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March 25, 2014

**VIA eFILING**

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
P.O. Box 3265  
Harrisburg, PA 17105-3265

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

Dear Secretary Chiavetta:

Enclosed for filing in the above-referenced matter are the **Comments of PECO Energy Company on the Commission's Proposed Amendments to Regulations at 52 Pa. Code §§ 57.171 et seq.**

Sincerely,

A handwritten signature in black ink, appearing to read "Craig Williams".

W. Craig Williams

Enclosure

cc: Office of Consumer Advocate (*via email*)  
Office of Small Business Advocate (*via email*)  
Office of Competitive Market Oversight (*via email*)

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PROPOSED RULEMAKING:** :  
**STANDARDS FOR CHANGING A** : **DOCKET NO. L-2014-2409383**  
**CUSTOMER’S ELECTRICITY** :  
**GENERATION SUPPLIER** :

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**COMMENTS OF PECO ENERGY COMPANY  
ON THE COMMISSION’S  
PROPOSED AMENDMENTS TO REGULATIONS  
AT 52 PA. CODE §§ 57.171 ET SEQ.**

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**I. INTRODUCTION**

PECO Energy Company (“PECO” or the “Company”) submits these Comments in response to the Pennsylvania Public Utility Commission’s (“PUC” or the “Commission”) Secretarial Letter at Docket No. L-2014-2409383, which initiated a rulemaking for the purpose of amending the Commission’s regulations at 52 Pa. Code §§ 57.171 – 57.178. As stated in the Secretarial Letter, the purpose of the proposed amendments is “to direct EDCs to accelerate switching time frames through off-cycle meter reads in a fashion that will permit Pennsylvania retail electric customers to switch suppliers within five (5) business days or less.” Additionally, the Secretarial Letter expresses the Commission’s intent to require electric distribution companies (“EDCs”) to fully implement the proposed amendments “within six months of publication in the Pennsylvania Bulletin, absent good cause shown.” PECO appreciates the opportunity the Commission is providing to address the proposed regulations.

**II. OVERVIEW**

PECO looks forward to working cooperatively with the Commission to promote competitive retail energy markets and enhance customers’ shopping experience. As previously

noted, PECO understands that accelerated supplier switching is key to achieving those objectives. Accordingly, PECO believes that the process of implementing off-cycle switching should adhere to certain guiding principles that will help formulate the blueprint for achieving the Commission's goals in a fair and expeditious manner.

PECO has long been a strong proponent of competition, and it remains committed to the continued success of retail competition. The Commission has clearly expressed its view that implementing accelerated supplier switching is critical to building customer confidence in the competitive process in the current market environment. PECO appreciates the importance of achieving accelerated switching as expeditiously as reasonably possible. Although time is clearly of the essence, EDCs will need a reasonable interval to implement the information technology ("IT") and business process changes needed to accommodate off-cycle switching in the manner outlined in the proposed regulations. The factors that affect the timeline for implementing those changes are discussed fully in Section III.A. below.

In terms of implementation, PECO respectfully submits that the processes for off-cycle switching should be uniform for all customer classes, and switches should be limited to one per customer per billing cycle. Non-uniformity in class switching processes and multiple switching within a single business cycle would be impracticable and could stand in the way of expeditiously implementing off-cycle switching.

Consistent with the guiding principles set forth above, PECO's comments focus on the time that will be required to implement the proposed regulations and proposed means of assuring full and current cost recovery. PECO also has suggestions with respect to specific elements of the proposed regulations, as more fully explained below.

### III. COMMENTS

#### A. **The Six-Month Period For Implementation Contemplated By The Secretarial Letter**

As PECO emphasized previously, it is fully committed to complying with the proposed regulations within the timeframe stated in the Secretarial Letter if the proposed regulations are adopted. However, for the reasons discussed below, the six-month period envisioned by the Secretarial Letter will be challenging. Consequently, PECO will keep the Commission fully apprised of its progress and if, during the work period, any issues arise that might affect its ability to comply with the six-month target date for implementing off-cycle switching, PECO will notify the Commission promptly, describe the problems encountered, lay out its plans to resolve those problems, and set forth its revised implementation time-line.

PECO has endeavored to determine the feasibility of implementing off-cycle switching in a form that substantially complies with the parameters set forth in the proposed regulations. At the outset, it is important to understand that it is not feasible to make the changes to PECO's Customer Information Management System ("CIMS") that would be needed to accommodate off-cycle switching within the six-month timeframe identified in the Secretarial Letter. However, PECO believes, based on the analysis it was able to perform since the issuance of the Secretarial Letter, that it may be able to implement business process changes to accommodate off-cycle switching in substantial compliance with the proposed regulations and the Secretarial Letter.

