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Via Electronic Mail

April 23, 2021

Mark D. Marini, Secretary
Department of Public Utilities
One South Station, 5th Floor
Boston, MA 02110
dpu.efiling@mass.gov

Re: D.P.U. 21-POR-01: Petition of Massachusetts Electric Company and Nantucket Electric Company each d/b/a National Grid pursuant to the Company's Tariffs M.D.P.U. Nos. 1420 and 1421, § 8B, for review and approval by the Department of Public Utilities of the Company's Standard Complete Billing Percentages for effect May 1, 2021, under the Company's Purchase of Receivables Program.

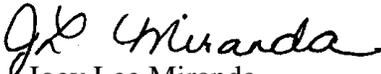
Dear Mr. Marini:

Attached please find the Retail Energy Supply Association's Comments in connection with the above-referenced proceeding.

In accordance with the Department of Public Utilities' March 12, 2020 Temporary Changes to Filing Requirements, the attached filing is only being submitted electronically at this time.

Please do not hesitate to contact me if you have any questions or require additional information. Thank you.

Sincerely,


Joey Lee Miranda

Attachment

Copy to: Henry Kahn, Hearing Officer
Peter Ray

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF PUBLIC UTILITIES

PETITION OF MASSACHUSETTS ELECTRIC	:	
COMPANY AND NANTUCKET ELECTRIC	:	
COMPANY EACH D/B/A NATIONAL GRID	:	
PURSUANT TO THE COMPANY’S TARIFFS	:	
M.D.P.U. NOS. 1420 AND 1421, § 8B, FOR	:	D.P.U. 21-POR-01
REVIEW AND APPROVAL BY THE	:	
DEPARTMENT OF PUBLIC UTILITIES OF	:	
THE COMPANY'S STANDARD COMPLETE	:	
BILLING PERCENTAGES FOR EFFECT MAY	:	
1, 2021, UNDER THE COMPANY’S	:	
PURCHASE OF RECEIVABLES PROGRAM.	:	
	:	

RETAIL ENERGY SUPPLY ASSOCIATION’S COMMENTS

The Retail Energy Supply Association (“RESA”)¹ hereby submits its comments in response to the Department of Public Utilities’ (“Department”) April 6, 2021 Notice of Filing and Request for Comments² in the above-captioned proceeding.

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 and natural gas, including the Massachusetts retail

¹ The comments expressed in this filing represent the position of the Retail Energy Supply Association (RESA) as an organization but may not represent the views of any particular member of the Association. Founded in 1990, RESA is a broad and diverse group of retail energy suppliers dedicated to promoting efficient, sustainable and customer-oriented competitive retail energy markets. RESA members operate throughout the United States delivering value-added electricity and natural gas service at retail to residential, commercial and industrial energy customers. More information on RESA can be found at www.resausa.org.

² Notice of Filing and Request for Comments (Apr. 6, 2021) (“Notice”).

market. RESA member companies are licensed by the Department to serve customers in Massachusetts and are presently providing service to Massachusetts customers and taking advantage of the Massachusetts POR program. Accordingly, RESA and its members have an interest in ensuring that National Grid's POR Filing does not have an adverse effect on RESA members, their customers, or the continued success of the retail electric market in Massachusetts.

BACKGROUND

On March 10, 2020, Governor Baker issued a state of emergency related to the novel coronavirus ("COVID-19") for the entire Commonwealth ("State of Emergency").³ On March 24, 2020, the Department issued an Order prohibiting investor-owned gas, electric, and water distribution companies from shutting off utility service, or threatening to shut off utility service, to any customers for nonpayment of bills until the State of Emergency in the Commonwealth related to COVID-19 is lifted or further communication is provided by the Department (the "Shut-Off Moratorium").⁴

On March 15, 2021, Massachusetts Electric Company and Nantucket Electric Company each d/b/a National Grid (together, "National Grid") filed with the Department the calculation of purchase of receivables ("POR") discount rates ("Standard Complete

³ Declaration of a State of Emergency to Respond to COVID-19, <https://www.mass.gov/news/declaration-of-a-state-of-emergency-to-respond-to-covid-19> (Mar. 10, 2020) (last visited Apr. 22, 2021).

⁴ See Chairman's First Set of Orders under G.L. c.25, § 4B (Mar. 24, 2020). The Shut-Off Moratorium remains in effect. See Ratification of the Chairman's Eighth Set of Orders under G.L. c.25, § 4B (Apr. 6, 2021).

