

**PENNSYLVANIA PUBLIC UTILITY COMMISSION
HARRISBURG, PENNSYLVANIA 17105-3265**

Investigation of PA's Retail Electricity Market

**Public Meeting: February 14, 2013
2237952 - DIR
Docket No. I-2011-2237952**

STATEMENT OF COMMISSIONER PAMELA A. WITMER

Earlier this week, the Pennsylvania Public Utility Commission (Commission) publicly recognized the fact that over two million Pennsylvania customers are now participating in the retail electricity market. That is two million residential and business customers who have learned that shopping for electricity can save consumers money and provide them with innovative products, and, most importantly, without disrupting the electric services we all have come to rely on from our utility. While achieving this milestone is significant, it is quite frankly not good enough. I believe there continues to be fundamental flaws in the way the current electric retail market is structured that prevents us from being able to take the next step for improvement without the significant actions we are proposing here today.

The basic problem I see impacting retail electric competition in Pennsylvania today is that we have two different and competing markets. On the one hand, we have a retail market, populated by electric generation suppliers (EGSs) offering any number of products to entice customers to purchase from them. They fight for the best contracts and offer services ranging from fixed prices to energy efficiency upgrades to airline miles. These companies drive down prices and innovate to survive. With over 300 licensed suppliers fighting for every customer in the Commonwealth, there is a vast array of products to suit every need.

However, this market must compete against regulated default service. The electric distribution companies (EDCs), as default service providers, have contracts regulated and approved by this Commission. They are required by law to have a "prudent mix of contracts," which, in many cases, contains products that are purchased months, sometimes years, before delivery. In addition, EDCs must forecast what they think the price of electricity will be and how many customers they will have in order to set prices quarterly. If they guess wrong and over collect from ratepayers, they refund that money back to their customers, depressing the price of default service. What results is an outdated and inaccurate Price to Compare (PTC) against which retail suppliers must compete. This has to change if we want to continue to foster a free market that creates opportunities for potential cost savings and more product innovation. I believe that this is exactly what the General Assembly envisioned with the passage of the Electricity Generation Customer Choice and Competition Act when stating that:

This Commonwealth must begin the transition from regulation to greater competition in the electricity generation market to benefit all classes of customers

and to protect this Commonwealth's ability to compete in the national and international marketplace for industry and jobs.

These are exactly the type of goals and objectives our proposals seek to effectuate today.

My fear is if default service is left unchanged over the long term, electric retail suppliers will choose not to compete in the Commonwealth, to the detriment of all customers. Some suppliers may reduce their presence in Pennsylvania or not offer as innovative and varied a selection of products as they do in other states. Even worse, suppliers may cease their Pennsylvania operations completely. Regardless, as regulators, our duty is to establish a framework that will best benefit our ratepayers, utilities and retail suppliers.

That is why I am excited and encouraged by the action we take here today. The Order before the Commission moves the Commonwealth further toward truly realizing the benefits of retail electric competition both now and in the future. However, to unleash the true power of the retail market, we will need to work with the General Assembly and all interested parties to make it happen. The Legislature has already shown a desire to see competitive forces control the cost of electricity generation in order to provide Pennsylvania consumers with the best bang for the buck through electric choice. I look forward to working with them and other stakeholders as we design and realize the vision for Pennsylvania's energy future.

DATE: February 14, 2013


PAMELA A. WITMER, COMMISSIONER