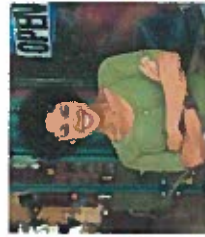
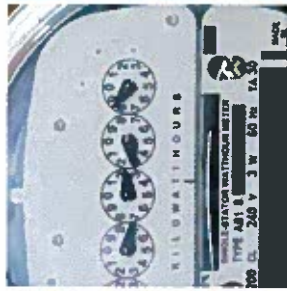


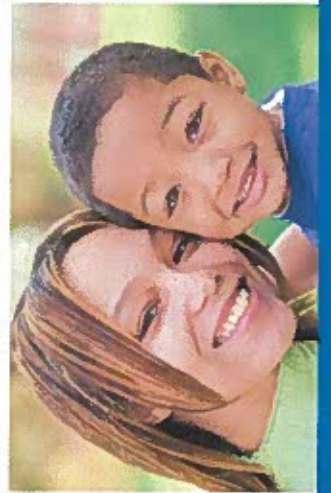
RESA

Retail Energy Supply Association



Electricity Competition in Pennsylvania

Before the House Consumer Affairs Committee, Feb. 2011



What is RESA?

The Retail Energy Supply Association 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 a regulated utility structure. RESA members are devoted to working with all stakeholders to promote vibrant and sustainable competitive retail energy markets for residential, commercial and industrial consumers.

The information presented in this document represent the views of RESA as an organization and may not necessarily reflect the views of any particular RESA member.



Retail Energy Supply Association

RESA Member Companies



Retail Energy Supply Association

Who/What are Retail Suppliers?

- **Licensed** Electric Generation Suppliers
- A Competitive **Alternative to Utilities**
- Diversified Energy Services Companies Offering **Renewable Energy, Energy Efficiency, Demand Response and Other Innovative Products**
- Companies who **Compete for your Business** and Offer **Cost-Effective** Energy Options to Residential, Business, Industrial, Government and Non-Profit Entities

Who Do Retail Suppliers Serve?



Residential Customers
(homes)

Over 600,000
Pennsylvanians



**Small & Medium
Business Customers**
(individual: restaurants, gas stations,
apartment complexes, schools,
hospitals, and non-profits)