Billing Percentages” or “SCBPs”) by customer class.⁵ In particular, National Grid proposed the following SCBPs to be effective May 1, 2021:⁶

SCBPs	
Customer Class	
Residential	(0.05)%
Commercial	0.77%
Industrial	0.21%

In its filing, National Grid also indicated that it was willing to “consider an alternative approach to setting the SBCP [sic] if the Department determines that the unique circumstances presented by the Covid-19 Pandemic warrant an alternate approach.”⁷

Also on March 15, 2021, NSTAR Electric Company d/b/a Eversource Energy (“Eversource”) filed proposed SCBPs.⁸ In its filing, rather than proposing to change its SCBPs effective May 1, 2021, due to the effect the Shut-Off Moratorium had on the SCBP calculations, Eversource proposed to maintain the SCBPs that went in effect on May 1, 2020.

⁵ Petition of Massachusetts Electric Company and Nantucket Electric Company each d/b/a National Grid pursuant to the Company’s Tariffs M.D.P.U. Nos. 1420 and 1421, § 8B, for review and approval by the Department of Public Utilities of the Company’s Standard Complete Billing Percentages for effect May 1, 2021, under the Company’s Purchase of Receivables Program (Mar. 15, 2021) (“National Grid POR Filing”).

⁶ *Id.* at 1.

⁷ *Id.* at 2.

⁸ See D.P.U. 21-POR-02, *Petition of NSTAR Electric Company d/b/a Eversource Energy pursuant to § 8B.2.b of the Company’s Terms and Conditions-Competitive Suppliers and Competitive REA Suppliers for review and approval by the Department of Public Utilities of the Company’s Standard Complete Billing Percentages for effect May 1, 2021, under the Company’s Purchase of Receivables Program*, Petition of NSTAR Electric Company d/b/a Eversource Energy pursuant to § 8B.2.b of the Company’s Terms and Conditions-Competitive Suppliers and Competitive REA Suppliers for review and approval by the Department of Public Utilities of the Company’s Standard Complete Billing Percentages for effect May 1, 2021, under the Company’s Purchase of Receivables Program (Mar. 15, 2021) (“Eversource POR Filing”).

On April 6, 2021, the Department issued the Notice in which it invited interested parties to file comments on National Grid’s POR Filing.⁹ RESA now hereby submits its comments in response to the Notice.

COMMENTS

National Grid calculated its proposed SCBPs pursuant to a formula provided in its tariffs.¹⁰ However, National Grid also recognized that its proposed SCBPs reflect the effects of the COVID-19 pandemic and the Shut-Off Moratorium.¹¹ In particular, because of the Shut-Off Moratorium, National Grid has not terminated service to electric residential customers and has not charged off customer accounts receivable to the same extent that it has in prior years.¹² As a consequence, National Grid saw a decline in its 2020 bad debt expense.¹³ Because of this decline and because the uncollectible percentages (“UPs”) in effect during 2020 were based on prior-year bad debt expense that was unaffected by the Shut-Off Moratorium, National Grid over-discounted accounts receivables purchased from competitive suppliers during calendar year 2020.¹⁴ As a result of this overcollection, applying the tariff-based SCBP formula results in a negative residential SCBP (i.e., its application will produce a credit for competitive suppliers, not a charge).¹⁵

⁹ See Notice.

¹⁰ See National Grid POR Filing, at 2 (*citing* M.D.P.U. Nos. 1420 and 1421, § 8B) (Eff. Oct. 1, 2019).

¹¹ See *id.*

¹² See *id.*

¹³ See *id.*

¹⁴ See *id.*

¹⁵ See *id.* at 1 (“The estimated 2020 UP was greater than the actual UP for 2020 for all customer groups, resulting in an over-discounting of accounts receivables purchased which would be credited back to competitive suppliers.”).

In its POR filing, Eversource, like National Grid, noted the circumstances resulting from the COVID-19 pandemic.¹⁶ However, Eversource stated that it expects “a significant increase in write-offs and uncollectibles expense once shut-off activity resumes, which will result in much lower payments to competitive suppliers over the next few years.”¹⁷ Because this would involve “large fluctuations in SCBP payments to competitive suppliers,” Eversource proposed to keep its current SCBPs in effect, without change, subject to future reconciliation.¹⁸ That is, unlike National Grid, Eversource proposed an alternative to applying the tariff-based formula to set its SCBPs.

