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March 25, 2014

VIA ELECTRONIC FILING

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

**Re: Proposed Rulemaking: Standards for Changing a Customer's
Electric Generation Supplier
Docket No. L-2014-2409383**

Dear Secretary Chiavetta:

Pursuant to the Pennsylvania Public Utility Commission's Secretarial Letter dated March 18, 2014 in the above-referenced proceeding, enclosed herewith for filing are the Comments of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company.

Please contact me if you have any questions regarding this matter.

Very truly yours,



Tori L. Giesler

dln
Enclosures

c: Office of Competitive Market Oversight (RA-OCMO@pa.gov)

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Proposed Rulemaking: Standards For	:	
Changing a Customer's Electricity	:	Docket No. L-2014-2409383
Generation Supplier	:	

**COMMENTS OF METROPOLITAN EDISON COMPANY,
PENNSYLVANIA ELECTRIC COMPANY, PENNSYLVANIA POWER
COMPANY AND WEST PENN POWER COMPANY**

I. INTRODUCTION AND BACKGROUND

On March 18, 2014, the Pennsylvania Public Utility Commission (“Commission”) issued a Secretarial Letter in the above-captioned docket informing electric distribution companies (“EDCs”), the Office of Consumer Advocate (“OCA”) and the Office of Small Business Advocate (“OSBA”) of a proposed final-omitted rulemaking (“Rulemaking”) to amend existing Regulations at 52 Pa. Code, Chapter 57. The Rulemaking would direct EDCs to accelerate switching time frames through the use of off-cycle meter reads in a manner that will permit Pennsylvania retail customers to switch suppliers within three days or less. Implementation of the Rulemaking is contemplated to be required within six months of publication in the *Pennsylvania Bulletin*. While comments are not required in a final-omitted rulemaking process, the Commission recognized the proposed changes are significant and, as such, provided for a seven-day comment period as to the proposed changes, the practicality of implementing those changes within six months of their effective date, and the costs associated with doing so.

Metropolitan Edison Company (“Met-Ed”), Pennsylvania Electric Company (“Penelec”), Pennsylvania Power Company (“Penn Power”) and West Penn Power Company (“West Penn”)

(collectively “the Companies”) respectively submit the following comments in response to the Secretarial Letter.

II. COMMENTS

As a starting point, the Companies believe that at best, they are currently capable of implementing temporary modifications that will allow the regulations to take effect. However, the temporary solution is anticipated to create customer confusion and frustration, and the Companies have not been able to identify a long-term, permanent solution to the proposed changes within the amount of time allotted for comment on the Rulemaking. Generally, the Companies have concerns that the process through which such significant changes are sought is too brief to fully identify those challenges that must be overcome to make the implementation of such changes successful. While there has been previous opportunity to opine on shortening switching timelines, each previous proposal assumed an “on-cycle” as opposed to an “off-cycle” switch. Here, the proposal dramatically shifts to require off-cycle switching, which presents difficulties that are not present in the instance of on-cycle switching. As such, the Companies have not been able to perform an exhaustive review of the impacts and challenges associated with implementing the Rulemaking or the costs associated with doing so within the limited context of the temporary solution they envision, much less as a permanent change that is required to coordinate with each of the other pending system and process changes that have resulted from the Commission’s Retail Markets Investigation.

At this time, the Companies believe that the initial programming costs associated with implementation of their planned temporary solution would cost a minimum of \$1.5M to \$2M, followed by yet-undetermined ongoing and further development costs, which could be significantly higher than those associated with temporary implementation. Apart from costs

incurred, the Companies would require a waiver of Section 56.2 of the Commission's regulations in order to implement the temporary solution, as off-cycle switching would lead to at least two bills being sent to customers during any billing period in which they switch generation suppliers, a process described in detail later in these comments. Such a temporary solution also is likely to lead to increased customer confusion and irritation, and additional costs associated with customer billing and service are certain to occur.

The Companies recognize the concerns associated with the impact of recent electricity market price increases on certain segments of shopping customers. However, the changes proposed by the Rulemaking are reactive rather than proactive and would not prevent against a similar situation occurring again in the future, particularly considering that customers generally do not realize that they are subject to these charges or what the magnitude of the increase will mean over the course of a month until that month's bill arrives and the charges have already been incurred. While shortening a switching period would reduce the duration of time that a customer is exposed to variable pricing, recent variable price spikes have been for a short duration following a specific event or point in time, and were thus likely to be covered by a single billing cycle. Because of this, at the point that the customer would know that they wish to switch, in all likelihood, it would be too late to avoid these types of charges. Therefore, the Rulemaking does not get to the heart of the problem that led to the recent customer "rate shock," which appears to reflect a limited consumer understanding of the implications of entering into a variable rate contract with an EGS, and the risks that attend such purchasing decisions. As such, the Companies respectfully submit that alternative efforts would be more beneficial as a long-term proactive solution.

Section 57.172. Customer contacts with the EDC.