Allegheny County Schools,
Bank of America, TJ Maxx,
Dollar Tree, City of York

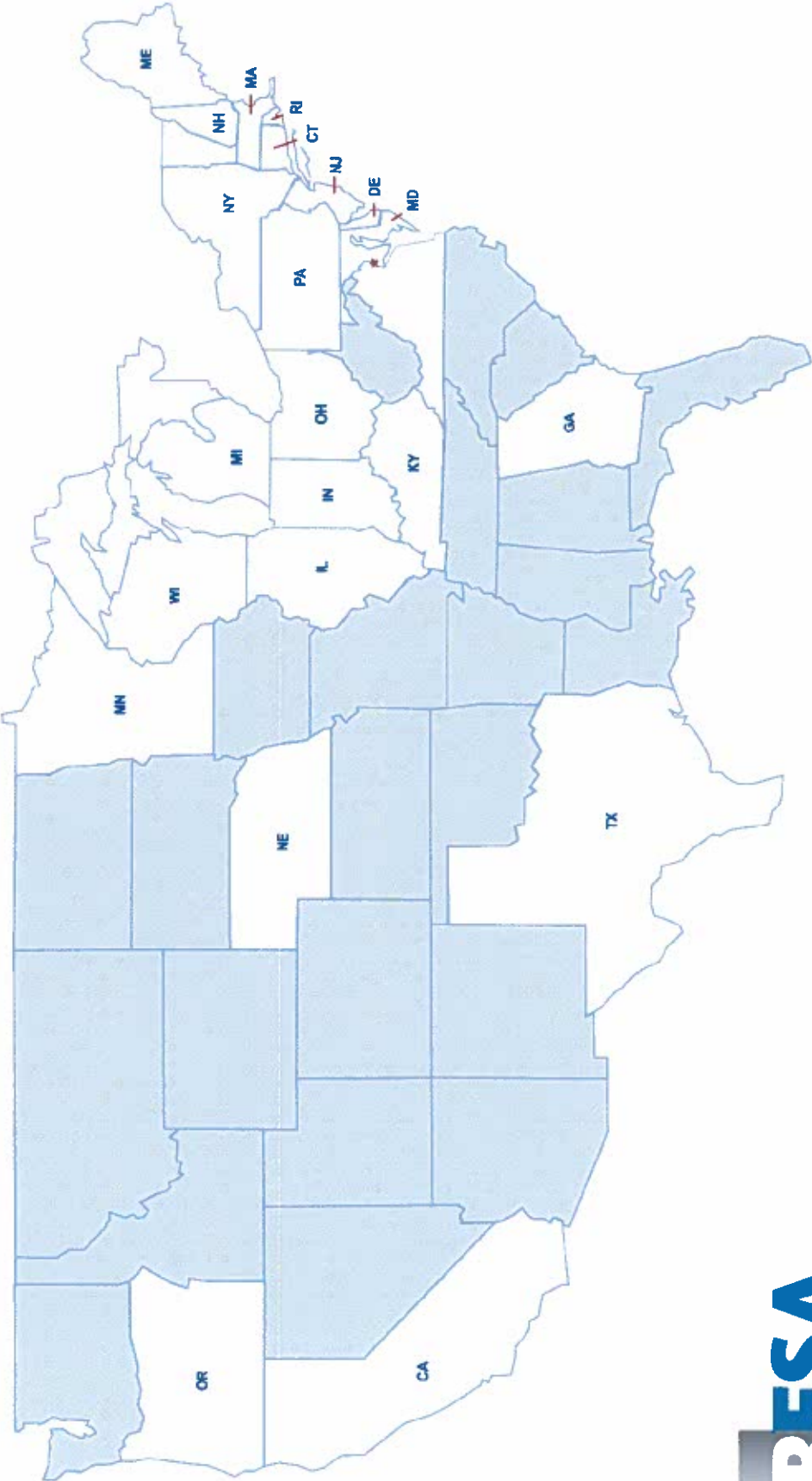


**Large Commercial
& Industrial Customers**
(shopping complexes, manufacture facilities,
chambers of commerce affinity groups
and government compounds)

Proctor & Gamble,
Wal-Mart, UPS, Amtrak

Where Do RESA Member Companies Operate?

In Restructured Energy Markets Across the
United States and Countries Around the Globe



What Types of Products do Retail Suppliers Offer?

Residential

- Fixed price (6 month, 1 year, 2 year, etc)
- Variable price (price adjusts monthly, quarterly ,etc.)
- Introductory price with future adjustment

Commercial & Industrial

- Fixed price (6 month, 1 year, 2 year, etc)
- Variable price (price adjusts hourly, monthly, quarterly ,etc.)
- Hybrid (portion fixed, portion variable)
- Customized pricing and procurement strategies

Value Added features

- Renewable energy & carbon neutral products
- Demand response and energy efficiency services
- Marketing incentives (airline miles, gift cards, cash back)

How Much Can a Typical Customer Save By Shopping?

EDC	Price to Compare	Lowest Available Offer	% Savings	Annual Savings (based on 1,000 kWh monthly)
Duquesne	\$0.0889	\$0.0719	19%	\$204
PECO	\$0.0992	\$0.0840	15%	\$182
PPL	\$0.0927	\$0.0830	10%	\$116

Detailed Supplier Offer Information Available at: www.papowerswitch.com

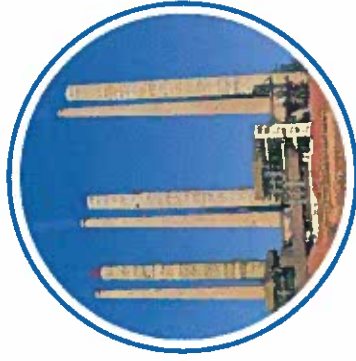
The Pennsylvania Market: A Success Story

- **More than 800,000** residents and businesses have switched to competitive retail suppliers
- Percent of customers served by competitive suppliers in PPL
 - Over 35% of residential customers
 - Over 42% of commercial customers
 - Over 83% of industrial customers
- **Supportive legislative and regulatory policies** have been the cornerstone to this success
 - **Electric Choice and Competition Act of 1996**
 - **Foundational PA PUC policies**
 - Customer education (www.papowerswitch.com)
 - Engaged regulators (CHARGE working group)
 - Fair market rules (equitable access to customer data, supportive utility billing platforms, etc.)