The Shut-Off Moratorium has led to reduced uncollectible expense as compared to prior years because the electric distribution companies (“EDCs”) have not been shutting-off service to customers, who otherwise would have been disconnected, or incurring associated bad debt (i.e., uncollectible) expense.¹⁹ Under the established SCBP formula in the EDCs’ tariffs, these reductions in uncollectible expense would produce lower SCBPs for the residential customer class than would otherwise be expected.²⁰ However, these reductions in uncollectible expense are temporary. When the Shut-Off Moratorium is lifted, it is expected that the EDCs will begin to incur uncollectible

¹⁶ See Eversource POR Filing, at 1-2 (noting that the Shut-Off Moratorium “has resulted in an artificially low SCBP driven by [Eversource’s] inability to shut-off customers and subsequently write-off bad debt associated with those customers. The significantly lower uncollectibles expense based on write-offs and 2021 SCBP are not reflective of the current economic conditions.”).

¹⁷ *Id.* at 2 (emphasis in original).

¹⁸ *Id.*

¹⁹ See *id.* at 1-2; National Grid POR Filing, at 2.

²⁰ See Eversource POR Filing, at 2 (comparing SCBPs calculated under the established formula to the prior year’s SCBPs); Notice, at 2 (comparing National Grid’s proposed SCBPs to the prior year’s SCBPs).

expense at a higher level than usual, which could lead to significant increases in SCBPs (and associated reductions in payments to competitive suppliers) in subsequent years.²¹

Such volatility in SCBPs will have negative effects on competitive suppliers and their retail customers. Fundamentally, POR discounts represent the bad debt expense associated with the electric supply service that competitive suppliers provide. As reductions in the payments that competitive suppliers would otherwise receive, POR discounts are functionally equivalent to costs that competitive suppliers incur in the course of providing retail electric supply service. Competitive suppliers, like other market participants, benefit from costs that are as stable and as predictable as possible. Volatility or significant fluctuations in costs can create difficulties for suppliers as they seek to manage their costs and business operations.

Like they do for costs that they incur directly, competitive suppliers design their prices to cover reductions in payments resulting from POR discounts. As a consequence, when POR discount rates fluctuate, prices that suppliers charge their customers respond accordingly. Thus, when there is volatility in the SCBPs charged to suppliers, there is volatility in the prices suppliers charge their customers. While some volatility in the SCBPs assessed by the EDCs is typical, large changes in POR discount rates due to unusual circumstances, like those expected as a result of the lifting of the Shut-Off Moratorium, should be mitigated to the extent possible to protect consumers from unnecessary price volatility.

²¹ See Eversource POR Filing, at 2; *see also* Initial Comments of Constellation New Energy, Inc. at 2 (Apr. 15, 2021) (“Like Eversource, [Constellation New Energy, Inc.] anticipates much lower payments in the coming years related to increased write-offs and bad debt . . .”).

Eversource's proposal to maintain the prior year's SCBPs (subject to future reconciliation) mitigates this anticipated volatility. Under Eversource's proposed approach, suppliers will not experience decreased POR discount rates in May followed by potentially markedly increased POR discount rates next year. Consequently, they will likely experience more modest changes in POR discount rates in 2022. This will allow for more stable retail supply pricing for the benefit of customers. Thus, RESA requests that the Department adopt the approach that Eversource proposed and leave National Grid's SCBPs unchanged from those currently in effect, subject to future reconciliation.

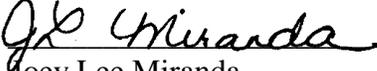
CONCLUSION

RESA understands the unique circumstances presented by the COVID-19 pandemic and the Shut-Off Moratorium and appreciates National Grid's willingness to consider an alternative approach to setting the SCBPs under these circumstances.²²

For all the foregoing reasons, the Department should modify National Grid's SCBP proposal consistent with the approach adopted by Eversource (i.e., maintaining 2020 SCBPs subject to future reconciliation).

²² See National Grid POR Filing, at 2 (“[National Grid] would consider an alternative approach to setting the SBCP [sic] if the Department determines that the unique circumstances presented by the Covid-19 Pandemic warrant an alternate approach.”).

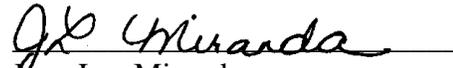
Respectfully submitted,
RETAIL ENERGY SUPPLY
ASSOCIATION

By 
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Dated: April 23, 2021

Certificate of Service

I certify that I have this day served the foregoing document in the above-captioned proceeding in accordance with the requirements of 220 C.M.R. § 1.05.


Joey Lee Miranda

Dated: April 23, 2021