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 **August 23, 2010**

To: All Jurisdictional Electric Distribution Companies

 All Licensed Electric Generation Suppliers

 Committee Handling Activities for Retail Growth in Electricity (via email)

 Members of the Retail Markets Working Group (via email)

Re: Reports on Rate Ready Billing Platforms

 Docket No.: M-2010-2189433

 In *PPL Electric Utilities Corporation Retail Markets*, Docket No. M‑2009‑2104271 (Order entered April 19, 2010), the Commission directed the Retail Markets Working Group (RMWG) to discuss whether the consensus plan for a Rate Ready billing platform developed for PPL Electric Utilities Corporation by the Commission’s Electronic Data Exchange Working Group (EDEWG) could serve as a statewide model for Rate Ready billing platforms. The Commission directed the RMWG to submit a report and Commission Staff was directed to submit an independent recommendation to the Commission following its receipt and review of the RMWG report. The RMWG Report was filed with the Commission on July 23, 2010 (RMWG Rate Ready Report). The Commission Staff Report with Recommendations was filed on August 6, 2010 (Staff Rate Ready Report).

 By this Secretarial Letter, the Commission is issuing both the RMWG Rate Ready Report and the Staff Rate Ready Report for comment by interested parties. Comments should be filed within thirty days of the date of this Secretarial Letter. An original and three copies of comments should reference the above docket number and be filed with the Secretary as follows:

Secretary Rosemary Chiavetta

 Pennsylvania Public Utility Commission

P.O. Box 3265

Harrisburg, PA 17105-3265

An additional copy should be served on the RMWG electronically at ra-RMWG@state.pa.us. Entities which have registered for eFiling may use that process.

 Comments to either or both Reports are due within thirty days of the date of this Secretarial letter. Any questions about this Secretarial Letter should be directed to the Retail Markets Working Group by email at ra-RMWG@state.pa.us.

Sincerely,



Rosemary Chiavetta

Secretary

cc: Office of Competitive Market Oversight

 Office of Consumer Advocate

 Office of Small Business Advocate

##

## Retail markets working group

## rate ready report

Date: July 23, 2010

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 Appendix: Electronic Data Exchange Working Group Report dated November 9, 2009

1. **BACKGROUND**

 The purpose of this report is to provide insight to the Pennsylvania Public Utility Commission (Commission) on the needs of Electric Generation Suppliers (EGSs) for a uniform statewide rate ready billing platform as well as to evaluate the system capabilities of Electric Distribution Companies (EDCs) to conform to a uniform standard.

 In the Commission’s first PPL Electric Utilities (PPL) Retail Markets Order, entered August 11, 2009, at Docket M-2009-2104271, the Electronic Data Exchange Working Group (EDEWG) was directed to create a process and timeline for the implementation of rate ready billing platforms in EDCs without already existing rate ready platforms.

 On November 9, 2009, the EDEWG released its report. The EDEWG report was formulated and drafted as only being applicable to PPL.[[1]](#footnote-1) The EDEWG report addressed a number of issues related to the design and management of a rate ready billing platform. Various EGSs and EDCs participated to offer insight in formulating the final report.

 The Commission’s second PPL Retail Markets Order, entered April 19, 2010, at Docket M-2009-2104271, directed the Retail Markets Working Group (RMWG) to address the potential for using the EDEWG report as a statewide business model.[[2]](#footnote-2) The following RMWG report follows a format similar to the original EDEWG report. However, the context of the parties’ input has changed as the parties have now been clearly notified that the intent of this report is to weigh the pros and cons of using the EDEWG report as a basis for uniform statewide rate ready billing platform standards.

1. **EGS POLL**

As a preliminary step in its analysis of adopting a statewide, uniform rate ready billing platform, the RMWG polled all EGS members of the working group[[3]](#footnote-3) to determine the necessity of rate ready billing to their business plans as well as the importance of uniformity across EDC rate ready platforms. Approximately 30 EGSs were solicited in this poll. Nine EGSs responded, with some providing additional comments on the subject of rate ready billing.

The poll asked EGSs to consider the importance of having rate ready billing available in all EDC service territories, the negative impact on the supplier if rate ready billing were unavailable in some service territories, and the extent to which lack of uniformity among EDC rate ready platforms would hinder the supplier’s operations. The aggregate results are reproduced below.

|  |  |  |  |
| --- | --- | --- | --- |
|  | Does your business plan for PA contemplate the use of a rate ready billing platform in every EDC service territory? | To what extent will your business plan be adversely affected by the lack of a rate ready platform in every service territory? | To what extent does a lack of uniformity across all existing rate ready platforms hinder your operations? |
| Yes | No | Greatly | Somewhat | Very Little | None | Greatly | Somewhat | Very Little | None |
| Aggregate | 5 | 4 | 1 | 5 | 0 | 3 | 3 | 3 | 2 | 1 |
| Percentage | 55.56% | 44.44% | 11.11% | 55.56% | 0.00% | 33.33% | 33.33% | 33.33% | 22.22% | 11.11% |

ConEd Solutions (CES) suggests that the process for managing rate codes would be the most important factor in its decision to utilize a rate ready platform. CES avers that to provide flexibility to EGSs, rate ready platforms should allow suppliers to quickly and easily create and edit their own rate codes, preferably through a dedicated website or EDI. Direct Energy also submits that a self-service process should be incorporated into any rate ready platform.

Constellation and Direct Energy state that the degree of uniformity across billing systems is a factor in an EGS’s decision to do business in any given state or EDC service territory. If systems differ to such an extent that EGSs would be required to invest in system upgrades to enter a particular territory, they may determine that it is not cost effective to do so.

Dominion Retail (Dominion) avers that uniformity in EDI transactions, timeliness of EDC responses, budget billing and some other general components are important to supplier business plans, but that complete uniformity in the number of rate codes, precise structure of rate ready platforms, etc. are not.

Energy Plus states that it considers the most important issues concerning rate ready billing to be the rate code vs. price driven model, the delay between an EDI rate code change and the effective date of the new rate, the number of rate codes an EGS can create and the time required for EDCs to add or update EGS rates.

Gateway and MX Energy state that they continue to prefer the bill ready platform to the rate ready platform.

PECO questions the value in ordering implementation and/or uniformity of rate ready platforms. PECO submits that the lack of participation in the EGS poll may be an indicator that implementation and/or uniformity of rate ready platforms is not entirely necessary. PPL also contends that there has been no justification for the necessity of rate ready platforms.

Direct Energy contends that there is value in the implementation and/or uniformity of rate ready platforms. Direct Energy submits the following as justification for rate ready platforms:

Rate ready billing offers many advantages to both suppliers and customers not found with bill ready. While the obvious advantage to rate ready billing is that a supplier does not have to build complicated systems to calculate and submit bills, there are many other advantages. As the market opened in PPL, suppliers experienced a number of delays and concerns with bill ready billing which could have been avoided with rate ready billing. Below is a list of some of the problems experienced with bill ready vs. rate ready. However, many of these, such as delayed billing or separate adjustments when no longer taking service from a supplier, are universal for bill ready billing.

* Bill ready billing creates a complicated process which requires that the supplier meet specific bill windows each month. This led to problems in PPL where a supplier would submit a bill before the bill due date but receive a rejection that the customer had already been invoiced. If the usage received was flagged as a “final bill” and it is wrongly rejected as “outside billing window” the supplier was then forced to separately bill the customer – often times the supplier bill format hadn’t been approved yet because the supplier had expected to use utility consolidated billing.
	+ Under rate ready billing the utility has the supplier’s rate and a supplier does not need to worry that an invoice may get rejected forcing them to bill the customer separately.
* Bill ready billing creates problems when customers who have a usage adjustment for prior months but are no longer served by that supplier will not have the adjustment on their utility bill. Under bill ready billing the supplier in PPL must separately send a credit or debit invoice to the customer outside of the utility bill.
	+ Under rate ready billing the utility would simply adjust the customer’s bill and true-up with the supplier behind the scenes.
* Budget billing under a bill ready scenario requires the supplier to create a separate budget bill amount for the customer. This led to confusion in PPL on the budget billing calculations and ensuring customers understood their budget bill amounts as they fluctuated or were annually trued up. The customer also wound up paying a higher budget amount because PPL does not recalculate the budget amount even though consumption charges are included in the supplier budget amount.
	+ Under rate ready the supplier price is incorporated into the utility calculation by the utility and there is no need to explain separate budget bill amounts or concerns that a supplier misinterpreted the calculation.

Essentially, while rate ready offers the obvious simplicity of submitting a rate to the utility versus calculating a bill, it also benefits customers by ensuring that they continue to receive all billing and adjustments through their utility bill; they will not receive separate supplier billings due to missed bill windows or usage adjustments. Rate ready preserves utility consolidated billing in its truest form versus bill ready which can create the need for dual bill situations. Random dual billing brings with it customer confusion on who to pay, contract issues where they agreed to a single utility bill, and collection questions.

PPL notes that many of the arguments for statewide implementation of a rate ready billing platform deal with issues that were specific to the expiration of rate caps in PPL’s service territory.  These issues did not arise from problems with PPL’s bill ready billing platform and would have occurred irrespective of the billing platform that was in place.  Furthermore, PPL suggests that most of the billing issues raised as justification have already been corrected.  The OCA agrees with PPL in suggesting that issues specific to PPL’s billing system should not be used as justification for statewide implementation of a rate ready billing platform.

## Rate Code vs. Price Driven Model Requirements

The EDEWG report defined two distinct methods for communicating EGS pricing to an EDC on a rate ready platform: a rate code driven model and a price driven model. The rate code driven model utilizes a minimum of three (3) alphanumeric characters to define an EGS rate code, which in turn corresponds to a specific set of pricing components. The price driven model does not utilize a rate code, but rather entails the communication of specific prices for each EGS customer account to the EDC. The EDEWG report adopted the rate code driven model.

**Positions of the Participants**

* PPL

PPL reports that it is not in favor of implementing the price driven model of a rate ready platform.  PPL states that it would not be able to implement the pricing model within the rate code driven model, therefore both systems would need to be designed and implemented separately at similar costs.  Additionally, having to implement another system similar to the rate ready platform now in process would use limited IT resources required for other high priority projects.

* Duquesne

Duquesne states that the EDEWG Consensus Group was able to reach full consensus on the use of the rate code driven model for the initial implementation for PPL. Duquesne supports rate ready billing using the rate code driven model.

* PECO

 PECO states that the rate code model is the preference per the consensus established with EDEWG. PECO believes that the rate code approach is desirable because a relational table can be set up for all the EGSs and can be modeled after existing billing system tables. PECO additionally states that the price driven model does not allow for easy identification and grouping of rates. The price driven model would allow for each customer to have a unique rate or price which would be extremely difficult to support from an IT perspective. There would be significantly complex changes to PECO’s billing system (CIMS) to support EGS rate codes. There would be minimal EDI system changes to support EGS rate codes.

* CES

CES prefers the price driven approach because the price driven approach requires no pre-programming of rates, it is less burdensome for the company and is more adaptable to market price changes over time. CES submits that some EDCs currently require up to 90 days to program a new rate code—a timeframe that is unworkable from CES’ perspective. CES supports the EDEWG consensus position to implement the rate code driven model as a matter of first priority in the PECO and PPL service areas. If the timeframe and process for managing rate codes in various EDCs is not workable, CES reserves the right to continue to advocate for adoption of the price driven approach.

* Direct Energy

Direct Energy agrees with a rate code driven model on the condition that there be flexibility in the kinds of rates offered.

* Dominion

Dominion states that the traditional rate code driven model is very similar in nature to tariff rates billing used by utilities and that this model has worked very well in mass markets. Dominion states that conversion of existing rate ready systems could be costly to both utilities and suppliers. Additionally, Dominion notes that it is much more economical for the company to change a price once for 200,000 customers (i.e. rate code driven) than to electronically transmit 200,000 change transactions (i.e. price driven).

**RMWG Conclusion**

 EDCs are unified on the stance that the rate code driven model is most appropriate. Generally, this stance is based on the significant IT obstacles present in implementing a price driven model. On the other hand, CES has submitted that it prefers the price driven approach. CES contends that the timeframe for managing and formatting rate-codes presents an obstacle to its operations. However, CES has submitted that it will support the rate code driven model, in order to foster progression toward uniformity, with the stipulation that CES may pursue implementation of a price driven model if rate code driven structures are inefficient. Therefore, the RMWG reached a consensus agreement that the rate code driven model is appropriate.

