**PAPUC Staff Summary of End-State Default Service Proposals**

1. **EGS in Default Service (DS) Role**

Rationale offered by various commenters:

* Elimination of status quo bias afforded to EDC
* Ensure creation of opportunities for EGSs to offer vast array of products and services
* Development of new customer service options (i.e. billing structures)
* Allow EDCs to focus on their strengths – distribution of reliable electric service

Summary of RESA Proposal:

* Starting 6/1/15, EGSs provide Transitional Default Service
	+ All DS customers are served by TDS providers through competitive procurement process (auction, market index or discount off price to compare)
	+ Back-stop Provider of Last Resort (POLR) services provided by EGSs through competitive procurement process
* Starting 6/1/16, EGSs provide market-based Provider of Last Resort (POLR) for non-shopping customers – hourly LMP and admin adder
* Uniform statewide approach
* 2013-2015 planning phase
* Stakeholder processes for billing and end-state market design issues such as appropriate pricing methodology, methodology for allocating/aggregating customers, and process for communicating with customers
* Consumer protections – unchanged; need to address how service terminations are handled
* All licensed EGSs may be TDS provider but should have heightened standards if EGS is in POLR role – criteria need to be developed
* TDS providers and POLRs should pay PUC assessments

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| Billing | Metering | Universal Service | Act 129-EE | AEPS | PJM Settlement |
| 1) During TDS: EDC 2) After TDS:Bill Co and SCB | EDC | EGS;Programs and funding levels remain intact; Allow CAP customers to shop | EDC | EGSs,TDSs,POLRs | EDCs |

Summary of Direct/Dominion/IGS Proposal:

* By June 2012, require DS customers to select supply option from menu that includes EDC but not as a superior choice
* Establish date certain for end of EDC-Supplied DS; suggests 6/1/15
* Assign DS customers to EGSs via auction, with winning EGSs providing DS service for a set period
	+ No EGS assigned more than 20% of eligible customers
	+ No fewer than 5 winning EGSs in each EDC service territory
* All EGSs serving in DS role would serve in backstop/POLR role on rotating basis
* Each EDC would do own auction
* New/moving customers would arrange service through EGS, not the EDC
* Enhanced security and standards for EGSs in DS role are appropriate
* POR programs would continue with the EDC
* EDC would manage terminations under current rules
* PUC Assessments paid via non-bypassable surcharge as part of EDC bill

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| EDC | EDC | EDC | EDC | Same as today | EDC |

Summary of WGES Proposal:

* Multiple EGSs, load caps of 10-20%
* DS provider and POLR provider are same entity
* 6/1/15 implementation
* Either formula or auction to set DS price, random assignments of customers
* 1-2 year periods
* DS adjusted monthly to reflect current market costs
* Supplier Consolidated Billing should be available

Summary of Wal-Mart Proposal:

* Multiple EGSs, load caps of 30-40%
* Establish a date certain, suggests 6/1/15
* Auction for 1-2 year DS period
* DS – plain vanilla, 12 month fixed price product
* No early termination fee
* All licensed EGSs would be eligible to be DS provider
* Consumer education performed and paid for by the EGSs
* POR programs continue with EDC when doing consolidated billing
* Supplier Consolidated Billing should be available

Summary of Spark Energy Proposal:

* All customers should have individual contracts with EGSs
* Backstop/POLR service should be provided by EGSs on the basis of hourly market prices with administrative adder and reserved for situations of EGS default
* Supplier Consolidated Billing should be available and EDCs should be able to include EGS information on bills
1. **EDC remains as Default Service Provider**

Summary of OCA Proposal:

* DS should be plain vanilla – one product, flat rate, reconcilable on 12-month rolling basis
* DS should be available to all customers who do not choose EGS or whose chosen EGS fails to provide service
* EDC should procure mix of generation on a least cost basis over time
* No mark-up or profit on DS; price should reflect competitive wholesale market prices at which supply was acquired
* Price should change no more often than quarterly
* EDC should not promote DS and should present all information in neutral manner
* Reasonable competition enhancements should be implemented to inform, educate and facilitate a customer’s choice of EGS, including referral programs and possibly retail opt-in auction
* POR programs should continue
* Commission may approve entity other than EDC as DS provider only after finding that EDC is not operationally or financially able to provide DS under reasonable rates and conditions and that an alternative DS provider could better meet the goal of providing reasonably-priced, stable default service

Summary of AARP, PULP, CLS and PCADV Proposal*:*

* Supports current statutory model-it is working well; EGSs are serving significant portion of commercial and industrial classes and a growing portion of residential class
* DS prices should not be based on short-term wholesale markets that would expose residential customers to risky and volatile prices for essential electric service
* Customers need stable and predictable default service
* Policies that expose customers to risky and volatile electric prices are contrary to current law
* Any changes need to be consistent with various guiding principles, including least cost overtime, low-income customer protections, quality of service, adequate reserve margins and customer standards/billing practices
* Departures from current model of the nature proposed by others wuld require stattotry changes

Summary of Penn Future Proposal:

* Prefer to keep DS with EDC because of net-metering and effect on long-term AEPS contracts
* If DS provider is EGS:
	+ Should impose net metering requirement on EGS
	+ Address issues of long- term AEPS contracts
* Act 129-EE should stay with EDC

Summary of Industrial Customer Groups

* Prefer to keep EDC in DS provider role
* Support a model that includes as low an adder as possible associated with hourly-priced default service product; consider whether procuring the hourly product in-house is lower cost than using an auction
* A fixed price option should be available to large C&I customers
1. **Focus on Product /Compliance with Existing Statutory Framework; Revisit End-State of DS after Implementation/Evaluation of Intermediate Work Plan**

