

STATE OF CONNECTICUT

DEPARTMENT OF ENERGY AND ENVIRONMENTAL PROTECTION

COMPREHENSIVE ENERGY STRATEGY :
(CES) - SECTION 51 OF PUBLIC ACT 11-80 : JUNE 5, 2012
:

RETAIL ENERGY SUPPLY ASSOCIATION
ADDITIONAL SCOPING COMMENTS

The Retail Energy Supply Association (“RESA”)¹ hereby submits its comments in response to the Department of Energy and Environmental Protection’s (“Department”) Notice of Request for Additional Scoping Comments, dated May 25, 2012 (“Notice”).

BACKGROUND

Section 51 of Public Act 11-80, *An Act Concerning the Establishment of the Department of Energy and Environmental Protection and Planning for Connecticut's Energy Future* (the “Act”) requires the Department to develop a comprehensive energy strategy (“Strategy”) that includes:

- identification and evaluation of the factors likely to affect future energy supplies, demand and costs;
- a statement of energy policies and long-range energy planning objectives and strategies appropriate to achieve, among other things, a sound economy, the least-cost mix of energy supply sources and measures that reduce demand for energy, giving due regard to such factors as consumer price impacts, security and diversity of fuel supplies and energy generating methods, protection of public health and safety, environmental goals and standards, conservation of energy and energy resources and the ability of the state to compete economically;

¹ RESA’s members include: Champion Energy Services, LLC; ConEdison *Solutions*; Constellation NewEnergy, Inc.; Direct Energy Services, LLC; Energetix, Inc.; Energy Plus Holdings LLC; Exelon Energy Company; GDF SUEZ Energy Resources NA, Inc.; Green Mountain Energy Company; Hess Corporation; Integrys Energy Services, Inc.; Just Energy; Liberty Power; MC Squared Energy Services, LLC; Mint Energy, LLC; NextEra Energy Services; Noble Americas Energy Solutions LLC; PPL EnergyPlus, LLC; Reliant; 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.

- recommendations for administrative and legislative actions to implement such policies, objectives and strategies;
- an assessment of the potential costs savings and benefits to ratepayers, including, but not limited to, carbon dioxide emissions reductions or voluntary joint ventures to repower some or all of the state's coal-fired and oil-fired generation facilities built before 1990; and
- the benefits, costs, obstacles and solutions related to the expansion and use and availability of natural gas in Connecticut.²

In accordance with this requirement, the Department opened this proceeding and held an initial stakeholder meeting on April 10, 2012 (“Stakeholder Meeting”) in which RESA participated.³ Subsequently, the Department issued a notice seeking initial scoping comments on the Strategy’s objectives and process and, on May 23, 2012, held a Sector Presentation Meeting (“Sector Presentation Meeting”). RESA submitted initial scoping comments and participated in the Sector Presentation Meeting.⁴ On May 25, 2012, the Department issued the Notice indicating that it was accepting additional scoping comments on the Sector Presentations. RESA hereby submits additional comments in response to the Notice.

COMMENTS

Since RESA has already submitted initial comments regarding scoping,⁵ it will not repeat those comments here but rather will either highlight or expand upon topics addressed in those comments and/or arising from the Sector Presentations.

I. THE STRATEGY SHOULD PROVIDE FOR MORE REGULATORY CERTAINTY

Since the passage of the Act, there has been some confusion over the delineation of the roles of the General Assembly, the Department and the Public Utilities Regulatory Authority

² P.A. 11-80 at § 51(a).

³ See Audio Recording of the 4/10/12 Stakeholder Meeting.

⁴ See Retail Energy Supply Association Comments re Scoping, dated April 24, 2012 (“RESA Comments”); Audio Recording of the Sector Presentation Meeting held on May 23, 2012.

⁵ See, generally, RESA Comments.

(“PURA”) in setting and implementing energy policy. In some cases, this regulatory uncertainty has created a lack of opportunity for meaningful input from interested stakeholders, inconsistent policies and/or a suspension of innovative market activity. Thus, consistent with the Act’s requirement that the Strategy include recommendations for administrative actions to implement the identified policies, objectives and strategies,⁶ RESA recommends that, in the Strategy, the Department clearly identify:

- what further regulatory actions (if any) must be taken to implement each component of the Strategy;
- what entity (e.g., the Department, PURA, etc.) will be responsible for taking such further actions;
- how those actions will be undertaken (e.g., rulemaking, generic investigation, working groups, etc.); and
- deadlines for completion of those actions.

