**PENNSYLVANIA**

**PUBLIC UTILITY COMMISSION**

**Harrisburg, PA 17105-3265**

 Public Meeting held October 1, 2015

Commissioners Present:

Gladys M. Brown, Chairman

John F. Coleman, Jr., Vice Chairman

Pamela A. Witmer

 Robert F. Powelson

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| PECO Energy Company’s Plan for Seamless Moves and Instant Connects | M-2014-2401085 |

**TENTATIVE ORDER**

Before the Pennsylvania Public Utility Commission (Commission) is a recommendation from the Commission’s Office of Competitive Market Oversight (OCMO) addressing the plan of PECO Energy Company (PECO) for implementing *seamless moves* and *instant connects* in its service territory. A *seamless move* is the ability of a customer’s choice of supplier to move with the customer to a new address within a single service territory without interruption. *Instant connect* is the ability of supply service to start on “day one” of new utility service – without the customer first having to go on default service. Through this Tentative Order, we seek modification and clarification of PECO’s proposed plan and customer eligibility requirements.

# BACKGROUND

By order entered on April 29, 2011,[[1]](#footnote-1) the Commission launched its *Investigation of Pennsylvania’s Retail Electricity Market* (Electric RMI), directing OCMO to develop recommendations for improvements to ensure that a properly functioning and workable competitive retail electricity market exists in Pennsylvania. On February 15, 2013, the Commission entered its Electric RMI Final Order[[2]](#footnote-2) (*RMI Final Order*). As part of the *RMI Final Order,* the Commission instructed electric distribution companies (EDCs) to submit plans by the end of 2013 for the implementation of seamless moves and instant connects in their service territories by June 1, 2015.

Pursuant to the Commission's *RMI Final Order,* PECO submitted a compliance filing on December 18, 2013, which detailed the Company's plan to implement seamless moves and instant connects in its service territory by June 1, 2015. Subsequent events caused the Commission to modify the implementation timelines for these new market enhancements. Specifically, on April 3, 2014, the Commission promulgated new regulations directing the EDCs to develop three-business day supplier switching timeframes.[[3]](#footnote-3) Implementation of the three-business day switch went into effect on December 14, 2014. The Commission acknowledged that the implementation of three-business day supplier switching required significant effort by the EDCs and that the timely development of three-business day switching was a priority over instant connects and seamless moves. As such, by means of an August 13, 2014 Secretarial Letter,[[4]](#footnote-4) we permitted the EDCs to delay the development of instant connects and seamless moves if an EDC determined that developing these processes could hinder or delay the development of three-business day supplier switching. In response, PECO, consistent with the directive in the Secretarial Letter, informally notified OCMO by email that it was postponing the implementation of seamless moves and instant connects.

On March 20, 2015, the Commission issued a Secretarial Letter[[5]](#footnote-5) directing EDCs, including PECO, to file revised plans to implement seamless moves and instant connects by July 1, 2016. EDCs, in their plans, were directed to demonstrate how they will achieve seamless moves and instant connects and their timeframes for implementation to meet a July 1, 2016 implementation deadline. Each plan was also expected to include an estimate of the costs to design, test, implement and maintain seamless moves and instant connects, and proposals for the recovery of those costs. This Secretarial Letter also provided a 30-day comment period for responses to the filed plans. The Commission then committed to review the plans and comments and determine appropriate further actions with regard to the filed plans.

On April 20, 2015, PECO filed, at the above noted docket, a revised plan to implement seamless moves and instant connects by July 1, 2016.

**PECO’S PLAN**

PECO’s plan includes eligibility requirements, procedures, timelines, cost estimates and cost recovery proposals. PECO notes that it participated in the Electronic Data Exchange Working Group (EDEWG) subgroup that was convened in July 2013 to explore seamless move and instant connect protocols and accepts the EDEWG recommendations that resulted, which have been incorporated into its proposed plan.

