

SP – Default Service Hearing

June 8, 2011

Oral Remarks

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My name is Sonny Popowsky. I have served as the Consumer Advocate of Pennsylvania since 1990 and I have worked at the Office of Consumer Advocate since 1979.

I want to thank the Commission for permitting me to testify here today on the need to maintain safe, reliable and affordable default generation service for Pennsylvania electric consumers.

Under Act 129 of 2008, Pennsylvania electric consumers who do not choose an alternative generation supplier have a statutory right to receive default service through a Commission-approved competitive procurement process that is designed to ensure the least cost to customers over time.

Through this Commission investigation, it is my hope that stakeholders can work together to find ways to improve default service in a manner that will enhance the General Assembly's stated goal of ensuring stable, affordable, least cost service to those customers who do not choose to switch to alternative generation suppliers. These considerations may include alternative procurement and pricing approaches for default service and, as explicitly permitted in Act 129, the selection of alternative default suppliers if the Commission concludes that they can better meet the goals of the Act.

In my view, however, default service itself is not a flaw in the Pennsylvania restructured electric system, nor is it an "anachronism" as some have argued. On the contrary, the provision of retail

default service through competitive procurement in wholesale generation markets lies at the very heart of the restructured Pennsylvania electric system. Default service, particularly for residential customers, is what makes it possible for all Pennsylvania consumers to receive the benefits of competitive generation service, whether or not they choose to shop for retail service from an alternative supplier.

If one of the questions before the Commission is what percentage of Pennsylvania consumers are now receiving their generation supplies from competitive generation sources, the answer is 100%. Whether customers receive those competitive generation supplies through their utility default service or through an alternative retail marketer, they are benefitting from direct access to competitive wholesale generation markets. This stands in complete contrast to the situation before the Electric Choice Act in 1996, when all customers had to purchase bundled generation service from their vertically integrated monopoly utility, even if that generation was twice as expensive as the generation being provided by the utility next door.

The fact that more than 1.1 million Pennsylvania electric consumers, including over 900,000 residential customers, have now switched to alternative retail suppliers demonstrates that many consumers are willing and able to find retail generation products that they find preferable to their utility default service.

But retail shopping is not an end in itself. It is one means provided by the General Assembly to enable Pennsylvania consumers to receive electric generation service at reasonable prices. Another means of securing those benefits is through competitively-procured default service.

To the extent that retail suppliers can offer products that are attractive to consumers, whether through lower prices, cleaner renewable energy, or rates that change either more or less

frequently than “plain vanilla” default service, then the consumer benefits provided by the restructured Pennsylvania electric market will be even greater. That does not mean, however, that customers who do not choose to switch to an alternative supplier can or should be deprived of their statutory right to receive stable, least cost service over time from a Commission-approved default supplier.

As I noted earlier, Act 129 allows the Commission to approve alternative default suppliers other than the electric distribution companies. But any such alternative suppliers must comply with the default service pricing and procurement requirements of Act 129, including the requirement to obtain their generation through a Commission-approved competitive procurement process that is designed to provide service at the least cost to consumers over time. For the reasons set forth in the OCA written comments and the comments of a number of other parties, it is not clear what benefits would accrue to consumers by removing the electric distribution companies from the default service role, but in any case, it is clear that the alternative default supplier must be able to meet all the statutory default service commitments of Act 129.

Through a collaborative process that has been led by the Members and Staff of this Commission, and that has included a wide array of utilities, competitive marketers, and consumers, the Pennsylvania electric restructuring model has progressed for 15 years in a manner that I believe has been consistent with the goals of our General Assembly and has avoided many of the setbacks and disruptions that have occurred in other restructured states. In my view, the continued availability of secure, competitively-priced default service is essential to the viability of that model. I look forward to working with all stakeholders to find ways to improve default service while enhancing the ability of Pennsylvania consumers to benefit from our competitive generation markets.

Thank you again for allowing me to participate in this important hearing. I would be happy to answer any questions you may have at the conclusion of our Panel's statements.

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