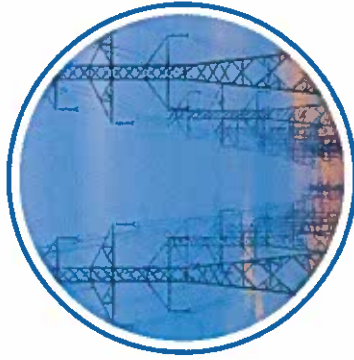
How Does the Pennsylvania Electricity Market Work?

Generation



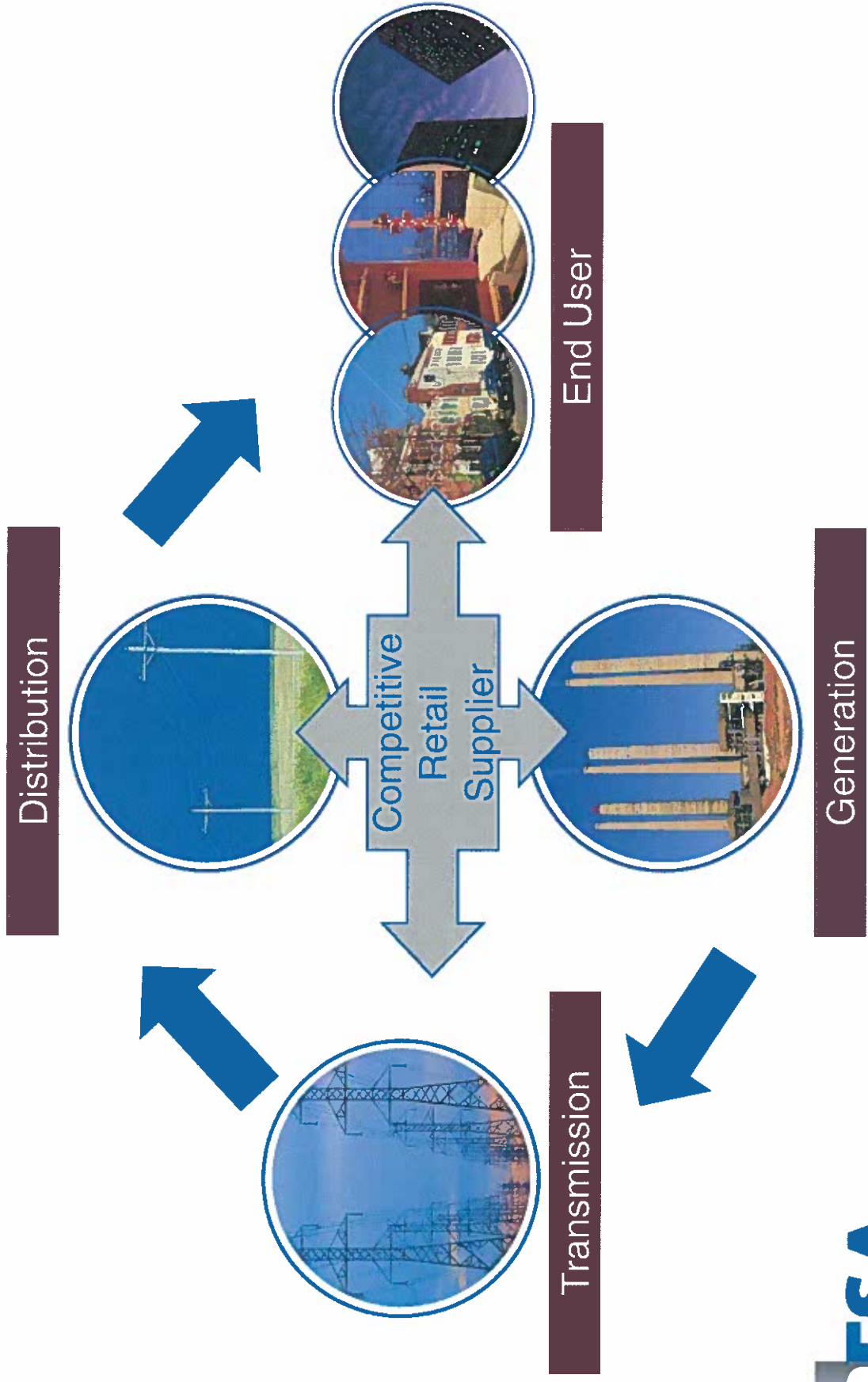
- Competitive, market priced service
- Customers can receive service from:
 - retail suppliers
 - or utility default service
- Not economically regulated