1. **DESIGN REQUIREMENTS FOR RATE CODE DRIVEN MODEL**

 The rate code driven model requires the EGS to formulate its price and assign a rate code which would be included on the EDI 814 enrollment/change transactions. The EDEWG report concluded that each rate code can be designed by the EGS to include certain elements and components, including:

* Usage (kWh) charge only (No Proration)
* Demand (kW) charge only (No Proration)
* Flat fixed monthly charge (No Proration)
* Any combination of Usage, Demand, and Flat fixed monthly charge.
* % of default service rate (Must be flat POLR rate; % could be either a premium or discount to the POLR rate)
* Flat fixed monthly charge, plus % of default service rate (Must be flat POLR rate)

In combination, these components should allow the EGSs to mimic simple fixed rate structures.

The EDEWG report also adopted five (5) decimal point precision for pricing components and a policy by which EGS rate codes will not be removed by an EDC without the consent of the EGS.

**Positions of the Participants**

* Allegheny

Allegheny does not agree with the stipulation that the EDCs will not remove unused rate codes without the consent of the EGS. Allegheny submits that an extenuating number of rate codes could be a burden to its computer system. Rather, Allegheny states that it is prudent to remove rates that are not used, given that the suppliers are not limited in the number of different rates to which they could sign-up customers. Allegheny believes that a limit on maintaining unused rates should be implemented. Allegheny currently will remove rates that are unused for 90 days.

* Duquesne

Duquesne agrees with the EDEWG consensus group that EGS charges on the bill for a particular customer’s account will be based upon the rate code provided by the EGS on either the EDI 814 enrollment transaction or the most recent EDI 814 change transaction associated with the customer’s account.

Duquesne agrees and supports pricing components, with no proration, for a limited number of components, including usage, demand, flat fixed monthly charge, or any combination of usage, demand, and flat fixed monthly charges.

Duquesne states that it cannot support and therefore does not agree with providing the “percent off default service rate,” which can be achieved utilizing separate billing. Additionally, Duquesne avers that implementation of this item would require a significant overhaul of its existing Supplier Billing system, which could cost up to $300,000 to complete. Duquesne also submits that in its past experience, EGSs have pursued separate billing. As these other options are available to the EGSs, Duquesne’s position is that an EDC should not be required to spend the time and money to develop and implement a “percent off default service” option.

Duquesne supports the EDEWG consensus group position to limit permitted rate designs to mimic simple fixed rate structures using standard pricing components. Duquesne agrees that structures relating to blocking or to any complex rates that vary based on other parameters would not be offered. Duquesne supports the EDEWG consensus group position that EGSs that desire implementation of more complicated rate designs should exercise their option to implement dual billing.

Lastly, Duquesne submits that its existing technology does not support offering five (5) decimal point precision. Duquesne states that its existing technology will fully support five (5) characters and up to four (4) decimal points. Modification of Duquesne’s existing four (4) decimal point precision to five (5) decimal points for the pricing calculation is fairly simple in nature, but will still require a significant amount of testing and verification. Duquesne estimates the cost to implement this change to be $30,000. It is Duquesne’s position that EDC’s should not be required to upgrade existing technology to support five (5) decimal values if their existing technology supports less.

* PECO

PECO notes that there would be significant changes to the CIMS Billing system to support EGS rate codes and that minimal EDI system changes are required to support rate codes for EGSs. PECO assumes that rate designs will be simple fixed rate structures using standard prices (complex rate structures and block structures are out of scope.). PECO contends that EGSs wishing to offer complex rates should be required to do so on a bill ready option. PECO assumes allowing an EGS rate structure in CIMS to contain one of the following combinations of pricing components, and rejecting any EGS rate code request not conforming to these components (all demand references are to be “billed” demand which is based on transmission and distribution kW and is calculated per the rules of the associated PECO distribution service tariff, as opposed to registered/measured demand which in all cases is the demand actually measured by the meter): usage (kWh) charge only; demand (kW) charge only; usage (kWh) and demand (kw) charges; fixed/flat monthly charge; usage (kWh), demand (kW), and fixed / flat monthly charge; % of default service generation rate; fixed/flat monthly charge and % of default service generation rate; usage (kWh) and fixed/flat monthly charge; demand (kW) and fixed/flat monthly charge.

* CES

CES believes that EDC rate ready programs should allow for flexible rate designs, including usage based charges (kWh), demand based charges (kW), fixed charges (flat monthly charges), and rate designs based on % off of POLR charges (such as a 10% off of the applicable POLR charges).

* Direct Energy

Direct Energy contends that rate code driven platforms should support the offering of dynamic rates, such as time-of-use and real-time pricing, rather than only usage charges, demand charges, flat fixed charges, percentage off EDC default charges, or a combination thereof.

In addition, Direct Energy states that unused rate codes should not be deleted unless unused for six (6) months.

* Dominion

Dominion recommends that rate code driven platforms support flexible rate designs. Dominion does caution that if more flexibility is built into the rate code driven model, that price transparency should not be eliminated. Dominion believes that customers benefit from the ability to clearly understand their bills. Therefore, if transparency is lost, Dominion submits that it is inevitable that the level of consumer complaints will rise significantly due to confusion and to the detriment of retail choice overall. Additionally, Dominion agrees with the EDEWG consensus that EGS rate codes will not be removed by the EDC without the EGS’s consent.

**RMWG Conclusion**

The RMWG was unable to reach a consensus concerning pricing components. However, the RMWG was able to establish minimum requirements to allow EGSs the ability to mimic fixed rate price structures. The following rate components represent these minimum requirements:

* Usage (kWh) charge only (No Proration)
* Demand (kW) charge only (No Proration)
* Flat fixed monthly charge (No Proration)
* Any combination of Usage, Demand, and Flat fixed monthly charge.

However, the following pricing components represent areas of disagreement among members of the RMWG:

* Blocked rates
* Variable rates
* Time-of-use rates
* Real-time-pricing rates
* Percent off EDC default rates

EDC members of RMWG, particularly Duquesne and PECO, contend that EGSs wishing to utilize these pricing components should do so either through dual billing or a bill ready platform where available. Both EDCs submit that such pricing components would require system changes. Duquesne specifically submits that it cannot currently support a percent off default service rate.

EGSs members of the RMWG contend that a percent off default service option is necessary and should be mandatory. Further, Direct Energy states that if enough EGS are interested in a particular pricing component, that the EDC should work with those EGSs to implement the rate code. However, Direct Energy does submit that in circumstances where only an isolated EGS seeks a pricing component, that such an EGS should do so either through dual billing or a bill ready platform where available.

The RMWG was unable to reach a consensus concerning decimal point precision for pricing calculations. Duquesne submits that its current systems cannot support five (5) decimal point precision as implemented in the EDEWG report. Rather, its systems currently support four (4) decimal point precision.

Concerning unused rate codes, no strict consensus was reached. Dominion agreed with the EDEWG report format that permits for EDC deletion of rate codes based on EGS consent. Allegheny and Direct Energy stated that unused rate codes should not be left in an EDC system indefinitely and removal of rate codes may be prudent if such codes are left unused for a certain time period.

1. **ENROLLING ACCOUNTS ON RATE READY BILLING**

Rate ready platforms require procedures to enroll EGS customer accounts onto an EDC’s billing system. These transactions include the enrollment of new customers and the change of already existing customers’ billing criteria.

The EDEWG report adopted the usage of an EDI 814 transaction as the method for enrollment/change, the allowance for EDC rejection of enrollment requests on non-established rate codes, the capability of switching between rate ready, bill ready, and dual billing under existing switching terms, and the usage of tax exemption information provided by EGSs on 814 transactions for EDC calculation of EGS sales tax charges.

The EDEWG report noted that EDCs differ in the methods used to determine the effective date of change transactions.

**Positions of the Participants**

* Allegheny

Allegheny agrees with the EDEWG report relative to the capability to switch between bill ready, rate ready and dual bill billing options by submitting changes via EDI 814 change transactions. Allegheny agrees that further discussions are needed to determine how the effective date of the change transaction is determined and whether there should be a statewide standard to address the handling of the effective date on bill option changes.

* Duquesne

 Duquesne supports the EDEWG consensus group agreement to enroll an account by submitting an EDI 814 enrollment request. Duquesne also supports rejecting the enrollment request for rate codes not previously established in the EDC’s system. Duquesne notes that the EDEWG consensus group acknowledged that not all EDCs handle the effective dates of the change transaction the same way and the group recommended that further discussion on this issue may be necessary. Duquesne currently processes successful changes immediately.

* PECO

 PECO reports that a high level of complex enhancements to PECO’s existing CIMS Billing system will be required to support rate ready enrollment and switching. This would include the logic to validate enrollment, switching between bill options, etc. and that changes of medium complexity to its EDI system will be necessary to support rate ready enrollment. The assumption is that the existing EDI 814 enroll and change transaction will be used. The effective date will be immediate or for the next bill, not the next meter read schedule.

**RMWG Conclusion**

The RMWG reached a consensus that rate ready enrollment transactions and change transactions should be made using the currently existing EDI 814 transaction. The RMWG also reached a consensus that existing switching rules should apply, that EDCs may reject enrollments for non-established rate codes, and that tax exemption information should be provided by EGSs on 814 transactions for EDC calculation of EGS sales tax charges.

The RMWG pointed out that there is currently no uniform procedure for designating the effective date of change transactions. The RMWG submitted that a statewide standard for designating the effective date of a change transaction should be addressed in further discussions.

##

1. **CREATING NEW EGS RATES**

 The process by which EDCs receive and program EGS rates under a rate ready platform currently varies across EDCs. There are three methods either in place or under study as preferred processes. A web-based system allows EGSs to use a secure portal on the EDC website to enter, remove and edit their own rate codes. An EDI transaction requires the EGS to submit batches of rates to the EDC, which will then program them into its billing system. Another method is to use email communications from EGSs to EDCs to communicate new rates, changes to existing rates, etc.

 The EDEWG report adopted usage of a two-way automated process in the form of a website interface or an EDI transaction where the EGS can create rate codes and receive verification of such creation from the EDC. The EDEWG reported also adopted a maximum turnaround on requests of 14 calendar days.

**Positions of the Participants**

* PPL

PPL reports that it will be implementing a website for suppliers to manage their rates to make it functionally easier for EGSs to manage the rate ready program in a timely manner.

* Allegheny

Allegheny avers that the variances in the way EGS rates are handled by each EDC have not been vetted by the EDCs other than PPL and PECO, and there are discrete differences between the two. The EDEWG working group did not explore all the variations for consensus. The elements involved in the various aspects of creating rates vary greatly among EDCs. Therefore, Allegheny believes that a statewide solution warrants further discussions to accomplish an acceptable consensus.

* First Energy

FirstEnergy states that, because of the information and billing system that is currently in place (i.e. SAP), the FirstEnergy companies are unable to simply create new rates without going through the rigors of establishing the proper rate codes. The FirstEnergy companies are concerned that they may not be able to comply with the strict timelines for development of new rates pursuant to this aggressive mandate. The implementation of new rates within 7 days is not feasible due to the information and billing system that is currently in existence. Currently, if there are 15 or less new rates, it would take approximately 30 days to implement; and if there are 15 or more new rates, they would only be available in about 90 days.

* Duquesne

Duquesne avers that it does not support assisting in the development and implementation of a website to automate this process. Duquesne currently uses a manual process to create new EGS rates, which today is typically handled through emails. Duquesne states that its experience has been that the turnaround time is five (5) business days or less, with no more than 100 rates at a time.

* PECO

PECO recommends that either Web or EDI capability should be implemented, but not both. For either option (EDI or Web) PECO strongly recommends that standards be developed for each approach so all EDCs and EGSs adhere to similar processes. Standards need to be developed around Sarbanes-Oxley (SOX) controls for both EDCs and EGSs; specifically for changing prices to existing rate codes – A uniform test methodology is recommended to ensure compliance for both parties. EDI offers an existing documented control process, but will require an additional EDI transaction and a new EDI Implementation Guide. The Web approach offers the EGS the ability to view their current rates and prices, however, standards and controls will need to be determined and documented as well. Also, the confirmation process to inform an EGS that rate codes were processed will need to be determined. PECO IT understands that there is precedence for the web option in Pennsylvania, but developing standards and adherence creates greater uncertainty versus a more known EDI standard which may drive costs up. For either option, new, difficult changes will be required to update PECO’s CIMS Billing and EDI systems to support EGS rate code modification and confirmation. If the preference is for the web solution, PECO.com is currently undergoing a technical platform upgrade from Websphere to SharePoint that will not be complete until 1st Quarter 2011. If a web approach is referred this should be built on the new platform to avoid the need to build the solution twice.

