

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Retail Markets Working Group

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Docket No. M-0072009

**Comments of PPL Electric Utilities Corporation
to the Commission's Discussion Draft on Customer Referral Programs**

TO THE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

I. Introduction

By Secretarial Letter dated April 15, 2008 and published in the Pennsylvania Bulletin on April 26, 2008, the Pennsylvania Public Utility Commission ("Commission" or "PUC") convened the Retail Markets Working Group ("RMWG") pursuant to the Commission's Final Policy Statement on Default Service and Retail Electric Markets adopted May 10, 2007 at Docket No. M-00072009. The purpose of the RMWG is to develop policy recommendations in certain areas to enhance customer choice and the development of robust and effective retail markets. The Commission's April 15, 2008 Secretarial Letter identified six topic areas and invited interested parties to submit position papers addressing any or all of the topic areas. Among the topic areas identified was the issue of establishing customer referral programs. PPL Electric Utilities Corporation ("PPL Electric" or "the Company") participated in the development of and supported a position paper filed by the Energy Association of Pennsylvania ("EAP") on the matter of customer referral programs.

On January 5, 2010 the Commission issued an e-mail to individuals who previously had identified themselves as members of the RMWG. That e-mail stated that Staff had been requested by the Commission to move forward with the issues assigned to the RMWG. The e-mail also stated that the first effort in revitalizing the RMWG is to address the issue of customer referral programs. To this end, the e-mail transmitted a design of a referral program in the form of a discussion draft and invited the comments of RMWG members. Accordingly, PPL Electric herein submits its comments on the discussion draft.

In the section titled "General Comments", the Company reiterates, in summary, and expands on the EAP comments it helped develop and fully supports. In summary, the Company's recommendation is that the proposed customer referral program is unnecessary and inappropriate, and should not be pursued. However, the Company also recognizes that the Commission may decide to move ahead with such a program. In order that the program be as well designed as possible, the Company addresses the customer referral program specifics outlined in the Commission's discussion draft in the section titled "Specific Comments."

II. General Comments

In its June 10, 2008 position paper, the EAP set forth the following observations:

1. Chapter 57 establishes the standards for changing a customer's electric generation supplier (EGS) and the roles of the electric distribution companies (EDCs) and EGSs. Under these standards, the EGS deals directly with the customer regarding enrollment, actually enrolls the customer, and informs the EDC of the customer's desire to

enroll. The EDC role, in regard to enrollment and most other matters, is passive and responsive to the actions of the EGS.

2. Commission rules generally establish the EDC as a neutral party charged with the responsibility of educating customers about Choice, but not of marketing, or even informing customers about, the proposals of EGSs. Consistent with this approach, the PUC, instead of individual EDCs, established a Choice website wherein customers could easily get a list of EGSs and contact information. To address the need for a single repository of pricing information, the OCA established a website on which it maintains a list of suppliers serving residential customers in each service territory, contact information for each supplier, and offers (price, term, and other attributes).

Consistent with these observations and out of concern that assigning EDCs a marketing role may lead to EGS/EDC disputes and code of conduct questions, the EAP recommended that the Commission not implement a customer referral program. Furthermore, EAP noted that shopping levels in territories where offers are available, the existence of third parties providing referral services, and the existence of Choice websites, indicate that there is no compelling need for a customer referral program.

PPL Electric continues to support these observations and recommendations. First, the proposed referral program is unnecessary. In recent months, and associated with the expiration of its generation rate caps, PPL Electric has experienced an “explosive” increase in shopping in all of its classes of customers. Currently, more than 250,000 of the Company’s customers (all but 1,000 of whom are residential or small commercial customers) are either taking supply from an EGS or will be taking supply from an EGS following their next meter reading. In addition, according to the January 1, 2010 shopping statistics compiled by the Office of Consumer Advocate, significant shopping activity is being seen in the service areas of Duquesne

Light Company, UGI and Pennsylvania Power Company. Similar results are anticipated in the service areas of PECO Electric Company, West Penn Power Company and the remaining First Energy companies when their generation rate caps expire at the end of 2010. These increases in EGS enrollments have been accomplished using the existing marketing and enrollment capabilities and facilities. They also have been accomplished without the expense and complexity associated with a customer referral program or the customer confusion that the Company believes such a program might create.