The business process changes PECO currently envisions as a temporary means of implementing off-cycle switching would still require revising various components of its IT systems. In broad summary, such revisions will be needed to over-ride existing automated workflows so that certain aspects of the switching process can be completed manually within the three-day end-to-end time period proposed in Section 57.174. Although such IT changes will be less

comprehensive than those needed to modify PECO's CIMS to achieve fully automated switching,<sup>1</sup> the process of designing and implementing such changes is no less rigorous. Specifically, it involves identifying and defining the technical requirements for the proposed changes; crafting the overall IT design, including the manner in which the specific changes interface with other systems and business processes; writing code to implement the IT design; completing multiple levels of testing, first of individual components and, later, of the entire design change, in order to assure the redesigned system works as intended and does not create errors in other IT components; and implementing process changes, including intra-company communication and training, needed to roll-out the IT modifications.

Each phase of the process outlined above must be performed sequentially. As a practical matter, this means that there is a minimum time requirement to complete all critical path tasks, and that time commitment cannot be reduced regardless of the number of employees, contractors or other resources devoted to the project. The consequences of implementing off-cycle switching prematurely could be significant and far-reaching given the number of switches completed each week. For example, PECO has processed between 2,000 and 3,000 supplier enrollments per week thus far in 2014.

Given the nature and sequencing of the work required to implement off-cycle switching, as explained above, and the critical importance of assuring that all of the systems implicated by the switching process work properly, PECO cannot guarantee that off-cycle switching will be fully operational within the six-month time horizon envisioned by the Secretarial Letter. However, to reiterate, PECO will commit all reasonable resources needed to achieve that goal and will keep the Commission fully apprised of its progress.

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<sup>1</sup> Currently, PECO estimates that the changes to PECO's CIMS needed to accommodate three-day off-cycle switching would require, conservatively, at least 12 months to complete.

Additionally, as the Commission is aware, EDCs are currently working on a number of other competitive market initiatives pursuant to Commission guidelines and directives, such as the “instant connect” and “seamless move” protocols.<sup>2</sup> Those initiatives require PECO to work on the same systems and software that the off-cycle switching changes involve. Unfortunately, it would not be feasible to do the work needed to comply with the End State Order and the work needed to comply with the proposed switching regulations at the same time because the various tasks required for each program have reciprocal impacts and, therefore, must be done sequentially. Consequently, if the proposed regulations are adopted in their current form, it is important that the Commission acknowledge the potential for conflicts and provide appropriate guidance on how all of this work should be prioritized. Specifically, implementing off-cycle switching within the six-month time horizon stated in the Secretarial Letter may require the Commission to consider revisiting the June 1, 2015 deadline for “seamless moves” and “instant connects” set forth in the End State Order.

**B. Full And Current Cost Recovery**

The Secretarial Letter states that “[c]ost recovery for implementation is anticipated to be addressed in each EDC’s next base rate proceeding.” It is difficult, at this stage, to define the scope of the work that would be needed to achieve compliance with the proposed regulations.<sup>3</sup> However, there is the potential that costs could be significant, particularly if certain refinements were mandated, which would necessitate fundamental changes in “core” systems. Consequently, PECO respectfully requests the Commission to revisit the issue of cost recovery and provide that

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<sup>2</sup> See *Investigation Of Pennsylvania’s Retail Electric Market: End State of Default Service*, Docket No. I-2011-2237952 (Final Order entered Feb. 15, 2013) (hereafter, “End State Order”). Pursuant to Ordering Paragraphs 5 and 6 of the End State Order, PECO filed its Plan for Accomplishing Seamless Moves and Instant Connects on December 18, 2013 and is awaiting approval thereof by the Commission.

<sup>3</sup> Based on a limited initial analysis of the scope of IT changes required to provide off-cycle switching within the six-month period proposed in the Secretarial Letter, the cost of such IT modifications is estimated to be approximately \$3 million. Additional implementation costs related to business process changes are not included in this estimate.

EDCs may seek full and current cost recovery under an appropriate rate adjustment mechanism, such as PECO's existing Smart Meter Cost Recovery Surcharge Rider or a new adjustment clause established for this purpose, if the costs of compliance prove to be significant. In addition, EDCs should also be permitted, as an alternative to recovery under an adjustment clause that is exercisable at an EDC's option, to request approval to defer their implementation and on-going costs, establish a regulatory asset for such costs, and seek recovery in a future base rate case.