The Rulemaking at Section 57.172(2) proposes that where a customer desiring to switch from a current EGS product to default service contacts their EDC and requests that switch, the EDC notify the customer of the potential for financial penalties associated with terminating an EGS contract. After this notification, the EDC is to switch the customer back to default service where express oral consent to do so is obtained. Such requests are already permitted by the Companies' supplier tariffs and the Companies take no issue with the proposed changes from a substantive perspective. However, the Companies note that there are inconsistencies in the terms used in subsection (2), which refers at several points to the "default service supplier." The remainder of the subchapter and, including the definitions and statutory references, instead use the term "default service *provider*" (emphasis added). "Default service supplier" is in fact a defined term in the EDCs' default service programs and associated supporting documents for use in providing wholesale default service. Therefore, the Companies recommend adopting the use of "default service provider" at all points throughout the subchapter and removing "default service supplier" in order to reduce confusion and provide consistency.

Section 57.174. Timeframe Requirement

When a switch takes place today, the minimum length of time required to process the switch is five days prior to the scheduled meter read date. A waiting period is programmed into the Companies' SAP system to allow for seven days to effectuate the switch, plus an additional two days to account for postal delivery.¹ Under the Rulemaking, EDCs would be directed to effectuate a switch within only three calendar days of receipt of the electronic enrollment transaction. Recognizing that not all EDCs are equipped with smart metering technologies that

¹ 52 Pa. Code § 57.174 currently calls for a ten day advance notice period. However, the Commission waived this requirement and accelerated the current switching period to 5 days in advance of a read date.

obviate the need for meter readers to go into the field to secure readings, the Rulemaking further permits EDCs to use actual, estimated, or customer-supplied reads in order to effectuate the switch, subject to true up during the customer's normal meter read cycle. The Companies appreciate the Commission's consideration of each EDC's own unique limitations at this transitional time, but note that, while they are capable of implementing a temporary solution to meet the requirements of the Rulemaking in the short term, they require significantly more time for research, development and implementation of a more permanent solution that is not contemplated by this Rulemaking.

Programming and Implementation

Apart from concerns associated with the reporting of supplier obligations to PJM and certain restrictions for customers nearing their meter read dates noted below, the Companies anticipate that they could functionally effect switches within a three-day period given enough time to properly program their systems with the use of a temporary solution. That said, six months' programming time is an extremely aggressive schedule within which to fully program all of the changes that would be required to successfully move to mid-cycle switching within the context of the Companies' SAP core design, and the Companies do not believe the required programming would be possible within that timeframe. The Companies believe that in order to successfully program and implement a temporary solution would require up to twelve months. Further, while this resolution would allow implementation of the Rulemaking on a temporary basis, it would require a waiver of regulation under Chapter 56, a modification to the Rulemaking, and would result in customers receiving several bills during the same billing period, likely leading to customer confusion and frustration, as well as difficulty in accurately accounting for EGS charges and receivables.

One difficulty that the Companies anticipate being tied to a three-day switch is with respect to requests that would be received within four business days of a customer's meter read date. The timing of EGSs transmitting their charges to the EDC for placement on customer bills is aligned in anticipation of customer billing on meter read dates. In instances where a customer would request a switch within four business days of their meter read date, it is likely that the EGS charges submitted would not make it to the bill in time, and significant confusion would arise over where and how charges for that EGS would be billed to the customer. The Companies believe that this could be resolved if, in those instances where a customer requests a switch four business days prior to a meter read date, the process would default to a switch on the meter read date rather than on the third day. Allowing for switching on the meter read date in this limited circumstance (all others taking place within three days) would remove many likely negative outcomes from a customer service perspective and create a more seamless process for customers. Therefore, the Rulemaking should be modified at Section 57.174(1) to permit switching on the meter read date where the request to switch occurs within four business days of the meter read date.

Another major consideration is that in order to implement the Rulemaking on a temporary basis, the only approach the Companies believe would work within the confines of their billing system would lead to customers receiving an off-cycle bill for final charges from the current supplier (as well as prorated EDC charges), followed by a second bill to finish out the standard bill period, to include charges from the new supplier. Not only does this create the possibility for customer confusion and frustration over why they are receiving several bills in such short succession, but there would be challenges associated properly accounting for each EGS's respective share of the charges and receivables, specifically following a true-up bill, as well as with fixed charges billed to customers under the Companies' current tariffs. For instance,

distribution customer charges and smart meter charges would be billed for both the first off-cycle bill from the current supplier as well as the bill to finish out the standard bill period with the new supplier. Where prorated, these charges could be higher than where they would be charged on one bill alone for the billing period. Additionally, in order for such a fix to be permissible, the Companies note that the Commission must provide a limited waiver to its regulations at 52 Pa. Code § 56.2, which requires that bills be for periods no less than twenty-six days and no more than thirty-five days. As such, the Commission should grant EDCs up to twelve months to complete the necessary programming and grant a waiver of 52 Pa. Code § 56.2 for purposes of effectuating the requirements of the Rulemaking.