* CES

CES supports the maximum rate code management timelines contained in the EDEWG rate ready report: 14 calendar days for implementation of new EGS rate codes; 14 calendar days for processing rate code changes for particular accounts; 14 calendar days for updating prices associated with particular rate codes. CES strongly supports implementation of an automated process for managing rate codes through either EDI or through the EDCs supplier support website.

* Direct Energy

Direct Energy requests that new rate codes be made available within seven (7) business days, but notes that currently there is only one EDC rate ready platform that does not comply with the EDEWG consensus timeline.

**RMWG Conclusion**

 The RMWG was unable to reach a consensus on a uniform, state-wide method for creating new EGS rates. The current system for doing so varies widely across EDCs. Requiring a uniform procedure would necessitate some EDCs to undertake extensive updates to their IT systems. Furthermore, with certain stipulations as to the timeliness with which EDCs will add EGS rates after receiving them from the EGS, strict uniformity in procedure may be unnecessary.

 The RMWG was also unable to reach a consensus concerning rate code management timelines. CES submits the same timeline as the EDEWG report: 14 calendar days for implementation of new EGS rate codes. Direct Energy submits a seven (7) business day timeline for the implementation of new EGS rate codes. Duquesne states that it implements a turnaround of five (5) business days given a maximum of 100 rate codes. Lastly, First Energy states that it currently takes up to 90 days to implement batches exceeding 15 rate codes.

## Changing EGS Rate Codes on Accounts

 Rate ready platforms (rate code driven) need to provide functionality for the update and revisions of customer account rate code information. The methods and procedures in place to accommodate an EGS’s editing of customer account existing rate code classes differs among EDCs, particularly in the areas of timeline and interface.

The EDEWG report reached a timeline of fourteen (14) calendar days or less to process such requests and adopted usage of the last rate code change processed as the change of record.

**Positions of the Participants**

* Duquesne

Duquesne supports requests to change the EGS rate code on a particular account to be processed in 14 calendar days or preferably less. Duquesne’s existing technology does not support an unlimited number of EGS rate code changes. The effort to increase Duquesne’s current limit of 3,000 transactions per day to an unlimited number of transactions would likely require additional hardware as well as software modifications, at a cost up to $40,000. Duquesne does support the EDEWG consensus group position that the effective rate code used will be the last change processed.

* PECO

PECO reports that complex changes to PECO’s CIMS billing and EDI systems will be required to support EGS updates of rates for an account. This assumes effective dates of price changes will follow existing practices (i.e. next scheduled read or next scheduled read depending on when the price change request is received).

* CES

CES believes that each EDC rate ready program must allow for a timely, efficient and automated process for establishing new rate codes and managing existing rate codes. CES concurs with the 14 day timeline established in the EDEWG report.

* Direct Energy

Direct Energy contends that the effective date of requests for an account rate code change should be the next billing cycle date if the request is received two (2) business days before the next meter reading and that such rate code change should be applicable for the entire billing period. Direct Energy also submits that if multiple account rate code changes are submitted for the same account, the effective rate code should be the last rate change received by the EDC (day and time). Lastly, Direct Energy states that the EDC should notify the EGS about rate code change acceptance including the effective date via EDI.

**RMWG Conclusion**

The RMWG reached a consensus on rate code change timeline criteria. The RMWG submits that EDCs should process rate code changes within 14 days. However, the number of rate code changes per day may be limited, depending on the EDC’s IT capabilities, to a reasonable amount (i.e. 3,000). Lastly, the RMWG reached a consensus that the last change processed will be the effective rate code.

##

1. **CHANGING PRICES ASSOCIATED WITH EXISTING EGS RATES CODES**

 Rate ready billing requires that EGSs be able to change their rates and prices in order to react to market conditions. This necessitates responsiveness on the part of the EDC when an EGS submits changes to their rates. Such changes can be divided into two broad categories. Changes to price components will make specific changes to the charge for an individual rate component, such as a usage charge, while the addition or subtraction of a price component will remove a rate element, such as a fixed monthly charge, altogether.

The EDEWG Report concluded that requests to change pricing components for an existing EGS rate code should be processed in no more than fourteen (14) calendar days. EDEWG further concluded that EGSs would be able to change any pricing component for an existing rate code and that EDCs would provide electronic confirmation of changes made to a rate code including the effective date of those changes. EDEWG decided that the addition or subtraction of pricing components could only be completed if an EGS created a new rate code. Finally, EDEWG concluded that there would be no limit on the number of EGS price changes to a rate code and that the last change processed would be the effective price.

**Positions of the Participants**

* PPL

PPL reports that for its rate ready program, PPL will be implementing a website for suppliers to manage their rates to make it functionally easier for EGSs to manage rate ready operations in a timely manner. PPL notes that the addition or subtraction of a rate component requires the creation of a new rate code, while a change to the price of an existing component does not.

* Allegheny

Allegheny states that currentlyin their system, EGSs are able to add or remove pricing components of an established rate code. The requirements in the EDEWG report would limit the EGSs’ ability to change components and limit the EGS’s flexibility in providing current pricing for their customers.

* FirstEnergy

FirstEnergy notes that EDEWG agreed that the EDC should provide the EGS with the ability to change any pricing component associated with an existing rate code. The FirstEnergy companies do not support this initiative because the process for which the rate code is modified for changing prices does not allow the EGS to change prices in a rate code. More specifically, the FirstEnergy companies have a process in place whereby they utilize generic rate codes for processing changes in prices made by the EGSs. If the rate code is not supplier specific, then the EGS cannot modify the prices associated with the rate code because other EGSs may be using the same rate code.

* Duquesne

Duquesne states that, similar to the issue of creating EGS rates, the company utilizes a manual process for changing prices associated with existing rate codes. Duquesne does not support the development and implementation of a website to automate this process.

* PECO

PECO states that new web capabilities will be required. Also, as mentioned above, SOX controls and testing standards need to be developed to ensure adherence by both parties when a price change occurs.

* CES

CES believes that each EDC rate ready program must allow for a timely, efficient and automated process for establishing new rate codes and managing existing rate codes.

* Direct Energy

Direct Energy avers that price changes for existing rate codes should be effective for the following bill cycle given that the EGS has submitted the change two (2) business days prior to the next meter reading. Direct Energy believes that EGSs should have the option to change the price by pricing components within the rate code. Such price changes should be applicable to the complete billing period without proration. Direct Energy suggests that if multiple price changes for a given rate code are submitted, the effective price change will be the last one submitted to the EDC. Direct Energy submits that notification of price changes for a rate code and the effective date of the change should be sent to the EGS by the EDC via email.

**RMWG Conclusion**

 The RMWG was able to reach a consensus position on some, but not all, issues associated with changes to existing EGS rate codes. As with the issue of Creating New EGS Rates, EDCs utilize a variety of different systems to change or update existing EGS rates. Again, if the standards for timeliness of EDC responses to price change requests as established by EDEWG are followed, uniformity in the system for making changes may be unnecessary. EGSs within the RMWG favor a fully automated system that allows EGSs the most flexibility in changing their rates. However, the EGSs agree with the EDEWG position that response time, not implementation process, is the most relevant issue. EDCs suggest that requiring uniformity in this process will require significant and potentially expensive changes to some EDC systems.

## Billing and Associated EDI Impacts

 Rate ready platforms require the EDC to perform the calculation of EGS billing amounts. The format for the calculation of EGS charges and communication of such information to the EGS are key components of an effective rate ready platform, as such information provides EGSs with customer usage and revenue information necessary for operations. The EDEWG report concluded that the EDCs would calculate EGS charges for the period based upon the pricing components of the EGS rate code for the customer’s account and would place the relevant EGS charges on the customer’s bill. The EDC will calculate charges for both itself and the EGS on identical billed usage and demand. EDEWG also decided that as under a bill ready platform, the EDC will provide the EGS with an EDI 867 monthly usage transaction for all accounts that they serve within one (1) business day of the meter read, regardless of the billing option selected for that account. The EDC will also provide an EDI 810 transaction to the EGS indicating the EGS portion of charges billed to the customer and the actual current EGS charges in all cases. Finally, EDEWG concluded that the EDI 810 transaction will display the price, quantity, unit of measure and total amount for each pricing component.

**Positions of the Participants**

* Duquesne

Duquesne supports the EDC calculating the EGS charges for the period being billed based on the pricing components of the EGS rate code for the customer’s account and placing the associated EGS charges on the customer’s bill. Duquesne also supports the EDI 810 transaction that will display the price, quantity, unit of measure and the total amount of each pricing component. Duquesne supports the EDI 810 transaction displaying actual current EGS charges in all cases.

* PECO

PECO comments that rate ready billing will require difficult changes to PECO’s CIMS Billing systems to support EGS rate calculations. Also, complex changes will be required to create an EGS-only section on the 810 EDI transactions. Changes of medium complexity to EDI systems will be needed to pass updated 810 EDI.

* Direct Energy

Direct Energy agrees that the EDC should calculate EGS charges for the billing period based on the pricing components of the EGS rate code for the customer’s account. The associated charges should be placed in the 810 invoice EDI transaction sent to the EGS displaying the price, quantity, unit of measure and the total amount of each pricing component.

**RMWG Conclusion**

The RMWG was unable to reach a complete consensus on this issue. There was general agreement that EDCs providing rate ready billing shall calculate EGS customers charges based on the pricing components set in the customers corresponding rate-code, that EGS charges shall be calculated using the identical criteria that is used for EDC charges, and that the EDI 810 shall be used to communicate the price, quantity, unit of measure, and total amount for each pricing component used to calculate an EGS customer account bill. However, PECO avers that complicated and costly changes to both its CIMS Billing systems and the EDI 810 transaction would be necessary to implement rate ready billing as outlined by the EDEWG report.

1. **CANCEL-REBILL PROCESS**

The cancel-rebill process is used to remove or alter incorrect data or charges on the customer’s bill. The EDEWG report established that to perform a cancellation for a bill period on a rate ready account, the EDC will submit an EDI 867 monthly usage cancel transaction and an EDI 810 cancellation transaction to the EGS indicating the cancelled usage and charges respectively; the corresponding rebill will require the EDC to submit an EDI 867 usage transaction and an EDI 810 rebill transaction to the EGS indicating the usage and rebilled charges respectively. EDEWG further decided that when performing a cancel-rebill for prior billing periods, the EDC will use the EGS billing parameters associated with that period, including the EGS rate code, the pricing components of that rate code, the tax exemption percentage and the billing option associated with that period. Finally, EDEWG concluded that cancel-rebills can be processed as long as an EGS of record is active with the EDC; situations where an EGS is no longer active with the EDC will be handled on a case by case basis.

**Positions of Participants**

-Duquesne

Duquesne supports the EDEWG consensus group positions and agrees that a cancel-rebill for a prior billing period must use the EGS billing parameters associated with that period, including the EGS rate code and the billing option associated with that period. However, Duquesne’s technology does not permit storing the customer’s tax exemption status for a prior billing period, and therefore, accounts rebilled will contain the current tax exemption status in place at the time the rebill is calculated. The changes to Duquesne’s existing technology required to store and rebill using date sensitive tax exemption amounts would require some complex software changes and a significant amount of testing and verification. Duquesne estimates the cost of this change to be $75,000.

Duquesne supports allowing the processing of rebills as long as the EGS of record is active. Duquesne supports handling instances where customer bills needing cancellation and rebilling for suppliers no longer active will be handled on a case by case basis. Duquesne also supports the EDEWG report’s agreement that when a bill period for a rate ready account is cancelled or rebilled, the EDC will submit an EDI 867 transaction and an EDI 810 transaction (for either the cancellation or rebill) to the EGS of record for that billing period.

-PECO

PECO reports that complex changes will be needed to its CIMS Billing systems to support cancel-rebill for historical EGS rates and that changes of medium complexity to EDI Systems will be needed.

