





COMMONWEALTH OF PENNSYLVANIA  
PENNSYLVANIA PUBLIC UTILITY COMMISSION  
P.O. BOX 3265, HARRISBURG, PA 17105-3265

October 15, 1999

REFER TO OUR FILE

M-00960890F0015

TO ALL PARTIES

Standards for Electronic Data Transfer and Exchange Between Electric  
Distribution Companies and Electric Generation Suppliers

To Whom It May Concern:

This is to advise you that an Order has been adopted by the  
Commission in Public Meeting on October 15, 1999 in the above  
entitled proceeding.

An Order has been enclosed for your records.

Very truly yours,

James J. McNulty  
Secretary

Enclosure  
Certified Mail  
JEP

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PENNSYLVANIA  
PUBLIC UTILITY COMMISSION  
Harrisburg, PA 17105-3265

Public Meeting held October 15, 1999

Commissioners Present:

John M. Quain, Chairman  
Robert K. Bloom, Vice Chairman  
Nora Mead Brownell  
Aaron Wilson, Jr.

Standards for Electronic Data  
Transfer and Exchange Between  
Electric Distribution Companies  
and Electric Generation Suppliers

Docket No. M-00960890 F0015

**ORDER**

BY THE COMMISSION:

Now before the Commission are the Petition for Partial Rescission and Amendment filed by the Pennsylvania Electric Association (PEA) on July 1, 1999, the Petition for Clarification or, in the Alternative, Reconsideration filed by the Mid-Atlantic Power Supply Association (MAPSA) on June 28, 1999, and the Request for Reconsideration and/or Clarification filed by Reliant Energy Retail, Inc. (Reliant) on June 24, 1999, relating to the Commission's Order entered on June 11, 1999. By the June 11, 1999 Order, the Commission addressed the issue of whether a single, Internet communications transfer protocol should be

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implemented for the electric industry in Pennsylvania for the exchange of customer data through electronic data interchange (EDI). In modifying prior directives on this issue, the Commission's June 11, 1999 Order concluded that the use of a single Internet transfer mechanism should not be required, deferring to the market to determine whether a particular single protocol should be employed. Additionally, the June 11, 1999 Order imposed responsibilities for the payment of Value Added Network (VAN) costs on EDCs who do not comply with the directive to implement an Internet protocol by the established deadline.

#### Directives in June 11, 1999 Order

The June 11, 1999 Order directed all electric distribution companies (EDCs) to select an Internet protocol for the transmission of EDI data by December 31, 1999 and to implement Internet EDI exchanges no later than June 30, 2000. By the terms of that Order, an EDC that is not compliant with these deadlines will be required to pay all of the charges associated with the use of a VAN for the exchange of EDI data. Further, the Order provides that an electric generation supplier (EGS) may choose to continue exchanging EDI data using a VAN, in which case each trading partner would be required to pay its own VAN charges.

## PEA's Petition

By its Petition, PEA contends that the Commission should not require EDCs to support the transfer of electronic data through both an Internet-based mechanism and the VAN, while EGSs have the option of choosing one method or the other. In particular, PEA claims that this approach produces asymmetric results by imposing additional data transfer costs on EDCs that are not imposed on EGSs.

PEA prefers the Commission's earlier directives which required both EDCs and EGSs to implement the Gas Industry Standards Board (GISB) Electronic Delivery Mechanism (EDM) standard by a date certain. Under that approach, the VAN would only be used as a default solution, with the costs shared equally between the EDC and EGS if they both agree to use the VAN. Further, as noted by PEA, if only one party desired to use a VAN after the GISB EDM implementation date, the Commission's prior orders required that party to cover both its own and the other party's VAN costs.

Although PEA supports the Commission's idea for flexibility in the market with respect to the choice of an Internet-based transfer mechanism, it believes that both EDCs and EGSs should be required by a date certain to move to an Internet-based data transfer method. PEA asserts that the practical effect of the Commission's June 11, 1999 Order is that "EDCs must stand ready to support,

both technically and financially, the transfer of electronic data over the Internet as well as though a VAN, while their electronic trading partners, the EGSs, are required to support only one such method of transfer.” Petition at 3-4.

As PEA explains, although an EDC must be ready to engage in Internet transfer by June 30, 2000 or be responsible for paying all of the VAN costs, an EGS who elects to forego Internet transfer will not have to bear the full VAN charges for both parties. Rather, an EGS may simply continue relying on the VAN, with the parties each paying their own VAN charges. Although the VAN is intended as a default solution, it would have the status under this approach of being an equal alternative to an Internet-based mechanism from the standpoint of EGSs.

