

STATE OF CONNECTICUT

DEPARTMENT OF ENERGY AND ENVIRONMENTAL PROTECTION

COMPREHENSIVE ENERGY STRATEGY :
(CES) - SECTION 51 OF PUBLIC ACT 11-80 : APRIL 24, 2012
:

**RETAIL ENERGY SUPPLY ASSOCIATION
COMMENTS RE SCOPING**

The Retail Energy Supply Association (“RESA”)¹ hereby submits its initial comments in response to the Department of Energy and Environmental Protection’s (“Department”) Notice of Request for Comments CES Scoping Stage, dated April 13, 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

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.

standards, conservation of energy and energy resources and the ability of the state to compete economically;

- 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”). Subsequently, the Department issued the Notice seeking comments on the Strategy’s objectives and process. RESA hereby submits its comments in response to the Notice.

COMMENTS

During the Stakeholder Meeting, three main goals were identified for the Strategy: cheaper, cleaner and more reliable energy. 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.³ However, there are still more opportunities for the competitive market to help Connecticut realize its goals.

As of March 31, 2012, 66.4% of the customer load of The Connecticut Light and Power Company (“CL&P”) and 72.6% of the customer load of United Illuminating Company was

² P.A. 11-80 at § 51(a).

³ See, generally, Public Utilities Regulatory Authority (“PURA”) Docket 06-10-22, *DPUC Monitoring of the State of Competition in the Electric Industry*, Monthly Migration Reports.

served by competitive electric suppliers.⁴ Thus, competitive providers play and will continue to play an important part in Connecticut’s energy future. Competitive suppliers offer Connecticut customers products that have allowed them to reduce their costs and purchase renewable power.⁵ However, in states with regulatory structures that support more robust competitive markets, customers are able to take advantage of even more innovative product offerings. For example, in states where retail market structures provide the appropriate environment, the following products have been offered by competitive providers (rather than the incumbent utility):

- **“Power-to-Go”** – a smart meter-based technology that allows customers to exercise a far greater level of control in their purchasing and consumption of electricity than would be available from a traditional regulated utility.
- **“Free Power Saturday” Plan** – with the use of smart meter technology the program is designed to encourage and empower residential consumers to reduce electricity consumption during higher-priced weekly peak hours. Traditionally, weekends are considered part of off-peak periods, when electricity rates, consumption and demand are low. Industry research indicates that load shifting from on-peak to off-peak electricity consumption will reduce market costs translating into beneficial savings.
- **“Home Energy Manager”** – Through a relationship with Open Peak, and a planned retail pilot with Best Buy, Direct Energy is introducing a smart-meter compatible home energy manager that will allow homeowners an unprecedented level of control over their home energy usage.
- **“Plug-in Electric Vehicles”** - States likely to see the most success in the growth and advancement of electric vehicle ownership and use will be those where the regulatory environment, including dynamic or real-time pricing, is open to and supportive of private and competitive investment in electric vehicle charging, and where market participants are cooperative with electric vehicle charging companies.

By providing these programs on a competitive basis, suppliers are able to reduce the amount of ratepayer dollars needed to fund these programs. Thus, in developing the Strategy,

⁴ See Public Utilities Regulatory Authority (“PURA”) Docket 06-10-22, *DPUC Monitoring of the State of Competition in the Electric Industry*, March 2012 Reports.

⁵ See, e.g., Supplier Offer Information available at: <http://www.ctenergyinfo.com>.

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 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. To this end, RESA recommends that the Department evaluate the following as part of the Strategy:

- Providing regulatory fairness and consistency;
- Reducing non-bypassable programs;
- Enhancing retail electric market programs; and
- Instituting retail natural gas choice for residential customers.

I. THE STRATEGY SHOULD PROVIDE FOR FAIR AND CONSISTENT POLICIES.

During the past several years, the General Assembly and the PURA have made significant changes in areas that have a substantial impact on the retail competitive market. For example, in 2011, both the General Assembly and PURA created new guidelines and requirements regarding marketing by competitive suppliers.⁶ For the most part, these new guidelines and requirements were instituted in response to undesirable market behavior by a select few competitive providers. Nevertheless, both the General Assembly and PURA sought to impose additional requirements on *all* competitive suppliers that went beyond those necessary to

⁶ See, e.g., P.A. 11-80 at § 113; PURA Docket 10-06-24, *DPUC Review of the Current Status of the Competitive Supplier and Aggregator Market in Connecticut and Marketing Practices and Conduct of Participants in That Market*, Final Decision, dated March 16, 2011 (“Decision”). At the time of the Decision, the PURA was known as the Department of Public Utility Control (“DPUC”).

address the actions leading to the requirements.⁷ These added requirements have increased the costs for *all* competitive suppliers to do business in Connecticut, which costs are then passed onto consumers. Thus, RESA recommends that the Strategy evaluate opportunities to reduce some of these unnecessary requirements and increase PURA's enforcement authority and/or encourage PURA to use its existing enforcement authority to penalize those electric suppliers that are acting inappropriately.