PJM Reporting Requirements

The Rulemaking's three calendar day requirement presents challenges for a variety of reasons. Initially, a minimum of three business days for retail customer supplier switches is required just to maintain the accuracy of peak load contribution ("PLC") (capacity obligation) and network service peak load ("NSPL") (transmission obligation) billing determinants that are provided to PJM Interconnection, LLC ("PJM") each business day. This is because PJM market rules require that each day's posting from an EDC reflect each supplier's obligations two days into the future. Because there is no process at PJM to reconcile or correct the NSPL and PLC obligations as reported two days in advance of market day, using estimates to do so could lead to widespread inaccuracies in the reported obligations.

Current business processes require the Companies' systems to calculate each supplier's capacity and transmission obligation three business (not calendar) days prior to the market day and report results to PJM the following morning by noon in order to meet PJM reporting deadlines. Allowing supplier switches to become effective within a timeframe of less than three *business* days

will not allow the customer's PLC and NSPL to transfer from the customer's current supplier to the new supplier in time to report the associated change in supplier obligations to PJM. If sufficient time isn't allowed to provide accurate reports to PJM with respect to these obligations, the customer's current supplier will retain these PJM cost obligations for several additional days without any revenue compensation from the customer. Any such inaccuracies in supplier PLC and NSPL obligations can become rather significant, particularly where associated with large industrial accounts. Therefore, the Rulemaking at Section 57.174(1) should be modified to provide for a switch to take place within three *business* days rather than calendar days.

Customer Considerations

In addition to the concerns noted, *supra*, with respect to customers seeing several bills in one billing cycle and the impacts of such a billing structure, the Companies are concerned that by removing the waiting period for consumers to voice objections to a switch, customers will have less recourse in resolving an instance of "slamming." In fact, the Rulemaking as proposed would create a situation in which, were a customer made aware that they had been switched against their wishes, not only would the initial "slamming" switch have led to an off-cycle bill, but any switch that would be requested to rectify the slamming would lead to an additional off-cycle bill. This could compound customer confusion and frustration in short order. Therefore, the Companies recommend that the Rulemaking be revised to limit a customer to one off-cycle switch per billing period. This limitation would mitigate the issues that would otherwise arise by permitting several switches within a standard billing period.

Cost Recovery and Timeline

As noted above, the changes contemplated by the Rulemaking would, based upon very preliminary projections, cost the Companies between \$1.5M and \$2M to initially implement a temporary solution, to be followed by costs associated with a permanent solution as well as ongoing operations. Ongoing operations are anticipated to include drivers such as increased customer service, metering and information technology costs, at a minimum. The Commission's Secretarial Letter issuing the Rulemaking for comment proposes to allow EDCs to bring these costs in for proposed recovery in their next base rate proceedings. While the Companies do not oppose the implementation of the Rulemaking consistent with these comments, they do have concerns with the potential for EDCs to incur significant costs associated with implementation. Any costs which EDCs incur to modify their systems and implement this Rulemaking must be recoverable on a full and current basis through a reconcilable rider mechanism.

With respect to the timeline for implementation, the Companies reiterate that they require up to twelve months for implementation of a temporary solution alone. This is not a solution that should be relied upon indefinitely, because it is anticipated to drive customer confusion and irritation, increase customer service costs associated with responding to this confusion as well as additional billing and training, and is likely to lead to the inability to properly account for various EGS charges and receivables. The Companies remain committed to researching a more permanent solution. However, the Commission should remain mindful of the many changes that EDCs are faced with resolving that are related to this Rulemaking's functionality as a product of the Retail Markets Investigation and other proceedings, including but not limited to EDI changes, implementation of seamless moves and instant connect functionality, smart meter deployment and the roll out of associated communications systems, and the development of a customer web lookup

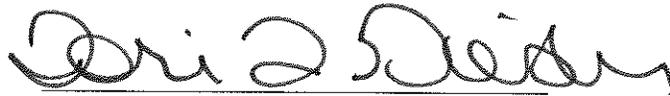
portal for use by the EGS community. Each of these various projects interfaces with the same systems in the same way that the systems implicated by this Rulemaking are. The technical challenge associated with not only implementing each of these initiatives independently but also ensuring that they seamlessly coordinate is a consideration that cannot be overlooked if each of these initiatives are to be successfully implemented. As such, EDCs should not be rushed to find “quick fixes” to systems that could significantly impact Pennsylvania’s electric customers if not well coordinated.

III. CONCLUSION

Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company appreciate the opportunity to provide comments regarding the Commission’s proposed revisions to Chapter 57 and look forward to further cooperation with interested parties on this topic.

Respectfully submitted,

Dated: March 25, 2014



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CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true and correct copy of the foregoing document upon the individuals listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

Service by first class mail, as follows:

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Harrisburg, PA 17101

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Dated: March 25, 2014



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