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March 31, 2009

Via Electronic Filing
James McNulty
Secretary
PA Public Utility Commission
Commonwealth Keystone Bldg.
2nd Fl., 400 North Street
P.O. Box 3265
Harrisburg, PA 17105-3265

Re: Retail Markets Working Group, Docket No. M-00072009

Dear Secretary McNulty:

On behalf of Direct Energy Services, LLC enclosed please find the original Reply Comments along with the electronic filing confirmation page with regard to the above-referenced matter.

Sincerely,

Deanne M. O'Dell

Deanne M. O'Dell
For WolfBlock LLP

DMO/lww
Enclosure

cc: Lawrence Barth w/enc. (via email)

HAR:89349.1/DIR023-255887

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

RETAIL MARKETS WORKING GROUP	:	**Docket No. M-00072009**
	:	
ELECTRIC GENERATION SUPPLIERS OFFERING BILLING SERVICES AFFECTING ELECTRIC RETAIL CHOICE	:	**Docket No. M-00011467**

REPLY COMMENTS OF DIRECT ENERGY SERVICES, LLC

Direct Energy Services, LLC ("Direct Energy") submits these Reply Comments regarding the Comments filed in response to the Public Utility Commission's ("Commission") February 9, 2009 Secretarial Letter seeking updated comments about certain billing practices of Electric Generation Suppliers ("EGS"). The importance of a robust competitive electric market in Pennsylvania has never been as important as it is today. Customers across the Commonwealth are being burdened by increasing prices for many necessities and ensuring that they have competitive alternatives for electricity supply may assist in alleviating some of their burdens. By implementing the appropriate policies to ensure a functioning competitive retail market, the Commission will be acting in the public interest to provide consumers with real choices. Setting forth policies regarding how billing of retail customers will be handled is a critical component of creating functional competitive market. In these Reply Comments, Direct Energy encourages the Commission to remain focused on its ultimate goal – setting policies to promote retail competition – and view the issue of retail billing in context with all the appropriate market mechanisms that must come together to create a fully robust competitive electricity market in Pennsylvania.

I. BACKGROUND OF PROCEEDING

The Commission issued a Tentative Order on May 4, 2001 at Docket No. M-00011467 to address situations where an EGS becomes the billing agent of its retail customers so that all bills and mailings from the retail customer's Electric Distribution Company ("EDC") would be sent to the EGS. Comments were filed by various parties and no further action was taken by the Commission until its February 9, 2009 Secretarial Letter. In the Secretarial Letter, the Commission stated that it would close the proceeding at Docket M-00011467 and move the issue into the Commission proceeding addressing Retail Market Issues at Docket No. M-00011467. In doing so, the Commission invited interested parties to file updated information regarding the issues set forth in the prior proceeding.

Comments in response to the Commission's February 9, 2009 Secretarial Letter were filed by PECO Energy Company ("PECO"), West Penn Power company d/b/a Allegheny Power ("Allegheny Power"), the National Energy Marketers Association ("NEM") and Interstate Gas Supply, Inc., Gateway Energy Services Corporation, and Agway Energy Services, LLC (collectively "IGS, et al.").

In sum, Allegheny advocates that EGSs who want to receive all bills from the EDC on behalf of an EGS retail customer must be required to disclose to the customer the effect of that change or else the practice should not be permitted. PECO agrees with this and adds that if an EGS takes over receiving all bills from EDC, the EDC should be removed from the customer relationship process. For PECO, this means that it would have no responsibility for any billing disputes as the EGS would take over responsibility for all the Commission's regulations regarding consumer protection. PECO does not support being required to change any of its billing systems to accommodate changes to a customer's billing and mailing address.

On the other hand, NEM posits that the evolution of the market may have rendered this issue largely moot particularly since the Retail Markets Working Group ("RMWG") has been charged with examining the availability of both rate and bill ready billing and Purchase of Receivables ("POR") programs. IGS, et. al. also states that the evolution of consolidated billing by utilities for residential and small C&I may make this issue increasingly irrelevant as the overriding trend has been toward EDC-consolidated billing coupled with POR. IGS, et. al. focuses on the benefits of developing appropriate EDC-consolidated billing and POR. For large C&I customers, IGS, et. al. states there may be merit to enabling the EGS to consolidate and present one bill to the retail customer which includes all charges even the EDC delivery charge. IGS, et. al. recommends the issue be referred to the Office of Competitive Market Oversight to ensure that the issue is integrated with gas issues to ensure consistency in the developing markets.