The PEA’s proposal is to have both EDCs and EGSs implement Internet-based transfer mechanisms by June 30, 2000 and to impose the full burden of VAN costs on parties who are not compliant with that directive. If the method chosen by an EGS is compatible with that selected by the particular EDC, PEA indicates that the transfer of data should proceed as envisioned. If an EGS’s chosen transfer mechanism is incompatible with one of its EDC trading partners, however, PEA suggests that a sharing of the VAN costs would be appropriate. What PEA strenuously opposes in the June 11, 1999 Order is the possibility that “an EGS could choose to completely forego using any form of Internet-based data

transfer, rely instead on using a VAN, and still have an EDC underwrite half the cost of using the VAN.” PEA Petition at 6.

#### MAPSA’s Petition

MAPSA, in its Petition, disagrees with the Commission’s decision to forego the regulatory imposition of a particular Internet protocol. Focusing on the Commission’s directive that each EDC in Pennsylvania choose its own Internet standard, MAPSA contends that this decision “has the potential to impose requirements upon EGSs to develop and test multiple systems, should a supplier choose to transact business statewide, as several MAPSA members have done.” MAPSA Petition at 3. MAPSA requests clarification that the Commission will, within a short time after the EDCs make their selections, require a single Internet protocol for statewide use. If the Commission does not intend to eventually select a single Internet transfer mechanism, MAPSA asks the Commission to declare that the GISB EDM standard will be employed until such time as a more appropriate standard exists in workable form.

#### Reliant’s Petition

By its Petition, Reliant requests that the Commission modify its June 11, 1999 Order to recognize that the GISB EDM standard satisfies the EDEWG/PAIN

(privacy, authentication, integrity, and non-repudiation) criteria, is workable, and is an employable Internet protocol that can be implemented now. Reliant proposes that the Commission (a) permit EDCs to immediately implement the GISB EDM protocols and (b) require the EDCs to select an Internet protocol no later than December 1999 “that (i) satisfies the minimum EDEWG/PAIN criteria; (ii) is fully developed; (iii) is tested and proven to work; and (iv) either is legally supported by a trading partner agreement or a fully functioning and legally supported certification by financially viable certificate issuers.” Reliant Petition at 6.

#### Key Issues Raised by Petitions

The two primary issues raised by the Petitions pending before the Commission are 1) whether the Commission should endorse the GISB EDM standard rather than relying on the market to determine whether a single Internet transfer mechanism should be employed statewide, and 2) whether the cost responsibilities for use of a VAN after June 30, 2000 that are placed on EDCs are appropriate when an EGS has not implemented any Internet-based transfer mechanism.

##### 1. Endorsement of Single Standard

As to the first issue of whether the Commission should endorse the GISB EDM standard, we recognize that our prior Orders on this issue adopted GISB

EDM as an interim Internet transfer mechanism, directed that testing commence on the GISB EDM standards and imposed deadlines for the implementation of those standards. See Orders entered August 13, 1998 and September 17, 1998.

Nevertheless, the Commission also noted from the outset of this debate, that if during the testing of GISB, it becomes apparent that it will not support the necessary transactions or that other Internet protocols are superior, "the EDEWG should notify the Commission and submit an appropriate recommendation." Order entered August 13, 1998 at 43. In response to those directives, the EDEWG established an EDEWG-GISB Task Force to test the GISB solution.

By Order entered on February 11, 1999, the Commission noted that the EDEWG-GISB Task Force had unveiled a technical issue warranting reconsideration of the March 1, 1999 GISB EDM implementation date previously imposed by the Commission. In particular, the Task Force identified an issue concerning the availability and costs of Pretty Good Privacy (PGP), a software encryption package used by the GISB EDM standard. As a result of that development, the Commission sought comments regarding the continued reasonableness of GISB EDM on a technical and financial basis. Interested parties were encouraged to file written comments by March 4, 1999 and the March 1, 1999 implementation date was postponed until July 1, 1999.

