

Monitoring Competitive Markets in Pennsylvania

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Harrisburg, PA

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Pennsylvania

Office of Consumer Advocate

- The PA Office of Consumer Advocate (OCA) was established in 1976.
- OCA is an independent state office, administratively within the Pennsylvania Office of Attorney General.
- The OCA represents PA utility consumer interests in legal proceedings before the Public Utility Commission, federal regulatory agencies, and state and federal courts, as well as non-governmental agencies such as the PJM Interconnection.

Pennsylvania

Office of Consumer Advocate

- The Consumer Advocate is nominated by the Attorney General of Pennsylvania, but must be confirmed by the Senate and is independent of the Attorney General for policy purposes.
- OCA staff includes attorneys, as well as other professional, administrative and clerical staff.

Pennsylvania

Office of Consumer Advocate

- The primary function of the OCA is to represent Pennsylvania consumers in matters involving utility rates and service before the Public Utility Commission and other state and federal regulatory agencies.
- The OCA can also appeal to the courts those decisions that it believes are contrary to the law and are adverse to the interests of consumers. One of our successful appeals reached all the way to the United States Supreme Court.

Consumer Education and Outreach

- The OCA also assists individual customers who have questions and complaints regarding natural gas, electric, telephone, and water service.
- Our toll-free call center number is 1-800-684-6560, and is staffed from 8 a.m. to 6 p.m., Monday through Friday. The OCA can also be reached via email at consumer@paoca.org.

Consumer Education and Outreach

- Our Website at www.oca.state.pa.us contains utility consumer tips and information about our Office's activities.
- The OCA participates in many public forums, seminars, and community meetings throughout Pennsylvania, and regularly corresponds with consumers and legislators to advise them of upcoming hearings and other utility issues.

Legislative Activities

- The Consumer Advocate regularly appears before Committees of the Pennsylvania General Assembly and the United States Congress regarding legislation that affects utility consumers.
- The OCA also assists individual legislators in developing legislation and in providing constituent services.

Pennsylvania

Office of Consumer Advocate

- Why were the Pennsylvania Office of Consumer Advocate and similar offices in more than 40 other states around the United States created?

Why an Independent Consumer Advocate?

- If economic regulation is necessary, there must be advocates on both sides.
- Consumers should have professional, competent representation, just as the utilities have.
- In matters involving Pennsylvania regulation, the Commission is the “Judge.” My office is the “Advocate” so that the consumers’ concerns can be heard.

Why Do We Still Regulate Our Utilities, Anyway?

- Traditionally, most utility services were considered to be “natural monopolies.” That is, from an economic standpoint, it is less costly for society to have a single provider of the service in any given geographic area.
- It makes no economic sense – and would be environmentally harmful – to have ten sets of competing power lines or natural gas pipes – running down every street and into every home.

Why Regulate?

- Historically, utilities were granted state authority to operate in designated service territories, but in exchange for that right, they agreed that the rates they could charge would be regulated.
- In the absence of regulation, a monopoly utility could charge exorbitant rates for essential life-sustaining services.

Competition

- In recent years, certain parts of our utility services have been opened to competition from alternative service providers.
- Customers can choose among different providers of local and long distance telephone service, gas commodity service, and electric generation service.
- Competition is intended to allow utility consumers to make choices based on price, quality, range of service offerings, and other considerations.

Competition

- In light of the growth of utility competition, is there still a need for a utility consumer advocate, or, for that matter, any utility price regulation at all?
- Won't competition among utilities and new entrants eliminate the need for economic regulation?

Continued Role of Utility Regulation

- Retail **distribution** service for electric and natural gas utilities is still a legal and natural monopoly.
- It still makes no sense to run multiple sets of competing electric distribution lines or natural gas pipes down one residential street.

Continued Role of Utility Regulation

- Even some “competitive” services, such as electric generation service and natural gas commodity service are still predominantly provided by the local utilities, particularly for residential customers.
- The vast majority of Pennsylvania residential customers still buy their electric generation and natural gas commodity from their local distribution utilities even though those markets have been open to competition since the late 1990’s.

Universal Service

- The most important goal of utility regulatory policy – in my opinion – is the provision of universal service.
- That is, every household that wants to have reliable energy service should be able to have it on reasonable and affordable terms.
- The OCA has focused its regulatory and legislative advocacy on ensuring the availability of universal service.

Market Monitoring

- The Office of Consumer Advocate also monitors the electricity markets at both the wholesale and retail level.
- To the extent that we rely on markets to provide just and reasonable rates, we must ensure that those markets are competitive and free of manipulation.

Retail Market Monitoring

- Primary responsibility for retail market monitoring falls on the Public Utility Commission.
- Section 2811 of Public Utility Code states that:
 - *The Commission shall monitor the market for the supply and distribution of electricity to retail customers and take steps as set forth in this section to prevent anticompetitive or discriminatory conduct and the unlawful exercise of market power.*
- Where the Commission finds evidence of anticompetitive or discriminatory conduct, including the unlawful exercise of market power, the Commission shall refer its findings to the Pennsylvania Attorney General, the United States Department of Justice, the Securities and Exchange Commission and the Federal Energy Regulatory Commission.

Retail Market Monitoring

- The Commission must also specifically consider the impact on retail competition of any proposed mergers and acquisitions of electric utilities and electricity suppliers in Pennsylvania.

