BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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Investigation of Pennsylvania's Retail Electricity Market: Default Service End State	:	Docket No. I-2011-2237952
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COMMENTS OF NRG
POST MARCH 21, 2012 *EN BANC* HEARING

Date: April 4, 2012

Post March 21, 2012 En Banc Hearing
Supplemental Comments of NRG

NRG witness, Aundrea Williams, provided comments at the March 21, 2012 en banc hearing on the End State Default Service Models panel. Ms. Williams' comments highlighted the key differences between the Texas competitive market transition model and the transition models presented by Staff in the March 2, 2012 Secretarial Letter. NRG is providing these supplemental comments to clarify NRGs preference regarding the proposed staff models for the default service end state. We also provide a high level overview of the approach to low income assistance programs adopted in Texas when the competitive market opened (See attachment A).

Staff Proposed Models

NRG commends the Commission and the RMI stakeholder process for the progress that has been made to improve the competitive retail electricity market in Pennsylvania. While much has been done in months to move this market forward, much more work remains to ensure Pennsylvania consumers receive the benefits that a fully competitive retail electricity market can deliver. NRG supports Staff proposed Model A as a reasonable *transitional* step to a fully competitive retail electricity market in Pennsylvania because it results in more market reflective default service pricing, allowing for more robust competition to develop. Such a transition is both necessary and critical to ensuring that all relevant and impacted EDC and EGS systems and processes are identified, and changes are implemented prior to moving to the true "end state" where innovation can flourish and customers have access to myriad value-added products and services and pricing plans to meet their individual needs. NRG does not view any of the proposed staff models as workable "end states" for retail competition to thrive for two key reasons. First, in a fully functioning retail market, default service will not be necessary and should be eliminated. Second, it is economically inefficient for the EDCs to retain any role in the provision of generation service to customers on a long term basis.

Staff has identified several issues that will require significant attention by a wide range of stakeholders to fully identify all of the needed changes to convert key functions from EDC to EGS control – consumer protections, termination of service, AEPS, supplier consolidated billing, and purchase of receivables will all require focused attention from all stakeholders. NRG looks forward to continuing to work with the Commission and stakeholders on solutions to these issues. However, the issues currently identified as "EDC" functions in all of the proposed staff models will also require significant time and attention to determine the best path forward to transitioning some of these functions to EGSs as well.

Provider of Last Resort (POLR) Service: NRG does not believe it is necessary or desirable to retain the EDC in the POLR role long term. By retaining the EDC in this role, they will continue to be required to support and maintain all of their customer service and billing systems in the event they are ever called upon to provide POLR service. As Ms. Williams testified on March 21st, recent experience in Texas has shown that the last POLR event in Texas happened in 2008 and at that time, less than 1% of customers were impacted. To require the EDCs to maintain these costly systems in order to respond to such sporadic events is not economically prudent and places a huge burden on ratepayers to continue supporting systems that may be used only occasionally and will require continual and costly updates and modifications that will ultimately be recovered from ratepayers. .

Metering: NRG supports the staff proposal that the EDCs retain the responsibility for metering. This is a function that is closely tied to the delivery of electricity to customer premises and it is reasonable for the EDCs to continue to serve this function at this time. With the ongoing implementation of the smart grid in Pennsylvania, the EDCs will continue to see increased efficiencies and cost savings as their need for meter readers and the associated activities diminishes over time.

Universal Service Programs: In the move to a fully competitive retail electricity market in Pennsylvania, the current EDC programs need to be replaced with a fully portable benefit that allows low income customers to exercise their right to shop for the energy products that best meet their needs. Establishing such a system will ensure that EGSs are indifferent to the economic status of the customers they enroll, and that these at risk customers have the same access to the competitive products and services that all other customers enjoy.[1] Texas has implemented such a program and a high level overview of that system is included here as Attachment A. Clearly this is an area that will require a concerted effort by all interested stakeholders, but it is one that is critical to a successful and fully functioning competitive retail market. We look forward to participating in these ongoing discussions and sharing our experience with universal service in Texas.

