

**PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17105-3265**

**Demand Side Response
Working Group**

Docket No. M-00061984

**COMMENTS OF RELIANT ENERGY, INC. ON
REPORT ON CONSERVATION, ENERGY EFFICIENCY, DEMAND
SIDE RESPONSE AND ADVANCED METERING INFRASTRUCTURE**

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TO THE DEMAND SIDE RESPONSE WORKING GROUP:

Introduction

Reliant Energy, Inc. ("Reliant") is pleased to have the opportunity to offer comments on the Demand Side Response ("DSR") Working Group's *Report on Conservation, Energy Efficiency, Demand Side Response and Advanced Metering Infrastructure* ("Report"). Reliant applauds the efforts of the Commission, its Staff and the DSR Working Group in tackling these very complex and important issues.

**The Importance of Competitive Retail Electric Markets and Retail
Marketers to the Success of DSR and Energy Efficiency**

Reliant offers the perspective of a licensed electric generation supplier ("EGS") on important issues relating to DSR, energy efficiency ("EE"), conservation and advanced metering infrastructure, and their interplay with competitive retail electric markets. Reliant has a wealth of experience in the development of competitive electric markets, DSR and EE and has faithfully advocated regulatory and commercial policies in Pennsylvania and in numerous other jurisdictions to promote robust and sustainable retail competition. EGS participation in this and other DSR and EE proceedings is crucial because it is EGSs, like Reliant, that are best suited to offer customers the DSR and EE products that customers desire. EGSs are in the business of

bringing customers the products and services they want--that is the foundation of our businesses success, without customers we don't exist. Unlike utilities, EGSs do not have a captive customer base and thus EGSs are most accustomed to listening to customer needs and responding to those desires on a timely basis.

Furthermore, electric distribution companies ("EDCs") lack the experience and historic incentives to promote these programs, these programs and tools fall directly within the core competencies of retail marketers. DSR and EE present further opportunities for retail marketers to build and to strengthen customer relationships. A marketer recognizes that if it does not meet a customer's need, some other retailer will.

To this end, Reliant has competitive DSR offerings in the Texas market today and has committed to expand its smart energy offerings to reduce and/or reshape the demand of a substantial number of residential customers in Texas by year end. These offerings will encompass traditional EE offers to reduce demand as well as new technology offers that may reduce and/or reshape demand. Reliant has even recently created a new executive position, Senior Vice President of Smart Energy, whose primary role is to evaluate DSR and EE and provide end use customers in competitive retail markets with benefits associated with these activities. Reliant is continually evaluating DSR and EE programs for opportunities to provide the benefits associated with these initiatives to all customer classes.

In Texas, where Reliant serves over 1.6 million residential customers as a competitive retailer, it is looking to offer a suite of products to empower the customer including traditional EE offers as well as new usage/bill monitoring, demand response, and various time-differentiated pricing options including time of use, real-time, and critical peak. These new offers will build a

core platform for driving a new level of energy efficient behavior and investment by consumers. Reliant believes that consumer-driven EE is a service best provided by the competitive market.

In a well-designed competitive retail market, DSR and EE products and services will be driven by consumer demand and active marketing by competitive retail and energy services companies (i.e., it is a natural outcome of competition). Reliant is confident that if DSR and EE initiatives are implemented in large scale and to all customer classes, they can have the following benefits:

- reduced or delayed need for costly, new generation;
- reduced environmental emissions including greenhouse gases; and
- lowered cost of power for consumers.

As a result, the Working Group's *Report* needs to allow EGSs to assume a significant role in offering customers DSR and energy efficiency products and services. Reliant agrees with the OSBA's comment noted in the *Report* "that consideration be given to allowing the [EGSs] to be the primary program provider. If consumers are truly interested in these services, the OSBA believes that EGSs can provide them." *Report* at 12.

Reliant also agrees with the general findings in the *Report* that energy efficiency, conservation and DSR programs can be a cost-effective method of controlling the amount of money that customers pay for electric and natural gas service and that ratepayers may directly benefit through voluntary participation in DSR or conservation programs and the utilization of energy efficiency technologies. If cost recovery mechanisms are implemented, they should be structured in a competitively neutral manner so the EDCs do not have an advantage in attracting customers over EGSs.

Specifically, Reliant offers its comments on the potential for cost recovery mechanisms for EE and demand side management programs and the impact on the development of competitive retail electric markets. A level playing field is a critical component of a robust competitive market.

Program Funding and Cost-Recovery

Reliant agrees that the Commission must allow utilities to collect funds to implement energy efficiency/demand side management programs through a non-bypassable charge. Reliant further recommends that competitive suppliers be allowed to bid on some or all of the funds collected through the non-bypassable charge so that an EGS may couple the energy efficiency program with its electric service. Permitting an EGS to bid is essential to giving those EGSs who wish to participate in Pennsylvania's energy efficiency/demand side management efforts an opportunity to do so. Reliant has previously advocated a similar approach in Maryland. In the event that no EGS bids on the fund, the EDC may use all of the funds in connection with its programs.

If the funds to implement these programs are intended to cover the costs of smart meters, data access must be made equally available to all suppliers in the market. Reliant also recommends that smart meter functionality standards be adopted to facilitate the use of the smart meter technology by EGSs.

Summary

Reliant appreciates the opportunity to offer comments on the *Report* prepared by the DSR Working Group. Reliant believes that is the first of many steps that the Commission and the industry — both EDCs and EGSs — will undertake to develop conservation and EE programs that will help to develop competitive markets in Pennsylvania.

The *Report* notes that there was disagreement on many of the specifics associated with the implementation of new policies. Commission Staff will be providing separate policy recommendations on a range of issues. Reliant looks forward to reviewing and commenting on the Staff's policy recommendations.

Respectfully submitted,

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