* Direct Energy

Direct Energy agrees that a cancel-rebill for a prior period must use the EGS billing parameters associated with that period including the EGS rate code associated with that period. Direct energy further agrees that the EDC should send EDI 867 usage and 810 invoice transactions for both the cancel and the rebill. Direct Energy suggests that an account rebill should contain the current tax exemption status in place at the time the rebill is calculated rather than the exemption status for the prior period. Finally, Direct Energy avers that cancel-rebills for prior periods when the customer is no longer being served by the original supplier will be sent to the original supplier until three (3) years after the consumption was initially billed.

**RMWG Conclusion**

 The RMWG reached a general consensus that the process for cancel-rebills, including cancel-rebills for prior billing periods, will use the EGS billing parameters from the relevant period. There was not a complete consensus due to some concern over required changes to EDC billing systems. Additionally, there was no consensus concerning whether cancel-rebills would use current tax exemption information or the historical figure from the billing period in question.

1. **BILL PRINT**

 Bill print entails the format that EDCs present EGS charges on an EDC consolidated customer bill. The EDEWG report concluded that the EDC will list each pricing component associated with EGS charges for a particular bill period as a separate line item on the customer bill with a total and the associated breakdown. EDEWG further decided that the EDC will list taxes calculated by the EDC associated with EGS charges as a separate line item. The EDC will also provide a summary line item totaling all components of EGS charges. The EDEWG suggested that the bill should include the EGS rate code, including the text name associated with that rate code if available. Finally, EDEWG concluded that EDCs who support alternative formats of billing, such as electronic billing using EDI transactions, will modify such billing methods to accommodate the bill print impacts outlined in the EDEWG report.

**Positions of the Participants**

* Allegheny

Allegheny comments that the bill print capabilities in each EDC system are different and may not accommodate the requirements suggested by the EDEWG report. Since that report was developed with PPL in mind and the capabilities of that EDC, there needs to be more discussion regarding the capabilities of the other EDCs’ systems. The costs involved in making those changes would also vary amongst EDCs and should be identified to warrant cost recovery for the modifications of existing systems to accommodate these upgrades if so ordered.

* Duquesne

Duquesne supports the EDC listing each pricing component associated with the EGS charges for a particular billing period as a separate line item with a total and the associated breakdown as it already lists each component as a separate line item. Duquesne supports listing the taxes calculated by the EDC associated with the EGS charges for a particular billing period as a separate line item on the customer’s bill. Duquesne supports providing a summary line totaling all components listed for EGS charges.

Duquesne does not support listing the EGS’s rate code on the customer’s bill. Duquesne currently defines the literal/text name associated with the EGS’s rate code, such as “ABC Supplier 123”, and while that identifies the specific applicable rate for Duquesne’s internal use, displaying that text on the customer’s bill would serve no customer purpose.

The changes to Duquesne’s existing technology required to provide the printing of the EGS’s rate code on the customer’s bill would require some software changes and a significant amount of testing and verification at a cost of up to $25,000.

Duquesne maintains that EDCs that support alternate forms of billing, outside of sending physical bills to the customer, will modify such billing methods to accommodate the bill print impacts described earlier.

* PECO

PECO reports that it is very difficult to change its CIMS Billing systems to support multiple charge lines for EGS rate ready charges and bill presentment and that it is also difficult to develop Web bill message change capabilities for EGS for specific rates.

* Direct Energy

Direct Energy agrees that the EDC list each pricing component associated with EGS charges for a particular billing period as separate line items with a total and the associated breakdown on the customer’s bill.

**RMWG Conclusion**

A consensus was not reached on the bill print design for EDCs providing rate ready billing. The basis for this lack of consensus is the inherent difference in bill print processes between different EDCs and the required programming changes necessary to align with the criteria set forth in the EDEWG report. Additionally, there is a lack of consensus on the requirement to list rate-code designations on an EDC consolidated bill.

1. **TAXES**

The EDEWG report concluded that each EGS is responsible for holding tax exemption certificates for its charges but is not required to submit them to the EDC. The EDC will calculate and bill the taxes owed by the customer based on the last tax exemption percentage submitted by the EGS on an 814 enrollment/change transaction. EDEWG agreed that the EDI 814 change request will be the means by which EGSs can change the existing tax exemption percentage on a rate ready account and that changes to an account’s tax exemption percentage will be effective for the entire billing cycle during which the change request is received. If multiple tax exemption changes are received for an account, the last request received will be effective for the entire billing cycle. Finally, EDEWG concluded that in the Supplier Agreement, the EDC will specify which taxes it is responsible for calculating.

**Positions of Participants**

* Allegheny

Allegheny currently uses its tax exemption records to determine if a customer is tax exempt. In a rate ready scenario the EDC does all the calculations and permits the supplier to use its back office capabilities to bill the customer for them. Therefore, Allegheny believes that it is more likely that the EDC would have the correct records and correct tax information for a customer that they continuously serve for distribution charges rather than the supplier who could change often.

* Duquesne

Duquesne supports each of the items listed in the EDEWG report related to taxes. Duquesne agrees that the EGS is responsible to hold tax exemption certificates for its own charges, that the EDC will provide the capability for an EGS to change the existing tax exemption percentage for an account it serves, that the EDC will specify which taxes are calculated by the EDC in the Supplier Agreement, and that the last tax exemption change processed will serve as the EGS tax exemption percentage of record.

Duquesne supports that each EDC will use the tax exemption percentage provided by the EGS on the 814 enrollment/change transactions to calculate Sales Tax for the EGS portion of the bill. Duquesne also supports that each tax calculated will be included separately on the rate ready 810 transaction sent to the EGS.

* PECO

PECO reports that it will be difficult to change its CIMS billing systems tax modules to support display of taxes on the EGS section of the bill.

* Direct Energy

Direct Energy recommends that the EDC be responsible for calculating tax exemptions and maintaining the relevant information in their records, though the EGS should still be responsible for holding the customer’s tax exemption certificates. Direct Energy agrees with the EDEWG report that the EGS should be able to change the tax exemption percentage for an account and that the last request received by the EDC will be the effective tax exemption percentage. Finally, Direct suggests that the tax charges calculated should be included separately in the 810 invoice transaction sent to the EGS.

* Dominion

Dominion proposes that it is administratively more logical for the EDC to determine a customer’s tax exemption status and calculate the charges due to the EDCs’ longstanding distribution service records with the customer. Moreover, Dominion suggests that customers may be reluctant to constantly provide new EGSs with their tax information due to privacy and identify theft concerns. However, Dominion agrees that the EGS should be able to transmit any tax information it receives from the customer, such as the exemption percentage, to the EDC for inclusion on the generation portion of the bill.

**RMWG Conclusion**

 The RMWG was unable to reach consensus on this item. While there was broad agreement that the EDC would calculate taxes on EGS charges based on tax exemption certificates provided by the EGS, there was some disagreement. Allegheny, Dominion and Direct Energy suggest that the EDC would likely have better information on tax exemptions than the EGS. PECO stated that changes to its billing system would be required to display taxes on the EGS section of a combined bill.

## Proration

 Proration entails the accounting for EGS rate adjustment within a billing period rather than adjustment of rates to be effective at the start of the next billing period. The EDEWG report concluded that the EDCs will not be responsible for prorating EGS usage, demand or flat fixed monthly charges.

**Positions of the Participants**

* Duquesne

Duquesne supports the EDEWG conclusion and agrees that the EDCs will not be responsible for prorating EGS usage, demand, or flat fixed monthly charges.

* PECO

PECO reports that it will not bill a portion of one billing cycle using one EGS rate code or price and bill the other portion with the modified EGS rate code or price. EGS rate code changes and price changes will be effective for the entire billing cycle during which PECO receives the EGS’s change request, assuming that PECO receives the EGS’s request no less than seven days prior to the next scheduled meter reading date. PECO does not prorate its quarterly price changes for its distribution rates and is using a blended price for its January 2011 generation service cost transition. PECO also does not prorate tax rate changes in any way. Therefore, placing proration out of scope is consistent with PECO’s current billing methodology.

* Direct Energy

Direct Energy suggests that proration not be applied to the EGS charge calculation. Direct avers that supplier rate code changes and price changes for a rate code should be effective for the entire billing period during which the EDC receives the EGS change request provided that the EDC receives the request no less than two (2) business days prior to the next scheduled meter reading date. Direct Energy further suggests that proration should not apply to tax rate changes.

**RMWG Conclusion**

A consensus was able to be reached on the topic of proration. The RMWG submits that EDCs should not be responsible for the calculation of prorated usage, demand, or fixed charges. Rather, EDCs should be responsible for adjusting these EGS charges for future billing cycles given the timely submission of such revisions by an EGS.

1. **BUDGET BILLING**

A rate ready platform should simplify the process of calculating budget bills for both EDC and EGS charges. The EDEWG report concluded that PPL would perform budget billing for both the EDC’s and the EGS’s charges.

**Positions of Parties**

* Duquesne

Duquesne supports the EDEWG conclusion and provides budget billing for residential customers only. For residential customers, Duquesne calculates a budget amount for EGS charges, and the customer has the option to pay either budget amount or actual billing charges. For Purchase of Receivables (POR) accounts, Duquesne provides the applicable EGS an EDI 810, which indicates whether payment to the EGS will be based on actual amount, the budget amount or true-up amount.

* PECO

PECO reports that it currently pays EGSs their actual energy charges in all cases, regardless of whether the account associated with the payment is on budget billing. PECO will continue to follow its current practice of placing an account on budget billing in its entirety and paying the EGS actual energy charges, regardless of billing option selected. This means that PECO is not obligated to provide “Current EGS Budget Charges” or “Current EGS Budget True-Up Balance” in the 810 invoice. The flag indicating what PECO is paying will always be set to “actual”.

* CES

CES states that rate ready billing platforms should enable the EDC to manage budget billing in a streamlined manner where customers who are on budget billing for EDC charges are automatically on budget for EGS charges, suppliers are paid on the actual charges instead of the budgeted charges, and the EDC manages the budget billing calculations and periodic true ups.

* Direct Energy

Direct Energy recommends that an EDC offering budget billing for its own charges will automatically include EGS charges in their budget bill process. Direct Energy also suggests that the EDC should pay the EGS based on actual energy charges rather than budget charges and that the EDC should manage the budget billing calculations and the periodic true-ups.

**RMWG Conclusion**

 The RMWG has concluded that EDCs using rate ready platforms should calculate the budget billings amounts for both EDC and EGS charges. The EDC will also calculate the true-ups of the budgeted amounts throughout the year.

1. **COST-BENEFIT ANALYSIS, COST RECOVERY AND COST ALLOCATION**

Several parties, including the Office of Consumer Advocate (OCA), the Energy Association of Pennsylvania (EAP), the Industrial Energy Consumers of Pennsylvania (IECPA), PPL Electric Utilities (PPL) and PECO suggested that a cost-benefit analysis be performed before any Commission directive with respect to statewide implementation of rate ready billing requires the EDCs to make additional investments in rate ready platforms. The following cost estimates for implementation of the EDEWG recommendation for rate ready platforms were submitted to the EDEWG and the RMWG:

* Duquesne - $470,000
* PECO - $3,300,000
* PPL - $1,300,000

These costs incorporate changes and upgrades to the companies’ information systems. Costs for testing and qualification processes, including Sarbanes-Oxley controls, are not included in the Duquesne and PECO estimates, but are included in the PPL estimate. None of these estimates include ongoing costs for maintaining and operating a rate ready platform. In light of these costs, some parties suggested that a cost-benefit analysis is prudent and necessary before requiring implementation of a statewide rate ready platform. The parties further suggested that some discussion of cost recovery and cost allocation should be held before any decisions regarding implementation are made. Based on a review of PECO’s RMWG Comments, IECPA expressed concern that rate ready billing does not support real time, time of use, or other variable rate designs. As many industrial users currently utilize various variable rate designs, the benefits from rate ready implementation may not accrue to this rate class. Consequently, IECPA stated that this issue needs to be evaluated in the context of cost allocation before any investment is made. The OCA, EAP, PPL and PECO also suggested that the issue of cost recovery be discussed before any Commission directives regarding statewide implementation of rate ready billing are made.

