

**STATE OF MAINE
PUBLIC UTILITIES COMMISSION**

Docket No. 2013-00200

October 15, 2013

**MAINE PUBLIC UTILITIES COMMISSION
Inquiry into Residential and Small
Commercial Customer Standard Offer Service
and Customer Protection**

**COMMENTS OF
RETAIL ENERGY
SUPPLY
ASSOCIATION**

The Retail Energy Supply Association (“RESA”)¹ hereby submits its comments in response to the Public Utilities Commission’s (“Commission”) October 3, 2013 Request for Further Comment on Standard Offer Procurement (“Further Request”) in connection with the above-referenced matter.

INTRODUCTION

RESA is a non-profit organization and trade association that represents the interests of its members in regulatory proceedings in the Mid-Atlantic, Great Lakes, New York and New England regions. RESA members are active participants in the retail competitive markets for electricity, including the Maine retail electric market. Several RESA member companies are licensed by the Commission to serve residential, commercial and industrial customers in Maine and are presently providing electricity service to customers in the State, including medium commercial and industrial customers (“Medium Customers”). As such, RESA has an interest in ensuring that modifications to the Standard Offer procurement process for Medium Customers

¹ RESA’s members include: AEP Energy, Inc.; Champion Energy Services, LLC; ConEdison Solutions; Constellation NewEnergy, Inc.; Direct Energy Services, LLC; GDF SUEZ Energy Resources NA, Inc.; Hess Corporation; Homefield Energy; IDT Energy, Inc.; Integrys Energy Services, Inc.; Just Energy; Liberty Power; MC Squared Energy Services, LLC; Mint Energy, LLC; NextEra Energy Services; Noble Americas Energy Solutions LLC; NRG, Inc.; PPL EnergyPlus, LLC; Stream Energy; TransCanada Power Marketing Ltd. and TriEagle Energy, L.P. The comments expressed in this filing represent the position of RESA as an organization but may not represent the views of any particular member of RESA.

do not have an adverse effect on RESA members, their customers or the continued success of the retail electric market in Maine.

BACKGROUND

On April 9, 2013, the Commission initiated an inquiry into existing rules and practices related to residential and small commercial customer Standard Offer and competitive electricity provider (“CEP”) services.² On August 12, 2013, the Commission issued a Request for Comment on Standard Offer Procurement, which sought comment on, *inter alia*, whether Standard Offer procurements to supply Medium Customers should occur annually, rather than every six months.³ RESA submitted comments in response to the August 12 request.⁴

On October 3, 2013, the Commission issued the Further Request. In the Further Request, the Commission invited interested stakeholders to comment on an alternative procurement approach for Medium Customers whereby solicitations would occur once a year and Standard Offer prices would be indexed to market prices in a similar manner to how prices are currently set for large commercial and industrial customers (“Large Customers”).⁵ RESA hereby submits its comments in response to the Further Request.

COMMENTS

The Commission previously found that:

In market sectors where retail suppliers are providing options and reasonable prices for customers, standard offer service should not be “just another supply option,” but should serve as a last resort or contingency service. By its design, standard offer service in these sectors should encourage and sustain customer out-migration to the retail market. Standard offer prices should

² Further Request, at 1.

³ *Id.*

⁴ *See, generally*, Comments of Retail Energy Supply Association, dated August 26, 2013 (“RESA Procurement Comments”).

⁵ Further Request, at 1.

closely track changes in the wholesale market, and other features of its design, such as treatment of customer credit, should parallel the market as much as possible.⁶

RESA agrees with the Commission's assessment of Standard Offer service. However, the need to provide customers with market-reflective pricing must be balanced against the customers' ability to make appropriate decisions based on those pricing signals, which will directly impact whether Standard Offer can become the last resort service it was originally intended to be.

Under the proposed alternative set forth in the Further Request ("Commission Alternative"), procurements for Medium Customers would be conducted annually and Standard Offer Providers ("SOPs") would submit bids for a fixed amount to be added to the underlying cost of energy and capacity as forecasted by the Commission for the upcoming month.⁷ Under this approach, the Standard Offer price would not be known until approximately two weeks before the beginning of each month.⁸

While this procurement and pricing approach has been used to provide more market-reflective pricing to Large Customers, under current market conditions, it will actually make it more difficult for Medium Customers to benchmark their energy purchasing decisions and to take advantage of high value, competitive supply offerings. Thus, in order to allow customer behavior and the market rules time to adjust so that Medium Customers are better equipped to make decisions based on more market-reflective pricing, RESA encourages the Commission to take a more measured approach in modifying the procurement and pricing practices for Medium Customers by, as a transitional step, adopting a quarterly procurement process pursuant to which SOPs would submit bids for prices that vary each month during the quarter.

⁶ Standard Offer Study and Recommendations Regarding Service after March 1, 2005, Maine PUC, December 1, 2002 ("2002 Report"), at 4.

⁷ Further Request, at 1.

⁸ *Id.* at 1-2.

