



MADRI

Dynamic Pricing Conference

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May 12, 2011

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History of “Dynamic” Pricing in PA

- EDCs had a number of TOU rates related to water heating or electric heating incentive programs
- True dynamic pricing in PA largely related to Default Service Policy Statement and Regulations: RTP for large customers >500kw
- Act 129 – mandated TOU and RTP pricing options to all customers from default service providers.

Act 129 TOU/RTP Legislation

- Provisions

- TOU and RTP plans filed by later of January 1, 2010 or end of rate caps.
- Commission must approve or modify this plan within 6 months of such submittal.
- Large [$>100,000$ customers] EDC 's DSP must offer [opt in] TOU or RTP rates to customers with Smart Meters.
- Act requires annual reports on “efficacy” of such programs [impact on usage, demand and wholesale prices]

Act 129 Pricing Programs

- PPL
 - TOU pilot program – 2008-2009; Winter - 7.5/4.6 cent peak/off-peak differential, 6-8pm peak; Summer – 8.3/4.2 cent peak/off-peak differential, 11am to 6 pm peak
 - 2010 – Act 129 compliance filing; TOU program filed; seasonal rates; summer – 15.629/9.187 cent peak/off-peak differential, 1-6 pm; non-summer – 14.16/10.002 differential, 5-7pm. Different rates for RTS. Different hours and rates for small commercial customers. Filing rejected
 - 2011 – Act 129 compliance filing – 2nd try: seasonal rates; summer – 1-6 pm; non-summer – 5-7pm; different rates for RTS. Quarterly on peak/off-peak rate updates based on forward prices and LMP hourly pricing history; differing hours and rates for small commercial customers; supply source – spot market; filing approved.

Act 129 Pricing Programs

- PECO [Docket M-2009-2123944]
 - TOU pilot program – residential customers - TOU and CPP rates; small C&I – CPP only; effective June 1, 2012; prices adjusted quarterly; based on forward prices.
 - Eligibility – non-CAP, non-arrears customers; excludes existing TOU customers.
 - Reporting – substantial surveys, analysis and reporting will accompany this pilot.
 - CPP – peak rate applicable 15 times a year, anytime from 2-6pm; attempt to notify customers by 8 pm the previous day via phone/txt/e-mail.
 - TOU – non-holiday, non-weekends; 2-6pm on-peak hours

Act 129 Pricing Programs

- Penn Power [Docket P-2010-2157862]
 - Residential TOU Pilot
 - Eligibility – First 5,000 customers with Smart Meters
 - Costs – participant pays incremental smart metering costs; default service customers pay for education program costs; EDC absorbed other costs.
 - Reports – reporting on 11 identified items.

Act 129 Pricing Programs

- MetEd & Penelec [Docket P-2009-2093053,4]
 - Residential customers – access to traditional RT rate schedule [on-peak/off-peak distribution/CTC rates, but no supply rate differential]; on-peak is 8am to 8 pm weekdays; seasonal rate TOU also available.
 - Small and Medium C&I customers – voluntary access to Hourly Priced Service (HPS)
 - Large C&I customers – HPS is the default service option.

TOU/RTP Issues

- Program Cost allocation: Who pays for these programs? Participants? Default Service customers? All customers?
- Supply Synchronization: How do you source supply for TOU programs? What are the complications associated with full requirements supply service?
- Peak hours/seasons: How long? What drives determinations [marketability? Simplicity? Pricing differentials? Ability to respond? Convenience?
- Education: What is the most effective and efficient means of education, and who pays?
- Metering and usage access: Customers and EGSs/EDCs need access to hourly usage data ASAP.
- What, if any customer classes should be excluded from TOU/RTP programs? [Low income, net-metered, renewable energy , and non-metered customers? What customer groupings are appropriate? (con'd)

TOU/RTP Issues

- Cost Effectiveness:
 - TRC Analysis applied.
 - Have all costs of program been identified? [PPL - \$50,000, PECO - \$12million]
 - Are assumptions regarding usage shifting, or usage/demand reductions supported by hard evidence?
 - Demand related credits: Who benefits from these credits, and can they be bid into RPM?
 - Study of Results: critical for continuous improvement.