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November 3, 2008

VIA MESSENGER

James J. McNulty, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2<sup>nd</sup> Floor North  
Harrisburg, PA 17120

Re: *Energy Efficiency and Conservation Program and EDC Plans,*  
Docket No. M-2008-2069887

Dear Secretary McNulty:

Enclosed for filing at the above referenced docket are an original and ten (10) copies of *Comments of Reliant Energy, Inc. on Implementation of Energy Efficiency and Conservation Programs Required By Act 129*, as well as an electronic version on disk. Please contact me if you have any questions.

Very truly yours,

Richard J. Hudson Jr.  
For Reliant Energy, Inc.

Enclosures

cc: Bureau of Fixed Utility Services (via hand delivery w/disk)  
Bureau of Conservation, Economics and Energy Planning (via hand delivery w/disk)  
Law Bureau (via hand delivery w/disk)

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Energy Efficiency and  
Conservation Programs

Docket No. M-2008-2069887

COMMENTS OF RELIANT ENERGY, INC.  
ON IMPLEMENTATION OF ENERGY EFFICIENCY AND CONSERVATION  
PROGRAMS REQUIRED BY ACT 129

**Background**

On October 15, 2008, Act 129 of 2008 was signed into law with an effective date of November 14, 2008 (“Act 129” or “Act”). Among other things, Act 129 imposes new requirements on electric distribution companies to file energy efficiency and conservation plans for Commission approval to meet certain consumption and peak demand reduction targets set forth in the Act.

On October 21, 2008, the Commission issued a letter order requesting comments from stakeholders regarding implementation of the new energy efficiency and conservation programs required by Act 129. Specifically, the Commission has requested that stakeholders comment on “...procedural, technical, interpretive, and implementation issues; measurement of EDC compliance; and the level of detail required for providing adequate direction to EDCs in regard to their plans.” Reliant Energy, Inc. (“Reliant”) submits the following comments in response to this request. Reliant offers the perspective of a competitive retail supplier serving about 1.8 million customers nationally

in states that have transitioned or are in the process of transitioning to competitive markets, including Pennsylvania.

### **Introduction**

Reliant fully supports policies that allow consumers to choose to conserve energy and reduce demand. Reliant believes that to achieve maximum benefit for individual consumers and the Commonwealth as a whole, the Commission should pursue multiple policy avenues to empower customers with greater information, greater choice, and greater control in how they purchase and consume electricity. In addition to the EDC conservation and efficiency plans required by Act 129, retail competition for electric generation service will also serve as a valuable way to advance these policy goals. As Pennsylvania transitions to a competitive retail market for electric generation service, more and more competitive energy service providers will enter the market and bring a vast array of products and services to help customers make the most *informed* consumption decisions. Empowering customers with more information and greater choice will lead to greater efficiency and will give customers the tools they need to reduce consumption and peak demand. A recent study published by the Alliance for Retail Choice goes into greater detail in demonstrating how innovation spurred by retail competition advances policy goals like conservation and efficiency.<sup>1</sup>

Accordingly, the Commission should seek to tap into the power of the competitive market in implementing the efficiency and conservation plans required by Act 129. It is with this overarching goal in mind that Reliant offers the following comments.

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<sup>1</sup> <http://www.allianceforretailchoice.com/Innovation%20in%20the%20Retail%20Electric%20Market.pdf>

## **I. Level of Detail for the Commission's Initial Order**

Act 129 requires that “[t]he Commission shall, by January 15, 2009, adopt an energy efficiency and conservation program to require electric distribution companies to adopt and implement cost effective energy efficiency and conservation plans to reduce energy demand and consumption within the service territory of each electric distribution company within this Commonwealth.” Reliant recognizes that the Commission is facing an aggressive statutory deadline to implement this program by January 15, 2009. Given the breadth of issues involved and the limited amount of time before the Commission must issue its initial order implementing Act 129, Reliant recommends that the Commission adopt a flexible regulatory framework in implementing the energy efficiency and conservation program required by Act 129.

Reliant recommends that the Commission consider issuing Interim Guidelines or an Implementation Order as its first step in providing EDCs with guidance on how to fulfill their Act 129 obligations. This initial order could be followed up with a series of working groups and ultimately the initiation of a rulemaking proceeding to fully examine all of the technical and implementation issues involved such as the metrics used for evaluating and selecting programs, the verification of usage and demand reduction targets, the metrics used for quantifying costs and benefits, etc.