EAP opined that in addition to specifying costs, a cost-benefit analysis would necessarily delineate benefits, assign value to these benefits and identify the beneficiaries (whether customers and/or suppliers) which would be key information with respect to the issues addressed when allocating costs. In particular, monetizing the benefits to those specific suppliers that will no longer need certain back office functions if a rate ready billing platform is available is important so as to avoid unintended subsidies for certain suppliers that could, in turn, have the unintended consequence of harming competition.

Both Direct Energy and RBS Sempra stated that a cost-benefit study, if conducted, should not delay the implementation of rate ready statewide. Direct Energy submitted that given EGS difficulties with PPL’s bill ready platform and the very short timeline, a cost-benefit analysis may be an unnecessary and undesirable delay. RBS Sempra expressed concern over the issue of cost allocation.

While there were discussions over the necessity of a cost-benefit study, there was little discussion over the format of such a study. The issues of methodology, format and timeframe were neither discussed nor decided upon, although the OCA submitted in its Comments that a review of the costs and practical impacts of PPL’s rate ready platform could be completed in the first quarter of 2011 since the PPL platform is expected to be operational by the third quarter of 2010.

**RMWG Conclusion**

The RMWG was unable to reach a consensus on the necessity of a cost-benefit analysis prior to any Commission directive concerning implementation of a statewide rate ready platform.  Additionally, many participants in the RMWG expressed a desire to have a section on cost recovery and cost allocation in this report.  Based upon a review of the second Retail Markets Order, which directed the RMWG to prepare this report, Commission Staff determined that the areas of cost recovery and cost allocation are outside the scope of this report.

1. **CONCLUSION**

Per the Commission Order of April 19, 2010, the RMWG was primarily mandated to report on two issues: the EGS business needs for a uniform approach to rate ready billing and the EDC billing system capabilities to respond to uniform rate ready billing. The members of the RMWG presented substantially different positions on a majority of the technical items discussed in the EDEWG report on rate ready billing. However, there was some agreement amongst the parties such that the RMWG was able to conclude the following:

* EGS business needs for a uniform approach to rate ready billing

The RMWG submits that strict uniformity across existing rate ready platforms may be unnecessary. EGS members of the RMWG support steps toward uniformity in order to simplify operations across EDC service territories and enhance the competitive marketplace. However, EGS members generally viewed reasonable requirements for communication, coordination and responsiveness between EDCs and EGSs as more important than strict uniformity.

* EDC billing system capabilities to respond to uniform rate ready billing

The RMWG submits that implementation of a uniform, statewide rate ready billing platform would present significant IT and project management challenges to the EDCs. EDC members of the RMWG state that the system changes necessary for implementation would force the EDCs to incur both immediate and ongoing operational costs. The EDCs and other parties in the RMWG, including OCA, EAP and IECPA aver that given these costs, a cost-benefit analysis should be performed before statewide implementation of a uniform rate ready billing platform. Direct Energy stated that any such analysis should not result in delayed implementation of statewide rate ready billing.

**APPENDIX**

Electronic Data Exchange Working Group Report dated November 9, 2009

November 9th, 2009

James McNulty, Secretary

Pennsylvania Public Utility Commission

Commonwealth Keystone Building

400 North Street

Harrisburg, Pennsylvania 17120

Dear Mr. McNulty:

As per order of the Pennsylvania Public Utility Commission Docket Number M-2009-2104271, find within the report on the implementation of Rate Ready Billing in Pennsylvania from the Electronic Data Exchange Working Group [“EDEWG”] and the EDEWG sub-team consisting of both Electric Distribution Companies [“EDCs”] and Electric Generation Suppliers [“EGS”] and led by PPL.

As EDEWG leadership, we would like to highlight several things about this report:

* **Aggressive Timeline**. The 90-day deadline for this report was aggressive, and getting consensus of the parties on issues was only possible because of PPL’s cooperation and leadership, the contributions of the other EDC’s, and the significant commitment and cooperation from the participating EGS’s and their representatives. Most notably, Bruce Bolbat at PPL is to be commended for his leadership.
* **Policy and Business Practices**. EDEWG is best known for its technical products, forged originally with ‘Phase-In Committee’ guidance on policy and business practices. This Rate Ready effort and report focus primarily on policy and business practices. If the Commission is going to continue to request and require policy and business practice products like this from EDEWG, then EDEWG’s technically-oriented mission may need to be adjusted.

EDEWG has publicly posted this document and a prior draft on the EDEWG List Server.

EDEWG appreciates the support and commitment of its members and the Commission in developing and maintaining data exchange standards in the Commonwealth.

Sincerely,

|  |  |  |
| --- | --- | --- |
| **George M. Behr**George M. BehrEDEWG EGS Co-chairEnergy Services Group, Inc | **Patti Weiss**Patti WeissEDEWG EDC Co-chairDuquesne Light Company | **Brandon Siegel**Brandon SiegelEDEWG Change Control Managercid:image001.png@01CA3B65.B4106730 |

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**EDEWG Sub Team Report
Regarding Rate Ready Billing**

# I. INTRODUCTION

The Pennsylvania Public Utility Commission (“Commission”), on August 6, 2009 issued the Retail Markets Order (“Order”) directing PPL Electric Utilities (“PPL Electric” or “the Company”) to take certain actions to remove barriers to the development of retail competition for Electric Generation Suppliers (“EGS”) (Docket No. M-2009-2104271). In its Order, the Commission determined that Rate Ready Billing should be adopted throughout the state of Pennsylvania as a means to reducing barriers to retail electricity competition for EGSs and the Commission required PPL Electric, through its participation in the Electronic Data Exchange Working Group (“EDEWG”), to lead a subteam (“Team”) consisting of both Electric Distribution Companies (“EDCs”) and EGSs dealing with the topic of Rate Ready Billing. The Team was directed to use a collaborative approach to create both a process and timeline for EDCs that need to implement a Rate Ready Billing structure. PPL Electric and PECO are the two EDCs in Pennsylvania initially impacted by this decision, as all other EDCs in Pennsylvania already offer a form of Rate Ready Billing to EGSs. The PUC requested receipt of the EDEWG subteam’s recommendations no later than 90 days from the entry date of the final Order.

“Rate Ready”, as defined in the Pennsylvania Electronic Data Exchange Standards for Electric Deregulation (Revised Plan v2.6), refers to the practice in which the Non-Billing Party provides rate information to the Billing Party sufficient to calculate the Non-Billing Party’s charges. To state this another way, the EGS provides rate information to the EDC, and the EDC uses that information to calculate EGS charges to the EGS’s affected customers and places those charges separately on an EDC consolidated bill. Rate Ready differs from Bill Ready in that the EDC, rather than the EGS, calculates EGS charges and also in that the EDC is required to send the EGS the charges billed to the EGS’s affected customers. Under Bill Ready billing, the EGS calculates and sends the EDC the charges to be billed.

This document outlines the high level business practices and system functionality required to implement Rate Ready Billing based on consensus decisions reached by the Consensus Group (“CG”). The CG consisted of PPL Electric, participating EGSs and participating EDI Service Providers. As agreed to by the Team, some detail contained in this document would become part of each EDC’s supplier agreement or coordination tariff as appropriate. EDCs will determine, on a case by case basis, which aspects of the group's findings to implement depending on EDC system capabilities and pre-existing business practices. It is **not** the intent of this document to serve as a final requirements document that outlines every action required to support a Rate Ready model for every EDC.

The Team met through a series of teleconference and face-to-face meetings. PPL Electric documented attendance prior to all Team discussions. Companies participating as Team members during this effort included the following:

* **EDCs:** Allegheny Power, Duquesne Light, FirstEnergy, PECO, and PPL Electric
* **EGSs and EDI Service Providers:** ConEd Solutions, Direct Energy, Dominion Retail, e:SO, ESG, FirstEnergy Solutions, Liberty Power, MX Energy, PPLSolutions, SJ Industries, Exelon Energy, Systrends and UGI Energy Services. (Note that EDI Service Providers, represented various EGSs simultaneously and coordinated separate calls with EGSs prior to Team discussions.)

On Page 2 of the Order, the Commission stated that, while the Order’s directives “can form a template used by the other EDCs in the Commonwealth, [the Commission] was not mandating such use…” In addition, the Commission correctly recognized “that each EDC is unique and may require different operating directives [and the Commission does] not believe a one size fits all regulation is appropriate at this time.” Accordingly, the EDCs in Pennsylvania interpreted this Order as applying directly to PPL Electric. Therefore, other than PPL Electric, the EDCs do not assume the existence of an obligation to implement or modify Rate Ready Billing as a result of either the Order or the submission of this plan. The EDCs understand that the Commission has an ultimate goal of commonality of choice rules for Pennsylvania and participated in this discussion with that goal in mind.

Given the differences between EDC system capabilities, the Commission should consider the Rate Ready solution requirements proposed for PPL Electric and PECO to be completely independent of one another, consisting of different solutions, enabled by different implementation capabilities, and adhering to different implementation timelines. This plan does not represent an obligation on the part of other EDCs with existing Rate Ready programs to modify those programs as outlined below. Those EDCs participated on the Team in an advisory capacity only and had no input to consensus.

Unless otherwise noted, the “Discussion” portion of this document describes the activities and decisions of the CG in detail.

* Part A, “Intake Meetings”, describes the Team’s initial meetings, the purpose of which was for all stakeholders to have a consistent understanding of existing Rate Ready Billing implementations by Pennsylvania EDCs as well as the associated EGS requirements for these Rate Ready Billing programs.
* Parts B through L outline the various positions of the CG on the standard business practices and associated implementations of those practices. In instances where the CG did not reach consensus, this document outlines those differences of opinion which prevented the CG from reaching consensus.
* Part M and Part N outline the estimated implementation costs and associated implementation timelines for PPL Electric and PECO respectively.

All business processes and procedures concerning payments to EGS, customer disconnects for non-payment, bankruptcies, and purchase of receivables programs are outside the scope of this Team’s recommendations.

# **II.** DISCUSSION

## A. Intake Meetings

 1. PPL Electric convened the Team as directed by the Commission. The Team held its first meeting on September 8, 2009 and held regularly scheduled teleconference meetings three times per week as well as three face-to-face meetings in September and October of 2009. Three of the Pennsylvania EDCs currently offering Rate Ready solutions explained the details of their Rate Ready programs and associated system implementations. Duquesne Light, Allegheny Power and FirstEnergy each presented information to the Team separately using a combination of process flow diagrams and written presentation materials. The Team spent significant time discussing and evaluating the existing EDCs’ programs. The Team asked general and probing questions to identify crucial issues sufficient for the Team to understand the functionality of the existing EDC Rate Ready programs.

 2. During this time, some of the participating EGS representatives met separately and compiled a list of desirable Rate Ready business requirements which was presented to the Team subsequent to the EDC’s presentations referenced above. The Team assembled a comparison matrix that was used to capture the key issues, to address areas of concurrence in business practices utilized by different EDCs, to compare existing EDC programs with the requirements submitted by the EGSs, and to identify areas where the CG could not come to total agreement on solutions**.**

## B. Rate Code vs. Price Driven Model Requirements

* 1. Two suggested Rate Ready models were identified by the EGSs. A “Rate Code-driven” model and a “Price-driven” model. The Rate Code-driven model utilizes a minimum of three (3) alphanumeric characters to define an EGS rate code. The Price-driven model does not utilize a Rate Code, rather it depends only upon the price(s) specific to each customer account.
	2. PPL Electric and PECO both concluded that implementing both the Rate Code-driven model and the Price-driven model would unreasonably extend the implementation time frame and would significantly increase the associated cost. The assessments of both companies concluded that the models contained enough differences such that both companies would need to design and implement each model separately from a systems perspective.
	3. The EDCs reviewed their system capabilities and reached consensus on their preference for the Rate Code-driven model over the Price-driven Model.
	4. The CG was able to reach full consensus on the use of the Rate Code-driven model for the initial implementation at PPL Electric.
	5. EGSs that preferred the Price-driven model may want to revisit the Price-driven model in the future.

## C. Design Requirements for Rate Code-driven Model

 1. The Team agreed that EGS charges on the bill for a particular customer’s account will be based upon the rate code provided by the EGS on either the EDI 814 Enrollment transaction or the most recent EDI 814 Change transaction (see Part F) associated with the customer’s account.

