

# CITIZEN POWER

*Public Policy Research Education and Advocacy*

January 17, 2012

Rosemary Chiavetta, Secretary  
Pa. Public Utility Commission  
P.O. Box 3265  
Harrisburg, PA 17105-3265

**Re: Investigation of Pennsylvania's Retail Electricity Market; Docket No. I-2011-2237952**

Dear Secretary Chiavetta:

Enclosed for filing please find the Comments of Citizen Power, Inc. in response to the December 16, 2011 Tentative Order in the above-referenced proceeding.

Please do not hesitate to contact me should you have any questions.

Respectfully Submitted,



Theodore Robinson  
Counsel for Citizen Power

Enclosures

**BEFORE THE PENNSYLVANIA  
PUBLIC UTILITY COMMISSION**

Investigation of Pennsylvania's                     )  
Retail Electricity Market                                )

Docket No. I-2011-2237952

**COMMENTS OF CITIZEN POWER, INC.**

**I. Introduction**

Citizen Power would like to thank the Pennsylvania Public Utility Commission for this opportunity to comment upon the Proposed Intermediate Work Plan set forth in the December 16, 2011 Tentative Order. Citizen Power is a regional, nonprofit, energy advocacy organization based in Pittsburgh. Since 1996, Citizen Power has been involved in the process to deregulate electricity generation in both Pennsylvania and Ohio, investigating significant resources in an attempt to enact policies that protect consumers, especially low-income customers, and the environment.

Although Citizen Power does not believe that deregulation and the corresponding retail electric markets will operate as initially envisioned, we do support efforts to promote residential shopping because of the opportunities for consumers to benefit from lower prices and expanded product offerings. In addition, we recognize the fact that higher shopping numbers encourage more suppliers to participate in the retail marketplace, potentially driving down prices further.

However, we are also concerned about the impact that attempts to improve retail service may have upon the ability of the default service provider to obtain a reasonable rate for those that choose not to shop or to switch back to default service. The safe harbor role of default service may become more important in the future if capacity margins become lower.

## **II. Comments in Answer to the Proposed Intermediate Work Plan**

### **A. Consumer Education**

Citizen Power supports efforts to inform consumers about their ability to save money on electric bills or their ability to take advantage of environmentally friendly generation. The key benefit of Commission-endorsed communications is that they can ameliorate some of the concerns of skeptical consumers regarding the validity of shopping for electricity. Therefore, Citizen Power suggests that the endorsement of the Commission is highlighted on all of the consumer education materials.

### **D. Retail Opt-in Auction Programs**

#### **Program Length/Term**

Citizen Power supports a program length/term of a minimum of one year. Our concern with a shorter length is that it may encourage EGSs to participate in the auction based upon a presumption that after the term is up they can raise their rates to above-market prices and capture a premium from the percentage of customers that are slow to switch back to the EDC or to another EGS. Not only does such a strategy potentially harm individual consumers, but it also would also negatively impact the public's perception of retail electricity markets. If a longer term is used, the profitability of such a strategy is reduced. However, we do concede that if a fixed rate product with a bonus is used in an EDC's territory, the likelihood of EGSs participating in the auction based upon post-term above-market rates is reduced in proportion to the size of the bonus.

## **Timing**

Citizen Power is concerned with the possible impact that an opt-in auction may have upon the risk premiums faced by bidders in the wholesale default service procurement auctions. Specifically, if a bidder in the default service auction does not know the number of participants in the opt-in auction before bidding, they must necessarily include a risk premium to account for this uncertainty. Citizen Power believes that, if possible, the initial default service auction should take place after the number of participants in the opt-in auction is known. However, based upon comments of the various parties, this seems problematic from a timing standpoint. In the alternative, Citizen Power proposes that the Commission direct the EDCs to investigate the possibility of holding an initial default service procurement auction for 100% of the load for the period between June 2013 and August 2013. The other default auctions could be held for a period beginning from August 2013 in the usual staggered timeline in order to blend the default prices. This arrangement would have the advantage of placing all of the risk pertaining to the unknown number of opt-in participants on the June 2013 to August 2013 period where the risk pertaining to unknown future energy prices is lowest.

## **Customer Participation Caps**

Citizen Power still believes a cap of lower than 50% is advisable in order to minimize the potential impact upon the wholesale default service procurement auctions.

## **Composition of Customer Offer**

Citizen Power believes that the percent-off rate with no bonus is preferable to a fixed rate product with a bonus because the auction customer is guaranteed a reduced rate for the period of

the offer. However, we understand the attractiveness of the fixed rate product with a bonus and acknowledge that from a marketing standpoint that the bonus option may be easier to promote. The main problem with the bonus approach is the possibility that the fixed rate could eventually exceed the default service rate. Citizen Power proposes that if the Commission determines that the bonus approach is preferable, the maximum allowed fixed rate is set at a point that it is statistically unlikely to go above the default rate based upon future price projections.

### **Customer Options Upon Program Expiration**

Citizen Power respectfully disagrees that program participants should be treated no differently than any other shopping customer when the program ends. The opt-in auction is fundamentally different because the Commission is endorsing it. Ideally, Citizen Power believes that at the end of the program, the customer should be required to affirmatively opt-in to offers that are on other price terms than those found in the auction. In the alternative, Citizen Power proposes that an EGS, as a condition of participating in the auction, agree not to raise the price more than 25% above the auction price for a period of a year following the end of the program.

### **F. Coordination between EDCs and EGSs**

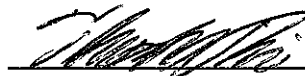
#### **Sample Bills**

Citizen Power proposes that sample bills also be made available to the general public through the PAPowerSwitch.com website. The difference between the billing format when an EDC provides default service and when an EDC provides a consolidated bill, which included generation service provided by an EGS, shows consumers the different roles played by an EDC and EGS and may be another way to educate the public about electric choice.

### **III. Conclusion**

Citizen Power appreciates this opportunity to provide Comments to the Commission.

Respectfully Submitted,



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