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PA PUBLIC
UTILITY
COMMISSION

COPY

November 19, 2007

VIA FEDERAL EXPRESS

James McNulty
Secretary
PA Public Utility Commission
Commonwealth Keystone Bldg.
2nd Fl., 400 North Street
P.O. Box 3265
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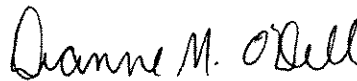
PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Re: Request for Comments on Revisions to the Net Metering
and Interconnection Regulations at 52 Pa. Code Chapter 75
to Conform with the Language of Act 35 of 2007
Docket Nos. M-00051865; L-00050174; and L-00050175

Dear Secretary McNulty:

On behalf of the Retail Energy Supply Association ("RESA") enclosed for filing is an original and 15 copies of its Comments with regard to the above-referenced matters. A copy has been served in accordance with the attached Certificate of Service.

Sincerely,



Deanne M. O'Dell

For WOLF, BLOCK, SCHORR and SOLIS-COHEN LLP

DMO/lww
Enclosure

cc: Cert. of Service w/enc.

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing document upon the participants listed below in accordance with the requirements of § 1.54 (relating to service by a participant).

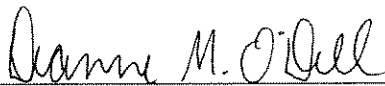
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Dated: November 19, 2007



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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Request for Comments on Revisions to the :
Net Metering and Interconnection : Docket Nos. M-00051865; L-00050174;
Regulations at 52 Pa. Code Chapter 75 to : and L-00050175
Conform with the Language of Act 35 of :
2007 :

I. INTRODUCTION

The Retail Energy Supply Association (“RESA”)¹ submits these comments in response to the Pennsylvania Public Utility Commission’s (“Commission”) Request for Comments on Revisions to the Net Metering and Interconnection Regulations at 52 Pa. Code Chapter 75 to Conform with the Language of Act 35 of 2007 (“Request for Comments”).² The Commission’s current regulations at Chapter 75 were promulgated in response to adoption of the Alternative Energy Portfolio Standards (“AEPS”) Act in 2004.³ In 2007, statutory changes were made to the AEPS Act. Therefore, the Commission needs to conform its current regulations to reflect these changes. While many of the changes can be accomplished with simple language updates, the Commission identified issues that are raised by the new requirement that “excess generation from net-

¹ RESA’s members include Commerce Energy, Inc., Consolidated Edison Solutions, Inc; Direct Energy Services, LLC; Hess Corporation; Integrys Energy Services, Inc.; Liberty Power Corp.; Reliant Energy Retail Services, LLC; Sempra Energy Solutions; Strategic Energy, LLC; SUEZ Energy Resources NA, Inc. and US Energy Savings Corp. The opinions expressed in this filing may not represent the view of all members of RESA.

² 27 Pa.B. 5597 (October 20, 2007).

³ 73 P.S. §§ 1648.1 - 1648.8

metered customer-generators shall receive full retail value for all energy produced on an annual basis."⁴

The current regulations expressly permit, but do not require, electric generation suppliers ("EGSs") to offer net metering programs to their customers. Unlike electric distribution companies ("EDCs") that are required to offer net metering to customer-generators in accordance with the Commission's regulations, EGSs that decide to provide net metering may do so pursuant to the terms and conditions set forth in their agreements with their customer-generators.⁵ RESA supports this provision and suggests that the Commission should not make any changes to the existing regulations to alter this approach. Because the statutory changes have the potential of creating more customer-generators eligible to participate in net metering⁶ and, thus, more opportunities for EGSs to offer net metering, RESA offers these comments on several subjects relevant to EGSs and the competitive market.

II. SPECIFIC COMMENTS

A. Compensation For The "Full Retail Value" of Excess Generation Should Be At Locational Marginal Prices, Grossed-up for Losses.

In Section 1648.5 of the AEPS Act, a new requirement resulting from recent statutory changes requires net-metered customer-generators to receive "full retail value"

⁴ Request for Comments at 1. 73 P.S. § 1648.5 (emphasis added). Prior to Act 35, the AEPS Act was silent on this issue, and the current regulations require compensation at the "avoided cost of wholesale power".

⁵ 52 Pa. Code § 75.13(a).

⁶ 73 P.S. § 1648.2. Prior to Act 35, the AEPS Act defined customer-generator as a nonutility owner with a nameplate capacity of not greater than 50 kilowatts (kW) if installed at a residential service or not larger than 1,000 kilowatts at other customer service locations. With Act 35 amendments, this definition was changed to include nonutility owners with a capacity of not larger than 3,000 kW at other customer service locations.

for all excess energy produced.⁷ Since this term is new, the Commission is seeking comments on its meaning. More specifically, the Commission asks for comment on whether the term refers to the "fully bundled retail rate for generation, transmission, distribution, and any applicable transition charges" or only to the generation component of the retail rate.