 2. The Rate Code-driven model requires an EGS to formulate its price and assign a rate code which would be included on the EDI 814 Enrollment/Change transactions. Having reviewed the EGSs’ needs for rate codes and the capability to implement the rate codes by EDCs, the CG agreed to use rate designs with a limited number of pricing components, including:

* Usage (kWh) charge only (No Proration)
* Demand (kW) charge only (No Proration)
* Flat fixed monthly charge (No Proration)
* Any combination of Usage, Demand, and Flat fixed monthly charge.
* % of default service rate (Must be flat POLR rate; % could be either a premium or discount to the POLR rate)
* Flat fixed monthly charge, plus % of default service rate (Must be flat POLR rate)

 3. The intent with these permitted rate designs is to mimic simple fixed rate structures using standard pricing components. Structures relating to blocking or to any complex rates that vary based on other parameters will not be offered. The CG came to consensus that EGSs who wanted to implement more complicated rate designs should exercise their option to utilize either Bill Ready EDC Consolidated billing or Dual billing.

 4. The CG agreed that the EDC will provide the EGS with a minimum of a three (3) character alphanumeric rate code which will allow for a substantial number of distinct and separate rates with up to five (5) decimal place precision on each pricing component. EGS rate codes will not be EDC rate class specific. The EDCs will not remove unused rate codes without consent of the EGS.

## D. Enrolling Accounts on Rate Ready Billing

 1. The CG agreed that similar to Bill Ready today, PPL Electric and PECO would allow the EGS to enroll an account by submitting an EDI 814 Enrollment Request. The same switching rules that apply for existing enrollments will continue to apply to Rate Ready Billing. The EDC will reject enrollments for EGS rate codes not previously established in the EDC's systems.

 2. The CG agreed that EDCs will provide the EGS the capability to switch between Bill Ready, Rate Ready and Dual Bill billing options by submitting changes via EDI 814 Change transactions, exactly the same way as switches are done today between Bill Ready and Dual Billing. EDCs differ on how they handle the effective date of the Change transaction. Because not all EDCs treat this process identically, further discussion may be required as to whether there should be a statewide standard to address the handling of the effective date on bill option changes.

1. The Team agreed that the EDC will use the tax exemption percentage provided by the EGS on the 814 Enrollment/Change transaction to calculate Sales Tax for the EGS portion of the bill. Each tax calculated by the EDC will be included separately on the Rate Ready 810 transaction sent to the EGS.

## E. Creating New EGS Rates

 1. The CG agreed that, as preferred by the represented EGSs, the EDCs will implement an automated approach to rate code creation and maintenance. PPL Electric will explore providing a website interface for the EGS to use to establish new rate codes or to update price information on existing rate codes. PECO will explore the use of EDI to fulfill this same task, analyzing both EDI and website system approaches. Regardless of which method is used, the EDC will provide confirmation informing the EGS that the EGS rate code was added to the EDC’s system. The electronic confirmation will echo to the EGS the rate code, pricing components and date the rate code or price changes related to the rate code will go into effect as submitted to the EDC by the EGS.

 2. The CG agreed that the number of rate codes an EGS will be able to add to those retained by a given EDC at a particular point in time, will depend on the solution that the EDC will use to implement new rates. PPL Electric is currently reviewing system approaches to support a Rate Ready Billing option. Depending on level of automation under each approach, timing could vary. If PPL Electric is unable to fully automate its solution within the timeframe in which it is expected to comply, PPL Electric may need up to 14 calendar days to establish the rate codes and confirm the results with the supplier. An automated solution would meet the EGS' desired 7 calendar day turnaround with no manual intervention to implement new rates. PECO indicates that the lead time would vary, depending on both the system approach taken for Rate Ready Billing implementation and on the impacts to the business process that PECO employs to test new or modified rates and prices in compliance with existing required Sarbanes-Oxley (SOX) controls. The EDCs agree to maximize the number of requests to the fullest extent possible within the functionality of the systems and processes used by the EDC.

## F. Changing EGS Rate Codes on Accounts

 1. The CG agreed that requests to change the EGS rate code on a particular account must be processed in 14 calendar days or preferably less. The last EGS rate change processed must serve as the EGS rate change of record. The scheduled effective date of the change is provided on the 814 Change Response. The EDC will reject the Change request if the EGS fails to provide a valid EGS rate code in the 814 Change transaction. The rate code must be validated in the EDC’s system prior to the Change request being submitted.

 2. EDCs will not limit the number of EGS rate code changes. The last change processed will be the effective rate code.

## G. Changing Prices Associated with Existing EGS Rate Codes

 1. The CG agreed that requests to change the pricing components associated with an existing EGS rate code on a particular account must be processed in 14 calendar days or preferably less.

 2. The CG agreed that the EDC will provide the EGS the ability to change any pricing component associated with an existing EGS rate code. The EDC will provide confirmation that the EGS pricing component(s) have been modified in the EDC’s systems.

3. The CG agreed that the confirmation will echo back in electronic format to the EGS the pricing components modified within the selected EGS rate code and the effective dates of the prices as submitted by the EGS.

4**.** EGSs will not be able to add or remove pricing components of an established rate code. A new rate code will be required if an EGS desires to offer a product with a different pricing component.

 5. If a price change to an existing rate code is received by PPL Electric by the agreed-upon lead time, then that price would be effective for the current service period ending with the next meter read.

 6. EDCs will not limit the number of EGS price changes on a rate code. The last change processed will be the effective price.

## H. Billing and Associated EDI Impacts

 1. The CG agreed that the EDC will calculate the EGS charges for the period being billed based on the pricing components of the EGS rate code for the customer’s account and will place the associated EGS charges on the customer’s bill. The EDC will base charges on the identical billed usage and demand for both EDC and EGS charges (as opposed to measured or registered usage and demand). As with Bill Ready today, the EDC will ensure that EGSs receive an EDI 867 Monthly Usage transaction for all accounts that they serve within one business day of the meter read, regardless of billing option selected for that account. In parallel with issuing the bill for a Rate Ready account, the EDC will send an EDI 810 transaction to the EGS serving that account which will indicate the EGS portion of charges billed to the customer.

 2. The Team agreed that the EDI 810 transaction will display the price, quantity, unit of measure and total amount for each pricing component. For example, a kWh charge will include the number of kWh, the price per kWh, and the total amount of kWh charges billed.

 3. The Team agreed that the EDI 810 transaction will display actual current EGS charges in all cases.

## I. Cancel-Rebill Processing

1. The CG agreed that a cancel-rebill for a prior billing period must use the EGS billing parameters associated with that period, including the EGS rate code, the pricing components of that rate code, the tax exemption percentage, and the billing option associated with that period.

2. Cancel-rebills can be processed as long as the EGS of record is active with the EDC. The Team agreed that when an EGS is no longer active with the EDC and a cancel-rebill is necessary, the EDC will handle such cancel-rebills on a case by case basis.

3. The Team agreed that when a bill period for a Rate Ready account is cancelled, the EDC will submit an EDI 867 Monthly Usage Cancel transaction and an EDI 810 cancellation transaction to the EGS of record for that billing period. These transactions will indicate the cancelled usage and charges respectively.

4. The Team agreed that when a bill period for a Rate Ready account is rebilled, the EDC will submit an EDI 867 Monthly Usage transaction and an EDI 810 rebill transaction to the EGS of record for that billing period. These transactions must indicate the usage and rebilled charges respectively.

## J. Bill Print

1. The CG agreed that the EDC will list each pricing component associated with the EGS charges for a particular bill period on the bill as a separate line item with a total and the associated breakdown. For instance, if an EGS rate code includes a fixed monthly charge, a kWh price for usage, and a kW price for demand, then the bill for that account will contain three (3) separate line items, one for each component, and the kWh and kW line items will indicate the equation used to calculate the associated charge with both price and usage units (Example: 0.22356 cents/kWh X 50 kWh).

2. The CG agreed that the EDC will list taxes calculated by the EDC associated with the EGS charges, for a particular bill period on the bill as a separate line item. See Part K for additional information on taxes calculated by the EDC.

 3. The Team agreed that the bill will include a summary line item totaling all components listed for EGS charges.

 4. The CG agreed that the bill will include the EGS Rate Code and/or, if available, the literal/text name associated with that rate code.

 5. The CG agreed that EDCs who support alternative forms of billing outside of sending a physical bill to the customer (for instance, electronic billing using EDI transactions) will modify such billing methods to accommodate the bill print impacts outlined above.

## K. Taxes

1. The EGS is responsible to hold tax exemption certificates for its own charges. An EGS is not required to submit tax exemption certificates to the EDC. When calculating taxes, the EDC will use the last tax exemption percentage submitted by the EGS on an 814 Enrollment/Change transaction.

2. The Team agreed that the EDC will provide the capability for an EGS to change the existing tax exemption percentage on a Rate Ready account that it serves. The trigger for the tax exemption percentage change will be an EDI 814 Change Request from the EGS. The change on the account will be effective for the entire current billing cycle during which the EGS’s request is received.

3. The CG agreed that in the Supplier Agreement, the EDC will specify which taxes are calculated by the EDC.

4. The Team agreed that the last EGS tax exemption change processed will serve as the EGS tax exemption percentage of record. The tax exemption change on the account will be effective for the entire current billing cycle during which the EGS’s request is received.

## L. Proration

1. The CG agreed that the EDCs will not be responsible for prorating the following rate designs identified in C2 above:

* EGS usage (KWs charges)
* Demand (KW charges)
* Flat fixed monthly charges

## M. Budget Billing

PPL Electric will perform budget billing for both the EDC’s and EGS’s charges.

## N. PPL Electric Cost and Implementation Timeline

1. PPL Electric has estimated the cost of a fully automated Rate Ready Billing system at approximately $1.3MM. PPL Electric expects a software development effort that fully automates the implementation of Rate Ready as outlined in this document by the EGSs and concurred by the CG could be completed by the end of the third quarter 2010. PPL Electric will assume that the shortest implementation of the Rate Ready system as agreed to by the CG is most desirable. The CG acknowledges that meeting the shortest implementation will require PPL Electric to begin this effort prior to Commission approval in order to complete it by the end of September 2010.

2. Should PPL Electric be required to meet a shorter deadline than our proposed end of the third quarter 2010, PPL Electric will attempt to rollout a program that will have significantly limited capabilities compared to the CG solution. This temporary solution will not include all of the components such as a web interface and automated “hands off” rate code creation and change procedures as identified in this filing. PPL Electric may recognize an increased cost due to potential short term disposable software development and higher operating costs to support the manual operations. Furthermore, installing a short term Rate Ready Billing solution could add additional risk due to the accelerated delivery, a potential second deployment and a change in existing business processes.

## O. PECO Budgetary Estimate and Implementation Schedule

PECO does not read the Order to reject the retail competition provisions of PECO’s default service case settlement – which were negotiated and agreed to with the Retail Energy Supply Association and other EGSs and parties to PECO’s Default Service Plan (“DSP”) case – and which were approved by the Commission in April. These approved provisions address PECO’s electric choice commitments following the expiration of its rate caps on January 1, 2011 through the end of its default service plan on May 31, 2013, and PECO is currently working to implement these commitments. As such, PECO does not interpret the Order as a mandate for PECO to implement a Rate Ready program. PECO has participated in Team discussions and joins in submission of this plan with that consideration, and the schedule provided below provides associated effort necessary to implement Rate Ready Billing as opposed to specific implementation dates.

PECO expects that the budgetary estimate and high-level implementation schedule provided in this plan is subject to change, as eventual realization of both would require a significantly more detailed analysis of business process and system requirements. PECO also would look to more precisely determine the associated cost estimates and implementation schedules, taking into account all changes that have happened since the initial high-level analysis captured in this plan was conducted and presented to the Commission.

PECO has initially estimated the system implementation cost of a fully automated Rate Ready Billing solution meeting the requirements outlined above to be approximately $3.3 million. This estimate assumes that PECO would implement a website interface (rather than EDI) for the EGSs to use to establish new rate codes or to update price information on existing rate codes. In accordance with this cost, PECO estimates an 18-month implementation timeline outlined as follows:

* Two months for detailed business process analysis and requirements gathering
* Three months for solution’s detailed technical design
* Four months for solution system build / development
* Five months for solution pre-deployment testing
* One month for deployment
* Three months for updating and initial execution of supplier certification testing processes for Rate Ready Billing (includes full testing cycle between PECO and the first EGS(s) electing Rate Ready Billing)

PECO continues to examine alternative implementation approaches to fulfilling these same Rate Ready Billing requirements, any of which could result in modifications to the cost and implementation schedule estimates outlined above.