Further, RESA recommends that the Strategy seek to provide better regulatory certainty by encouraging clear policy directions and then providing the opportunity for stakeholder input on the appropriate implementation methods for such policies. In particular, the Department should set the policies, the General Assembly should pass any legislation needed to enable such policies and the PURA should then be charged with implementing the policies. In this way, interested stakeholders can have an opportunity to provide input before particular actions are proscribed that may not be technically feasible or may unnecessarily increase costs.⁸

⁷ See, e.g., P.A. 11-80 at §113(f)(2)(B) (prohibiting electric suppliers from conducting door-to-door sales after 6:00 pm); Decision, Appendix A at § IV(d)(4) (same).

⁸ Compare P.A. 11-80 at § 104 (requiring electric suppliers to offer a two-part time-of-use ("TOU") price option by July 1, 2011) with PURA Docket 10-06-24, *DPUC Review of the Current Status of the Competitive Supplier and Aggregator Market in Connecticut and Marketing Practices and Conduct of Participants in That Market*, CL&P Letter in Lieu of Brief, dated August 12, 2011, at 3 (indicating that CL&P "does not currently have the infrastructure in place to offer TOU pricing to competitive suppliers . . ."); Compare P.A. 11-80 at § 121 (establishing virtual net metering ("VNM") program) with PURA Docket 11-07-05, *Virtual Net Metering – Program Process And Specifications*, Working Group Report to the PURA on Resolution of Common Technical Issues, dated April 16, 2012, at 8 ("The open issue of customer host settlement obligations and retail billing is particularly relevant to competitive suppliers seeking to serve any type of net metered customer, including the customer host under the VNM program. As discussed above, despite their efforts the [working group] was not able to resolve the issue, nor was it able to provide options outside of legislative changes that appear to have a ready solution. This is an important issue for competitive suppliers and for VNM customers who wish to take supply service from competitive suppliers, as detailed further in this report and comments submitted in this docket.").

II. THE STRATEGY SHOULD SEEK WAYS TO REDUCE NON-BYPASSABLE PROGRAMS

Many of the policies that have been implemented over the last several years to increase the State's investment in energy efficiency, renewable energy and other resources have been funded through non-bypassable charges.⁹ When charges are non-bypassable, all customers pay those costs even if they choose to receive their supply from competitive providers. As a result, the amount of savings customers can realize by choosing a competitive supplier are reduced. By creating a regulatory structure that provides the competitive market with the opportunity to offer products that meet the policy objectives of the State, these non-bypassable charges can be reduced; thereby, reducing the costs to all customers. Accordingly, RESA encourages the Department to evaluate ways in which it can provide a market environment that will allow competitive providers to meet the State's policy objectives without the need to impose the costs of such policies on all ratepayers.

III. THE STRATEGY SHOULD PROVIDE FOR 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 there are several policies or tools that would foster greater mass market competition in the State.

⁹ *See, e.g.*, P.A. 11-80 at § 107(e) (indicating that “the difference shall be credited or charged to distribution customers through a reconciling component of electric rates as determined by the authority that is nonbypassable when switching electric suppliers.”); *see also* P.A. 11-80 at §§ 108(e), 110(e) and 127(a) (same).

For instance, the Strategy could provide for improvements to the customer referral program and for improved and timely access to customer data.

Improved Customer Referral Program

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.¹⁰ While this program raises consumer awareness, the current rules automatically place new customers on Standard Service, after which suppliers must incur marketing expenses to win those customers away from the EDCs. This puts electric suppliers at a competitive disadvantage vis-à-vis the EDCs. A well-designed customer referral 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, RESA recommends that the Department enhance the program to provide customers the opportunity to immediately accept supplier offers through EDC enrollment of the customer with the supplier of its choice and/or through an enrollment card included with the bill inserts that the customer can simply mail to effectuate a change in supplier. 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.

Improved and Timely Customer Data Access

Most small customers today are offered a fixed rate for power consumption, either as default service from the EDCs or from competitive power providers. The ability to access real-

¹⁰ 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.

time customer data in a standardized and cost efficient manner enables suppliers to offer consumers price responsive demand (“PRD”) products as well as other new and innovative products. 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. 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. Thus, RESA encourages the Department to evaluate current customer data elements and data access methods and to require the EDCs to improve access to customer data by:

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

These standards will further 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.

IV. THE STRATEGY SHOULD PROVIDE FOR RESIDENTIAL NATURAL GAS CHOICE.

Since 1996, commercial and industrial customers in Connecticut have had the opportunity to purchase their natural gas from competitive providers and take advantage of products that best suit their individual needs. Those same opportunities should be available to residential customers. Indeed, allowing residential customers the opportunity to choose their

natural gas supplier would further increase opportunities for customers to reduce their energy costs. Thus, RESA recommends that the Strategy provide for 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,
RETAIL ENERGY SUPPLY ASSOCIATION



By:

Joey Lee Miranda
Robinson & Cole LLP
280 Trumbull Street
Hartford, CT 06103
Phone: (860) 275-8200
Fax: (860) 275-8299
E-Mail: jmiranda@rc.com