PJM Settlement: NRG supports the staff proposal to retain the EDC in the PJM settlement role they currently fill on behalf of all load. The EDCs have metering responsibility and have primary access to all load and consumption data and it is reasonable and feasible to allow them to continue to serve in this role in an "end state" where they are no longer the default service or POLR provider. There are no efficiencies to be gained by removing them from this vital function.

[1] In Texas, suppliers have no insight into the economic status of a customer, and are expressly prohibited from discriminating on that basis.

Act 129 Energy Efficiency Programs: NRG agrees that for the transition period, it is reasonable to continue to allow the EDC to provide some of these products/services. However, we also support the proposal that certain programs addressed in the Commission's retail market enhancement implementation order, e.g., Time-of-Use, should be competitively bid to allow EGSs to provide such services. Ultimately, we believe that most, if not all, of the energy efficiency programs identified in Act 129 can and should be provided in the competitive marketplace and there will no longer be a role for the EDCs in the provision of these services.

Net Metering: NRG supports the removal of the EDC from the obligation to provide credits for net metering customers, and we support the imposition of a requirement on EGSs to include in their product and service offerings to customers the ability to obtain a credit for any excess generation the customer puts back on the distribution system. The level or amount of the credit should not be mandated. Rather, EGSs should have the flexibility to negotiate and/or develop their own credit offers with individual customers in the same way EGSs develop other product/price offers to customers. This is yet one additional way in which EGSs can offer value to customers and differentiate themselves from one another.

New/Movers: One issue not addressed in the staff proposals is the issue of how new service starts and moves will be processed in an environment where the EDC is not in the default service or POLR role. With the EGS as the primary point of contact with customers seeking electricity service, the Commission and stakeholders need to explore the implications for how customers begin new electricity service. On this issue, Texas provides a valuable example of the changes that were made to accommodate the fundamental structural changes that allow for a fully functioning retail market. NRG encourages the staff to add this issue to the list of those needing attention and we look forward to participating in these discussions so that Pennsylvania can develop its own workable approach to address this critical issue.

Conclusion

NRG thanks the Commission for the opportunity to provide these supplemental comments on the default service end state and looks forward to participating in the ongoing discussions and proceedings related to these issues.

Attachment 1
Universal Service in Texas

Low-Income Telephone and Electric Utilities Program (LITE-UP) is the standardized, mandatory (for the competitive areas of Texas – Municipals and Coops offer their own programs), rate reduction program administered by the Public Utility Commission of Texas (PUCT) under the System Benefit Fund (SBF). The low income discount program in Texas ensures that low-income customers continue to receive low income assistance on their energy bills automatically regardless of which electricity supplier the customer chooses. .

The PUCT adopted rules implementing the program in December 2000, providing for both automatic enrollment and self-enrollment. The rules ensure that automatic enrollment process properly matches the lists of electric customers (i.e., individuals responsible for paying the electric bill) with client information from key State agencies, and require proof of eligibility from self-enrolled customers.

In addition to the rate discount, LITE-UP Texas recipients are afforded specific protections under the customer protection rules adopted by the PUCT. Key provisions of current rules include:

- LITE-UP Texas recipients are eligible to pay deposits exceeding $50 in two installments.
- LITE-UP Texas customers cannot be assessed late fees
- REPs are required to notify all residential customers of the availability of the low-income program at least 3 times per year.

Customers qualify for LITE-UP benefits in one of two ways. The primary method is automatic enrollment, in which a third-party administrator (chosen by the PUCT, called the Low-Income Discount Administrator or "LIDA") matches clients enrolled in qualifying State programs (such as the food stamp program or Medicaid) with lists of electric customers provided by retail suppliers. A customer may also self-enroll with the LIDA if they meet the income requirements. The LIDA is a third-party vendor hired by the PUCT to serve as the program administrator.

Each month, retail suppliers are provided with a list of their qualified customers. Suppliers then provide a pre-determined discount, as defined by the PUCT, as a line item on the eligible customer bills, and submit their expenditures to the PUCT for reimbursement. The PUCT reviews the reimbursement requests and authorizes the State Comptroller to reimburse the retail suppliers. The PUCT establishes a "percentage off POLR" discount and calculates the exact cents/kWh discount that each EGS must offer to LITE-UP customers identified by LIDA.