

## **Budget Billing for Dynamically-Priced Supply Products**

The Commissioners' offices have requested the input of the Office of Competitive Market Oversight (OCMO) on the appropriateness of requiring electric generation suppliers (EGSs) to offer the budget billing option to customers in connection with dynamically-priced supply products. In the context of this Secretarial Letter, dynamically-priced products represent those offerings that fluctuate in price, at a maximum by month, based on wholesale electric market trends and/or offer differing rates and rebates based on peak/off-peak usage periods. Examples of some dynamically-priced product offerings include monthly, daily, time-of-use, real-time, critical-peak, and peak-time rebate pricing.

The specific questions posed by the offices are: 1) whether the Public Utility Code requires all supply offers to be accompanied by a budget billing option, 2) whether the Commission's regulations require budget billing options for all supply offers; and 3) if the statute does not contain this requirement but the regulations do, whether it makes sense to modify our regulations to expressly exempt EGSs from offering a budget billing option in connection with monthly, daily or dynamically-priced or other variable-priced supply products.

OCMO is unaware of any provision in the Public Utility Code expressly requiring that customers be afforded the budget billing option in connection with all supply offerings. Section 2807(c) of the Electric Competition Act contains several provisions regarding customer billing. None of those address the budget billing option. Section 1509 of the Public Utility Code also sets forth billing procedures. Likewise, it does not require that customers are afforded the budget billing option.

In any case, Section 2809(e) specifically authorizes the Commission to forebear from applying any requirements of the Public Utility Code that are unnecessary due to competition among electric generation suppliers. That provision further provides that the Commission "shall impose requirements necessary...for assuring that 52 Pa. Code Ch. 56 (relating to standards and billing practices for residential utility service) are maintained." The Commission's licensing regulations refer to the need for an applicant to establish fitness, willingness and ability to perform the service in conformance with applicable provisions of the Public Utility Code. Section 56.12(7) of the Commission's regulations require that "a gas, electric and steam heating utility shall provide its residential ratepayers with an optional billing procedure which averages estimated utility service costs over a 10-month, 11-month or 12-month period to eliminate, to the extent possible, seasonal fluctuations in utility bills."

In our view, exempting EGSs offering dynamically-priced supply products from the budget billing requirement does not in any way jeopardize the consumer protections afforded by Chapter 56, and we reiterate the Commission's long-standing requirement that budget billing be made available for residential consumers who purchase conventionally-priced service (Budget Billing Obligations of Electric Generation Suppliers, M-00960890,F.0011, June 18, 1998). Particularly, to the extent that dynamically-priced supply products fluctuate based on price signals from the wholesale market and/or incentivize end-users to adjust electric usage patterns, it would seem counterproductive to insist that residential customers be afforded a budget billing option when selecting these products. Indeed, dynamically-priced supply products are more consistent with the overall conservation goals of Act 129 of 2008, and budget billing can interfere with the consumers' ability to obtain the information needed to adjust their consumption and demand in response to price signals.

Residential customers who wish to avail themselves of a budget billing option would either choose a different EGS or remain with the default service provider. If residential customers prefer the certainty of a budget billing option and are reluctant to accept dynamically-priced supply products without that feature, EGSs in the market offering such products would have to make a business decision of whether to respond to the desires of those consumers.