



- Accordingly, it is clear that the current statutory policy in Pennsylvania is to assure that customers who do not actively participate in the retail market are given a measure of protection by providing them with economical and relatively stable retail prices that are derived from competitive procurement strategies in the wholesale market. One of the natural side effects of this policy is that some customers will rely on default service rather than participate in the market.<sup>3</sup>
- Since the current policy regarding default service is embodied in the statute, a further amendment to the Electric Competition Act would be required to change that policy and adopt a different model that is designed to require customers to participate in the retail market.
- EAP defers to the judgment and policy set forth by the General Assembly on whether the public interest would be better served by adoption of a deregulated concept of default service provided by EGSs and designed as a temporary backstop for customers who, for whatever reason, are not purchasing supplies from an EGS. This model for default service would require customers to participate in the market to obtain a measure of price stability, because default service prices would likely track short-term changes in wholesale market prices.
- Given the regulated nature of default service under Act 129, EDCs rather than EGSs are the logical entities to provide default service because of their physical assets in the Commonwealth, their financial stability, their characteristics as entities that are already subject to extensive regulation, and their practical experience providing default service. This conclusion is consistent with the Commission's regulations, which contemplate that EDCs will serve as default service providers unless the Commission finds, on a case-by-case basis and after an evaluation of an EDC's operational and financial fitness, that the public interest supports that the EDC should be relieved of the default service obligation.<sup>4</sup>
- Given the current statutory framework, EAP supports an end-state default market model in which EDCs continue to serve as default service providers coupled with efforts to encourage and enhance customer participation in the retail market through programs/tools currently being considered in the Retail Markets Investigation.

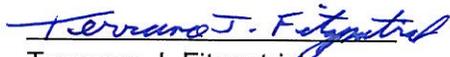
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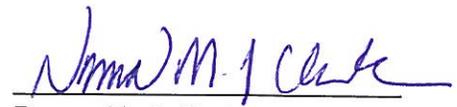
<sup>3</sup> *Report to Congress on Competition in Wholesale and Retail Markets for Electric Energy*, April 2007, pp. 99-100.

<sup>4</sup> 52 Pa.Code Section 54.183 (c).

- EAP suggests that the experience gained in implementing such enhancements in approved default service plans will be invaluable for policy makers and should be evaluated before considering whether statutory modifications are appropriate to further public interest. If statutory changes are enacted which support a modified end-state default market model in which EDCs are not the default service provider, EAP will work to implement such legislation and to assure that the changes do not negatively impact the financial status of its EDC members.

Respectfully submitted,

  
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