



Testimony of the Retail Energy Supply Association on House Bill 11

Before the House Consumer Affairs Committee

April 29, 2019

Good morning Chairman Roae, Chairman Matzie and members of the committee. I appreciate the opportunity to come before you today to provide comments on HB 11.

My name is Tony Cusati and I am the Director of Regulatory Affairs for IGS Energy. I am also Chairman of the Pennsylvania State Electricity, Natural Gas and Lobby caucus of the Retail Energy Supply Association (RESA), on whose behalf I'm testifying today.

IGS is a licensed Electricity and Natural Gas supplier in the Commonwealth, as is the case for many of the 20 members of RESA.

RESA¹ is a broad and diverse group of retail energy suppliers who share the common vision that competitive retail energy markets deliver a more efficient, customer-oriented outcome than regulated, monopoly utilities. RESA members are devoted to working with all stakeholders to promote vibrant and sustainable competitive retail energy markets for residential, commercial and industrial consumers.

RESA's principles are simply defined as:

- Competition is the most effective means for efficiently allocating resources;
- Competition among retail companies brings benefits to consumers;

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 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.



- For competition to be effective, all consumers must be afforded the right to shop for competitively priced energy products and services, just as they shop for other products and services;
- RESA believes that customer choice should be subject to the absolute minimum amount of constraint that is consistent with the operation of a well-ordered market;
- Any government mandates for societal benefit, whether environmental or economic, should be implemented in a competitively neutral manner.

Hence with the advent of the Electricity Generation Customer Choice and Competition Act of 1996, consumers have a choice – continue to receive default generation service from the utility or seek an alternative energy supplier. Among the various products and services offered, consumers could purchase 100% renewable options or choose to do nothing and remain with the utility. The wonderful thing in a competitive market is that consumers are in control. They are the ones who drive the retail market space and ultimately make purchasing decisions.

With that said and following in line with RESA's principles, we would like to make the following comments with respect to HB 11, by pointing out three important issues for the legislature to consider:

1. RESA believes competitive markets ensure that the prices paid reflect the true costs of providing electricity and represent the most cost-effective means of supporting reliability and resiliency goals. Competitive markets also provide signals to generators to build new facilities or retire old facilities. RESA would like to caution the Legislature to carefully review HB 11 in order to ensure that the competitive market is not disrupted. This legislation is very complex and we applaud the Committee Chairmen for holding four hearings to thoroughly vet the issues involved before casting any votes on the legislation.
2. RESA firmly believes that customer choice is essential for competitive markets to thrive. States with restructured energy markets like Pennsylvania offer consumers the most choice in terms of price and product offerings. Major policy changes like shifting energy source preferences under the AEPS must be viewed holistically and comprehensively. The goal should be to preserve the consumer benefits of competitive markets and not have the consumer cover the cost of such a substantial shift in an energy source.



3. Ultimately, if it is the policy of this Commonwealth to provide an out-of-market subsidy to nuclear generators, this must be done in a competitively neutral manner. As introduced, HB 11 would require the electric distribution companies to recover the costs to purchase zero emission credits from all distribution customers. It is essential that the obligation to purchase zero emission credits fall on the utility as HB 11 is a mandate, not a choice.

To that end, RESA believes that a discussion on energy policy in the Commonwealth should not solely focus on nuclear subsidies. After more than 20 years of competition, it is time to take a look at the entire picture and have a thoughtful, broader discussion to consider changes to enhance the competitive market to reflect changing consumer needs and preferences. This legislation, with modification, could be an opportunity to re-establish Pennsylvania as a leader for competitive markets and introduce enhancements to the competitive retail energy market in the Commonwealth.

Suppliers are constantly innovating and developing value-added products and services to differentiate themselves from competitors. From smart thermostats, demand response hot water heaters and other incentives like gift cards and loyalty rewards, suppliers offer customers a range of products to choose from that meet their individual needs both from a financial and energy efficiency perspective.

According to a 2018 Consumer Reports/Consumers Union Survey, 76% of Americans support increased use of renewable energy, such as solar and wind. Sales of renewable energy in competitive markets have also doubled in just the last five years. Enhancement of the RPS requirements for example could be considered in this energy policy change debate.

Important among the value-added products retail electric suppliers offer -- the ability to efficiently meet clean energy objectives. Whether it be a product that enhances in-home energy efficiency and savings, or one that allows for the purchase of a renewable or green energy product, consumers can express their environmental preferences through their electricity purchase from a retail supplier. Competitive markets are key to increasing voluntary renewable energy purchases because they provide an easy way for customers to select wind, solar, or other renewable sources. Making it easier for customers to understand and exercise their choices should be a part of any energy policy focused on decreasing emissions.

As for retail market enhancements, there are three areas of interest to suppliers that would bring immediate benefits to consumers.



- Proper Cost Allocation (also referred to as unbundling) by electric and natural gas distribution companies to identify all costs associated with providing default service and appropriately allocate those costs between supply and distribution rates. This would result in more accurate information for consumers to understand their energy costs and a fairer and much more accurate comparison of supplier prices and offers and the utilities price-to-compare. This is especially important when customers are assessing their costs to purchase voluntary renewable energy products.
- Supplier Consolidated Billing - which would allow an electric generation or natural gas supplier to provide a single consolidated bill to the customer which includes both supply and distribution charges. This enhancement to the current billing practices where the utility currently sends the consumer their monthly energy bill, would allow for suppliers to bring to market the value-added products and services that consumers desire since suppliers would be able to bill and collect for these items. Additionally, it would result in suppliers having a direct relationship with the consumer, whereas under the current billing construct too often consumers cannot recall that they have signed with a supplier, and therefore have no knowledge of the relationship since the supplier's identification is not conspicuous on the utility invoice.
- Enroll-with-your-Wallet (EWYW) – This concept allows customers to select or change electric or gas suppliers by providing personally identifiable information rather than a utility account number to enroll with a supplier which would reduce a barrier to shopping. In order for a supplier to enroll or switch a consumer from default service or another supplier, there is the requirement that the enrolling supplier must have the unique utility account number. EWYW process would eliminate this requirement and allow for an enhanced process for consumers to take advantage of supplier offers in a more timely and productive way.

In closing, I would like to recite the comments of Chairman Brown Dutrieuille at the PUC's 20th Anniversary celebration of Electricity Retail Choice in December, 2016 where she said: "For two decades, Pennsylvania has stood on the national forefront of electric competition, putting the power of choice in the hands of consumers and giving them greater control of their electric bills." She went on to say, "As a result of this historic legislation, millions of electricity customers have made choices and saved money, purchased renewable products and explored innovative new offers and plans."



RESA believes now is the time to have a conversation about broader energy policy in the Commonwealth, enhance the Competition Act of 1996, and bring to the consumer the products and services that are needed and desired by consumers in today's energy environment.

Thank you again for holding these hearings and having a thoughtful discussion on HB 11 and for the opportunity to appear before you today to provide our comments. I would be happy to answer any questions that committee members may have.