RESA submits that neither of these two options captures the "full retail value" of the net-metered customer's generation in a manner that reflects the generation service provided by a customer-generator's excess generation. The term "full retail value" should be interpreted to mean that the customer-generator is credited at the LMP for generation sales and charged the full retail price (i.e. generation, transmission and distribution charge) for its electric consumption. RESA believes there is a difference in the service provided by EDCs and EGSs and what the net metered customer is providing, and compensation should be made accordingly. The retail service provided by EDCs and EGSs includes volume risks (load shape, weather) that are priced into retail supply prices. However, the net metered customer is merely providing excess generation to the grid with no prior commitment. Since the customer-generator basically just sells into the wholesale spot market, compensation for this excess generation should be done at LMP prices, grossed-up for losses to arrive at the "full retail value." In order to appropriately compensate customer-generators via LMP pricing, the EDC should be required to install

⁷ 73 P.S. § 1648.5. The current regulations require compensation at the "avoided cost of wholesale power", defined as "[t]he actual cost of wholesale power avoided by the EDC, due to the operation of the customer-generator's facility, pursuant to binding, full-requirements, fixed rate contracts, or, at the EDC's option, the average locational marginal price (LMP) of energy, or its successor, over the billing period in the applicable EDC's transmission zone." 52 Pa. Code § 75.12.

meters capable of providing interval readings since the meters required by the existing regulations do not have this requirement.⁸

B. Compensation For The "Full Retail Value" Should Be Set Forth As A Separate Line Item On Customers' Bills.

The Commission also asks for comments about how the credit for excess generation should be applied. RESA submits that the credit must be reflected on a customer-generator's bill as a line-item showing sales in kWh along with the LMP price at which they are being paid. Customer-generators will only be able to see the true value of their generation if that information is expressly displayed on their bills.

The reasoning for this recommendation is the concern that if EDCs show the credit in the generation component of the retail rate, the bills will identify an EDC generation net rate that is less than the market rate. Since the generation rate is the rate that is used as a "price to compare" the services of competing suppliers, incorporating the credit calculation in the rate will create confusion for consumers and mask the true generation rate. Further, skewing the generation rate as identified in bills could adversely impact the ability of EGSs to offer competitive generation services because inaccurate generation rates could appear to be a "discount" off the default generation rate rather than the market-reflective, true post-rate cap rate that is used to compare competitive offerings.

RESA's suggested approach will give EGSs certainty about the rate that is being charged. Consequently, they will be able to develop competitive packages accordingly.

⁸ 52 Pa. Code § 75.14(a) requires either single bi-directional meters or dual single meters to accommodate net metering.

All customers will benefit from EGSs offering of competitive alternatives, and customer-generators will continue to have the incentive to sell their excess generation.

C. Net Metered Accounts Should Be Subject to Monthly Settlement

Commission regulations should mandate monthly settlement for net metered accounts. Customers should be credited for their generation in a timely manner and should not have to wait for an annual true-up. This is consistent with the intent of the AEPS Act, which is "to encourage the increased use of alternate energy and provide an immediate positive feedback to the customer-generator."⁹

D. EDCs Should Be Permitted To Purchase An EGS' Customer-Generators' Net Excess Generation

In revising its regulations, the Commission should make clear that a customer-generator may exercise its right to require the EDCs to purchase the customer-generator's net excess generation while still being able to purchase generation from the EGS. By permitting this, the Commission will ensure that net-metering customer-generators may still participate in the competitive market and save money by purchasing generation from an EGS. Further, the EDC will be able to receive the benefit of the excess distributed generation, thereby avoiding the need to procure that amount of electric generation. Not adopting RESA's recommendation would leave the customer-generator with only one choice of generation provider – the EDC's default generation service. The competitive marketplace will be enhanced if the Commission creates the situation where EGSs can make competitive offerings that may be attractive to customer-generators without

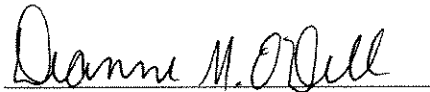
⁹ Final Rulemaking Re Net Metering for Customer-generators pursuant to Section 5 of the Alternative Energy Portfolio Standards Act, 73 P.S. § 1648.5, Docket No. L-00050174; Implementation of the Alternative Energy Portfolio Standards Act of 2004: Net Metering, Docket No. M-00051865, Order entered June 23, 2006 at 17 (§ 75.14. Meters and Metering).

requiring the customer-generator to forego the potential benefits of net-metering combined with competitive supply.

III. CONCLUSION

RESA appreciates this opportunity to participate in the Commission's net metering rulemaking process. By addressing the issues set forth in these comments, the Commission will be taking the necessary steps to create a favorable climate for net metering that allows the opportunity for competitive alternatives.

Respectfully submitted,



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