

July 15, 2016

PUBLIC UTILITIES COMMISSION
Inquiry into Electricity and Natural
Gas Bill Unbundling

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”) June 14, 2016 Notice of Inquiry (“Notice”) in connection with the above-referenced matter.

BACKGROUND

Chapter 815 of the Commission’s rules currently governs the content and format of utility bills. Chapter 815 provides, in pertinent part: “A utility may not separately list line items on the bill that do not represent a separate, discrete utility service or a State or Federal Tax.”²

On March 26, 2015, in connection with its transition to a new billing system, Emera Maine (“Emera”) filed a request for approval of several waivers of Commission rules, including this provision.³ In its Order granting Emera’s request, the Commission found that the above-noted provision was put into effect primarily to prevent customer confusion and, based on the limited customer reaction to the new Emera bill format, the potential for confusion by

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 more than twenty 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 65-407 C.M.R. Ch. 815, § 8(C)(6).

³ See, generally, Docket 2015-00078, *Request for Approval of Waivers Regarding Customer Information System (CIS) Transition Pertaining to Emera Maine*, Emera Petition (Mar. 26, 2015).

unbundling charges may no longer exist.⁴ The Commission further noted that it may initiate an inquiry to consider unbundling various components of electric bills.⁵

On May 26, 2016, the Commission opened this proceeding. Subsequently, the Commission issued the Notice inviting interested parties to comment on specific questions as well as on any other relevant issues.⁶ RESA hereby submits its comments in response to the Notice.

COMMENTS

RESA appreciates the Commission undertaking this review and the opportunity to provide these comments. As part of this proceeding, RESA encourages the Commission to ensure that costs are properly allocated between the supply and delivery portions of Transmission and Distribution Utility (“Utility”) rates and to provide opportunities for customers to take advantage of more innovative product offerings and value added services available from competitive electricity providers (“CEPs”).

Rate Unbundling & Allocation

The Notice asks how various rate components should be itemized on customer bills.⁷ Generally, customers deserve to understand the various portions of their electric rates and charges in a clear way that allows them to make informed decisions. It is particularly important that customers understand which portion of their electric rates and charges are regulated and non-bypassable or unavoidable and which portion of their electric rates and charges are subject to competitive market forces and can be avoided if a customer selects a CEP. In order to

⁴ Docket 2015-00078, *Request for Approval of Waivers Regarding Customer Information System (CIS) Transition Pertaining to Emera Maine*, Order (Dec. 16, 2015), at 3.

⁵ *Id.*

⁶ Notice, at 2-3.

⁷ *Id.* at 2.

accomplish this, Utility rates must be fully unbundled with costs properly allocated between the avoidable and non-avoidable portion of rates. As part of this proceeding, the Commission should require that the Utilities appropriately reflect the full cost of providing supply to end use customers by maintaining an accurate allocation of costs between generation (i.e., avoidable) and delivery (i.e., non-avoidable) rates.

The underlying decision of which costs are properly included in the Utilities' avoidable rates and which are properly included in the Utilities' non-avoidable rates should be based on the Commission's long-standing policy position that rates should be cost-based and determined on cost causation principles.⁸ In particular, generation-related costs should be recovered in the avoidable portion of rates. Indeed, an improper allocation of generation-related costs to non-avoidable rates is patently unfair to customers who choose competitive supply because they are paying duplicate costs and subsidizing the supply costs of those customers who choose to stay with the Standard Offer Service option. Further, because such an improper allocation results in "hidden" costs, customers are unable to identify the true value of CEP competitive offerings and are more likely to forego the competitive supply option; thereby, inhibiting the retail competitive electric market in Maine. Conversely, when costs are appropriately allocated between the Utilities' avoidable and non-avoidable rates, consumers can properly evaluate the cost of generation services and avoid paying costs for which they are not responsible.

