrolling customers outside of the requirements of the program.

CES Comments: CES supports this.

2.) Selection of an EGS.

Customers participating in a referral program shall be permitted to affirmatively choose a specific EGS. Customers that do not express a preference will be assigned at random, on a rotating basis, to an EGS drawn from the list of participants in the program.

CES Comments: All communication materials about the introductory discount rate program should also direct customers to the state-wide website containing all currently available supply offers.

3.) Eligibility

Eligible customers for the program shall be those customers under utility rate schedules for residential and small commercial.

CES Comments: CES supports these eligibility criteria. However, each EDC should be directed to work with participating EGSs, the OCA, the OSBA and Commission staff to determine the appropriate rate classes that should be eligible. CES notes that there is currently significant differences in how each EDC defines customer segments.

#### 4.) Enrollment.

Utilities shall enroll customers into a referral program on behalf of EGSs, and may accomplish enrollment through a telephonic process implemented by their call centers. Utilities shall retain, for a period of six months, a recording of the conversation where the customer agrees to participate in the program. Utilities may also accomplish this enrollment via a dedicated webpage to the referral program. For customers who do not have internet access, those customers may be offered an available hard copy mailing providing the options available under the programs. Within three days of enrollment, utilities shall send the customer a letter, drafted in conformance with the standards established in the Referral Program Enrollment Letter, confirming enrollment, and shall, in an EDI transaction, notify the EGS of the enrollment.

The Utility shall offer customers the option to learn about the referral program when a customer contacts the utility to;

- Initiate new service
- Reinstate service following a change of location
- Make an inquiry regarding rates
- Make an inquiry regarding billing issues
- Seek information on energy efficiency
- Create an online account with the utility

CES Comments: The telephonic enrollment process should be available to customers on a toll free basis. Each of the communication channels discussed should also seek to direct customers to the state-wide website with all available offers, in addition to providing customers with information about the introductory discount rate program.

#### 5.) The Introductory Period.

EGSs participating in a referral program shall offer all customers referred to them the introductory discount of 7% for the introductory period of two months. This discount will be based on the existing default service rates of the utility. Customers may withdraw from the program during the introductory period upon notice. Customers shall be eligible for one introductory offer every three years.

CES Comments: The introductory discount rate should be based on the existing default service rates in place at the time the customer enrolls. Each EDC should be required to develop a rate ready billing platform that will allow suppliers to enroll customers under a fixed discount as compared to the default rate (rather than having to specify the specific rate). Customer should also be able to withdraw from the program during the introductory period **without any penalty or early termination fee.**

#### 6.) The EGS Contract

The utility will enroll the customer and the EGS will, within five days of utility notice of enrollment, provide the customer with a sales agreement governing both the introductory and post-introductory periods. That contract must conform to the principles established in the EGS

Contract Option Requirements, and will take effect unless rescinded telephonically, electronically, or in writing, by the customer by the end of the first month of service under the EGS. The deadline date for a decision to rescind the contract must be conspicuously listed on the sales agreement

CES Comments: The EGS should have up to ten days of utility notice of enrollment to provide a customer with the sales agreement/disclosure statement. The requirement for the contract to conform to the EGS Contract Option Requirements should only apply to EGS offers under the introductory discount rate program. EGSs should be free to provide other products with different terms and conditions on the state-wide website discussed above.

#### 7.) EDI Confirmation of Transactions.

Under the EGS Contract approach, at the time the EGS sends the utility an EDI price change, the EGS will be deemed to affirm and represent that it has given its customer proper notice of the price change.

No CES Comments.

#### 8.) Incremental Costs

Costs for the administration of this program by the utilities shall be recovered through a Retail Markets Surcharge. This charge shall be non-bypassable and shall be applicable to all customers within the residential and small commercial rate classes.

CES Comments: CES supports this cost recovery mechanism for the introductory discount rate program and the other customer referral measures discussed above.

#### 9.) Website

Utilities shall create and run a dedicated webpage for the referral program. This webpage shall contain utilities' existing rates (or PTC), a list of the EGSs participating in the referral program, the EGSs' introductory discount rate, and post-introductory period rate offerings for each EGS. The website shall be technologically sufficient to enroll customers into the referral program online, including the ability to randomly assign customers to an EGS who do not desire to pick a specific supplier.

No CES comments.

#### 10.) Promotion

Utilities and EGSs shall promote referral programs by providing customers with accurate information through the Internet, a dedicated toll-free telephone line, media advertising, direct mailings and other appropriate means. All informational materials promoting a referral

program must conspicuously disclose that the savings offered during the introductory period are not guaranteed beyond that period.

#### REFERRAL PROGRAM ENROLLMENT LETTER

A utility's enrollment confirmation letter to a customer participating in a referral program shall include the following:

1. The effective date of the enrollment, and the name of the EGS that will provide the service.
2. A description of the introductory discount, including the method of calculation, and the length of the introductory period.
3. Identification of the location of the discount on the customer's bill, and a notice that utility budget billing arrangements for residential customers will continue or can be initiated.
4. A notice informing the customer that the EGS will contact the customer soon to offer it a sales agreement, and describing the effect of the sales agreement under the EGS Contract approach to the referral program, including the provisions for return to utility service.
5. A notice informing the customer of its right to withdraw from the program during the introductory period upon notice.
6. A description of the utility's roles and responsibilities as the delivery service provider and the utility's contact information.
7. A description of the Commission's consumer complaint procedures available to EGS customers, and information on contacting the Commission with a complaint about an EGS.

CES Comment: The notification letter should also inform the customer that it may cancel the enrollment at any time during the introductory period without penalty.

## EGS CONTRACT OPTION REQUIREMENTS

The contract the EGS provides the customer under the EGS Contract approach must provide for the option to rescind service (past the 2 month introductory period) by the end of the first month of service under the EGS, conform to the provisions of the utility enrollment letter that are effective during the introductory period, and reflect the following principles for the period after the introductory period ends.

1. The term of the sale agreement shall be month-to-month, allowing either party to cancel upon notice consistent with that term.
2. The price for electric commodity service shall be set under an "open price" provision allowing the EGS to change its price upon 15 day's notice to the customer, with that notice provided at least 30 days prior to the customer's next scheduled meter read.
3. Notwithstanding any other provision of the contract, the customer shall be allowed to cancel the contract within the 15 day notice period of a price change from an EGS.
4. The customer may cancel the contract without payment of a penalty or termination fee to the EGS. If notice of cancellation is not given at least 15 days prior to the next scheduled meter reading, the customer may request a special meter reading, which is typically subject to a service charge.
5. The EGS must give 30 days notice, provided 30 days before a meter read, before it may assign a customer's contract to another service provider.
6. Any change to the contract, other than to the open price provision, shall require the customer's affirmative consent, documented either by telephone, electronically or in writing.

CES Comments: As CES understands these contract requirements an EGS would be allowed to update its price offered to a customer participating in the introductory discount rate program at any time after the expiration of the 2 month discount period, provided that the customer provides 15 days advance notice to the customer. Under such approach, CES understand that an EGS could update its rate on a monthly basis, or could choose to provide service to a customer under a fixed rate for an indefinite period of time after the expiration of the introductory period. As CES understands it, an EGS would not be permitted to charge an early termination fee unless the customer affirmatively agreed to be assigned to a different product with different terms and conditions. If CES's understanding of these requirements is correct, CES supports these contract requirements.