The cost estimate provided above represents system implementation costs only. It does not consider additional costs associated with business process changes such as additional SOX controls, modified rate and price testing processes, back office impacts resulting from associated supplier Rate Ready Billing disputes or additional call volumes, or other business impacts not necessarily defined in this plan. The proposed implementation timeline above includes two months of detailed business requirements definition and analysis. PECO would anticipate using this time in part to fully capture ongoing business costs necessary to manage a Rate Ready Billing program on an ongoing basis.

On Page 19 of the Order under the “Resolution” section, the Commission “disagrees there would be significant incremental costs associated with PPL’s management of both Rate Ready and Bill Ready processing.”  While PECO cannot comment on PPL Electric’s implementation or management costs associated with Rate Ready Billing, the results of PECO’s own analysis indicate that PECO’s potential implementation and management of Rate Ready Billing would in fact be a significant incremental cost, both in implementation and ongoing management. As such, any future submittal of a proposed Rate Ready plan by PECO will include a proposed mechanism for full and current cost recovery.

# III. CONCLUSION

In consideration of PPL Electric’s response to the Rate Ready Billing requirements of the Order, the CG requests that the EDEWG accept these findings and support the Company’s effort to proceed with program implementation of the Rate Ready Billing Rate Code-driven model.

PPL Electric will continue to develop adequate procedures and to collaborate with EGSs interested in the ongoing development and implementation of a successful Rate Ready Billing program. PECO will continue to participate in these discussions as appropriate, with an appreciation for the Commission’s ultimate goal of commonality of choice rules for Pennsylvania.

**Before the**

**Pennsylvania Public Utility Commission**

**Commission Staff**

**Rate Ready Report with Recommendations**

**Docket No.**

**M-2010-2189433**

**August 6, 2010**

**Introduction**

 In *PPL Electric Utilities Corporation Retail Markets*, Docket No. M‑2009‑2104271 (Order entered April 19, 2010) (*PPL Order*), the Commission directed the Retail Markets Working Group (RMWG) to discuss whether the consensus plan for a Rate Ready billing platform developed for PPL Electric Utilities Corporation (PPL) by the Commission’s Electronic Data Exchange Working Group (EDEWG) could serve as a statewide model for Rate Ready billing platforms. *PPL Order* at 5. The RMWG was specifically directed to “consider: (1) EGS business needs for a uniform approach to Rate Ready billing; and (2) EDC billing system capabilities to respond to this approach.”[[4]](#footnote-4) *Id*. The Commission directed the RMWG to submit a report and that “Commission Staff submit an independent recommendation to the Commission following its receipt and review of the RMWG report.” *Id*. at 6. The RMWG Report was filed with the Commission on July 23, 2010 (RMWG Rate Ready Report).

 As described in the *PPL Order*,

‘Bill Ready’ means the company doing the billing receives calculated results from the non-billing party for its charges for printing on a consolidated bill. ‘Rate Ready’ means the company doing the billing knows the rates of the other party, calculates its charges, and prints these charges on a consolidated bill.

*PPL Order* at *2*, *citing* Electronic Data Exchange Standards for Electric Deregulation in the Commonwealth of Pennsylvania, v. 2.6, p. 13.

 To date in Pennsylvania’s electric retail market, EDCs are the entities which usually issue consolidated bills. Because of that, Rate Ready billing platforms require substantially more involvement by the EDCs in developing a bill than a Bill Ready platform. A review of the RMWG Rate Ready Report will indicate that cost and effort by EDCs to modify existing Rate Ready platforms or build new Rate Ready platforms were substantial concerns of many members of the RMWG. *See*, *e.g*., RMWG Rate Ready Report at 27-28.

 During the RMWG discussions, Commission Staff (Staff) worked with the various interests represented to achieve as much consensus as possible on the elements involved in Rate Ready platforms. For existing Rate Ready billing platforms, Staff was able to achieve consensus on several different elements. In addition, Commission Staff will recommend that the Commission direct a few modifications to existing platforms even though consensus was not achieved.

 The most difficult question is whether or not EDCs that do not have an existing Rate Ready billing platform should be directed to build one at this point in time. In the case of PPL, the Commission was well advised to direct such a build-out at the time it did because of concerns relating to price mitigation, EGS entry into the market and the need, at that time, to ensure that the ramp-up to a fully functioning competitive market be achieved as fast as possible. That dynamic has changed over the last six months.

 In addition, there is some difficulty in assessing the value of a wholesale build-out of a new Rate Ready platform and the potential need. For the most part, it is a given that the EGSs which will benefit the most from such a platform are new entrants. These are the suppliers that have not had the opportunity to complete their own billing systems or which are simply testing Pennsylvania’s markets to determine whether the expense of market entry is justified. In either case, Staff is concerned that this type of supplier was not represented in the RMWG discussion.

 The foregoing concern must be matched with the prevailing view concerning Rate Ready billing platforms. Discussions with the Co-Chair (EGS) of the EDEWG have indicated that, in general, Rate Ready billing platforms are viewed as an initial state for EDC/EGS interactions. As Pennsylvania’s markets mature and EGSs become more engaged, the most commonly desired end-state is for EGSs to develop Bill Ready platforms. There are a few exceptions, but for the most part, EGSs prefer the control that a Bill Ready interaction provides. This viewpoint underlies much of what Staff will recommend.

**Uniformity for Existing Rate Ready Platforms**

 The first issue to be addressed is uniformity. Surprisingly, the EGSs did not voice concern that Rate Ready platforms should be uniform among EDCs. The EGSs were more concerned that EDCs provide fast turn-around times for rate changes and simplicity of access, regardless of how access is designed. Staff’s perception is that the EGSs were equally comfortable with web-based access, manual email communication and EDI transactions so long as the access was readily available, easy to navigate and resulted in prompt and correct EDC action.

 In Staff’s view, certain elements can be made uniform, or at least similar, across existing Rate Ready platforms. To the extent that can be accomplished without substantial expense, we will recommend adoption of those elements. However, consistent with the RMWG Report, Staff will not recommend a uniform Rate Ready platform on a statewide basis based upon the EDEWG consensus for PPL. To a large extent, Staff agrees with the observation made in the RMWG Report which states that the EDEWG consensus model for PPL was designed with PPL’s specific billing systems in mind.

 It has been suggested, and Staff has no reason to doubt, that adoption of the PPL consensus platform on a statewide basis would require substantial expense and effort to modify not only the existing Rate Ready platforms, but also the underlying billing systems. We are mindful that such a requirement would be made just as the EDCs are ramping up for the impact of January 1, 2011, when rate caps are removed. Staff believes that EDC efforts must be focused on improving existing systems and EGS interactions to ensure a smooth transition to the more vibrant markets that we expect. The requirement of a uniform, statewide Rate Ready platform at this time will interfere with those efforts without producing a concomitant benefit to the customers, the market or the EGSs. For those reasons, Staff recommends against requiring a uniform, statewide Rate Ready platform.

**Rate Code vs. Price Driven Model Requirements**

Staff agrees with the prevailing viewpoint from the RMWG that a rate code model is the best model for existing Rate Ready platforms. That is the current model used by existing Rate Ready platforms. The cost and effort attendant upon a direction to shift to a price driven model is simply not worth any benefit that would be achieved. In addition, Staff is cognizant that such a direction would come at a time when existing systems must be improved to meet the increased demands that are anticipated to coincide with January 1, 2011, and the months leading up to that date.

**Design Requirements for Rate Code Driven Model**

 The RMWG failed to reach consensus on the inclusion of a “percent of default service” component in all rate ready platforms statewide. Specifically, Duquesne submitted that it would require an overhaul of its current supplier billing system at a cost of up to $300,000. Multiple EGSs expressed their interest in this rate component being made available as part of a statewide standard. Staff recognizes that this rate component may be widely utilized by EGSs and, therefore, it may be in the interest of the competitive market-place to include it as part of any uniform statewide standard.

 While inclusion of a percent of default service rate component does seem like a reasonable request, Staff is concerned with the cost effectiveness of requiring Duquesne to alter its billing system to allow this option. The significant costs put forth by Duquesne may be prohibitive for a rate component which will merely automate a calculation that could be made relatively easily by an EGS. Staff feels that such a significant cost to change the system may be an unnecessary subsidization by the EDC of a potentially simple internal EGS procedure. Duquesne’s upcoming default service program institutes a flat rate for all residential customers, an annual rate for small commercial & industrial (C&I) customers, and a semi-annual rate for medium C&I customers. This program structure increases the simplicity of calculating a percent of default service rate by an EGS.

 Staff suggests that at this time, it may be inappropriate to order Duquesne to update its billing system to allow inclusion of a percent of default service rate component. Before Duquesne is ordered to include such a component, there should be some analysis of the rate of utilization of the percent of default service rate component in PPL and other EDC service territories. If it is found that this component is widely utilized, it may be prudent for the Commission to order its adoption in Duquesne’s Rate Ready platform at that time.

 The RMWG was unable to reach a consensus on the rate components that should be made available on EDC Rate Ready platforms. The RMWG was able to agree upon certain minimum requirements, but there was disagreement over the inclusion of more complicated components such as blocked rates, variable rates, time-of-use rates and real-time-pricing rates. Some EDCs, including PECO and Duquesne, suggested that the rate components would require significant changes to their IT systems. Some EGSs, specifically Direct Energy, contended that dynamic rates should be made available on EDC Rate Ready platforms.

 Staff recommends that existing Rate Ready platforms should be capable of managing simple fixed rate structures. The minimum elements directed should include:

* Usage (kWh) charge only (no proration)
* Demand (kW) charge only (no proration)
* Flat fixed monthly charge (no proration)
* Any combination of Usage, Demand and Flat fixed monthly charge
* Percentage of default service rate (except in Duquesne’s service territory). Note: Must be a flat POLR rate; percentage could be either a premium or discount to the POLR rate
* Flat fixed monthly charge, plus percentage of default service rate (except in Duquesne’s service territory). Note: Must be a flat POLR rate.

 EGSs wishing to offer more complex, dynamic rates should be able to do so through either dual billing or Bill Ready billing where available. It seems reasonable to expect that EGSs wishing to offer sophisticated products like variable rates should have the back office capability to make the necessary calculations and submit them either through a Bill Ready platform or dual billing. To the extent that existing EDC Rate Ready platforms already provide for dynamic rate components, these components should remain available. However, Staff does not recommend that EDCs not currently allowing these components should be directed to include them in their existing Rate Ready platforms.

 A sub-issue arose during the RMWG’s discussion of this issue. Apparently, Duquesne’s system is simply not capable of offering 5 decimal point precision. Duquesne’s existing technology provides for 5 characters and up to 4 decimal points. Duquesne asserted that modification of its system would cost approximately $30,000.00. Staff notes that there was no EGS discussion of this item. On that basis, subject to comment, Staff does not recommend directing Duquesne to implement the modification; we simply have no basis to support such a directive at this point in time.

**Enrolling Accounts on Rate Ready Billing**

 Staff supports the consensus reached by the RMWG on the issue of enrolling accounts. Rate Ready enrollment transactions and change transactions should be made using the existing EDI 814 transaction; existing switching rules should apply; EDCs may reject enrollments for non-established rate codes; and, tax exemption information should be provided by EGSs on 814 transactions for EDC calculation of EGS sales tax charges. Staff also supports the RMWG recommendation that setting a uniform effective date for change transactions should be the subject of further discussion. Staff recommends that this issue be referred to the EDEWG for resolution.

**Creating New EGS Rates**

 Staff has already stated that uniformity in Rate Ready platforms is not necessary for EGS operations in the Commonwealth. This is consistent with the prevailing view of the RMWG which holds that different modes of access are acceptable provided that EDCs act on a timely basis to establish new rates. Staff does not recommend any direction which would establish statewide uniformity of process. However, Staff has substantial concerns relating to the timeliness of EDC response.

 Discussions within the RMWG disclosed substantial concern with the turnaround time for the creation of new rate codes by First Energy. First Energy states that it will take approximately 30 days to program 15 or fewer new rate codes and approximately 90 days to program 15 or more new rate codes. These timelines are substantially longer than the timelines presented by other EDCs in the RMWG Rate Ready Report. For example, Duquesne commits to a turnaround time of five days for the creation of up to 100 rate codes while PPL commits to a maximum turnaround time of 14 days.