**Seamless Moves**

For seamless moves, PECO proposes to allow eligible shopping customers to retain their current electric generation supplier (EGS) when moving within PECO’s service territory provided that the customer meets each of the following criteria:

* Move requests must come at least one day in advance of the requested transaction.
* Same-day or back-dated requests cannot be accepted.
* The customer must provide PECO with a disconnect date on the current account and a connect date for the new account.
* The disconnect date and connect date do not need to be the same, and in fact, the dates may overlap or have a gap between them.
* There must be an active meter at the new premise when the customer calls to establish EGS service on the new account. If meter information is not available, such as with new construction, there will be insufficient information for a move transaction.
* For a seamless move to occur, the current account must be activeat the time of the customer's request for service on the new account. If the current account is *pending active* (an account that is not currently active today, but is set to be active at a specified date in the future) or is *inactive,* a seamless move cannot occur. In addition, the new account must be in a *pending active* status in order to effectuate a seamless move.
* The customer's account must be in good standing with PECO.
* An EGS must be providing service on the customer's current account to be eligible for a seamless move. If the customer has chosen an EGS to serve the current account, but the EGS has not yet begun to provide service on that account, for whatever reason, the account will be ineligible for a seamless move.
* Customers must seamlessly move within the same rate class and same procurement class as their current account. Only PECO's Residential and Small Commercial Procurement Classes (Classes 1 and 2) will be eligible for a seamless move. These Procurement Class categories are consistent with the structure of PECO's Standard Offer program. This comports with the recommendation of the EDEWG Stakeholder Subgroup and the request of the EGSs.
* Billing options on the customer's new account will also remain the same as the current account in a seamless move.
* At this time, only electric service is involved with seamless moves.

PECO elaborates further on the process that they propose to perform seamless moves:

* PECO will inform the customer that the current EGS will seamlessly move to the new account.
* PECO will send new move transactions in batch to each EGS at the end of the day in which they were generated. In the move transaction, the EGS will receive information similar to what is currently provided in a change-request transaction, including customer name, service address and rate class. PECO will provide the EGS with: (i) the current account number; (ii) the new account number; and (iii) the service start date. In addition, the move transaction gives the EGS non-discretionary notice of the obligation to provide service on the new account.
* Once the move transaction has been sent to the EGS, the EGS will begin to serve the new account seamlessly as of the service start date.

PECO further notes, however, instances in which the seamless move could be terminated or voided after the move transaction is complete, resulting in PECO sending a drop notification to the EGS. These instances include where the customer:

* Voids or terminates the new account prior to the service start date;
* Requests to change the service start date on the new account to a date occurring in the past;
* Requests same-day connect service on the new account, after having previously chosen a service start at some future date;
* Enrolls a new EGS on the current account before the connection at the new account occurs.

**Instant Connects**

PECO notes that currently, they can accept an EGS enrollment only on *active* accounts. PECO accepts and incorporates into its proposed plan the recommendation of EDEWG to permit enrollments on *pending active* accounts. With this system change, customers will be able to select an EGS at the time they establish an account, even if that account will become active at a future date (a *pending active* account). PECO’s planned instant connect procedure provides:

* When a customer contacts PECO to request a new connection, PECO will provide the new account number to the customer as long as the customer is in good standing with PECO.
* At that time, PECO will also provide the customer with information about EGS enrollment options.
* If the customer has already chosen an EGS, the customer will be directed to contact the EGS and provide the EGS with the customer's new account number.
* If the customer would like to choose an EGS, but has not yet done so, the PECO Customer Service Representative ("CSR") will provide the customer with information about PECO's Standard Offer Program (if still available) or direct the customer to the PaPowerSwitch website.
* Once the EGS has the requisite customer information, the EGS will submit an enrollment transaction to PECO, and the customer will be enrolled with the EGS under current practices. The critical difference is that the customer is able to effect that enrollment on a pending active account, so that EGS service becomes active when the account becomes active, thereby avoiding default service.
* PECO requires that the request must be received three-business days in advance in order to effect an instant connect. The three-business day notice is necessary to coordinate with PJM. If the enrollment request is not received three-business days in advance of the connect date, the enrollment will follow the usual supplier switching rules.