The specific allocation of costs by ISO-NE is a key indicator as to whether a cost is properly classified as avoidable or non-avoidable. If the costs are billed to electrical load, those

⁸ See, e.g., Docket No. 1997-00580, *Investigation of Central Maine Power Company's Stranded Costs, Transmission and Distribution Utility Revenue Requirements, and Rate Design*, Order (Mar. 19, 1999), Part 3, § 2 (reiterating long-standing principles that rates should be cost-based, reflect cost-causation, promote economic efficiency, apportion costs equitably, and be understandable, acceptable, and stable from the customers' perspective).

costs are generation-related and should be avoidable when a customer selects a CEP. The following costs are currently billed by ISO-NE to electrical load:

- Energy costs, including costs associated with congestion and losses;
- Capacity costs, including costs associated with Installed Capacity (“ICAP”) and the Forward Capacity Market (“FCM”);
- Costs for ancillary services related to the supply of energy and capacity (e.g., spinning reserves a/k/a operating reserves, Real Time Reserves, etc.);
- Daily Reliability Must Run (“RMR”) charges not associated with any agreements (a/k/a RMR uplift);
- Regulation (a/k/a automatic generation control);
- Locational Forward Reserve (“LFR”) costs;
- Credits for Financial Transmission Rights (“FTR”) auction revenues (a/k/a Auction Revenue Rights);
- ISO Schedule 2 costs;
- ISO Schedule 3 costs;
- ISO credit insurance costs;
- ISO participant default costs;
- GIS administration costs; and
- ISO Load Response costs.

All of these costs can be readily identified and easily quantified. Thus, to the extent they are not already, the Commission should require that all of these Standard Offer Service costs be recovered in the Utilities’ avoidable rates.

In addition to these ISO-NE charges, the following additional costs are incurred in connection with the procurement and provision of Standard Offer Service:

- Energy procurement and portfolio management costs; and
- Renewable Resource Portfolio costs.

These costs can also be readily identified and easily quantified. Thus, to the extent they are not already, the Commission should require the Utilities to directly recover all of these costs on a dollar for dollar basis in their avoidable rates.

Supply Charges

The Notice requests comment on how supply charges should be determined and by whom (i.e., Utilities or CEPs).⁹ Standard Offer Service rates should continue to be determined by the Commission based on the results of the Standard Offer Service procurements each of the Utilities conduct based on the Commission's solicitation schedule. In order for customers to make informed decisions about their energy supply options, they require accurate and timely price signals that reflect the underlying market price of electricity. Accurate price signals provide customers with the information they need to understand the value of competitive, retail electric market offerings and to encourage load shifting, conservation, and energy efficiency.

In contrast, creating a disconnect between retail prices and the wholesale market sends inaccurate pricing signals with regard to the value of competitive, retail offerings and the cost-effectiveness of demand-side management strategies. For retail competition, including competitive demand response, energy efficiency, voluntary renewable offers and other product innovation to continue to develop, Standard Offer Service rates must reflect timely market price signals. Moreover, like the established retail markets for heating oil, natural gas and gasoline, electricity consumers should have the benefit to competitively shop, compare and evaluate electricity pricing offers that reflect accurate and timely price signals. Thus, RESA encourages the Commission to set Standard Offer Service rates in a manner that most accurately reflect the prevailing market price of electricity.

⁹ Notice, at 2.

Conversely, consistent with the basic tenets of a competitive market, if a customer is receiving generation supply service from a CEP, that customer should be free to choose the product offering and pricing arrangements that best meets its needs. Thus, when a customer is taking service from a CEP, the supply charges should be determined in accordance with the terms of the contract between that customer and the CEP.

Billing Options

In order for customers take full advantage of innovative product offerings and value added services available from the competitive market, customers should be provided additional billing options. Currently, customers have two billing options available – Consolidated Utility Billing (“CUB”) and Provider Billing.¹⁰ Pursuant to CUB, customers receive one bill from the Utility that includes all charges – generation service charges as well as delivery charges. The types of pricing and product offerings that can be billed to customers under the CUB option, however, are limited to those that can be billed using pricing structures that are generally consistent with the Utilities’ existing rate structures.¹¹ As a result, Utilities only provide CEPs with a single line item, which is highly limiting where more advanced products might require up to 10 line items.