Second, the proposed referral program is inappropriate. At the outset, PPL Electric believes that the words “customer referral program” do not adequately describe what is being proposed and are, in fact, misleading. This proposed program would not have EDCs simply make customers aware of the opportunities associated with shopping, identify EGSs and their offers, and direct customers to enrollment opportunities. Such an approach would leave choice and action in the hands of the customer. The proposed program would, instead, assign customers to EGSs they may not have chosen and would cause the customer to become enrolled. In essence, such a program would be taking the “Choice” of shopping out of the customers’ hands. The Company believes that such an approach is dangerously close to being an unauthorized switch or “slam” which is explicitly prohibited by the Electricity Generation Customer Choice and Competition Act (“Competition Act”), at 66 Pa.C.S. Section 2807(d), and the Commission’s regulations implementing that Act, at 52 Pa. Code Section 57.171, et seq. Moreover, such an approach could, if it generates enough customer confusion and anger, actually harm the development of the competitive retail market.

For all of these reasons, PPL Electric reiterates its recommendation that the Commission not pursue this proposed customer referral program.

III. Specific Comments

1. Effect of EGS Participation

If the Commission chooses to implement the proposed program, PPL Electric believes that it should be made clear that EGSs are free to continue to make offers to customers and to not participate in the customer referral program. A notable omission in this proposal, in the Company's opinion, is the absence of a description of what happens when an EGS chooses to no longer participate in the program and how its customers are to be dispositioned.

2. Selection of an EGS

The provision for customers to select an EGS from among the pool of EGSs participating in the customer referral program will result in conversations with EDC call center representatives wherein the customer will be seeking information to differentiate among the EGSs, and the EDC call center representatives simply will not have that information. (See, also, the discussion under "9. Website" regarding information that is not likely to be available to the EDC call center representative). This is likely to lead to very long calls and customer frustration with the EDC and the EDC call center representative. This will, in turn, negatively impact the EDCs compliance with grade of service and customer satisfaction metrics, including the likelihood of an increase in both informal and formal complaints. If the Commission

chooses to implement the proposed program, PPL Electric believes that it should recognize this concern and make some provision for addressing it.

3. Eligibility

If the Commission chooses to implement the proposed program, PPL Electric believes that it will be necessary to establish customer referral programs and pools of suppliers for residential customers which are separate from those for small commercial customers. First, these two customer groups belong to different default service supply procurement classes and, consequently, have different pricing. Second, EGS personnel dealing with residential customers will need to be trained to follow the requirements of Chapter 56 whereas those dealing with non-residential customers will not.

4. Enrollment

PPL Electric believes that, as proposed, the customer referral program would create the need for significant changes to the EDI 814 Enrollment transaction and, as a consequence, significant changes in the billing and customer information systems of both EDCs and participating EGSs. The proposed approach would have the EDC initiate the enrollment and notify the EGS. The existing response to an 814E does confirm to EGSs the receipt of an enrollment from an EGS, but, under the proposal, modifications would be required to permit the response transaction to be triggered either by the receipt of an 814E or upon an independent action of the EDC. The transaction also would have to be modified to identify the customer as being enrolled in the customer referral program or as having enrolled directly with an EGS outside of the referral program. In the alternative, a new transaction might

need to be created. In any event, both the EGS and EDC customer information and billing systems would have to be modified to handle either the modified or new transactions. In addition, both systems would have to recognize the customer's enrollment status for billing purposes and for the purpose of informing call center representatives of the customer's participation in the referral program. Given this complexity, associated cost, and the risk that is introduced by customers not being properly and timely enrolled, the Company believes that, if the Commission chooses to implement the proposed program, the details of the enrollment processes need to be vetted within the Commission's Electronic Data Exchange Working Group ("EDEWG") and incorporated as part of that group's Electronic Data Exchange Standards. The Company believes that EDEWG should consider, as an alternative, permitting EDCs to inform EGSs of the enrollment of a customer via spreadsheet, e-mail or some mechanism other than an EDI transaction. The EGS then would create an 814E and use the existing transaction suite, modified to indicate the customer as a referral program participant, to enroll the customer. In this way, PPL Electric believes that the complexity, cost and risk to operations can be minimized. This might also be an appropriate interim approach in order to assess the value of a customer referral program prior to the making of significant commitments and investments.