Currently, procurements for Medium Customers are conducted every six months, and SOPs submit bids for prices that vary each month during the six month period.⁹ Because the Standard Offers prices resulting from a semi-annual procurement are based on a forecast of future prices, the further the date of service from the date of procurement, the more the Standard Offer price diverges from the underlying market price.

One way to reduce the amount of divergence between the Standard Offer price and the underlying market price and, as a consequence, provide customers with more accurate price signals is to reduce the period of time between procurements to quarterly.¹⁰ Under this procurement approach, although the prices will still be based on forecasts, the forecast periods will be shorter. As a result, the Standard Offer prices will more closely track underlying wholesale prices than the current market design.

This approach will also allow Medium Customers time to become more knowledgeable about and familiar with making market-driven, energy supply and management decisions based on shorter benchmarks. Medium Customers vary widely in their size. In fact, depending on the Transmission and Distribution Utility service territory, customers with usage *as low as 20 kW* up to 500 kW can qualify as a Medium Customer.¹¹ As a result of this wide divergence of size within the Medium Customer rate class, some customers are better informed about the competitive market and better equipped to respond to price uncertainty and frequent price changes. However, other customers within the Medium Customer rate class, especially those with demand thresholds at the lower end of the rate class spectrum, do not have the same level of

⁹ See Docket No. 2013-00329, Order Designating Standard Offer Providers, dated July 25, 2013, at 2-3.

¹⁰ See, generally, RESA Procurement Comments, at 3-8.

¹¹ In the Central Maine Power Company service territory, Medium Customers have usage between 20 kW and 400 kW and, in the Bangor-Hydro Electric Company service territory, Medium Customers have usage between 25 kW and 500 kW. See Class Definitions, available at:

http://www.maine.gov/mpuc/electricity/choosing_supplier/migration_statistics.shtml.

familiarity with the competitive market and may not have the time or resources available to manage their energy needs and usage as actively. In order to give these customers more time to become informed about and comfortable with making their energy purchasing decisions more quickly and based on shorter term benchmarks, RESA encourages the Commission to take the interim step of adopting quarterly procurements for Medium Customers pursuant to which SOPs would submit bids for prices that vary each month during the quarter.

In RESA's view, this procurement approach will also "encourage and sustain customer out-migration to the retail market."¹² Due in part to the varying size of the customer class, fewer Medium than Large Customers have moved to competitive supply.¹³ Because of the current market rules, providing Medium Customers with as little as two weeks to react to Standard Offer pricing signals could prove counterproductive and further impede the continued development of the competitive market for these customers.

Because the Standard Offer price will only be known two weeks before the beginning of each month, Medium Customers, especially those with limited resources to devote to energy management, may not have sufficient time to evaluate and react to competitive supply options or to make other energy purchasing decisions. As a result, these customers may simply not choose to entertain competitive offers or wait until they know the next month's Standard Offer price before making a decision at which time the same attractive competitive offerings and/or energy management options or incentives may not be available; thereby, creating customer frustration or worse paralysis as these customers become so overwhelmed with the speed at which they must

¹² *Accord 2002 Report*, at 4

¹³ See August 2013 Migration Statistics, available at: http://www.maine.gov/mpuc/electricity/choosing_supplier/migration_statistics.shtml (showing that 87.1% of Large Customers statewide are served by CEPs while only 46.8% of Medium Customers statewide are served by CEPs).

react, they simply choose to do nothing. Furthermore, if the Standard Offer price is announced just two weeks before the beginning of the month, because of the mandatory enrollment waiting periods and enrollment switching deadlines,¹⁴ even Medium Customers who currently have the ability to make immediate energy purchasing decisions may become frustrated with the competitive market because they may not have sufficient time to effectuate a change in supplier before being charged the upcoming month's Standard Offer price.

Thus, rather than moving Medium Customers immediately to an annual procurement with an indexed pricing option, RESA encourages the Commission to take a more measured and pragmatic approach in modifying the procurement and pricing practices for Medium Customers by, as a first step, adopting a quarterly procurement process pursuant to which SOPs would submit bids for prices that vary each month during the quarter. Once the market rules have been adjusted to allow Medium Customers to make immediate decisions based on the pricing signals they receive and customers within the Medium Customer rate class with less familiarity with the competitive market become more educated about and comfortable with making quicker energy purchasing decisions, as a next step, these customers can be transitioned to a market-indexed price or some other more market-reflective pricing option.

¹⁴ See 65-407 C.M.R. Ch. 305, §4(C)(4) (requiring a CEP to wait eight days before processing the enrollment of a customer with a demand of 100 kW or less); Maine Electronic Business Transactions (EBT) Standards for Electronic Data Interchange (EDI) in the Restructured Electric Industry, Prepared by: The Maine EBT Working Group, Version 3.0, at 14 (requiring a CEP to transmit the enrollment transaction at least two business days prior to the scheduled cycle meter-read date).

CONCLUSION

For all the foregoing reasons, RESA encourages the Commission to establish a quarterly procurement process for Medium Customers pursuant to which SOPs submit bids for prices that vary each month during the quarter.

Respectfully submitted,
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