## **II. Specific Recommendations**

### **A. Foster Innovation**

As the Commission is aware, there is a vast array of potential programs, products and services that are available today to reduce consumption and peak demand. Yet there

remains the potential for a near term sea change in this industry due to new technology that is rapidly becoming available to foster the design of even more creative and customer oriented products. Accordingly, it would not be in consumer's interests for the Commission to determine what types of programs may or may not qualify for the EDC conservation and energy efficiency plans at this early stage. Reliant recommends that the EDC plans incorporate a process to allow market participants to bid programs designed by the market participant to maximize the benefits of ongoing innovation for consumers.

### **B. Competitive Process**

While Reliant believes that the Commission should allow for flexibility in the types of programs that may qualify for EDC plans and other technical details, Reliant recommends that the Commission should clearly establish that all energy efficiency and conservation programs used by an EDC to meet compliance with Act 129 must be selected through a competitive process. The EDCs should be required to retain an independent third party entity to solicit energy efficiency and conservation services proposals from qualified third party providers using an open and transparent process. The independent entity should develop objective evaluation criteria to use in selecting the individual programs that will be included in the EDC's plan. Competitive solicitation is necessary to ensure that the Commission can select from the widest range of possible conservation and energy efficiency programs that provide the greatest value to customers in the most cost effective manner. Utilizing a competitive process will also ensure that specific measures and conservation services providers are selected through a fair and open process that is free of discrimination or undue preference for any particular provider.

Act 129 also requires a competitive process. Section 2806.1 (a) (7) stipulates that the Commission must develop procedures to require EDCs to competitively bid all contracts with conservation service providers. Section 2806.1 (a) (10) further provides that conservation service providers must participate in the implementation of the EDC's plan.

### **C. Stakeholder Engagement and Access to Data**

It is also important that the EDCs engage stakeholders early in the process as they are developing their individual plans. The EDCs should be required to hold a series of open stakeholder meetings or working groups to solicit input from potential conservation service providers and other interested parties *before* developing and submitting their plans. The stakeholder process would provide the EDC an opportunity to explore the types of efficiency and conservation programs that are available and would provide conservation service providers the opportunity to gather the data and information that they may need in order to develop specific proposals for consideration in the EDC's plan. With due consideration for customer privacy, the EDCs should be required to provide conservation service providers with information such as customer lists, load profiles, meter capabilities, historical consumption and peak demand information, and other information that may assist conservation service providers in developing efficiency and conservation services proposals.

### **D. Competitive Neutrality**

Regardless of the specific type of programs selected for the individual EDC plans, no programs should be conditioned on the customer receiving default service from the

utility. If a program requires the customer to remain on default service, customers will face the difficult choice of sacrificing their ability to shop for generation service or sacrificing their ability to participate in the efficiency or conservation program. Ultimately, such a restriction would be counterproductive as it would stifle retail competition and the innovation needed to achieve efficiency and conservation.

#### **E. Diversity and Variety of Programs**

The Act also states that the Commission must adopt “standards to ensure that each plan includes a variety of energy efficiency and conservation measures and will provide the measures equitably to all classes of customers.”<sup>2</sup> First, Reliant notes that requiring the EDCs to use a competitive process in soliciting specific programs will yield greater participation from third party conservation service providers and result in a greater variety of programs.

Second, Reliant cautions the Commission not to interpret Section 2806.1 (a) (6) to require that each and every program selected as part of an EDC’s plan must allow participation to all types of customers. Rather, it should be interpreted to mean that the EDC’s plan should provide programs to each class of customer (residential, small businesses, large commercial/industrial). This will allow third-party providers that have expertise in a specific market niche to propose programs best suited to the particular customer class that they serve. Certain programs may be better suited for the residential market, while others may be better suited for the commercial and industrial market.

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<sup>2</sup> Section 2806.1 (a) (5).

## **F. Encourage Smart Meter Infrastructure**

The Commission should encourage EDCs to make infrastructure investments in smart meters and smart grid technology that will enable a wider range of efficiency and conservation programs. For example, some programs may rely on smart meters to provide customers with real time usage information and price signals. Programs that empower customers with this information and the tools they need to take action can result in significant changes in customer behavior and may lead to tangible and quantifiable reductions in consumption and demand. Such programs should receive equitable consideration as compared to more traditional efficiency programs, such as appliance upgrades, compact fluorescent lights or weatherization. The Commission should adopt minimum functionality standards for smart meters<sup>3</sup> and the costs associated with the smart meter technology should not be included in the cost-benefit analysis for programs that depend on such infrastructure. Smart meter and smart grid technology has benefits beyond enabling efficiency and conservation programs, including reliability benefits. Also, Act 129 provides for a separate standard and mechanism for cost recovery for smart meter technology.<sup>4</sup>

## **G. Limit term of initial EDC plans**

Act 129 provides that the EDCs should file new conservation and efficiency plans every five years or as otherwise required by the Commission. Reliant recommends that the Commission consider limiting the term of the initial EDC plans to December 31, 2010. As the Commission is aware, rate caps will expire for all EDCs by this date. As rate caps expire and EDCs transition to market priced default service, electric generation

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<sup>3</sup> Please see Attachment A for Reliant's recommendations on smart meter functionality.