The Company also believes that customer notification should, consistent with the approach outlined above, follow the "normal" enrollment protocols; i.e., "16-day rule" and notifications from both the EGS and EDC with windows for customer action of 3 days and 10 days, respectively. PPL Electric agrees that the content of these letters

must change and notes that the Commission has proposed content for a “Referral Program Enrollment Letter” that seems, subject to the concerns the Company raises below, to address many of the appropriate issues. However, the Company believes that, if the Commission chooses to implement the proposed program, final content of the letter should be the result of a collaborative conducted by Staff, and including EDCs and EGSs, rather than as a result of a comment process. A collaborative process can help to insure that these complex details are addressed comprehensively and the risk of customer confusion is minimized to the extent possible.

With regard to the issues addressed in the Commission’s proposed “Referral Program Enrollment Letter”, the Company has the following specific concerns:

- Item 3 under the heading “Referral Program Enrollment Letter” directs EDCs to identify “the location of the discount on the customer’s bill.” PPL Electric does not have the capability to “shadow bill”, calculate, and print a discount. To provide this capability would be very complex and costly. The Company believes that the intent of this requirement can be addressed more simply by an EGS text message and urges the Commission, should it choose to implement the proposed program, to adopt such an approach. Also, directing EDCs to identify “the location of the discount on the customer’s bill” suggests that EGSs participating in the customer referral program will be using the EDC-consolidated billing option (also known as the EDC one-bill option). This should be so stated if it is indeed the case.

- Item 4 under the heading “Referral Program Enrollment Letter” directs EDCs to “describe(ing) the effect of the sales agreement under the EGS Contract approach.” PPL Electric believes that this should simply be a statement of the customer’s rights to rescind, return to default service, select another supplier, etc. However, the language is unclear and PPL Electric requests further clarification. The Company believes that such clarification is best developed in the context of the collaborative that is proposed above.

Also, in this section, the proposal lists six types of customer-initiated contacts that would trigger the EDC to offer customers the option to learn about the referral program. As noted above, PPL Electric has a general concern that this directive will negatively impact the EDC’s compliance with grade of service and customer satisfaction metrics, including the likelihood of an increase in both informal and formal complaints. In addition, the Company has the following comments regarding the specific items listed:

- EDCs should be given the latitude to offer the option and explanation in ways other than orally and over the telephone. Clearly, a customer creating an on-line account has demonstrated an ability, and possibly a preference, to receive and respond to e-mail. With regard to new service, the Company already uses its “Welcome Package” as the vehicle for communicating information regarding shopping and the release of information. Information on a referral program would fit well with the other material in the “Welcome Package.”

- The Company is concerned that steering the conversation of a customer interested in energy efficiency and conservation measures toward a customer referral program may detract from the EDC's ability to promote Act 129 energy efficiency and conservation programs, and potentially jeopardize its ability to comply with the Act's reduction targets.
- The Company believes that it is unnecessary and burdensome to retain recordings of conversations with customers.
- EDCs should be given the latitude to inquire orally regarding the customer's interest in a referral program and fulfill an affirmative expression of interest via an outbound mailing, referral to the Company's website, transfer of the call to different call center representatives or to a third-party call center that would not count within grade of service or customer satisfaction statistics.

5. The Introductory Period

With regard to issues addressed in the section of the Commission's proposal entitled "The Introductory Period", PPL Electric has the following specific concerns:

- The Company believes that the proposal needs to be clear as to whether the 7% introductory discount is from the total bill, the default generation price, or the Price to Compare.
- The Company believes that it will not be possible to implement a discount from utility rates in cases where default generation rates may change on a frequent basis (such as quarterly) without the implementation of EDC rate-ready billing capability. Therefore, EDCs should not be required to

support referral programs as proposed until such time as they have implemented rate-ready billing. EDC rate-ready billing is consistent with the Company's comments under the heading "4. Enrollment" regarding the use of EDC-consolidated billing.

