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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

INDEPENDENT REGULATORY
REVIEW COMMISSION

Natural Gas Distribution Company)
Business Practices)

Docket No. L-2009-2069117

Comments of the
National Energy Marketers Association

The National Energy Marketers Association (NEM)¹ hereby submits its comments on the Commission's Proposed Rulemaking to establish standard business practices and communication standards for the natural gas utilities as published in the October 17, 2009, Pennsylvania Bulletin. By the terms of the Proposed Rulemaking, the utilities would be required to submit standard supplier coordination tariffs (SCTs) and implement standard business practices and communication standards. In conjunction with the rulemaking, the Commission also stated its intent to utilize a stakeholder process to develop a standard SCT and business practices, commencing with the Commission issuance of a strawman proposal.

NEM strongly supports the Commission's continued efforts to enhance the development and operation of competitive retail energy markets in Pennsylvania. In this rulemaking the Commission has identified another barrier to entry encountered by competitive suppliers doing business across multiple utility service territories - the lack of standardization in utility rules and requirements. In NEM's view, the lack of rule

¹ The National Energy Marketers Association (NEM) is a non-profit trade association representing both leading suppliers and major consumers of natural gas and electricity as well as energy-related products, services, information and advanced technologies throughout the United States, Canada and the European Union. NEM's membership includes independent power producers, suppliers of distributed generation, energy brokers, power traders, global commodity exchanges and clearing solutions, demand side and load management firms, direct marketing organizations, billing, back office, customer service and related information technology providers. NEM members also include inventors, patent holders, systems integrators, and developers of advanced metering, solar, fuel cell, lighting and power line technologies.

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standardization constitutes a significant factor impeding marketers in their ability to attain economies of scope and scale in serving consumers across the Commonwealth. On this basis, we support the Commission's effort to engage the stakeholders to devise a standard SCT and business rules.

That having been said, we have certain concerns that we would like to raise for Commission consideration. As this Commission is aware, the SEARCH process identified many significant issues to address to facilitate retail market development. To a large extent, these issues, including Price to Compare (PTC) and Purchase of Receivables (POR), remain unsettled. We request the Commission consider a prioritization of issue resolution that will contribute to market development and market entry in a more direct and immediate manner. In other words, given the finite resources of the all of the stakeholders, including the implementation costs, we recommend a prioritization of resolving the PTC and POR issues as the most immediate goals. We believe this would yield the greatest benefit to all stakeholders – consumers, marketers and utilities – in the short-term and on a sustained basis thereafter. As we have stated in previously filed comments, we support the Commission's proposed reformulation of the utilities' PTC to be expressed as a monthly-adjusted, market-based commodity rate to which is added a utility's fully allocated embedded costs associated with providing all of the otherwise competitive commodity related products and services currently bundled in utility full service rates. We likewise support the Commission's adoption of permanent rules for the establishment of POR programs, inasmuch as the availability of POR programs can be the most determinative factor in supporting retail market development.

Our recommendation about goal prioritization is also premised on the realization that a stakeholder process to develop a standard SCT and business practices will entail a significant cost and time commitment from stakeholders. With forty natural gas utilities across Pennsylvania, the task of devising a single standard will be complex. It is imperative that firm timelines and deadlines be established for the stakeholder process. We look forward to reviewing the Commission strawman for these purposes as we believe it can serve to "jump start" the stakeholder process with a solid, constructive beginning point. We also request Commission clarification on the timing of the stakeholder process inasmuch as the dates set forth in the Proposed Rulemaking refer to August 1, 2009, as the completion date, which date of course, has already passed.

In addition to the more generalized language in the proposed regulations on a standard SCT and standard business rules and communication standards, the Commission has included proposed standards on five technical subjects in Proposed Section 62.185(c)(3) pertaining to imbalance trading, tolerance bands, cash out and penalties, nominations and capacity. In general, we support the proposed regulatory language as setting forth a reasonable framework for the utilities and suppliers to comply with. We look forward to reviewing the Commission strawman for further details on these subjects. Underlying our support for the proposed language is our recommendation that assets should follow the customer. In other words, as individual customers leave a utility's system supply for that of a competitive supplier, the customer should be assigned capacity, and it should be accomplished under the same terms and conditions as that customer would have received as a utility sales customer. Assets should be made available on an equitable and non-

discriminatory basis, both in terms of allocation and utilization rights. This ensures that customers have equal access to the assets for which they pay.

NEM would also like to address the concerns raised by Commissioner Christy in his Statement on the Rulemaking Order. Commissioner Christy requested comment on potential costs involved in the implementation of measures set forth in the Proposed Rulemaking. We, like Commissioner Christy, are concerned that stakeholder resources be put to good use and yield a good return on investment that will directly benefit consumers. It is for that reason that we recommended a prioritization of goals earlier in these comments, including the near-term resolution of PTC and POR issues, as tantamount to improving the conditions for competitive entry and market participation. Where we differ with Commissioner Christy is in his assumption that utility least cost procurement is the best way to provide value to residential customers. Indeed, we believe that competitive markets, by definition, lead to the true lowest cost procurement for consumers. Marketers with expertise in managing a diverse set of assets have been and want to bring competitive pressure to bear on pricing. An accurate utility PTC is one contributing factor in this regard. Moreover, in addition to pricing benefits, competitive markets will yield service and value-added options for residential consumers that should not be provided through utility monopoly service.

Conclusion

NEM appreciates this opportunity to offer further comments in support of measures that facilitate competitive retail gas market development as set forth in the Rulemaking Order. We continue to support the Commission's initiatives and objectives focused on realizing

the benefits of competitive energy markets in the Commonwealth of Pennsylvania and in
a manner that best prioritizes the goals of the stakeholders.

Sincerely,

A handwritten signature in cursive script that reads "Stacey Rantala". The signature is written in black ink and is positioned above the typed name and title.

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