Market Monitoring and Consumer Education

- The OCA both monitors the retail market and informs consumers of competitive choices through the ongoing publications on its Website, www.oca.state.pa.us.
- Quarterly Electric Shopping Statistics
- Monthly Residential Electric Shopping Guide




Number of Customers Served By An Alternative Supplier As Of 1/1/2008				
	Residential	Commercial	Industrial	Total
Allegheny Power	0	0	0	0
Duquesne Light	118,378	10,320	570	129,268
MetEd/Penelec	0	0	3	3
PECO Energy	3,880	25,533	3	29,416
Penn Power	13,752	2,396	148	16,296
PPL	0	35	8	43
UGI	0	0	0	0
Total	136,010	38,284	732	175,026

Pennsylvania Office of Consumer Advocate

1-18-2008

A Residential Consumer's Electric Shopping Guide Includes:

- **Introduction & How to Shop**
- **Price Comparison Charts:**
 - Allegheny Power
 - Duquesne Light
 - Rate RS - Regular Residential Service
 - Rate RH - Residential Heating Service
 - Rate RA - Residential Add-on Heat Pump Service
 - Met-Ed (Formerly GPU Energy)
 - PECO Energy
 - Rate R - Regular Residential Service
 - Rate RH - Residential Heat Service
 - Penelec (Formerly GPU Energy)
 - Penn Power
 - Pike County Light & Power
 - PPL
 - UGI

PECO Energy		Rate R	Regular Residential Service			
PECO Energy 800-494-4000 www.peco.com		Prices in cents per kWh	Monthly Generation & Transmission Bill If You Use: <u>500 kWh</u> <u>1000 kWh</u> <u>2000 kWh</u>			Green-e Certified? 
<u>Price to Compare</u> for 2008:		7.28 ¢				
Summer : June - September						
First 500 kWh		7.14 ¢	\$35.70	\$75.80	\$156.00	
over 500 kWh		8.02 ¢				
Winter : October - May						
Each kWh		7.14 ¢	\$35.70	\$71.40	\$142.80	
Licensed Competitive Supplier Prices for			<u>New</u> Customers Only:			
Commerce Energy, Inc. 877-226-5392 www.commerceenergy.com						
		16.71 ¢ *	\$86.33	\$169.88	\$336.98	
		18.30 ¢ *	\$94.28	\$185.78	\$368.78	Yes
		*Plus \$2.78 per month				
Community Energy 866-WIND-123 www.NewWindEnergy.com						
 New Wind Energy™* 100% renewable			Current supplier charge plus 2.5 ¢ per kWh, or \$2.50 for each 100 kWh block			Yes
*This product is available as an add-on to your current supply purchase			*You must purchase a minimum of two 100 kWh blocks. This minimum purchase would increase your current generation bill by \$5.00 per month.			
Energy Cooperative Association of Pennsylvania 800-223-5783 or 215-413-2122 www.theenergy.coop						
EcoChoice 100% renewable		16.20 ¢	\$81.00	\$162.00	\$324.00	23

Wholesale Market Monitoring

- Monitoring of the wholesale market is primarily the role of the Federal Energy Regulatory Commission (FERC) and the PJM Market Monitoring Unit (MMU).
- The Pennsylvania PUC and the Pennsylvania OCA both participate in matters before the FERC and PJM in order to ensure that the public interest and consumer interests of Pennsylvania are protected.

Wholesale Market Monitoring

- The OCA is a voting member of PJM
- The OCA is a member of the Public Interest and Environmental Organization Users Group within PJM.
- The OCA is an active participant in PJM's Members Committee, Markets and Reliability Committee, Market Implementation Committee and a number of working groups overseen by those committees.

Wholesale Market Monitoring

- The OCA frequently joins with a coalition of “load interests” – that is, wholesale and retail customers -- when advocating positions related to PJM before the FERC. The coalition includes other state consumer advocates, industrial customers, electric cooperatives, and municipally owned electricity providers.
- This coalition also often coordinates its efforts with PJM’s state public utility commissions, including the Pennsylvania PUC.

Wholesale Market Monitoring

- It was a coalition of customer representatives, including the Pennsylvania OCA, that filed the initial complaint with FERC in April 2007 over concerns that PJM was interfering with the independence of the Market Monitoring Unit.
- A subsequent complaint expressing the same concerns was filed a week later by the Organization of PJM States, Inc. (OPSI), representing seven state commissions including the Pennsylvania PUC.

Wholesale Market Monitoring

- The complaints were consolidated and the parties reached a settlement that was approved by FERC on March 21, 2008.
- The settlement preserves the independence of the Market Monitor, provides continued access to critical data needed to assess the markets, and allows the Market Monitor to bring concerns about market rules and market behavior to PJM, its stakeholders and FERC.

Conclusions

- In matters before the Pennsylvania PUC, the OCA represents consumer interests while the PUC is directed to balance all interests. These are very different jobs.
- The OCA plays a critical role in ensuring that the concerns of consumers are adequately addressed in matters related to their vital utility services.
- In matters before the Federal Energy Regulatory Commission and the PJM, including the monitoring of wholesale markets, the PUC and the OCA often coordinate their activities in order to ensure that the consumer interests and the overall public interest in Pennsylvania are protected.