By Secretarial Letter dated April 2, 1999, the Commission recognized the rapidly changing technology surrounding the use of Internet transfer mechanisms and the substantial investments that are necessary to implement these protocols. In view of those factors and based on a desire to gather as much pertinent information as possible, the Commission announced that a fact-finding technical conference would be conducted. A technical conference was held on April 28, 1999, where representatives of EDCs, EGSs, the gas industry, communications information system services, software product vendors and e-commerce organizations provided factual comments on the use of Internet transfer mechanisms. During that conference, participants noted that the EDI Internet Working Group (EDIINT) in 1998 had published the AS1 standard, which uses electronic mail standards for exchanging EDI transactions. Also, the participants discussed the AS2 draft standard, which uses web standards for exchanging EDI transactions and is expected to be published by EDIINT sometime late in 1999.

Following a review of the written comments and the input provided at the technical conference, the Commission adopted the June 11, 1999 Order, rescinding its prior directives concerning the use of GISB EDM and refraining from mandating the use of a particular Internet protocol. Although the Commission indicated that the establishment of one standard is preferred, it was "not convinced that the industry is sufficiently mature to make the specific determination as to

which protocol would be the best one to employ” for electric choice. June 11, 1999 Order at 8.

Therefore, the Commission deferred to the market to determine which protocol should be employed. In deferring to the market on this issue, the Commission strongly encouraged industry convergence of Internet standards which would alleviate any need for “regulatory imposition of a specific Internet protocol” and would allow all parties to effectively participate in the opportunities made available through electric choice.

We continue to believe that it is premature for the Commission to direct the use of a single, Internet protocol. Rather, we are convinced that the decision of which protocol to use will be most appropriately and efficiently determined by the market. Also, we believe that deferring this determination to the market encourages industry convergence of Internet standards which would be the ideal resolution of this issue. In fact, we are aware of the ongoing efforts in the industry toward convergence and are hopeful that these efforts will be successful prior to our deadline for the implementation of Internet-based transfer mechanisms.

As to MAPSA’s concerns about EGSs who are operating in different EDC territories throughout Pennsylvania possibly needing to develop more than one Internet-based mechanism, we have taken those concerns into consideration. We note, however, that even if one EDC chooses GISB EDM, while another EDC

selects EDIINT's AS2 standard, EGSs may rely on the VAN for the electronic transfer of data with those EDCs using an incompatible protocol. While we would obviously prefer to have a single Internet-based transfer mechanism in place for use throughout Pennsylvania, our desire to defer this determination to the market and encourage the convergence of Internet standards, as well as our continuing concerns relating to the limitations of the GISB EDM standard, outweigh the potential benefits of the regulatory imposition of a specific Internet protocol.

We will clarify, however, that EDCs do not have unlimited options in choosing a particular Internet protocol. Rather, in selecting an Internet-based transfer mechanism, EDCs must choose either the GISB EDM, the EDIINT AS1 or the EDIINT AS2 standards. This clarification should alleviate some of the concerns expressed by MAPSA about the possibility of needing to develop multiple Internet-based mechanisms in order to operate on a statewide basis.

With respect to MAPSA's request for a clarification indicating that the Commission intends to mandate a particular standard shortly after the EDCs have made their selections, we will not grant this request. It is not our intention to impose a particular method for statewide use after the EDCs have made selections and possibly even implemented a particular Internet protocol in accordance with our directives. Rather, as we have stated, we are deferring the resolution of this

issue to the market and we reiterate our view that convergence of the standards is our preferred solution.

The issues raised by Reliant's Petition focus on its desire to have the Commission endorse the GISB EDM standard for use throughout Pennsylvania. While we generally agree with Reliant about the availability and benefits of the GISB EDM standard, we are also aware of some of the limitations of that standard and some aspects of the EDIINT AS2 protocol that might be useful for other, more varied, data exchanges. More importantly, however, we emphasize that the rapidly changing technology in this area and our desire to have the market determine the best solution are compelling reasons for the Commission to refrain from mandating the use of a single Internet protocol.

As to Reliant's request for the Commission to permit EDCs to immediately implement the GISB EDM standard, we note that nothing in our June 11, 1999 Order prevents an EDC from selecting and implementing an Internet-based mechanism prior to the compliance deadlines set forth in that Order. In fact, the Order expressly provides that if an EGS is "ready to implement the EDC's Internet solution prior to June 30, 2000, it may do so at anytime." Order at 11, Ordering Paragraph No. 3. Therefore, we will provide this clarification by this Order.

## 2. Sharing of VAN Costs

The PEA's concern with the asymmetric treatment of EDCs and EGSs is persuasive. Also, as PEA notes, the VAN should be viewed as a default solution only. Nevertheless, with no economic incentive for EGSs to implement an Internet-based transfer mechanism, the VAN might be treated as an equal alternative to Internet-based transfer methods. Having carefully considered PEA's comments on this issue, we are convinced that it is unfair to expect EDCs to implement an Internet-based transfer mechanism but then still pay its portion of VAN charges when an EGS has declined to implement any Internet protocol.

