



# **POLR Service Design –**

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## *Key Considerations*

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**Presentation by  
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Mid Atlantic Region**

**Constellation NewEnergy, Inc.**

# Constellation Family of Companies

**Constellation Energy Group**  
(NYSE: CEG)

- Market Cap: \$4.8 billion
- Unsecured Debt Rating: BBB+

**Constellation Power Source**

**Constellation New Energy**

**Constellation Generation Group**

**Baltimore Gas & Electric**

- Wholesale energy marketing and trading
- Markets all energy from CGG assets
- POLR/SOS obligations in:
  - Maryland
  - New Jersey
  - Northeast

- 8,000 MW of load under contract
- Licensed in 19 states, including PA
- Target mainly medium to larger commercial customers (50 kW and above)
- Over 4,000 commercial and industrial customers
- Served customers in PPL, PECO, Met Ed, Penelec, and DLC service areas

- Fossil and renewable plants ~8,800 MW
- Nuclear plants ~3,250 MW
- All Merchant
- PA Plants:
  - Keystone – 359MW Coal
  - Conemaugh – 181MW Coal
  - Colver – 28MW Waste Coal
  - Panther Cr - 42MW Waste Coal
  - Handsome Lake – 250MW Gas
  - Safe Harbor – 278MW, Hydro

- Distribution and Transmission only
- 1.1 million electric customers (6500 MW peak)
- 600,000 gas customers
- Oldest utility in the US

# **POLR Service –**

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## *What is It?*

- POLR – Provider of Last Resort
  - Full Requirements Electricity Service for customers who:
    - Do not choose an alternative supplier
    - Choose to return to electric distribution company service
    - Choose an alternative supplier, but energy is not delivered by the alternative supplier
  - Different Requirements for Different Customer classes

# **POLR Design –**

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## *What are (some of the) Key Issues?*

- **Who is the SOS Provider?**
  - Retail Competitor or Incumbent Utility?
- **If Retail Competitor,**
  - Customer account “ownership”
  - Obligation to serve
  - Competitive Issues
- **If Incumbent Utility,**
  - Procurement Process for Wholesale Service
  - Retail pricing structure (Administrative fees)
  - Credit Provisions

# **POLR Service Design –**

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## *Where Are the Tensions?*

- **Customer Switching Restrictions**
  - lower risk for supplier
  - less retail competition
- **Wholesale Price Stability**
  - variable versus fixed pricing only
  - different for residential/small versus large customers
- **Administrative Fees**
  - encourage shopping
  - raise retail prices
- **Regulatory Oversight**
  - confidentiality of data
  - timing of approval

# **Balanced POLR Design –**

*Imperative for competition to succeed*

- **POLR Design must achieve a balance that**
  - Provides all customer classes a fairly priced electricity service that is market responsive.
  - Supports robust wholesale competition as necessary for achieving reasonable POLR prices and promoting retail competition.
  - Promotes retail competition by providing accurate price signals and preserving customer choice.

# **POLR Service Design –**

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## *Principles*

- **POLR Service** should be basic service.
- **POLR Service Wholesale Pricing** should be market responsive.
- **POLR Service Retail Pricing** should include all service costs, including a reasonable return.
- **POLR Service** should not impede customer migration to retail service.
- **POLR Service Procurement Process** should stimulate wholesale competition.

# **POLR Design Principle 1 -**

## *POLR Is Basic Service*

- All customers in a customer class should receive the same POLR service.
- Customized products should come from retail competitors.



# **POLR Design Principle 2 –**

## *Wholesale Price Reflects Market*

- Accurate price signals require that POLR prices reflect market.
- This does not mean that all POLR should be spot market.
- For longer term POLR service (ie., for residential/small commercial) staggered procurements.
- Large customers should have spot market priced POLR service.

# **POLR Design Principle 3 –**

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## *Price Reflects All Relevant Costs*

- Accurate price signals require that POLR price reflect costs to serve.
- Margin is a cost component, based on risks assumed by POLR provider.
- If no explicit cost allocation, true up is necessary to ensure that customers do not pay twice.

# **POLR Design Principle 4 –**

## *Preserve Customer Choice*

- Customer Migration risk can be mitigated without switching restrictions
  - Seasonal Rates
  - Pricing resets for returning customers.
- Business continuity for retail suppliers depends on access to customers.
  - Timely and accurate data
  - Clear and efficient customer switching and enrollment rules.

# **POLR Design Principle 5 –**

## *Competitive Wholesale Procurement*

- Design process and key documents up front.
- Implement and conduct procurement process.
- Certify that procedures were followed.
- Approve results.
- Provide for stakeholder input on process improvements.