Summary of Energy Association Proposal*:*

* Keeping EDC in DS role ensures compliance with Act 129 “least cost over time” standard, which is intended to provide rate stability for customers who do not choose an EGS
* Current statutory policy is to provide non-shopping customers with relatively stable prices derived from competitive procurement strategies in the wholesale market
* Legislative amendment is needed to change current policy to move toward a model that requires customers to participate in market to obtain price stability
* EDCs have physical assets, financial stability and practical experience
* Give Intermediate Work Plan time to enhance competition

Summary of PPL and PPL Energy Plus Proposal*:*

* EDC should be DS provider because EDCs are certificated and regulated by PUC, are familiar with regulatory processes of Commission and are the entities customers expect to provide adequate service; also this is the most logical approach given current systems and protocols, which would have to be comprehensively redesigned
* Shifting DS obligation to EGS(s) will likely have very little impact on competitive market; more important to design DS so that it is compatible and reflective of market
* Should implement Intermediate Work Plan, more consumer education, and smart meter enhancements and move toward more market-based DS products
* If EDC is removed from DS role, law needs to be changed, customer protections should be identified, PJM protocols should be changed and EDCs should be permitted to recover stranded costs

Summary of Duquesne Proposal:

* EDCs are the logical entity to provide DS based on experience and stability, as well as obligations to provide universal service, energy efficiency programs, smart meters and delivery services
* Important to have essential service provided at reasonable price for customers who do not wish to choose
* Duquesne is implementing fifth default service plan and has successfully advanced competition; 9th in country in shopping stats, with 69% of load taking supply from EGSs
* Most rate caps just expired in the last year or two; time is required for markets to develop and mature
* Statutory framework is designed to use competitive procurement processes to obtain prudent mix of contracts to ensure adequate and reliable DS at least cost over time, taking price stability into account
* Legislative changes would be necessary to move away from this model
* Supports most competition enhancements in December 2011 Tentative Order; they should be implemented and their results analyzed before altering DS model

Summary of First Energy Solutions Proposal*:*

* Defer decision until Intermediate Work Plan can be implemented and evaluated
* First priority should be to get the DS product right
* Residential shopping statistics showed dramatic increases in 2011
* RMI enhancements need time to work
* DS programs effective on or after June 2015 would benefit from “lessons learned” from IWP initiatives
* Make some changes to existing EDC Default Service structure:
	+ Plain vanilla
	+ Eliminate spot supply
	+ Standardize PTC
	+ Enable CAP customers to shop
* Determine end state product before deciding who should provide DS
	+ DS should be 100% market based product that is a temporary last resort
	+ DS should include all costs of providing service
* Statutory and/or regulatory changes may be required
	+ Least cost over time
	+ Act 129 obligations, i.e. TOU and smart meter
	+ Purchase of receivables
	+ Customer protections
	+ PUC assessments

Summary of First Energy Companies Proposal:

* Wait to see effect of enhancements from Intermediate Work Plan
* Shopping has increased over the past year
	+ In April 2011, residential shopping load ranged from 1.2% (West Penn) to a14.2% (Penn Power)
	+ On Jan. 18, 2012, residential shopping load ranged from 10.3% (Met-Ed) to 22.3% (Penn Power)
	+ 12 EGSs are making offers to residential customers, up from 4 in June 2011
* Significant changes are proposed in pending DS plan including enhancements proposed by Tentative Order
* Should include an adder in DS product since it is so difficult for for-profit EGS to compete with a not-for-profit product
* Alternative DS models would likely require legislative and regulatory reform
* Impact of significant changes to model needs to be considered and evaluated from standpoint of whether customers would benefit and EDCs would be financially harmed

Summary of Citizen Power proposal:

* Current residential shopping rate in PA is 25%
* Main barrier to higher numbers is customers’ perceived and actual risk in terms of time and money
* Customers should not be penalized for not shopping beyond the cost of missing the opportunity for a lower price from an EGS
* DS should be provided through portfolio approach and result of auction to achieve relatively low prices and price stability for customers
* Rely on market enhancements to increase customer participation and remove DS bias
* If EGS is providing DS, it should be done under a separate brand name and EDC should still provide backstop
* EGSs should be incentivized to offer longer-term contracts to consumers that end at the same time as default service period
* Transition period is needed to move to EGS in DS role – 6/1/15 implementation

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Summary of Constellation Proposal:

* With appropriate structures for each customer class, clear/transparent pricing, strong affiliate rules, enhanced consumer education, and timely provision of customer data, DS provided by EDC is a model that can facilitate effective competition
* If PA moves away from EDC in DS role, several core principles need to be adhered to:
	+ Single DS/POLR rate for each class (no TOU rates, energy efficiency offerings, demand response products
	+ Existing wholesale DS contracts should not be compromised or abrogated
	+ Reasonable transition period should be adopted
	+ Metrics should be developed to evaluate progress
	+ Removal of EDC from DS role should be carefully considered
	+ Market structures should continue to rely on competitive procurements
	+ Needs to be a system for providing POLR service
	+ Universal service issues must be addressed
	+ Should consider new consumer protections
	+ EGSs should not be required to support uneconomic investments of EDCs

Summary of Tendril proposal:

* Tendril is energy management technology provider
* All consumers should have access to energy usage information
* All consumers should have access to energy management products/services
* Entity that has obligation to meet energy efficiency and peak energy reduction requirements should be able to meet those obligations through competitively provided energy and peak load reductions