 Staff sees value in decreasing the turnaround time for the creation of new rate codes by First Energy. As summarized by the RMWG Report, reasonable requirements for responsiveness between EDCs and EGSs are an important factor in facilitating effective EGS operations. Staff believes that the current timeline for First Energy is unreasonable. Consequently, Staff recommends that the Commission direct First Energy to implement processes supporting a 14 calendar day maximum rate code creation turnaround time. This turnaround period is consistent with the EDEWG consensus report.

 Staff is cognizant that this directive may impose incremental costs to First Energy. However, Staff believes that fostering long-term, robust EGS participation in the First Energy service territories outweighs any potential short-term incremental costs that this directive may create. Staff also recommends that First Energy be directed to file a project estimate and timeline.

**Changing EGS Rate Codes on Accounts**

Staff recommends that the Commission direct implementation of the RMWG consensus position regarding changing EGS rate codes on accounts. As we stated above, uniformity for process among all systems is not required. However, the timelines can be uniform. The RMWG consensus position was that EDCs should process rate code changes within 14 days. The number of rate code changes per day can be limited, depending on the EDC’s IT capabilities. The RMWG suggested that a reasonable limitation could be 3,000. It was also agreed that the last change processed for an account will be the effective rate code.

**Changing Prices Associated with Existing EGS Rate Codes**

 As with the other rate code issues, Staff agrees that uniformity of process is not necessary, with the caveat that response times by EDCs must be reasonable. Unfortunately, the RMWG discussion did not provide sufficient information which would enable Staff to recommend specific response times for price changes. Because the EDEWG consensus model was developed with a focus on PPL’s systems, Staff recommends that this issue be returned to the EDEWG for development of uniform response times across all existing Rate Ready platforms.

**Billing and Associated EDI Impacts**

 The RMWG Report states that consensus was not reached on the issue of billing and associated EDI impacts. However, a close reading of the RMWG Report indicates that there was general agreement on this issue for existing Rate Ready platforms. For existing platforms, it was agreed that EDCs shall calculate EGS customers’ charges based on the pricing components set in the customers’ corresponding rate codes; that EGS charges shall be calculated using the identical criteria that is used for EDC charges; and, that the EDI 810 transaction shall be used to communicate price, quantity, unit of measure, and total amount for each pricing component used to calculate an EGS customer account bill. Staff recommends that the Commission direct implementation of the foregoing elements for existing Rate Ready platforms.

**Cancel-Rebill Process**

 The Cancel-Rebill process element is the process used to remove or alter incorrect data or charges on the customer’s bill. Staff’s perception is that for existing Rate Ready platforms, there appears to be agreement with the EDEWG consensus report. That report provided that an EDC will submit an EDI 867 monthly usage cancel transaction and an EDI 810 cancellation transaction to the EGS indicating the cancelled usage and charges, respectively. The corresponding rebill will require the EDC to submit an EDI 867 usage transaction and an EDI 810 rebill transaction to the EGS indicating the usage and rebilled charges, respectively. If prior billing periods are involved, the EDC will use the EGS billing parameters associated with that period. Staff recommends that the Commission direct implementation of the EDEWG model for the Cancel-Rebill Process for existing Rate Ready platforms.

**Bill Print**

 There was no consensus on the bill print design for EDCs providing rate ready billing; specifically the placement of a supplier rate-code designation on an EDC consolidated bill. Residential/small business billing requirements that apply to both EDCs and EGSs are found primarily in 52 Pa. Code §54.4 (Bill format for residential and small business customers). There are also billing requirements at 52 Pa. Code §56.15 (Billing Information) and 52 Pa. Code §69.251 (Plain language-statement of policy). While §54.4 requires that “Generation charges shall be presented in a standard pricing unit for electricity in actual dollars or cents per kWh…” (§54.4(b)(3)(A)), there is no requirement in this regulation that the “rate code” and/or “text name associated with that rate code” be printed on the bill.

 Section 54.4(b)(5) states that the “The requirements of §56.15 shall be incorporated in customer bills *to the extent that they apply*.” (Emphasis added). Section 56.15(13) does require that a bill have “A designation of the applicable rate schedule as denoted in the officially filed tariff of the utility.” However, since suppliers do not file tariffs and technically do not have “rate schedules” in the manner that regulated utilities have, Staff does not believe that the § 56.15(13) requirement applies to supplier charges on a bill. In addition, the “plain language guidelines” at §69.251 have no requirement of a “rate class” or “rate code” designation.

 Staff believes that providing the customer with the charge per standard pricing unit in actual dollars or cents per kWh is the critical piece of pricing information that customers need to make sure they are being billed correctly, and this is already required by regulation. Given the cost and the technical issues identified by the EDCs, the lack of a regulatory requirement, and that the price per kWh is on the bill, Staff recommends that the “rate code” and/or the “text name associated with that rate code” should not be a required element on a EDC consolidated bill and therefore should not be a required part of a rate-ready billing system. Further, Staff does not recommend directing a statewide, uniform billing format at this point in time, so long as the bills comply with the Commission’s regulatory requirements.

**Taxes**

 The RMWG was unable to reach a consensus on the issue of taxes. However, the discussion surrounding this issue leads Staff to recommend uniform treatment among existing Rate Ready platforms. Specifically, Staff recommends that the EDEWG report on this issue be adopted for existing Rate Ready platforms. The EGS will be responsible for holding tax exemption certificates for its charges. The EDC will calculate and bill the taxes owed based on the last tax exemption percentage submitted by the EGS on an 814 enrollment/change transaction. Any change to an existing tax exemption percentage will be performed on an 814 transaction. Changes to an account’s tax exemption percentage will be effective for the entire billing cycle during which the change request is received. The last request received will be effective for the entire billing cycle. EDCs will specify which taxes they are responsible for calculating in their Supplier Agreements.

**Proration**

 The issue of proration arises when an EGS seeks a rate adjustment within a billing period rather than an adjustment of rates which would take effect at the start of a subsequent billing period. The RMWG reached consensus on this issue and decided that EDCs should not be directed to prorate charges within a billing cycle. Staff agrees that EDCs should not have that responsibility. EGSs are in control of when rate changes are made and should be able to adjust their operations to coordinate with billing cycles.

**Budget Billing**

 The RMWG concluded that EDCs using rate ready platforms should calculate the budget billing amounts for both EDC and EGS charges. The EDCs will also calculate the true-ups of the budgeted amounts throughout the year. EGSs serving residential customers are expected to comply with any applicable Chapter 56 requirements and at the time of licensing submit an affidavit attesting to such. This is in keeping with the 66 Pa. C.S. §2807(d) requirement that “Customer services shall, at a minimum, be maintained at the same level of quality under retail competition” and the 66 Pa. C.S. § 2809(e) requirement “…assuring that 52 Pa. Code Ch. 56 (relating to standards and billing practices for residential utility service) are maintained.” The Commission has a well-established expectation that EDCs and EGSs make budget billing, as required of all electric and natural gas utilities per 52 Pa. Code § 56.12(7), available for all of their residential customers.

 On June 18, 1998 the Commission issued an order, *Chapter 28 Electric Generation Customer Choice and Competition Act; Budget Billing Obligations of Electric Generation Suppliers* (M-00960890, F.0011), that noted that “…the Commission has repeatedly indicated its intention to apply the requirements of Chapter 56 to EGSs” and that EGSs “…who provide billing services must comply with Chapter 56, which specifically requires billing entities to offer budget billing…” At the same time, the Commission offered temporary exemptions from this obligation for any supplier that could demonstrate that they would experience an “unreasonable hardship as a result of complying with the budget billing requirement.” Currently, two licensed suppliers have temporary exemptions (see *Energy Plus Holdings*, P-2010-2158189 and *BlueStar Energy Services*, P-2010-2164782, both granted May 6, 2010).

 In addition to the above, in PPL’s Purchase of Receivables Order (*Petition of PPL Utilities Corporation Requesting Approval of a Voluntary Purchase of Receivables Program and Merchant Function Charge*, P-2009-2129502, November 19, 2009), the Commission directed that “EGS customers on consolidated EDC billing will be able to select budget billing. PPL will pay EGSs based on actual billed supplier charges less the POR discount (versus budget amounts), and suppliers will not be impacted in any way by the budget billing program.” And while this order is specific to PPL, it is not unreasonable to assume that future POR programs for other EDCs may well include similar requirements.

 Given this history of the Commission placing budget billing requirements on both EGSs and EDCs, Staff recommends that EDCs using Rate Ready platforms should be able to calculate the budget billing amounts for both EDC and EGS charges and that the EDC will also calculate the true-ups of the budgeted amounts throughout the year.

**Build-out of Rate Ready Platform/Cost Benefit Analysis**

 The RMWG Report included a discussion of the need for a cost benefit analysis before a direction to move to a uniform, statewide Rate Ready platform is given. Throughout this Staff Report, we have stated that when possible, direction should be given to adopt as many uniform elements as possible, but that statewide uniformity was unnecessary. Staff does not believe that the recommended directions set forth above require any cost benefit analysis prior to implementation.

 However, one EDC does not currently have an operating Rate Ready platform. For every issue raised in the RMWG discussions, PECO has variously stated that its existing billing system would have to be revised, that the effort to accommodate a change would be time consuming and that such a task would be extremely expensive. While Staff is not convinced that a Rate Ready platform is unnecessary in PECO’s service territory, we have several concerns about directing PECO to accomplish a full build-out at this time.

 Staff’s over-riding concern is that PECO is now ramping up its existing systems to manage what is expected to be a greatly increased demand from EGSs as PECO’s rate caps expire at the end of the year. A direction to build-out a Rate Ready platform at this point in time would greatly interfere with PECO’s IT efforts on existing systems and could jeopardize the roll-out of the fully competitive market for Bill Ready capable EGSs. Staff also notes that the tremendous success in PPL’s service territory was accomplished with a Bill Ready platform. Even that success presented overwhelming challenges to PPL’s systems and its IT capabilities. It is fortunate that the direction to PPL to build-out its Rate Ready platform occurred well after PPL’s competitive market was launched.

 Staff recommends that the Commission continue to observe existing Rate Ready platforms, including PPL’s platform once it begins operations. Based upon those observations, the Commission may then make a determination as to whether PECO should be directed to build-out its own Rate Ready platform and, if so, the extent to which a PECO Rate Ready platform should conform to PPL’s. The time taken to observe the operation of PPL’s platform will also permit PECO to move into the first quarter of its operations without rate caps and work with EGSs and PECO’s existing systems without simultaneously developing a Rate Ready platform. This recommendation also provides for an analysis which, while not precisely a cost benefit analysis, will provide the Commission with a solid basis to determine whether a Rate Ready platform is needed for PECO’s service territory.

**Conclusion**

 Staff recommends that the Commission issue both this Staff Report and the RMWG Report for additional comment. This may be done via Secretarial Letter served upon all EDCs, licensed EGSs and the distribution lists for both the RMWG and the Committee Handling Activities for Retail Growth in Electricity (CHARGE). The Commission should also post both Reports on its website (the RMWG Report is already posted) and note that comments are requested to both Reports. Staff recommends a comment period of 30 days. Once comments are received and reviewed, the Commission may take such action as it deems appropriate on the RMWG Report and the Staff’s recommendations.

 Respectfully submitted,

 H. Kirk House

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 Michael Swindler

 Matt Wurst

 Pat Shaughnessy

Dated: August 6, 2010

1. Page 1, final paragraph, of the EDEWG November 9, 2009 reads; “…the EDCs in Pennsylvania interpreted this Order as applying directly to PPL Electric.” [↑](#footnote-ref-1)
2. The RMWG recognizes that PPL is currently in the process of design and implementation of the rate ready platform established within the EDEWG collaborative. The RMWG submits that any potential consensus rate ready criteria reached within this report that differ from the EDEWG consensus plan for PPL should not supersede the direction already given to PPL. [↑](#footnote-ref-2)
3. The EGS Poll was also distributed to EGSs on the distribution list for the PUC’s Committee Handling Activities for Retail Growth in Electricity (CHARGE) group. [↑](#footnote-ref-3)
4. “EGS” refers to electric generation suppliers, the competitive suppliers in Pennsylvania’s retail electric market. “EDC” refers to electric distribution company. [↑](#footnote-ref-4)