Transmission | Distribution



- Price set through regulation
- Monopoly service provided by utilities
- Utilities must provide equal access to transmission/distribution facilities

How Does the Pennsylvania Electricity Market Work?



What is Default Service?

- The Electric Choice and Competition Act (1996) as revised by Act 129 (2008) **requires the utilities to provide generation service to customers that don't shop**
- The PA PUC approves the utility's default service procurement plans
- **Utilities buy electricity through auctions, RFPs, or other competitive procurement processes** in an attempt to provide least cost service to customers
- **Utilities charge a "Price to Compare"** to recover the costs of these purchases

Residential and Small/Medium Commercial:

- 1 and 2 year contracts
- Some spot market purchases
- Fixed PTC, adjusts quarterly

Large Commercial/Industrial:

- Hourly priced service
- Limited time 1-year fixed price option

How is Default Service Different from Competitive Retail Service?

Default Service

- Guaranteed customer base
- Guaranteed cost recovery
- Price based on regulated/mandated procurement plan
- Socialized, class average pricing
- One-size fits all

Competitive Service

- Must compete to acquire customers
- No cost recovery for bad investments
- Price must be based on current market conditions
- Customer-specific pricing
- Value-added, innovative service

What are the Benefits of Competitive Energy Markets?

- Places **Downward Pressure** on Market-reflective Energy Prices
- Fosters **Innovation, Investment and Economic Development**
- Provides **Reliable and Affordable** Energy Options
 - (Traditional, Green and Alternative)
- Offers **Customer-Specific Pricing Plans**
- Presents **Products and Services Tailored** to Customer Needs
- Brings About **Efficiencies and Cost-Savings**

