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Via Electronic Filing

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

In re: *En Banc* Hearing on Implementation of Supplier Consolidated Billing
Docket No. M-2018-2645254

Dear Secretary Chiavetta:

On behalf of Calpine Retail Holdings, LLC ("Calpine Retail"),[1] please accept this letter in lieu of more formal reply comments following the June 14, 2018 and July 12, 2018 *en banc* hearings held in the above-referenced matter.

Although Calpine Retail does not take a position on the legality of supplier consolidated billing ("SCB") in Pennsylvania, Calpine Retail supports an open, robust, and competitive retail electric market and, thus, the concept of SCB. Calpine Retail cautions, however, that any implementation of SCB in Pennsylvania must be done in a manner that ensures a competitively neutral and level playing field for all suppliers, avoids creating barriers to entry for new or existing market participants, and avoids stifling or eliminating the development of innovative products and services. With those goals in mind, Calpine Retail offers the following points for consideration should implementation of SCB be pursued.

- **Pennsylvania's Retail Market Is Thriving** – The Pennsylvania electric retail market has existed for more than two decades and has truly flourished for the last decade since the expiration of electric generation rate caps. While the market has successfully functioned during this time without the presence of an SCB option, Calpine Retail submits that SCB, if introduced and structured properly, could further enhance the retail electric market.

[1] Calpine Retail has overall responsibility for the business activities of its retail subsidiaries – Calpine Energy Solutions, LLC; Champion Energy Services; and North American Power. Calpine Retail's subsidiaries serve residential, commercial, and industrial customers in the Pennsylvania retail electric and gas markets.

- **Pilot Programs** – Pilot programs, particularly in an existing market, face many challenges and can often lead to more harm than good. Even when they show some modicum of success, there is no guarantee those successes will translate when extended to the entire market. Moreover, pilot programs implemented in existing markets can be used to benefit the interest of a select few participants, rather than the marketplace at large. In the case of an EDC working with an EGS or select group of EGSs to design and implement an SCB platform, that EGS or group of EGS can use the pilot program as a means to gain a substantial competitive advantage over other suppliers in the marketplace which do not participate. This includes, among other things, operational experience with the development and design of new products, infrastructure, customer support, customer education and other critical operational functions; a first-mover advantage as to timing (ahead of other competitors); access and control of superior information; and a reduction in business uncertainty and risk over other suppliers who would need to test and launch an SCB platform for their own businesses later after statewide implementation. At the same time, a pilot program has the potential to harm the public interest by creating an uneven playing field for a subset of market participants, establishing an oligopoly-like incumbency and preferential status for those EGSs participating in the pilot; and creating barriers to entry.

- **Unbundling of Costs** – If pursued, SCB requires a complete unbundling of **ALL** costs (both direct and indirect) that ratepayers have paid, not just incremental costs, for the billing systems (over time). This ensures ratepayers are adequately protected and compensated, while avoiding the subsidization of certain competitive suppliers. SCB should be an optional choice, left to the discretion of the EGS, and the costs related thereto (including costs upfront for implementation, as well as future costs for ongoing maintenance and operation) must exclusively be allocated to and paid by those suppliers electing to participate in the program. Allocating and assigning costs in this manner is equitable, ensures cost causation principles are followed, and prevents unjust and unreasonable distortion in the retail market.

- **Supplier Size Must Be Taken Into Consideration** – It is imperative the Commission not overlook possible inherent advantages larger EGSs have over smaller EGSs when considering how to structure SCB. Large EGSs could have hundreds of thousands of customers and could stand to benefit exponentially far more than small suppliers. In particular, these larger suppliers will be able to leverage their economies of scope and scale which may then be used to create barriers to entry into (or even continued participation in) the competitive market for small suppliers. The end result could be a reduction in market participants and available product offerings and services. To avoid such outcomes, extreme care must be exercised in the design and implementation of SCB which protects all suppliers, regardless of size and intent to participate.

In conclusion, Calpine Retail appreciates the Commission's careful examination into the legality and appropriateness of implementing SCB in Pennsylvania and looks forward to continuing to work with the Commission and other stakeholders on this important issue.

Very truly yours,

THOMAS, NIESEN & THOMAS, LLC

By

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