**Cost and Cost Recovery**

PECO currently estimates the total cost to be approximately $5.0 million, based

on PECO's filed plan. PECO has included recovery for the costs of implementing seamless moves and instant connects in its currently pending base rate case.[[6]](#footnote-6)

**Timeline**

PECO states that it is fully committed to implementing seamless moves and instant connects by July 1, 2016. PECO commits to keeping the Commission fully apprised of its progress and if any issues arise that might affect its ability to comply with the target date for implementation, PECO will notify the Commission, describe the problems encountered, and lay out its plans to resolve those problems in a timely manner.

**COMMENTS**

Two parties, FirstEnergy Solutions (FES) and the Office of Consumer Advocate (OCA) filed comments in response to PECO’s April 20, 2015 plan filing.

FES insists that the EDC's plan should recognize an EGS's right to reject a seamless move request. FES notes that contract portability implicates the legal terms and conditions of an EGS's contract with its customer, as well as business and logistical issues. Accordingly, the EDC plans should recognize that both the customer and EGS must agree to a seamless move. FES recommends that if an EGS does not respond to an EDI request within three days, the seamless move is to be deemed rejected and the EGS's service will not follow the customer. FES at 3.

FES states that EGSs should not be required to serve a customer for any period of time at a new premise. To require otherwise might require the EGS to deal with complications like gaps or overlaps in EGS service caused by a customer move where service is not smoothly transferred from one location to another. FES at 3-4. FES further notes that changes in a customer's load profile at the new location may make an EGS contract uneconomic. FES at 5. Accordingly, FES believes that only an EGS contract that provides for portability should be eligible for seamless moves and further, that each EDC plan should apply only to EGS contracts that become effective on or after the EDC's plan implementation date. FES at 4.

The OCA is in general agreement with the Commission's proposals related to instant connects and seamless moves and that, while it finds these processes to be reasonable, it asserts that certain issues should be addressed. OCA at 2-3. The OCA submits that every EGS customer who contacts the EDC to arrange a move should be informed of the seamless move process so that the customer is aware that they will retain the EGS at their new location unless the EGS determines that it will not continue to provide service at the new location. The OCA further submits that EGSs should be required to send a confirmation letter to a customer informing the customer that the EGS will or will not continue service at the new location. The OCA acknowledges that this may increase costs for EGSs but believes that customers should be aware of how their service will be provided as their circumstances change. OCA at 3-4.

Regarding EDC cost recovery, OCA submits that these costs should be recovered from the EGSs that benefit through maintaining the customer relationship and by establishing a contractual relationship at the time service is established. To the extent these costs are recovered from ratepayers, however, the OCA submits that the costs should be recovered in a base rate case and that the Commission must carefully review these costs in the base rate case to ensure that they are just and reasonable. OCA at 5-6.

**RESOLUTION**

Upon review of PECO’s plan and the comments, we remain convinced that seamless moves and instant connects are important enhancements to the competitive electric market landscape. These two items are, from a customer’s perspective, ordinary and expected capabilities that have been hindered by current EDC account handling processes and information systems. A customer should not have to obtain new supplier service simply because they moved locations within an EDC’s service territory. It is reasonable for customers to expect that their supplier choice and contract be simply “ported” to their new location. Likewise, customers should be able to start new service with a supplier without first going onto default service. The current system inappropriately elevates default service to a favored, primary service role. Instant connects will help end this undesirable practice.

We find most of the elements of PECO’s plans for implementing seamless moves and instant connects reasonable and in conformity with our expectations. However, there are a few specific elements of PECO’s plan and its eligibility requirements that we have concerns with or that need further clarification.