State Policies are Critical for Successful Market Development

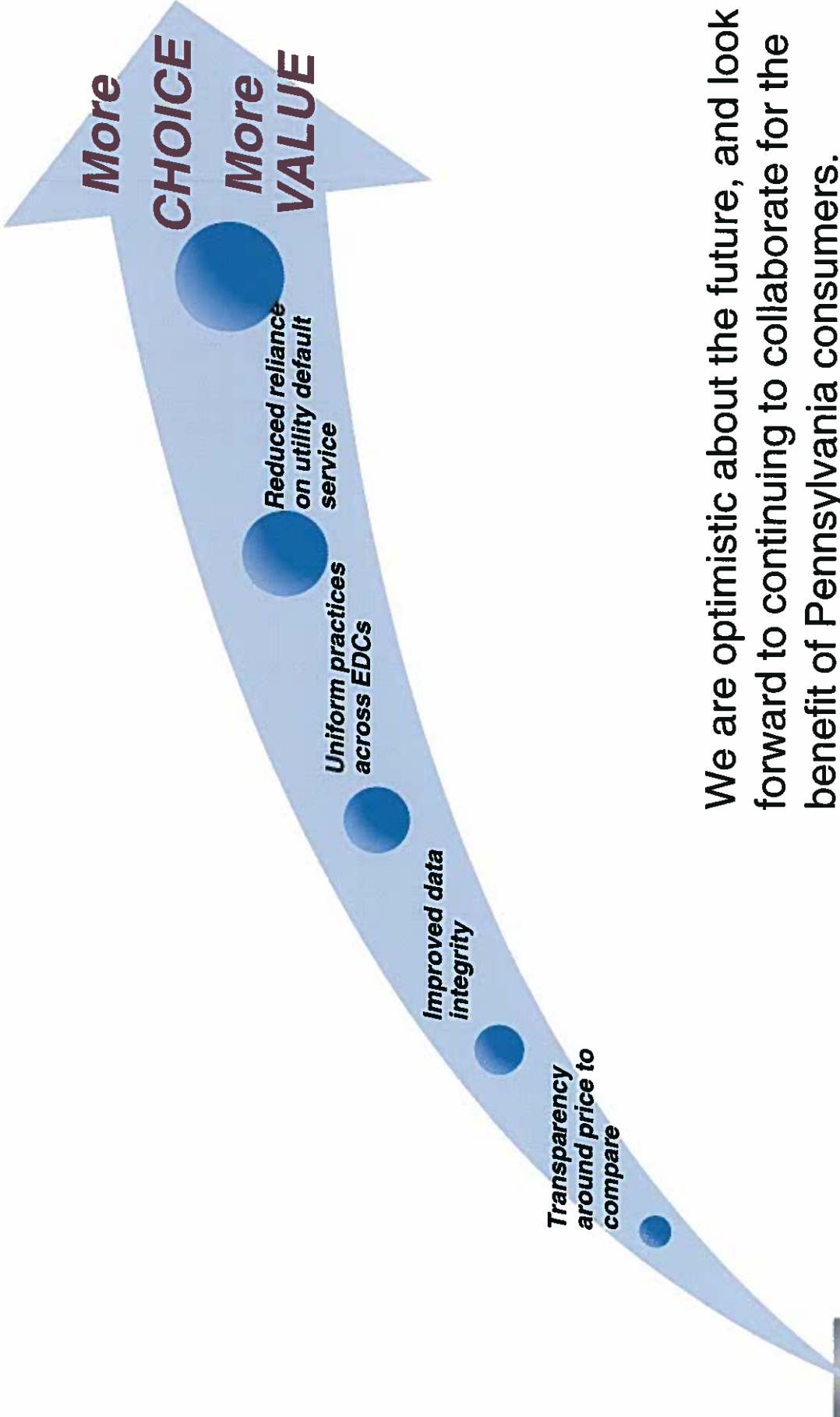
- **Comprehensive customer education** about retail choice
- **Utility provided default service must be market reflective** and should not act as a barrier to competition
- **All costs and risks related to utility provided default service should be reflected in default service rates**
- Utilities should be **encouraged to cooperate** with suppliers on retail market operational issues
- Consider the **impact of state renewable energy policies** on competitive retail markets

RESA's Participation in Pennsylvania

Regulatory & Legislative Arenas

- RESA and its member companies are long-standing **stakeholders** and have been **active participants** in all major proceedings
 - PUC regulatory proceedings
 - Municipal aggregation
 - AEPS issues
 - Act 129 issues

Path to Future Success



We are optimistic about the future, and look forward to continuing to collaborate for the benefit of Pennsylvania consumers.

Common Customer Questions

About Competition

- **Who will send me my electric bill?**
 - Customers have **two options**:
 - **Single billing**: the utility will still send you a bill that will include your supplier's generation charges and the utility's distribution charges
 - **Dual billing**: both the utility and the supplier send separate bills
 - Nearly all residential suppliers offer the single billing option
- **Is my service still reliable?**
 - **Yes**. The utility is required to provide the same level of service whether you shop or not
- **Who do I call for an outage?**
 - **Your local utility**.

Common Customer Questions

About Competition

- **How long does it take to switch suppliers?**
 - It can take between **16 and 45 days**. There is a 16 day waiting period and then the switch will happen on your next meter read date.
- **What about renewable energy?**
 - Utilities and all suppliers are required to purchase the same amount of renewable energy under Pennsylvania's alternative energy portfolio standards law. **Some suppliers may offer levels of renewable energy beyond these minimum requirements.**

Things to Consider When Shopping

- Find out the utility's Price to Compare.
 - **Be aware** that the term of the utility's price may be different from what the supplier is offering.
- **Kinds of pricing** supplier offers
 - If it is a fixed price offer, **when will the price adjust?**
 - If it is a variable price offer, **how is the price determined** each month?
- How is **Gross Receipts Tax** treated?
- Are there any **cancellation fees**?