Under the Provider Billing model, customers who select a CEP receive two bills – one from the customer’s selected CEP for generation related charges and one from the Utility for delivery charges. Through Provider Billing, CEPs are able to bill for more innovative product offerings and value added services that better meet consumer needs. Many smaller customers, however, prefer or insist to receive one bill for their electric service. As a result, those customers

¹⁰ See 65-407 C.M.R. Ch. 322, § 3(B).

¹¹ *Id.* at § 3(D)(1) (“The standard rate structure for generation service shall be identical to or less complex than the rate structure for transmission and distribution service.”).

often cannot take advantage of the more innovative pricing and product offerings that CEPs may have available.

In order to allow customers to be billed for pricing arrangements that are different than the Utility rate structure, the Commission should adopt two changes. First, the Commission should require the Utilities to offer the option of bill-ready billing, in which the CEPs (rather than the Utilities) would generate the invoice charges applicable to their retail customers and forward that data to the Utilities for inclusion on the CUB. Bill ready billing would accommodate the more complex rate structures that the Utilities are not currently able to support.

Second, the Commission should allow for Consolidated Supplier Billing (“CSB”). By permitting CEPs to offer CSB, customers become better informed about the retail market for electricity and are provided with more choices – not only who issues their bills but also the opportunity to take advantage of innovative pricing and product offerings that are not accessible under the CUB option and that better suit their needs. More specifically, with the extensive deployment of smart meters throughout several Utility service territories, the CSB option would allow CEPs to offer interesting, time-varying pricing or rate plans, including Free-Power Days. Because of the current regulatory scheme, the Utilities are the point of primary interaction with customers¹² – whether or not those customers are receiving generation service from CEPs. Moreover, because of the historical technical capabilities of the Utilities’ billing systems and space limitations, CEPs are limited in the type and amount of information they can provide to customers on Utility issued bills. CSB will provide for more direct interaction and communication between customers and their CEPs; thereby, furthering awareness and education about the retail competitive market.

¹² For instance, when customers initiates service, they are automatically placed on Standard Offer Service for at least the initial month of service.

CSB will also reduce the administrative burden imposed on the Utilities in addressing billing questions. Because under the CUB option, the Utility issues the bill, customers frequently call the Utility to address any billing questions or concerns – even if the questions or concerns relate to electric generation service charges of a CEP. Under the CSB option, CEPs would become the primary point of contact for billing questions; thereby, reducing the number of calls that must be handled by the Utilities and the administrative burden associated with addressing such calls.

Because the Utilities will continue to provide metering service, respond to emergencies and be responsible for customer connections and termination of service, the only real functional change associated with CSB will be to the communication and payment protocols between the Utilities and CEPs. As a result, customers will continue to receive the same protections they are afforded today while being provided with the opportunity to take advantage of innovative pricing and product offerings that better suit their needs but that cannot currently be billed through the CUB option. While RESA supports the current options of Provider Billing and CUB, it encourages the Commission to consider, either in this proceeding or a separate docket, the technical and operational changes necessary to permit CEPs to provide CSB as another option to any consumer who desires such a billing arrangement.

Supplier Pricing & Billing

The Notice requests that parties identify the various components of supply prices that can be precisely calculated at all times.¹³ The components of the price associated with any particular product offering by a CEP will vary depending on the needs of individual customers or groups of customers. Moreover, how each CEP determines what components are and are not included in

¹³ Notice, at 3.

that price are highly proprietary and commercially sensitive to each supplier and goes to each CEP's individual pricing, hedging and marketing strategy.

