

**PUC En Banc hearing on  
Investigation into Competitive Retail Electric Market  
June 8, 2011  
Remarks for David G. DeCampi, President, PPL Electric Utilities**

Opening

PPL continues to be a strong supporter of electric generation competition in Pennsylvania and believe that competition is the best model to serve electric consumers well.

We fully support the PUC in its efforts conducting this open investigation, taking steps to evaluate the current state of the retail electric market at this still early stage, and soliciting our collective input on ways the market could be better.

In my brief remarks, I'd like to focus on what makes a competitive electric market effective, and what have been the contributing factors to the vibrant market thus far – at least, in the PPL Electric Utilities' service territory in central and eastern Pa. Our formal written response to the Commission's investigation goes into these and other matters in greater detail.

I'll also briefly state our perspective with regard to the role of "default service provider" that PPL Electric Utilities fulfills.

At the outset, I'd like to emphasize, we believe:

- There are a few primary drivers that stimulate customer shopping,
- There are a few areas that the PUC could address to enhance the current market design,
- But most importantly, we believe PPL Electric Utilities has a longstanding relationship of trust and confidence with our customers and wishes to ensure adequate protections are in place for consumers in the future, so that trust is maintained as they are encouraged to shop in increasing numbers.

Additionally, as you begin this investigation, it may be helpful to consider – Pennsylvania may not be practical to evaluate as one competitive market but several markets within the state and your review may need to occur within each electric distribution company's territory.

Across Pennsylvania, we still have markets that are just developing after years of capped generation rates that were generally lower than the market for much of the time. The market in the PPL Electric Utilities service territory is a very active market that continues to develop just seventeen months after rate caps expired. Each utility service territory across the state has different market dynamics with varying levels of consumer awareness and differences in the protocols for the utilities and marketers. You could even say, there are different markets based on customer classes.

### Discussion of main points

So what defines success when we refer to an open market for electric generation service (as provided by the Competition Act)?

- Safe, reliable electric delivery for consumers, regardless of the generation supplier.
- Well informed consumers who have access to choices and options to meet their needs and preferences, including low-income customers who can still receive vital essential services yet have the same chance to participate in the marketplace.
- Ease of market entry for new suppliers willing to do business in this Commonwealth and incentives to make investments here
- (Outside of my personal experience but) Well operated, more efficient and more productive generating facilities that allow for dependable, affordable and increasingly clean electricity
- Customer access to the competitive wholesale market for electric generation regardless of the entity providing retail supply
- Innovation that leads to products and services not previously available as we have seen in the ultra competitive and advanced telecom industry.
- And, conditions in which utilities, suppliers and consumer advocates can work collaboratively to ensure the market works.

Even though this market wouldn't be considered mature by any means, there's plenty of evidence that these features indeed exist here and the market is developing favorably in its early stages.

### Key factors

Through the month of May, nearly three-fourths (74.3 percent) of all electricity consumed in PPL Electric's service area is being provided by competitive retail suppliers, so we have a unique perspective on what can be a model for the rest of the state.

I will say a tremendous commitment was made and significant resources were dedicated by the Commission and PPL over a number of years to support the market and coordinate with suppliers.

Yet, we realize two primary factors have contributed to the competitiveness of our market:

- Strong, effective, well funded and ongoing education that reaches consumers of all types and sizes. In cooperation with the Commission, we sponsored a campaign that built wide awareness of electric choice.

The outreach efforts have helped consumers understand what has changed in an unbiased way, what the market means to them, and how to navigate their new choices and options.

Comprehensive education gives consumers information, knowledge and a comfort to shop in a new market...with the realization that the utility is indifferent to whatever choice is made and that their choice will have no effect on the service that their EDC provides.

It may be surprising to some, but the most active residential shoppers in PPL Electric's service territory have been older consumers who were likely more tuned to our educational campaign. And this demographic group would usually be considered the least likely to embrace change or innovation.

- Equally important, price and the opportunity for savings influences most shopping...and we've seen sharply increasing switching rates based on energy usage, from larger households to our commercial and industrial users. 98 percent of the load for large C&I customers is being served by EGSs and 80 percent of the small C&I load. And the growth in shopping continues .

While these two factors matter most to consumers, the coordination between EDCs and EGSs on such issues like: customer lists, energy usage data, electronic data transactions, billing, and purchase of receivables is also vital to creating an effective market where suppliers are interested in doing business.

Based on our experience, we understand the sentiment from marketers that they'd like to see state-wide standardized processes employed by EDCs. We've had our challenges but it's working.

(pause)

- With the context just stated, now brief thoughts on **default service**, which receives significant attention in the eleven questions the Commission has posed and in our formal written response. It is clear that PPL Electric's role as a default service provider is not inhibiting an active market for consumers. And, we are clear in our dealings with consumers that our default service product is not intended to compete with the EGSs, but to serve as a fallback option for those who need such an option or who chose not to shop.

Sure, there's more we can do. We believe how default service is structured is far more important than what entity provides the service. How default supply is procured and priced matters more to competition.

Regulatory measures presently within the PUC authority should align default service rates more closely with current market prices and ensure default rates fully reflect true supply costs. As a result, competitive options could compete on a level playing field with default service and consumers would consider their options in the market regardless of who provides default service.

It also is our position that variations other than flat rate default service -- like green supply, variable pricing, time of use rates and demand response options -- belong in the marketplace.

## Conclusion

We at PPL Electric Utilities are pleased to host a robust competitive market where 555,000 of our customers, large and small, have through the exercise of personal choice, selected new suppliers and, in so doing, have achieved savings and chosen products with attributes they desire.

Nor are we troubled by the fact that others have chosen to remain with their distribution utility handling supply service. We believe that, over time and with continued education and appropriate pricing signals, many of these customers will also choose competitive supply.

Increasing numbers of consumers are becoming more aware and informed about the new world of electric choice. And, they are getting more familiar with the price signals to be informed shoppers for electric generation service.

While it is wise to take time to look at how we're doing and possible ways to do it better, it is much too early to judge or make dramatic shifts in today's paradigm.

Market design changes must be carefully considered to prevent unintended consequences and only be implemented gradually with an eye toward getting ground rules more consistent statewide.

In our support for choice and competition, we stand ready to participate in each phase of your investigation. Furthermore, we remain committed to serving our customers well, serving as a trusted advisor, and helping customers with their choices.

Thank you. I look forward to the dialogue with the panel.