

PENNSYLVANIA ENERGY MARKETERS COALITION

April 3, 2014

Rosemary Chiavetta
Secretary, Pennsylvania Public Utility Commission
PO Box 3265
Harrisburg, PA 17105-3265

Dear Secretary Chiavetta:

Please find enclosed the Comments of the Pennsylvania Energy Marketers Coalition ("PEMC"), in response to the Pennsylvania Public Utility Commission's Order of March 4, 2014, regarding its Review of Rules, Policies and Consumer Education Measures Regarding Variable Rate Retail Electric Products (Docket No. M-2014-2406134). Please do not hesitate to contact me with any questions or concerns regarding our Comments.

Sincerely,



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(PEMC)

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Enclosures

**COMMONWEALTH OF PENNSYLVANIA
PUBLIC UTILITY COMMISSION**

**Review of Rules, Policies and Consumer)
Education Measures Regarding Variable) Docket No. M-2014 2406134
Rate Retail Electric Products)**

**COMMENTS OF THE
PENNSYLVANIA ENERGY MARKETERS COALITION**

The Pennsylvania Energy Marketers Coalition (“PEMC”)¹ appreciates this opportunity to submit comments in response to the Pennsylvania Public Utility Commission (“PUC” or “Commission”) tentative order of March 4, 2014 (“Order”), which sought comments in response to a series of questions regarding electric generation suppliers’ (“EGSs” or “suppliers”) variable price offers. As suppliers committed to customer service, consumer education, and the long-term success of the Pennsylvania energy market, we appreciate the Commission’s concern about the pricing issue and understand the questions that surround it following the unusual wholesale electricity market conditions (primarily weather-related) experienced this past winter.

The PEMC responds to the questions in the Order below.

1. Should EGSs be required to provide advance notice of price changes to customers?

Providing advance notice of price changes to customers would increase costs to consumers, as suppliers would need to price additional risk into their offers in order to hold the price constant for longer. Since suppliers would reduce the frequency of variable price changes, consumers would not be receiving true market-rate signals. In essence, requiring suppliers to provide advance notice of price changes in variable rate products would make variable rate products more like fixed rate offers, reducing options for consumers to make their own energy decisions. In addition, there would be a logistical and administrative cost in reporting price changes more frequently.

¹ For purposes of this filing, the PEMC consists of Agway Energy Services, LLC (“Agway”), and Pennsylvania Gas & Electric (“PAG&E”).

It should be noted that consumers are not passive actors or mere “price-takers.” Consumers on variable price plans typically can switch to another energy supplier without penalty; with further accelerated switching being considered by the PUC, which the PEMC strongly supports, and the robust comparison shopping tools available on PAPowerSwitch.com, consumers unhappy with the terms of their energy plan can vote with their feet by switching to another plan or supplier that better meets their needs or preferences.

As is the case with many issues associated with retail competition, this really boils down to consumer education to empower consumers to take control of their energy bill.

2. Should the advance notice requirement be waived for minor contract price changes, within a certain bounds? If so, what bounds are appropriate?

While we fully agree that advanced notice should be provided when a customer is making a long-term commitment to a product price (i.e., one year or more), the PEMC maintains that advanced notice should not be required for price changes as part of variable rate products.

3. If advance notice is required, how far in advance of the meter read date should notice be provided and how can this notice be provided?

The PEMC maintains that advanced notice should not be required for price changes as part of variable rate products.

4. Do variable rate contracts without explicit pricing parameters provide consumers with the information needed to make informed decisions? If not, what is the remedy?

One of the strongest advantages of competitive energy markets is that they provide clear price signals to suppliers and consumers alike. Price is the information that market participants need in order to make decisions that are in their best interests.

When energy prices go down, customers can either take savings and use them for other purposes (including productive investments) or increase their consumption of energy, which is now available at a lower price. Conversely, when energy prices go up, signals are sent to consumers to change their behavior to reduce energy usage. Signals are also sent to generators to invest in

additional capacity. The more divorced EGS variable price offers are from the underlying wholesale market price, the less accurate the information contained in pricing signals will be.

For customers that prefer price stability (even if that means paying a higher cost on average over time), the appropriate product is a fixed rate offer, in which the EGS has accurately calculated the risk of market price fluctuations. A variable price offer makes sense for those customers that want to accept the potential for savings with the attendant risk of price increases.

5. Should EGSs be required to provide a historical pricing history for this formulaic rate structure?

The PEMC appreciates the desire of the PUC and other stakeholders to provide consumers with as much information as possible to help make their energy decisions. The problem with historical pricing information, however, is primarily that it is often incorrectly used not to compare supplier offers against one another, but to compare supplier offers against the utility default service rate – the inaptly-named “price-to-compare” (PTC).

Despite PUC efforts at unbundling, not all utility costs associated with the procurement and provision of the commodity – which are fully recoverable by the utility – are included in the PTC (such as salaries, payroll tax, benefits expense, rent, insurance, office supplies, accounting, IT, facilities costs, etc.).

Also important to this discussion is the fact that historic (past) prices are not an indication of future prices. Over-reliance on past information could prevent customers from fully considering new market information.

6. If so, how many months should be provided, and where should this information be provided so as to be available to all participating customers?

The PEMC does not believe historical pricing history should be required to be provided by an EGS.

7. Should EGSs describe specifically how future formulaic prices are determined?

The members of the PEMC recognize and comply with the existing requirements under PUC regulations related to variable rate information disclosure.² We respectfully disagree that additional regulatory burdens related to pricing information should be mandated, however.

First, in a competitive marketplace, EGSs are entitled (and in some cases, legally obligated) not to disclose their confidential business models. Second, it would be complicated, confusing, and impractical to require EGSs to provide all of their rate methodology and related billing calculations to customers with variable rate contracts – just as it has historically been the case for utilities. Electricity is purchased at the wholesale level in a variety of different ways by competitive suppliers – from hourly to annually.

Third, some suppliers may choose to disclose pricing indexes or methodologies as part of their product offering and marketing; however requiring them to do so would be arbitrary and non-competitive.

Fourth, and most importantly for consumers, more information does not necessarily mean more clarity. For most customers, regular review of their utility bill, weighing the value they are receiving from supplier products and services as well as the price paid to EGSs, provides the tools necessary to help them make informed decisions. Additional information about the complex pricing models that can differ dramatically among suppliers will not facilitate comparison shopping and might even discourage customers from regularly reviewing their energy choices.

² 52 Pa. Code § 54.5 relating to disclosure statements for residential and small business customers.

CONCLUSION

The PEMC is greatly appreciative of the continued efforts of Staff and the Commission seeking to further improve customer awareness and understanding of their energy options. We strongly urge the Commission to consider the unintended consequences of increasing regulation on variable price offers and information disclosure. We look forward to working with the Commission, Staff, EDCs, and other stakeholders in continued service of our common interest in advancing the retail electricity market in the Commonwealth.

April 3, 2014

Respectfully submitted,

PENNSYLVANIA ENERGY MARKETERS COALITION



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