<sup>4</sup> Section 2807 (f) (7).

service providers are more likely to enter the Pennsylvania market. This influx of retail suppliers will provide a valuable platform for delivering energy efficiency and conservation programs. Accordingly it would be appropriate for the Commission to reevaluate the EDCs' efficiency and conservation plans at this time. Also, by this time, EDCs will have begun implementing the smart meter technology plans required by Section 2807 (f) (7) of Act 129 and a wider range of efficiency and conservation programs will become possible.

### **Conclusion**

In conclusion, Reliant appreciates this opportunity to provide our thoughts regarding implementation of the energy efficiency and conservation programs required by Act 129. Reliant looks forward to working with the Commission and other interested parties to ensure that Act 129 is implemented in a way that will complement the development of competitive retail markets in the Commonwealth.

Respectfully submitted,

Richard J. Hudson Jr.  
Director State Regulatory Policy  
Reliant Energy, Inc.

## ATTACHMENT A

### Smart Energy Programs & Advanced Meters/Network Design

Competitively offered programs utilizing smart meters should be eligible to apply for any available utility energy efficiency program funding on a non-discriminatory basis.

Furthermore, utility ownership and control should stop at the meter.

- Meter functionality
  - 15 minute reads (or match the ISO settlement standard)
  - Daily meter register reads at midnight
  - Remote meter read functionality
  - Remote disconnect/reconnect
  - Daily meter register reads and 15 minute usage should be maintained for a certain period (e.g., 60 days)
  - The meter register read, instantaneous demand, and the 15 minute usage should be accessible to Home Area Network (HAN) devices.
  - Standards based communication protocol for communicating between HAN devices and the meter
  - Meter firmware should be upgradeable over the communications network to provide a means for the meter functionality to evolve over time
  - Utility should have a process in place allowing any compatible device on the HAN to join to the meter.
  
- Utility communication system
  - Open, non-proprietary 2-way access for energy service companies to send/receive information to/from in-home devices.
  - Ability to send and receive information up to a maximum bandwidth (e.g., MB/Day/meter) at various service levels through the meter to and from the HAN.
  - Ability to communicate and set event driven triggers through the meter to the HAN (e.g., change the a/c thermostat if the monthly bill calculation reaches a certain level).
  - Ability to execute HAN management commands (e.g. add, delete, query) to individual HAN to co-ordinate the provisioning and use of devices on the HAN.
  - Ability to obtain real-time information from the meter such as current meter read, demand and consumption with the information returned within a specified service level, such as 6 seconds.
  
- Utility databases
  - Open, non-proprietary systems interface (could be a portal for user access; also would want a programmatic interface) for accessing customer usage database
  - Interval usage data available no later than the next day by 6 AM.
  - Single day reads taken at a consistent time period (e.g. daily at midnight) and sent within a specified service level, such as next day by 6 AM.

- Data maintained for 13 months.
- Open, non-proprietary systems interface (could be a portal for user access; also would want a programmatic interface) for accessing meter capabilities database
- Regularly updated information available to market participants of the location of advanced meters and meter attributes necessary to allow retailers to market products that will be compatible with the meter.

*Benefits of Proposed Smart Energy Standards*

- Customers can be given the opportunity to see real time price signals thus empowering them to take appropriate actions that will ultimately result in decreased usage, improved system reliability and an overall positive impact on the environment
  - Customers can see instantaneous (speedometer) use and cost in order to understand the impact of their behavior and resulting impact in real time
  - Customers can see cumulative (odometer) use and cost in order to better budget and motivate overall cost reduction
  - Provision of multi-month reads will help provide local trend analysis information necessary to evaluate the effectiveness of various energy efficiency centric products and services
- The design requirements described above are necessary to allow the market to deliver greater innovation, integration and choice while enabling more manufacturers to produce the necessary customer products, meters and other associated infrastructure.
- Remote disconnect/reconnect will improve customer service standards, such as speed of processing move-ins and move-outs, as well as allowing for the creation of innovative products and services to meet customer needs