RESA also encourages the Department to ensure that, no matter what further actions are taken, interested stakeholders have an opportunity to provide meaningful input before particular actions are proscribed that may not be technically feasible or may unnecessarily increase costs.⁷

II. THE STRATEGY SHOULD ACKNOWLEDGE AND ENCOURAGE THE ROLE OF THE COMPETITIVE RETAIL MARKET IN CONNECTICUT’S ENERGY FUTURE

As of April 30, 2012, 68.7% of the customer load of The Connecticut Light and Power Company (“CL&P”) and 73.4% of the customer load of United Illuminating Company was served by competitive electric suppliers.⁸ Despite this significant presence, none of the Sector

⁶ P.A. 11-80 at § 51(a).

⁷ See RESA Comments at 4-5 (providing examples of legislative and regulatory programs that have had such a result).

⁸ See PURA Docket 06-10-22, *DPUC Monitoring of the State of Competition in the Electric Industry*, April 2012 Reports. At the time the proceeding was opened, the PURA was known as the Department of Public Utility Control (“DPUC”).

Presentations discussed, acknowledged or even mentioned the role that the competitive retail supply market plays and should continue to play in energy policy in Connecticut.⁹

During the Stakeholder Meeting and the Sector Presentation Meeting, three main goals were identified for the Strategy: cheaper, cleaner and more reliable energy.¹⁰ As RESA pointed out in its initial comments, in states in which regulatory structures have been established that allow competitive retail markets to flourish, competitive markets have been able to offer products to customers that help to satisfy each of these goals. Connecticut has also achieved some of these benefits through competitive providers that offer customers lower cost, renewable products and/or distributed generation options. As a result, the competitive electric market in Connecticut has grown significantly over the last several years.¹¹ However, there are still more opportunities for the competitive market to help Connecticut realize its goals.¹²

Indeed, by creating a regulatory structure that provides the competitive market with the opportunity to offer products that meet the policy objectives of the State, including increasing the State's investment in energy efficiency, renewable energy and other resources, suppliers are able to reduce the amount of ratepayer dollars needed to fund these programs. Thus, in developing the Strategy, RESA encourages the Department to establish a paradigm that would allow for a more efficient market structure in which competitive retail providers concentrate on what they do best - providing market based generation supply options - and the electric distribution companies ("EDCs") concentrate on what they do best - providing reliable and cost effective transmission

⁹ See, generally, DEEP Presentation from the Meeting held on 5/23/12 for All Sectors.

¹⁰ See Audio Recording of the 4/10/12 Stakeholder Meeting; Audio Recording of the Sector Presentation Meeting held on May 23, 2012.

¹¹ See, generally, PURA Docket 06-10-22, *DPUC Monitoring of the State of Competition in the Electric Industry*, Monthly Migration Reports.

¹² See RESA Comments at 2-4; Section IV *infra*.

and distribution services. To do so, the Strategy must recognize and account for the role of the competitive market and provide the competitive market the opportunity to offer solutions before creating regulatory programs that impose greater costs on all ratepayers and can create unintended barriers to high value competitive offerings.¹³

For instance, while RESA acknowledges that it is prudent practice to periodically review the State's approach to Standard Service procurement, in doing so, the Department should determine first what precipitated its review and then, if it determines changes are necessary, evaluate what changes will best achieve the State's energy goals. In evaluating what is precipitating the review, RESA urges that the Department to be careful not to mistake changes in market prices for deficiencies in current procurement practices. Further, to the extent the Department determines that market changes warrant changes to the procurement process, it should ensure that whatever changes are made are designed to maximize market participation, provide accurate price signals and avoid passing unnecessary risk onto ratepayers.