**C. Comments On Specific Proposed Amendments To The Switching Regulations**

**1. Amendment To Section 57.173(1) Allowing Customers To Select A "Future Date" To Initiate Service With Their Selected Electric Generation Supplier**

Proposed Section 57.171(1) provides that an "EGS offering the selected EGS product" must notify the EDC of that customer's selection of the electric generation supplier ("EGS") at the end of the three-business day rescission period "or a future date that will initiate supply service with the selected EGS product on the date specified by the customer." PECO understands this provision to require that an EGS assure its electronic enrollment transaction is sent to the applicable EDC at a point in time when, after adding the permitted interval for the EDC to implement the change, the supplier switch will take effect on the "future date" "specified by the customer." Indeed, this interpretation is the only one that would allow an EDC to comply with both proposed Section 51.171(1) and the proposed amendment to Section 57.174(1) requiring that "the EDC shall make the change within 3 calendar days of the receipt by the EDC of the electronic enrollment transaction."<sup>4</sup> However, to remove any doubt, PECO requests that the Commission confirm its interpretation of this provision.

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<sup>4</sup> If an EGS could send an electronic enrollment transaction more than "3 calendar days" before the date of initiation of service for the selected "EGS product" with an instruction that service should be initiated many more days, weeks or months in advance, then an EDC could not comply with Section 57.173(1) without violating the three-day rule in proposed Section 57.174. Moreover, the electronic enrollment transaction forms do not provide for the designation of

## 2. Removal Of The “Waiting Period” In Section 57.173(2)

The Commission has previously stated that the 10-day waiting period in existing Section 57.172(2) “is intended to give the customer time to contact the EDC to cancel the switch of supplier in cases where the customer did not authorize the switch of supplier.”<sup>5</sup> In its *Final Order Interim Guidelines Regarding Standards for Changing a Customer’s Electricity Generation Supplier*, Docket No. I-2011-2270442 (October 24, 2012), the Commission shortened the waiting period from 10 days to five by issuing a blanket “waiver” of the 10-day rule, stating: “We believe that a 5-day period provides sufficient notice for customers and time to act to prevent an unauthorized switch.” *Id.* at 46. As noted, the purpose of a “waiting period” is to “prevent an unauthorized switch” (emphasis added). To put this in context, thus far during 2014, PECO has been experiencing between 100 and 150 customer requests per week to stop a switch in response to customers’ receipt of an enrollment letter.

If the proposed amendment to Section 57.173(2) is adopted, customers will be switched without the opportunity to stop an allegedly unauthorized change before it occurs. Under those circumstances, if a customer asks his or her EDC to reverse a change to the customer’s account that it believes occurred without authorization, that request will be treated as a supplier “switch” and will be processed as such. As a consequence, there will be some period of time during which the customer will be billed as receiving service from the supplier to which the customer alleges it was changed without authorization. Any billing issues that might arise as a result of such a change will constitute a dispute solely between the customer and its EGS and, if not resolved by them, will have to be addressed by the Commission if either party invokes the Commission’s jurisdiction.

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such a “future date” for the initiation of service, and processing the necessary Electronic Data Exchange Working Group (“EDEWG”) changes would take additional time which is outside the control of the EDC.

<sup>5</sup> *Tentative Order, Interim Guidelines Regarding Standards for Changing a Customer’s Electricity Generation Supplier*, Docket No. I-2011-2270442, 2011 Pa. PUC LEXIS 434 (Nov. 14, 2011).

### **3. Three Calendar-Day Switching Requirement In Proposed Section 57.174(1)**

The proposed amendment to Section 57.174(1) provides that when a customer has authorized a change to an EGS or a change from an EGS to default service, then “consistent with electric data transfer and exchange standards, the EDC shall make the change within 3 calendar days of the receipt by the EDC of the electronic enrollment transaction.” As the Commission is aware, this is an ambitious timeframe, particularly in light of PJM Interconnection LLC’s (“PJM”) requirement for 36-hours notice (which PJM must receive not later than 12 noon) for zonal allocations of load serving entities’ (“LSEs”) capacity and transmission obligations. *See* Section D.2 of Schedule 8 of PJM’s Reliability Assurance Agreement.<sup>6</sup> The challenges to meeting this deadline are increased if the three-day period includes weekends and holidays. Accordingly, PECO requests that the Commission consider changing the proposed maximum switching period from three calendar days to three business days.

Additionally, potentially significant issues could be created if off-cycle switching were implemented without limiting a customer to one switch per billing period. Given various parameters in the Company’s billing system, it would be impracticable to try to accommodate multiple changes of suppliers by a customer within a single billing period.

