

Retail Markets Investigation - En Banc Hearing
November 10, 2011
FirstEnergy Solutions Corp.

Retail Opt-In Auction --- Key Issues and Recommendations

If there is going to be an opt-in auction, FirstEnergy Solutions Corp. (FES) proposes that any opt-in auction should be coordinated with EDC default service auctions with power flow starting no sooner than June 1, 2013. There is no need for opt-in auction pilot programs that will result in power flow prior to June 1, 2013.

- Opt-in Auction Structure
 - 24 month, fixed price or percent-off product with power flow starting June 1, 2013.
 - Customer price should be determined by a descending clock, fixed price or percent-off auction in order to provide customers with the lowest possible price.
 - No need for an incentive payment to customers as part of the auction since such payments will result in higher prices being bid by suppliers and paid by customers.
 - FES' experience in PA markets where we have offered a discounted fixed price product with increasing incentive and price offers indicates that customers prefer a lower price over higher incentives.
 - If it is determined that an incentive payment should be included as part of the program, FES recommends \$50 or less for residential and \$100 or less for commercial.
 - There should be no load caps as part of the auction structure
 - Load caps will result in customers not receiving the lowest possible price since suppliers offering the lowest prices may be limited from offering those lower prices to larger blocks of customers.
 - Instead of load caps, the opt-in auction should consider a minimum number of auction winners and removal of supplier barriers to entry.
- Auction and Post-Auction Service Terms
 - At any time during the term of the opt-in auction contract, any EGS, including the EGS serving the auctioned customer, may make offers to any customer.
 - After the term of the opt-in auction contract, customers should be free to shop with any supplier but not be permitted to return to default service as long as there are supplier offers better than or equal to the default service price.
 - If an incentive payment is included as part of the auction structure, only customers who remain with the original auction supplier for at least six months (based on a 24 month fixed price contract) will receive the incentive payment.
- EGS Financial Assurance
 - No additional financial assurance is required for EGSs to participate in the opt-in auction in excess of the standard required financial assurance to qualify as a licensed EGS except for temporary collateral equal to any incentive payment obligation.
- Additional Logistics
 - It is critically important that the opt-in auction be well-coordinated with the timing of customer education, customer referral programs and default service programs to avoid customer and supplier confusion and to allow both groups to make informed decisions regarding their options to participate or not.
 - Default service supply auctions must be completed before customer opt-in auctions are held so that the EDC PTC is known before the opt-in auction

- Structure and details of opt-in auctions should be well-defined and known in advance of default service supply auctions so default service bidders are well informed.
- Pilot programs prior to June 1, 2013 power flow are unnecessary as they will create an additional layer of complexity for customers and will interfere with existing supplier default service contracts.
- Lack of coordination among the programs will likely result in customer confusion and dissatisfaction.

Attachment A: A Coordinated Approach