II. ABOUT DIRECT ENERGY

Direct Energy is licensed by the Commission at No. A-110164 to provide electricity and related services to all classes of retail customers throughout Pennsylvania. Direct Energy is the North American affiliate of Centrica plc, a leading provider of energy and energy-related services with over 30 million customer relationships worldwide. In North America, Direct Energy has over 3 million gas and electricity customers, and over 5 million customer relationships. Direct Energy has a unique business model and extensive experience in providing energy services to residential customers, small and large C&I customers, and government entities. The majority of Direct Energy's customers are residential and mass market (small business) customers. Direct Energy currently serves about 4,500 customers in the service territory of Pike County Power and Light Company ("PCL&P") and looks forward to expanding its presence in Pennsylvania. To achieve that goal, Direct Energy has been an active participant in numerous Commission proceedings geared toward opening the Pennsylvania markets to electric competition. Direct Energy looks forward to working with the Commission and interested parties in the context of the RMWG as properly implementation of the competitive market enhancements to be discussed in this process are critical elements of an properly functioning competitive market.

III. COMMENTS REGARDING EGS BILLING PRACTICES

Direct Energy's position is that the credit and collections relationship should stay with the entity that has the ultimate customer relationship.[1] In order to maximize market efficiencies in the electricity market, only one residential and small commercial billing and collections system is needed. It is extremely inefficient from a market perspective to have one monopoly billing system and several others trying to compete with it. Therefore, as long as the customer relationship is shared (energy and transportation), then whoever owns the customer relationship should own the credit and collections process. Today Pennsylvania EDCs perform collections services for all of their customers (with the limited exception of perhaps some shopping customers in smaller EDC territories already serving at market rates). Therefore, requiring EDCs to provide utility consolidated billing is reasonable.

Direct Energy generally supports the comments of NEM and IGS, et. al. that the issue some EGSs in 2001 needed to address, i.e. getting information from the EDC about their retail customers, was only available by becoming the billing agent for the retail customer. If, as IGS,

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[1] Direct Energy would be supportive of a model where all customers were billed for all charges (including wires charges) by the EGS, so long as the EGS had all of the collection rights available to it that the EDCs now enjoy. In that scenario, the EGS owns and manages the full customer relationship and bears all risk of nonpayment, including non-payment for wires charges.

et. al. explains, EDCs were offering utility consolidated billing then this measure would not be necessary. In other states with more mature market development, the trend has been toward utility consolidated billing for residential and small C&I customers. Utilities in Indiana, New York, New Jersey, Pennsylvania, Ohio, Virginia, Maryland, Michigan, and the Canadian provinces of Quebec, Ontario, Alberta and British Columbia offer EDC consolidated billing. Utilities that offer UCB include: Consolidated Edison, RG&E, NYSEG, National Grid, National Fuel Gas, Central Hudson, Orange and Rockland Utilities, PSEG, PECO, New Jersey Natural Gas, NIPSCO, Dominion East Ohio, Columbia Gas, Consumers Energy, Michigan Consolidated, Terasen, and others.

In PCL&P's service territory where Direct Energy serves approximately 4,500 customers, PCL&P provides consolidated billing so that the customers receive one bill from PCL&P which includes Direct Energy's charges. With such arrangement in place, there is no need for Direct Energy to receive bills from PCL&P on behalf of its customers. Direct Energy encourages the Commission to recognize that what some EGSs were attempting to accomplish in 2001 can be addressed through implementation of EDC consolidated billing now.

However, it is important to note that a properly structured POR program must be implemented in combination with EDC consolidated billing. A POR program is a regulatory program coupled with utility consolidated billing under which an EDC reimburses EGSs the energy commodity service for their customers and assumes responsibility for the collection of these charges for commodity service from the EGSs' customer. A POR program has several advantages. First, it enables EGSs to offer service to all residential customers and small business customers, regardless of their income level or the size of their load. This results in a broader segment of consumers enjoying the benefits of retail competition, including lower prices and innovative products, including the ability to select from multiple renewable energy options. Second, POR programs promote retail competition by facilitating market entry by EGSs, thus creating a greater choice of rate and service options for customers. Third, they maximize the utilization of the existing rate-based utility resources since non-utility suppliers avoid duplicative costs associated with customer billing and collection efforts. It also optimizes overall call center expenses. Fourth, POR programs ensure that EGSs receive payment for the commodity service they provide to their customers in a timely manner, thereby reducing the suppliers' cash and financing requirements. Finally, POR programs allow EGSs to focus on what they do best: procuring energy at competitive prices and passing on the savings and/or value added services to their customers.

The success of POR programs, coupled with EDC consolidated billing, is evident by the competition present in states where they have been implemented. In New York, which has had a POR program for virtually all major gas and electric utilities in place for several years, there has been robust growth in the competitive market in the residential and small commercial sectors. POR programs have also been implemented or are in the process of being implemented in Ohio, Connecticut, Massachusetts, and Illinois. POR has also been implemented in Pennsylvania within the PCL&P and Duquesne service territories.

In sum, Direct Energy encourages the Commission to recognize that the reasons that may have lead EGSs in 2001 to become billing agents for their customers can be addressed now by concentrating on the implementation of EDC consolidated billing coupled with an appropriate POR program. Direct Energy's Pennsylvania experience in PCL&P's service territory as well as the experience of other states demonstrates that this is a reasonable way to address EGS concerns while implementing the policies necessary to develop a robust competitive market.

Respectfully submitted,

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