- Issues surrounding a customer's right to withdraw from the program need to be better defined. Although the proposal states that the customer must provide notice, it does not describe to whom notice is provided or in what form. The proposal does not appear to preclude the customer from withdrawing by simply selecting an EGS and having a new enrollment take effect. The Company recommends that withdrawal be implemented according to existing EDI rules and protocols and, in particular, only occur at a meter read.
- The Company believes that the limitation on a customer being only able to receive an introductory discount once every three years will introduce significant complexity. Referral program-related enrollments will have to be blocked and EDCs will need to change existing practices associated with name changes, address changes, bankruptcy, and any other event that might result in a new account number being assigned and the customer appearing as a new customer.

6. The EGS Contract

As noted in its comments above, the Company recommends that, should the Commission choose to implement the proposed program, enrollment be implemented according to existing EDI rules and protocols, including, specifically,

the letters provided to customers by both the EGS and EDC. This approach also would apply to a customer's right to rescind. Furthermore, the Company is unclear as to the distinction between rescission and withdrawal. The Company notes that the proposal that a customer can "rescind" during the first month of service is problematic because it could be interpreted to mean that the customer wasn't served during that period (which means that energy delivered prior to the "rescission" will have to be rebilled and resettled). Moreover, the proposal does not specify that such "rescission" must take place at least 16 days prior to the next meter read date (which again raises concerns for energy settlement). The Company's concerns regarding rescission, withdrawal, and existing protocols also arise in the "EGS Contract Option Requirements" which is attached to the discussion draft.

The "EGS Contract Option Requirements" discusses pricing issues during the introductory and post-introductory periods, but does not address other terms and conditions that might be part of the EGS contract. PPL Electric believes that, should the Commission choose to implement the proposed program, all terms and conditions for participating EGSs should be the same and should be pre-established by the PUC, otherwise an EDC's random assignment of a customer will have the effect of advantaging some customers and disadvantaging others. The Company also believes that this uniformity should extend to post-introductory period pricing or, in the alternative, a Commission established cap on the amount the price can increase in the post-introductory period.

7. EDI Confirmation Transactions

PPL Electric agrees that notification to the customer of price changes should be from the EGS.

8. Incremental Costs

PPL Electric agrees that costs should be recovered through a non-bypassable surcharge and believes that enacting regulations should specify that such surcharge will be designed to permit the full and timely recovery of all costs arising from the implementation and on-going administration of the customer referral program.

9. Website

The information that is proposed to be on the EDC website seems to be more consistent with customers selecting from among competing offers than with a random-assignment referral program. For example, it is unlikely that EGSs will know and be able to list their post-introductory price. Furthermore, it is likely that the post-introductory price will be different for different vintages of referral program participants. Either posting all such prices or posting only the current price is likely to be a source of customer confusion.

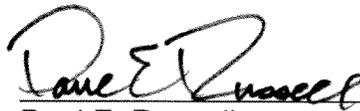
10. Promotion

This section discusses joint promotion of the customer referral program by EGSs and EDCs, but does not describe the frequency of such efforts, how the content is determined, which parties fund the efforts, or other details.

IV. Conclusion

For all of the reasons described above, the Company recommends that the Commission not pursue a customer referral program such as the one outlined in Staff's January 5, 2010 e-mail to RMWG members. The Company believes that such a program will be complex, costly, potentially confuse customers and, in light of recent shopping experience in Pennsylvania, unnecessary. Moreover, the Company believes that such an approach is dangerously close to being an unauthorized switch or "slam" which is explicitly prohibited by the Competition Act and the Commission's regulations implementing that Act. In the alternative, if the Commission decides to pursue such a program, the Company recommends that the Commission adopt the specific changes and clarifications described above in Section III, "Specific Comments", to minimize the complexity, cost, and customer confusion.

Respectfully submitted,



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at Allentown, Pennsylvania