Generally, consumers realize the best results possible by having all their Standard Service load procured through competitive, fully transparent request for proposal in the wholesale market because this procurement mechanism maximizes the opportunity for market participation, provides the most accurate price signals and avoids forcing Connecticut ratepayers to shoulder risks that are better managed by the competitive market. Conversely, allowing the EDCs, who have not shown that they are in a better position to serve this function than the wholesale suppliers currently doing so, to self-manage their load would reduce market participation, add potential stranded costs, send distorted pricing signals to customers and could result in greater rate shock when long-term contracts acquired in pursuing this strategy expire. Thus, rather than

¹³ RESA Comments at 4, 6.

making wholesale changes to procurement strategies in response to market changes, the Department should review whether modifications to the timing, frequency, duration and layering of the procurements will allow consumers to receive the benefits of positive market changes. In this way, the Department can continue to provide the competitive market the opportunity to offer solutions before creating regulatory programs that impose greater costs on all ratepayers and can create unintended barriers to high value competitive offerings

III. SMART METER DEPLOYMENT CAN PLAY A SIGNIFICANT ROLE IN ADVANCING CONNECTICUT'S ENERGY POLICY

Prior to the passage of the Act, the PURA was conducting two proceedings related to smart metering.¹⁴ After the passage of the Act, the Attorney General requested that the PURA suspend those proceedings in order to provide the Department with “an opportunity to solicit public comment and formulate its policies concerning the future of smart meters and time-of-use rates in Connecticut”¹⁵ However, smart meters are not addressed in the Strategy.

Smart meters and the customer data available from such meters can revolutionize how customers purchase electricity by providing customers and their providers with the information necessary to transform customer behavior. For instance, most small customers today are offered a fixed rate for power consumption, either as default service from the EDCs or from competitive

¹⁴ See PURA Docket 05-06-04RE06, *Application of the United Illuminating Company to Increase its Rates and Charges – Review of VPP Pricing, Mandatory TOD and Seasonal Rates*; PURA Docket 05-10-03RE04, *Application of The Connecticut Light and Power Company to Implement Time-of-Use, Interruptible Load Response, and Seasonal Rates – Review of Meter Study, Deployment Plan and Rate Pilot*.

¹⁵ See PURA Docket 05-06-04RE06, *Application of the United Illuminating Company to Increase its Rates and Charges – Review of VPP Pricing, Mandatory TOD and Seasonal Rates*; PURA Docket 05-10-03RE04, *Application of The Connecticut Light and Power Company to Implement Time-of-Use, Interruptible Load Response, and Seasonal Rates – Review of Meter Study, Deployment Plan and Rate Pilot*, Correspondence from George Jepsen, Attorney General to PURA, dated August 31, 2011; see also PURA Docket 05-10-03RE04, *Application of The Connecticut Light and Power Company to Implement Time-of-Use, Interruptible Load Response, and Seasonal Rates – Review of Meter Study, Deployment Plan and Rate Pilot*, Motions No. 2 and 3 (Commissioner Esty requesting that PURA suspend the docket while the Department conducts a proceeding to establish the state’s smart meter policy).

power providers. The ability to access real-time customer data available from smart meters enables suppliers to offer consumers price responsive demand (“PRD”) products as well as other new and innovative products.

As RESA pointed out in its initial comments, PRD products encourage customer adoption of new solutions to meet their energy needs, including allowing customers to make demand response and energy efficiency modifications to better manage their electricity consumption and costs.¹⁶ Thus, RESA encourages the Department, as part of the Strategy, to address the role that smart meters can play in shaping customer behavior, to set forth its policy guidelines regarding the further deployment and use of smart metering infrastructure and provide recommendations for administrative actions to implement the identified smart meter policies, objectives and strategies.

IV. THE STRATEGY SHOULD REQUIRE THE EVALUATION OF RETAIL MARKET ENHANCEMENTS

The hallmark of a successful transition to retail competition is a reduced reliance on regulated retail service options and the inherent structural bias toward the incumbent utility. Thus, over time, the incumbent utilities’ historical obligation to serve load should be converted into an obligation to connect and deliver reliable service. As discussed above, a significant portion of customer load is already being served by competitive suppliers. However, there are several policies or tools that would foster greater mass market competition in the State. Thus, RESA encourages the Department to include in the Strategy recommendations for administrative actions to evaluate retail market enhancements that will further the Strategy’s goals and provide

¹⁶ See RESA Comments at 2 (providing examples of innovative solutions that have been offered by competitive providers).

added value to ratepayers. As part of any such proceeding, RESA requests that the Department require the evaluation of the following retail market enhancements:

- Improved and timely access to customer data;
- Enhanced customer choice parity; and
- Alternative billing arrangements.

