

Transitioning EDCs Default Service Role to Non-EDCs: Conceptual Plan

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Sponsored by: Retail Energy Supply Association

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Overview of RESA Proposal

- A. Effective June 1, 2013, “default service” restructured into:
 - (1) a “transitional” non-EDC-supplied Default Service and
 - (2) an hourly priced default service
- B. Prior to implementation period, consumer education and Interim Measures to encourage consumers to select an EGS
- C. New product meets 66 Pa. C.S. § 2807(e)(3.1) requirements to maintain a “default service” for consumers who do not choose or for who service is not delivered

Timeline to Implementation

- A. Throughout 2012: Comprehensive Consumer Education
 - ❖ Intent to educate and encourage consumers to select an alternative supplier
 - ❖ “Intermediate steps” (e.g. new/move procedures, additional customer education, address “provider of first resort” issues, etc.)
- B. Q4 2012 and Q1 2013: Commission forms work group to design RFP for EGS default service providers
- C. April 1, 2013: winning suppliers approved by the Commission
- D. June 1, 2013: Implementation Date (coincides with end of current default service plans for most EDCs)

Implementation

- A. On the Implementation Date, Default Service would be restructured into two products:
 1. Transitional Default Service (to be supplied at retail by multiple qualifying EGS)
 2. A backstop, hourly priced service that would be an emergency service provided where a customer's supplier is unable to continue to provide service and to customers who opt out of the Transitional Default Service

Implementation of Transitional Default Service (“TDS”)

- A. Supplied by multiple EGSs
- B. Limited to residential and small commercial customers (definition to be discussed), provided on an opt-out basis
- C. Required to be supplied for no longer than 1 year
- D. EGS-provided TDS Could be priced in one of the following three ways:
 - 1. Retail Auction – nature of product would be 6 or 12 months fixed price
 - ❖ Winning bidders would be selected based upon price
 - ❖ Market caps (i.e., 10%) and rules would be established (so that no one EGS will emerge dominant)

Implementation of Transitional Default Service

C. Pricing Options (con't)

2. Index of Formula Based Approach

- ❖ NYMEX electricity futures) plus a reasonable administrative adder (to recover costs of capacity, ancillary services, AEPS requirements, etc.
- ❖ Participating EGSs would serve an equal share of customers

3. Discounted PTC

- ❖ Transitional default service would be set at a discount of the prevailing EDC-established PTC (as of 5/31/2013).

Implementation of Backstop Default Service

- A. Available to all customers
 - Available in addition to Transitional Default Service for residential and small commercial
 - Only backstop, hourly priced service available for large C&I (definition/threshold to be discussed)
- B. Addresses the need for back stop service in the event a supplier abruptly exist the market or is unable to provide generation service to its customers
- C. Priced at LMP Plus an appropriate adder to reflect “other elements” of full requirements service
- D. Structured similar to existing hourly priced service for large C&I and all customers in Pike County
- E. Service could be filled as a condition of becoming a Transitional Default Service Supplier, or could be provided by the EDC

Implementation- EGS Requirements

- A. Stringent eligibility criteria to ensure safe and reliable service to customers as may be deemed necessary by the Commission.
- B. A demonstration of their operational and financial fitness to serve and ability to comply with Commission regulations, orders and applicable laws consistent with the requirements of 52 Pa. Code § 54.183(d) .
- C. Any mechanism to transfer customers to EGS provided default and/or POLR service must be nondiscriminatory among the EGSs and allow for maximum participation among eligible retail suppliers, rather than assigning customers to one or two dominant suppliers

Implementation- Consumer Issues

- A. New providers required to abide by same consumer protection requirements as the EDC provided default service
- B. Once customers are transitioned, customers would maintain unfettered ability to affirmatively choose another EGS (i.e. no switching restrictions or penalties could be imposed)
- C. Universal service programs remain in tact, funds become transferable to customers receiving service from Transitional Default Service suppliers