Comments of Aundrea Williams
PA PUC En Banc Hearing, March 21, 2012

Good afternoon, Mr. Chairman and Commissioners. My name is Aundrea Williams, Senior Director of NRG Regulatory Strategy and Policy. NRG owns three EGSs actively participating in the Pennsylvania electric market: Energy Plus, Green Mountain and Reliant.

I am very excited to have the opportunity to talk to you today. I heard you wanted to hear a little about Texas and I figured since I have been working on retail electric policy issues there for over 12 years I would give it a shot and talk a little Texas.

I recognize, of course, that Pennsylvania is not Texas, but I do think that the Texas example does serve as a great reference point for evaluating the models in front of you today.

I have picked my own top 5 differentiators between TX and the models Staff has proposed: Price to Beat (PTB), POLR, Billing, Universal Service and Customer Protections

Starting off with PTB, contrary to what most people think, Texas had no default service. Customers had to choose.

At the outset of full competition, Texas had a “one-time only, do nothing and still get something” approach for existing customers who had not shopped. What I mean by that is, existing customers that did not choose by Jan 1 2002, were transitioned to the utility affiliated EGSs and placed on the PTB.

The affiliated EGSs were required to offer the PTB – and *only* the PTB -- in the service territory of their affiliated utility for a three year period or until they lost 40% market share, whichever happened first. PTB was designed as a transitional product that had a date certain for its expiration, 5 years after competition commenced.

Once the 40% or 3 years was reached, the affiliated EGSs could offer additional competitive products in addition to the PTB that they would also still offer PTB for another 2 years. Outside their incumbent service territories, the affiliated EGSs were free to compete with a variety of products and services without limitations.

Affiliated EGSs could adjust PTB twice per year, up or down, at the timing of their discretion, based on changes in market conditions. Adjustments were based on a commission approved mechanism – an indexed formula to wholesale market conditions.

Under the PTB Adjustment framework, the affiliated EGSs bore all price risk between adjustments. There were no reconciliations. The message was clear, use your two bullets wisely because you don’t get any other “bites at the apple” to recover your fuel costs.

Similar to Texas, it is imperative that Pennsylvania continue to develop a default pricing structure that ensures the price accurately reflects underlying market conditions and I believe Model A as drafted by Staff are well suited to meet that objective.

Today the concept of Affiliated EGSs is eliminated; all suppliers are able to offer any variety of pricing/product designs. Customers choose what they want every single day.

Since Pennsylvania has the benefit of having suppliers already actively participating in the market you have the flexibility to allow other market participants, like the EGS community, to serve in a role similar to the Texas affiliated EGS.

Moving on to POLR, in TX this is a backstop service when a supplier defaults.
EGSs can volunteer to offer POLR, or to the extent there aren't a sufficient number of volunteers, based on load ratio share per customer class, suppliers will be assigned the obligation to provide POLR service. The POLR product is essentially based on LMP. Even in the limited instances of POLR events, those providers have the ability to work with the transitioning customers in advance to offer alternative products that meet the customers' needs so the end result is still favorable for customers even in spite of the underlying situation.

The last time the market had POLR activity was in 2008, affected less than 1% of customers in the market.

Third, with respect to the coveted bill, in TX the supplier does all the billing and thus furthers the relationship with the customer enabling us to build our brand, obtain direct customer feedback needed to develop even more innovate products and services and ultimately eliminates the middle man.

What this means in practice is that <u>our</u> billing is essentially <u>your</u> POR in reverse.

Suppliers pay utilities upon receipt of their charges at no discount so there is virtually no bad debt exposure to the utilities. EGSs bear full responsibility for bad debt and have the ability to request that the utility perform the physical disconnection of customers for non-payment consistent with significant PUCT disconnect rules.

Furthermore, by giving suppliers the ability to do the billing, you break the cycle of stymieing competition because either the utility dinosaur system can't keep up with the evolving market dynamics or ratepayers are forced yet again to pay for what will in short order be another outdated utility system.

For Universal Service Programs, in the Lone Star state, customers are free to shop without concern about losing their benefits. All suppliers provide a line item credit on the bill and based on the reimbursement mechanism for this discount so suppliers are indifferent as to whether or not customers are eligible for the program. Recovery for funding of the discount program is through a non-bypassable charge.

I understand that there is a stakeholder process underway here to help ensure that low income customers can participate in the competitive market and continue to receive appropriate benefits.

I am encouraged to hear this and believe all customers, including low income, should be afforded the benefits associated with retail competition as they are in Texas.

Finally, Consumer protection is on the forefront of the minds of Texas Commissioners and all market players, just as it is here in Pennsylvania. Texas has thorough and detailed consumer protection rules that address, among other things: product types; disclosures; bill presentment; marketing requirements; advertising requirements; enrollment channels/language/disclaimers; bill payment assistance programs, bill payment/deferred payment plans, deposits; disconnections, reconnections, slamming, etc. The list is as long as the Rio Grande. Not surprisingly, these rules have evolved over time and we continue to finesse them even a decade later.

And that point brings to mind another thought on this topic, I would strongly caution against any review that results in another fundamental change in policy direction or backsliding on the end state design. Any market needs regulatory certainty to thrive and the threat of another major structural change may severely diminish the willingness of suppliers to invest in the Pennsylvania market in a way that this Commission desires.

With that, I will stop talking about Texas and say that NRG is very excited about the boundless opportunities that may exist for retailers in here in Pennsylvania and we are anxiously waiting to see how you will design the market here—PA style of course.