### **4. Application Of Sections 57.174(1) And (2) To Unmetered Customers**

Unmetered – specifically, lighting – service creates unique and significant challenges to implementing off-cycle switching because bills for such service are calculated based on formulas and, therefore, the Company’s billing system does not have the automated capability to recalculate

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<sup>6</sup> PECO believes it should be possible for PJM to reduce the notice period by 24 hours without adversely affecting its zonal allocations of capacity and transmission. However, such a change would require a formal request through PJM’s stakeholder process. PECO would support such a request if one is made.

bills outside the regular billing cycle. As such, the Company requests that these customers be exempt from off-cycle switching at this time.

#### **5. Elimination Of Existing Section 57.175**

The proposed amendments would revoke current Section 57.175 and, in so doing, eliminate the requirement that customers that want to authorize others to make changes to their account must “provide the EDC with a signed document identifying by name those persons who have the authority to initiate a change of the customer’s EGS.” If this provision is removed, there will be no effective means for EDCs to determine whether someone purporting to act on a customer’s behalf is, in fact, authorized to make changes to the customer’s account.

#### **6. Comments Respecting Technical Drafting Elements Of The Proposed Regulations**

**Section 57.171.** Proposed amendments to Section 57.171 introduce the terms “Current EGS Product” and “Selected EGS Product,” which are used in subsequent sections of the proposed regulations. If the term “EGS Product” was intended to denote a change in a contract – or a change in a substantive term of a contract – by a customer’s **existing** EGS, then the introduction of this concept could have implications for how the switching process will be implemented.

Currently, customers can change from one “Product” to another offered by the same EGS without the need to contact the EDC and without any EDC action. Specifically, under “bill ready” billing, the EDC sends a customer’s monthly billing determinants (usage) to its EGS, and the EGS sends back the dollar amount the customer is to be billed. An EDC does not know – and has no reason to know – whether the customer has changed the “Product” it is purchasing from its EGS. As a consequence, a customer’s change from one “EGS Product” to another offered by the same EGS can be processed internally by the EGS.

The proposed amendments to subsequent sections<sup>7</sup> may require that EDCs treat a change from one “Product” to another by the same EGS as a “supplier” switch. Current practice does not require such a change to be processed as a “supplier” switch, and no issues have, to PECO’s knowledge, ever arisen from the current practice. Consequently, it does not appear that implementing a change along the lines the proposed amendments contemplate would be warranted. Additionally, as previously noted, treating a change in “Product” the same as a change in “supplier” could delay, not accelerate, the switching process for customers who select a different “Product” from their existing EGSs.

**Section 57.172(1).** Proposed Section 57.172(1) provides that when a customer contacts an EDC to switch EGSs or to switch from default service to an EGS, “the EDC shall notify the customer that the EGS offering the selected EGS product shall be contacted directly by the customer to initiate the change.”<sup>8</sup> The second sentence of that section, which would be added by the proposed amendments, carves out a broad exception to that rule: “This requirement does not apply in the context of a Commission-approved program that requires the EDC to initiate a change in EGS service.” It appears that the proposed exception was crafted to accommodate EDCs’ Standard Offer programs. If that is the case, then the proposed exception should be revised to apply specifically to Standard Offer programs. As currently drafted, the exception is somewhat vague and may be overly broad.

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<sup>7</sup> See Sections 57.172(1) (referring to “a switch from the current EGS product or default service provider to a new selected EGS product . . .”); 57.173 (same); 57.173(2) (requiring a confirmation letter “noting the proposed change of EGS or EGS product . . .”); 57.174 (referring to “oral confirmation or written authorization to select the new product or move from default service . . .”).

<sup>8</sup> In this regard, the Commission’s attention is directed to the proceeding initiated by Secretarial Letter on March 19, 2014 captioned *Rulemaking to Amend the Provisions of 52 Pa. Code, Section 54.5 Regulations Regarding Disclosure Statement for Residential and Small Business Customers and to Add Section 54.10 Regulations Regarding the Provision of Notices of Contract Renewal of Changes in Terms* at Docket No. L-2014-2409385. The PUC should consider establishing customer service standards with respect to EGSs’ role in the switching process. This will avoid the likelihood that customers may need to switch to default service, inconsistent with their economic well being.

**Section 57.172(2).** Proposed Section 57.172(2) contains the term “default service *supplier*” (emphasis added). Proposed Section 57.171 adds the defined term “Default service *provider*” (emphasis added). It appears that “default service supplier” used in proposed Section 57.172(2) was an inadvertent error and “Default service provider” was intended. The Commission should correct this inconsistency if final regulations are issued.

#### IV. CONCLUSION

PECO appreciates the opportunity the Commission has provided to offer these Comments on the proposed regulations. PECO requests that the Commission consider these Comments in formulating its decision whether to amend Subchapter M of Chapter 57.

Respectfully submitted,



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Dated: March 25, 2014

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