Improved and Timely Customer Data Access

As discussed above, smart metering infrastructure and the customer data available from such meters can have a transformative effect on how customers purchase electricity by encouraging customer adoption of new solutions to meet their energy needs.¹⁷ However, any innovative solution that involves shaping consumer behavior by having them respond to immediate price signals and receive appropriate credit for actions taken to reduce or avoid consumption in response to those signals depends on having real-time access to accurate customer data in a standardized format.

With the propagation of smart meters, utilities will be in a position to collect more valuable and detailed information about consumer usage patterns. However, the current method of usage data dissemination by EDCs varies widely and can encompass anything from a manual process to one form or another of Electronic Data Interchange (“EDI”). Each EDC implements the method of access and data format differently, and EDI can be transmitted using a variety of technologies. For instance, some EDCs use value added networks (“VANs”) while others use

¹⁷ See Section III *supra*.

internet protocols, including file transfer protocol (“FTP”) and e-mail.¹⁸ In addition, EDI information is provided in a variety of formats.

An internet protocol based system would make programming easier than traditional code based programming and could reduce the amount of intervention required by EDC personnel as the information is populated directly from customers' meters into the web based system and accessed directly by the supplier; thereby, reducing programming/data entry costs and the potential for errors. By using an internet based system, the transmission of customer data can also be protected through SSL (Secure Sockets Layer), which is the standard security technology for establishing an encrypted link between a web server and a browser to ensure that all data passed between the web server and browsers remain private.¹⁹

Moreover, the EDI standards should include key data elements to help retail suppliers effectively prepare and structure pricing offers for their customers, including without limitation:

- The tariff classification;
- The meter type (e.g., summary, interval, net, etc.);
- The meter reading cycle;
- The load profile;
- The billing determinants for the account of record for each period (e.g., on-peak, off-peak, intermediate peak, etc.);
- The kilowatt hour consumption for each period (including, as appropriate, additive, subtractive and total net readings);

¹⁸ Although PURA has approved the use of internet based data exchange, CL&P continues to provide EDI via its VAN as well as the internet. *See* PURA Docket 98-06-17, *DPUC Investigation Into Billing and Metering Protocols and Appropriate Cost-Sharing Allocations Among Electric Distribution Companies and Electric Suppliers – DPUC Approval of the Use of the Internet for Electronic Data Exchange between the Electric Distribution Companies and Suppliers*, October 29, 2010 Correspondence from DPUC to Dominion Retail, Inc.

¹⁹ SSL is an industry standard used by millions of websites in the protection of their online transactions with their customers. Such protection is typically not available to information transmitted via e-mail unless the e-mail is encrypted.

- The maximum demand for each period;
- The electric capacity and peak load contributions;
- The electric usage factor;
- The interval load data;
- The service point identifier;
- The capacity tag; and
- The voltage or loss factor.

In addition, all of the data should be provided in a manner that that allows information provided in one data set to be easily cross-referenced to another data set.

Improved and timely access to customer data will result in the following benefits: (a) simplification of the current process; (b) a consistent format of the data available; (c) improved timeliness and accuracy of supplier pricing and billing; (d) improved quality of customer usage data; (e) reduced chance of cancel/re-bill; (f) development of a strong competitive electric marketplace; (g) encouragement of customer adoption of new solutions to meet their energy needs, including allowing customers to make demand response and energy efficiency modifications to better manage their electricity consumption and costs; and (h) reduced costs for both the EDCs and suppliers. Accordingly, RESA encourages the Department, as part of the Strategy, to require the evaluation of current customer data elements and data access methods²⁰ and to require the EDCs to improve access to customer data by:

- Providing all customer data via EDI;
- Defining a standard IP (internet protocol) based access in a common language or data standard (XML); and

²⁰ Such an evaluation could be undertaken by reopening PURA Docket 98-06-17, *DPUC Investigation Into Billing and Metering Protocols and Appropriate Cost-Sharing Allocations Among Electric Distribution Companies and Electric Suppliers*.