The Notice also seeks comment on whether any unbundling requirements should apply to bills issued by CEPs and what level of detail should accompany any unbundled component to explain or describe it.¹⁴ RESA supports the availability of customer choice in all sectors of the retail energy markets, including billing services. Just as the Commission does not dictate the terms of CEP pricing arrangements and product offerings, it should not dictate how those pricing arrangements and product offerings appear on bills issued by CEPs. If a customer chooses a CEP product offering that charges a single price, the customer should not be required to receive a bill that breaks that single price down into its various component parts. Concomitantly, if a customer chooses a more complex product offering in which various components of the product offering are billed separately, the customer should not be required to be billed those components through a single price. Thus, while a customer should be provided with sufficient detail to determine whether it is being billed in accordance with the terms of its agreement with a CEP, the customer should also be free to enter into a pricing and billing arrangement with its CEP that meets the needs of that particular customer.

Customer Classes

The Notice requests comment on whether the degree of bill unbundling should vary by customer type.¹⁵ All customers, no matter the class, should be able to understand their bills and, in doing so, have the ability to choose how much or how little information they receive. However, that should be a customer choice. While RESA recognizes that the Commission's

¹⁴ Notice, at 2, 3.

¹⁵ *Id.* at 2.

rules require that certain minimum information appear on small customer bills,¹⁶ the Commission should not require that customers who do not want the more granular information about each and every component of the prices that they pay to receive that information. Similarly, it also should not relegate customers who want more granularity to a billing option that does not allow them to see this information simply based on their customer class or size.

Billing Format

The Notice requests comment on whether there is an optimal or preferred number of pages for bills.¹⁷ The Commission should forego setting an arbitrary limit on the number of pages. Instead, the Commission should continue to ensure that customers are provided with robust and meaningful information.

Currently, Commission rules permit CEPs to include pricing level and structure information, logos and messages on the bills that the Utilities issue.¹⁸ However, as long as it is clearly separated from transmission and distribution service, those rules also permit Utilities to relegate supplier information to just a small portion of the bill.¹⁹ As a result, how much space CEPs receive on a bill varies by Utility.²⁰ RESA urges the Commission to adopt a uniform

¹⁶ See 65-407 C.M.R. Ch. 305, § 4(B)(13); see also *id.* at §§ 1(B)(22), 4(B) (defining small customers as residential and non-residential customers taking service from an investor-owned Utility under terms and conditions that do not include a demand charge or from a customer-owned Utility with a demand of 20 kW or less).

¹⁷ Notice, at 3.

¹⁸ 65-407 C.M.R. Ch. 322, § 3(D)(1).

¹⁹ *Id.* (“The bill for generation service shall appear on a separate page *or* be otherwise clearly separated from the bill for transmission and distribution service.”) (emphasis added).

²⁰ Compare Emera – Bangor Hydro Sample Bill (available at: <http://www.emeramaine.com/residential/my-bill/understanding-your-bill/>) and Emera – Maine Public District Sample Bill (available at: <http://www.emeramaine.com/residential/my-bill/understanding-your-bill/>) (both providing CEPs with a small amount of space at the bottom of the bill) with Central Maine Power Sample Bill (available at: <https://www.cmpco.com/MediaLibrary/3/6/Content%20Management/YourAccount/PDFs%20and%20Docs/SampleBill.pdf>) (providing CEPs with a separate page).

requirement that each Utility be required to provide CEPs with a full page – both front and back – that includes the CEP billing information and logo but also makes available sufficient space for CEPs to provide consumers with relevant and timely information.

CONCLUSION

RESA appreciates the opportunity to submit these comments and looks forward to discussing these issues in more detail during the course of this proceeding.

Respectfully submitted,
RETAIL ENERGY SUPPLY ASSOCIATION

By:



Earl W. Phillips, Jr.
Robinson & Cole LLP
280 Trumbull Street
Hartford, CT 06103
Phone: (860) 275-8200
Fax: (860) 275-8299
E-mail: ephillips@rc.com

Its Attorneys