We acknowledge that FES raises legitimate concerns about how a customer relocation can result in significant changes to the character of the service being used and thus possibly impacting existing contracts. However, we do not think the way to address this concern is by allowing EGSs to unilaterally terminate contracts simply because a customer relocates. The preferable course is to instead do as we did in our previous order concerning seamless moves and instant connects in the Duquesne Light Company service territory[[7]](#footnote-7): carefully restrict the customer eligibility requirements for seamless moves. We find PECO’s proposed eligibility requirements in this regard appropriate. Seamless moves will be restricted to residential and low-demand business customers (Small Commercial Procurement Classes 1 and 2) that maintain the same rate class at the new service location. Further, as we approved in the Duquesne Light Company Order,[[8]](#footnote-8) we think limiting any gap or overlap in service to three days is appropriate – noting again that this timeframe can be revisited if experience proves it to be problematic. Accordingly, we direct PECO to include a three-day gap/overlap limit in their eligibility requirements.

With these safeguards, PECO’s eligibility requirements should be sufficient to prevent customers from materially changing their contracts with EGSs simply by moving to a new location. We reiterate that these safeguards include limiting seamless moves to residential and small business accounts; requiring that the rate class remains unchanged; that the customer maintains the same supplier billing rate, billing option and tax exemption percentage; and that any gaps or overlap of service will be limited to 3 days. We are convinced that these robust safeguards should prevent a customer from significantly changing the characteristics of their service with an EGS as a result of a move to a new location.

In addition to the above safeguards, a supplier is always able to submit a drop if they do not wish to serve the customer at a new location. We emphasize that any EGS which processes a customer drop in a seamless move environment should be doing so per the terms and conditions of their existing agreement with the customer. Ideally, this should be addressed under the *cancellation* provisions of the disclosure or contract the EGS has with the customer. Existing supply agreements should not be adversely impacted by implementation of seamless moves with all of the foregoing protections in place.

We also note that seamless moves will not be available until the second half of 2016. This should provide EGSs with time to consider these matters when entering into new contracts with new customers. To the extent that an EGS desires to expressly recognize the possibility of seamless moves in future contracts, they are free to do so. In addition, EGSs may pursue modification of existing contracts, with customer agreement. Regardless of the foregoing, it is the desire of the customer to retain the current supply terms and conditions that should control, subject to the EGS’s ability to drop that customer consistent with the terms of the existing contract as mutually agreed to by both parties.

There is one aspect to PECO’s proposed eligibility requirements that is cause for concern. PECO specifies that a “customer's account must be in good standing with PECO” to be eligible for seamless moves and instant connects. If this is taken to mean that the customer’s account must not be in any kind of arrears situation – we do not understand the relevance of this as to the customer’s relationship with their EGS. Generally, a customer’s ability to shop and obtain service from an EGS is not dependent upon the customers “good standing” with the EDC. We caution PECO to avoid, without good reason, any such eligibility requirements when implementing their program and ask them to clarify this part of their plan by submitting an amended plan explaining what qualifies a customer as being in “good standing” and the reasons for this requirement.

In response to the customer notice issues raised by OCA, we propose adopting the same measure as we did in the Duquesne Light Company Order and not require EGSs to send a confirmation letter to the customer stating that it will/will not continue to serve the customer at the new address. EGSs are of course free to send such a notice to their customers, but requiring such a notice is unnecessary. We prefer the approach adopted in the Duquesne Light Company Order[[9]](#footnote-9) and also included in PECO’s plan, where the EDC will inform the customer that their EGS supply service will seamlessly move to their new location (assuming eligibility requirements are met). The customer does not have to authorize or take any additional actions for this to happen.

As for cost recovery, we disagree with the OCA’s primary position that costs should be borne by the EGSs. While EGSs will obtain some benefit from these processes, customers will also benefit. The seamless move and instant connect functionality will not only benefit current shopping customers, it will be available for all eligible customers. These enhancements are permanent improvements that, to a large extent, are simply correcting an unacceptable status quo due to existing limitations in utility customer information systems. For these reasons, we agree with the OCA’s secondary position that these costs be included in base rates. The scrutiny of a base rate proceeding is the appropriate mechanism to ensure that utilities will recover only prudent and reasonably-incurred costs. As the OCA points out, this is consistent with recent Commission decisions on the costs associated with accelerated switching. It is also consistent with our decision in the Duquesne Light Company seamless move proceeding.[[10]](#footnote-10) Finally, we note that PECO, as stated in its plan, has already included these costs in their March 2015 rate filing, currently pending here at the Commission.[[11]](#footnote-11) As such, we note that approval of this seamless moves and instant connect plan filing does not constitute a determination that the associated costs or expenses are reasonable or prudent for the purposes of cost recovery. These issues will be addressed by the Commission in any appropriate cost recovery proceeding.