- Including key data elements so that competitive providers have access to the information needed to effectively prepare and structure innovative pricing offers for their customers.

Enhanced Customer Choice Options

Generally, customer choice programs address the hesitancy of residential and small commercial customers to seek out competitive market offerings because they are unsure of or lack awareness of their choices and address the need to overcome the structural bias that directly inures to the EDCs as the default service provider. Currently, the EDCs are required to provide residential and small commercial customers with the option to learn about their ability to enroll with an electric supplier.²¹ While this program raises consumer awareness, the current rules automatically place new customers on Standard Service. This puts electric suppliers at a competitive disadvantage vis-à-vis the EDCs. A well-designed customer choice program recognizes and attempts to address the existing one-sided market design pursuant to which EDCs are left with most or all of the retail customer relationships for generation service in the post-restructuring market state. Thus, it is particularly important that the option of enrolling with a competitive supplier be available to customers at the time of service initiation. These enhancements would allow consumers to participate more easily in the retail competitive market and to immediately take advantage of competitive offerings.

Thus, RESA recommends that, as part of the Strategy, the Department require the evaluation of enhancements to the current customer choice program²² that would provide

²¹ See Conn. Gen. Stat. § 16-244c(k); PURA Docket 05-08-05RE02, *DPUC Investigation into the Process by Which Customers Can Choose an Electric Supplier When Initiating Electric Service – Amended Referral Program*, Final Decision, dated October 10, 2007.

²² Such an evaluation could be undertaken by reopening PURA Docket 05-08-05, *DPUC Investigation into the Process by Which Customers Can Choose an Electric Supplier When Initiating Electric Service*.

customers the opportunity to immediately accept supplier offers through EDC enrollment of the customer with the supplier of its choice at service initiation.

Alternative Billing Arrangements

Customer choice, including choice of billing arrangements, is an important aspect of the competitive market. Currently, customers taking service from competitive suppliers have two billing options:

- Consolidated billing, whereby one bill is issued by the customer's EDC that includes all generation and transmission & distribution charges; and
- Dual billing, whereby the customer receives two bills – one from the customer's EDC that includes only transmission & distribution charges and one from the customer's competitive supplier that includes only generation charges.

As discussed above, with the deployment of smart metering and improved and timely access to customer data, retail suppliers can offer customers innovative products that would not otherwise be available from the incumbent EDCs. These products, however, do not always fit into the pricing structures that are available through the EDC consolidated billing option. For instance, a supplier wishing to offer a time-of-use product that does not mirror that offered by an EDC cannot currently bill such a pricing option using EDC consolidated billing. Thus, in order to offer such a pricing option, the customer must accept dual billing. Many smaller customers, however, prefer to receive one bill for their electric service, rather than multiple bills. Thus, to ensure that small customers have a choice of both billing and pricing options, RESA encourages the Department, as part of the Strategy, to require the evaluation of alternative billing arrangements²³ that would allow smaller customers to take advantage of innovative pricing offers while still receiving one bill.

²³ Such an evaluation could be undertaken by reopening PURA Docket 98-06-17, *DPUC Investigation Into Billing and Metering Protocols and Appropriate Cost-Sharing Allocations Among Electric Distribution Companies and Electric Suppliers*.

V. THE DEPARTMENT SHOULD REQUIRE THE EVALUATION OF RESIDENTIAL NATURAL GAS CHOICE

During the Sector Presentation Meeting, Department Staff indicated that it would not consider implementing residential natural gas choice in Connecticut absent convincing evidence of the benefits of such choice. However, the Strategy does not offer those interested in providing such evidence the opportunity to do so. Rather, the Department, without the opportunity for any meaningful stakeholder input, appears to have pre-determined that residential natural gas choice is not the appropriate policy choice for Connecticut.

Just as residential electric choice has provided opportunities for Connecticut ratepayers to take advantage of competitive offerings that best suit their needs, residential natural gas choice can also provide benefits to ratepayers. Accordingly, RESA encourages the Department, as part of the Strategy, to require the evaluation of natural gas choice for residential customers.

CONCLUSION

RESA appreciates the opportunity to provide these comments and to continue to actively participate in this proceeding.

Respectfully submitted,
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