The PEA's suggested approach is fair and reasonable. Specifically, we agree that if an EGS has implemented a different Internet standard than the EDC, the two parties should share in the costs of using a VAN. If, however, the EGS has not implemented any Internet-based transfer mechanism by the compliance deadline, it should be responsible for both parties' costs of using a VAN.

While we had previously been concerned with the potential costs involved for a small EGS to implement an Internet transfer protocol, those costs have not been quantified. When compared to the investments required for EGSs to meet financial security requirements before obtaining licenses, we cannot conclude with any certainty that the expenses associated with implementing an Internet standard are unduly burdensome. As with other business decisions, we believe it will be

necessary for an EGS to consider whether the investment in an Internet-based data transfer protocol is more economical than paying the full VAN costs associated with that data transfer. In the event, however, that a particular EGS can demonstrate that the financial burdens associated with the implementation of an Internet protocol are excessive, particularly in comparison with the load served by the EGS, the Commission would be willing to consider a waiver from the requirement that the EGS pay all of the VAN charges incurred by itself and the EDC.

MAPSA's Clarification Request on EDI 867

MAPSA also seeks a clarification concerning the Commission's discussion of the EDI 867 Interval Usage (IU) transaction. In the Order, the Commission noted that the 867 IU transaction, as drafted, gives the EGS no choice but to accept detailed interval metered data. Therefore, the Commission directed the Electronic Data Exchange Working Group (EDEWG) "to consider the options for providing summary and detailed interval metered data with the understanding that anyone asking for the latter will incur provider charges, as appropriate." June 11, 1999 Order at 9. Further, the Commission ordered EDEWG to submit its recommendations on this matter within 90 days of the entered date of this Order, or by September 13, 1999.

MAPSA asks the Commission to clarify what would constitute "an appropriate circumstance such as to justify imposing additional financial burdens upon EGSs." MAPSA Petition at 4. At this time, we decline to provide the requested clarification. Rather, we will await our review of EDEWG's recommendations before providing any further guidance on this issue;

**THEREFORE, IT IS ORDERED:**

1. That the Petition for Partial Rescission and Amendment filed by the Pennsylvania Electric Association on July 1, 1999, the Petition for Clarification or, in the Alternative, Reconsideration filed by the Mid-Atlantic Power Supply Association on June 28, 1999 and the Request for Reconsideration and/or Clarification filed by Reliant Energy Retail, Inc. on June 24, 1999 are hereby granted in part and denied in part, to the extent set forth in this Order

2. That the June 11, 1999 Order is hereby modified in accordance with this Order.

3. That all electric distribution companies are required to select either the Gas Industry Standards Board Electronic Data Delivery Mechanism, the EDIINT AS1 standard or the EDIINT AS2 standard as their Internet protocol for the transmission of EDI data by December 31, 1999.

4. That all electric distribution companies and licensed electric generation suppliers are required to implement one of the Internet EDI exchanges described in Ordering Paragraph No. 3 above, no later than June 30, 2000.

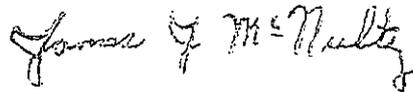
5. That an electric distribution company or licensed electric generation supplier that is not compliant with the above-referenced deadlines shall pay all charges associated with the use of a Value Added Network.

6. That if a licensed electric generation supplier implements a different Internet protocol than is employed by an electric distribution company, the two parties shall each pay their own charges associated with the use of a Value Added Network.

7. That an electric distribution company may implement its Internet protocol at anytime prior to June 30, 2000, and if an electric generation supplier is ready to implement that solution, the two parties may mutually agree to immediately begin exchanging data using that Internet protocol.

8. That a copy of this Order and any accompanying statements of the Commissioner shall be served upon all jurisdictional electric distribution companies, all licensed electric generation suppliers, the Office of Consumer Advocate, the Office of Small Business Advocate, and the Office of Trial Staff. Additionally, it shall be posted on the Commission's website and shall be made available to all other interested parties.

**BY THE COMMISSION,**



James J. McNulty  
Secretary

(SEAL)

ORDER ADOPTED: October 15, 1999

ORDER ENTERED: OCT 15 1999