# CONCLUSION

 Through this Tentative Order, the Commission seeks modifications to PECO’s plan filed on April 20, 2015 as discussed in this Order. Further, we seek clarification from PECO as to their proposed eligibility requirement that a “customer's account must be in good standing with PECO.” Upon review of PECO’s filing and any comments filed in response, the Commission will issue a Final Order.

**THEREFORE,**

 **IT IS ORDERED:**

1. That PECO Energy Company shall file within 7 days of the entry of this Tentative Order an amended plan with the Commission that incorporates the modifications directed by this Order.  The filing shall also clarify and explain what is intended by their eligibility requirement that a “customer's account must be in good standing with PECO” to be eligible for seamless moves and instant connects and why it should be required.

 2. That interested parties shall have 7 days from the date PECO Energy Company files its amended plan to submit written comments with the Pennsylvania Public Utility Commission.

 3. That this Tentative Order be served on all jurisdictional Electric Distribution Companies, the Bureau of Investigation and Enforcement, the Office of Consumer Advocate, the Office of Small Business Advocate and the parties who filed comments at Docket No. M-2014-2401085.

 4. That a copy of this Order be posted on the Commission’s website at the Office of Competitive Market Oversight’s web page - <http://www.puc.pa.gov/utility_industry/electricity/electric_competitive_market_oversight.aspx>

5. That the Office of Competitive Market Oversight shall electronically serve a copy of this Tentative Order on all persons on the contact list for the Committee Handling Activities for Retail Growth in Electricity.

**BY THE COMMISSION,**

 Rosemary Chiavetta

 Secretary

(SEAL)

ORDER ADOPTED: October 1, 2015

ORDER ENTERED: October 1, 2015

1. *Investigation of Pennsylvania’s Retail Electricity Market* Order, Docket No. I-2011-2237952 (Order entered April 29, 2011).

 [↑](#footnote-ref-1)
2. *Investigation of Pennsylvania’s Retail Electricity Market: End State of Default Service* Final Order, Docket No. I-2011-2237952 (Order entered Feb. 15, 2013). [↑](#footnote-ref-2)
3. *Rulemaking to Amend the Provisions of 52 Pa. Code, Chapter 57 Regulations Regarding Standards for Changing a Customer’s Electricity Generation Supplier,* Docket L-2014-2409383 *(*Order Entered April 3, 2014).
 [↑](#footnote-ref-3)
4. Secretarial Letter re: *EDC plan filings for Seamless Moves and Instant Connects*. Docket No. M-2014-2401127 (August 13, 2014).
 [↑](#footnote-ref-4)
5. Secretarial Letter re: *EDC plan filings for Seamless Moves and Instant Connects*. Docket No. M-2014-2401127 (March 20, 2015). [↑](#footnote-ref-5)
6. *Pennsylvania Public Utility Commission v. PECO Energy Company — Electric Division,* Docket No. R-2015­2468981 (filed March 27, 2015). [↑](#footnote-ref-6)
7. *Final Order Duquesne Light Company Plan for Seamless Moves and Instant Connects. Docket No. M-2014-2401127 (Order Entered September 3, 2015).*  [↑](#footnote-ref-7)
8. *Id*. page 12. [↑](#footnote-ref-8)
9. *Ibid*. Page 5. [↑](#footnote-ref-9)
10. Ibid. Page 12.
 [↑](#footnote-ref-10)
11. *Pennsylvania Public Utility Commission v. PECO Energy Company — Electric Division,* Docket No. R-2015­2468981 (filed March 27, 2015). [↑](#footnote-ref-11)