



Comments of Ron Cerniglia, Director – National Advocacy, Government & Regulatory Affairs, Direct Energy, and Pennsylvania Electric Chairman of the Retail Energy Supply Association

Pennsylvania House Consumer Affairs Committee

House Bill 2188 Hearing regarding Smart Meters

May 8, 2012

I. Introduction

Good morning Chairman Godshall, Chairman Preston and Members of the Committee. Thank you for the opportunity to testify today. My name is Ron Cerniglia. I am the Pennsylvania Electric Chairman of the Retail Energy Supply Association, a broad and diverse group of twenty-one competitive electricity suppliers advocating for the development of retail competition in the Commonwealth and other restructured states.¹ I am also employed as the Director – National Advocacy, Government & Regulatory Affairs for Direct Energy,

¹ RESA's members include: Champion Energy Services, LLC; ConEdison *Solutions*; Constellation NewEnergy, Inc.; Direct Energy Services, LLC; Energetix, Inc.; Energy Plus Holdings LLC; Exelon Energy Company; GDF SUEZ Energy Resources NA, Inc.; Green Mountain Energy Company; Hess Corporation; Integrys Energy Services, Inc.; Just Energy; Liberty Power; MC Squared Energy Services, LLC; Mint Energy, LLC; NextEra Energy Services; Noble Americas Energy Solutions LLC; PPL EnergyPlus, LLC; Reliant; TransCanada Power Marketing Ltd. and TriEagle Energy, L.P.

a retail provider of electricity, natural gas and energy related services in this Commonwealth and other states that have enacted retail choice. Direct Energy has made significant contributions to the Commonwealth, locating our North American Business headquarters in Pittsburgh, having a regional office in Forty Fort, and growing our employment here from 225 in 2009 to over 1,000 currently. As you are aware, RESA members are active participants in the Pennsylvania retail electric market serving all types of customers, including residential consumers, small businesses and large businesses.

Before I share my comments regarding smart meters, I would like to recognize the significant efforts of this Committee and the Commission to foster competitive markets. Thus far, approximately 1.7 million electricity consumers, representing 56% of all electricity used in the Commonwealth, have chosen a competitive supplier and are now enjoying competitively priced, customer-oriented electric supply and services. In some areas of the state customers have over 30 options to choose from, including fixed priced service with guaranteed savings, variable price products that allow customers to take advantage of lower short-term prices in today's market, and clean renewable energy generated from sources like wind and solar. Over 2 million smart meters have already been installed in the

Commonwealth, and its continued state-wide implementation will play a critical role as we enhance existing benefits to consumers. From RESA's perspective, the initial transition to a competitive electricity market has gone incredibly well, but more work needs to be done to ensure that consumers and businesses get the benefits originally envisioned more than a decade ago with passage of the Electric Choice and Competition Act.

II. Benefits of Smart Meters

Why does RESA support the continuation of smart meter installation? Smart meters, associated systems, and data access create numerous benefits through improvements in grid reliability, helping to mitigate or reduce the price of electricity, it creates a platform on which retailers can create and offer new products and services that give consumers greater choice and flexibility in energy consumption, and they will improve security and safety by reducing the vulnerability of the grid to unexpected hazards while promoting a safer system for both workers and the general public.

III. How will customers benefit from smart meters?

From RESA's perspective, **Residential customers, including Low-Income, those on Fixed Incomes, and the Elderly, and Small Commercial Customers** will see improved system reliability. However, perhaps the most significant benefits arise from more empowerment and individual control over energy use and their monthly bills. Smart meter systems can provide a new set of tools for consumers to manage their usage and total energy bills, and makes it easier and cheaper for consumers to see their electricity use and to have access to value-enhancing dynamic pricing, if they desire it. A more reliable grid will limit the risk of outages, especially for those at risk due to extreme heat and cold when power is lost. Additionally, by helping to reduce the need for costly new generation, transmission, and distribution facilities a smart meter systems can help relieve upward pressure on prices to the benefit of families on low or fixed incomes.

Large Commercial and Industrial Customers benefit given their need for enhanced system reliability and to receive access to information, including price signals, to make efficient energy decisions.

Local Governments can benefit from higher reliability and lower duration of outages that will reduce the burden on local fire, police and other municipal resources that must help with such events as well as more creative competitive supplier offerings to help them manage their energy usage.

And lastly, the **utility** will benefit from direct cost reductions, enhanced system reliability, and higher customer satisfaction with regard to distribution services.

IV. Examples of Retail Products Utilizing Smart Meters

For example, and you may have seen the orange billboards on your way to Harrisburg, my company, Direct Energy, was the first competitive supplier in Pennsylvania to offer a “Free Power Day” product where electric generation service is free on the day of the week that the customer chooses (usually they choose a weekend day). This rate plan in PPL territory is extremely popular in the short period of time that it has been offered in that customers who are willing to and able to move some of their high electricity consumption during higher-priced times to a weekend day, for example, could see real savings. Based on our offering, if a customer dries two loads of laundry each week on a Saturday,

instead of another day of the week, the customer would save \$100 that year.

Shifting additional energy usage would result in greater savings. We also estimate that a 10% shift from on-peak electricity consumption by our projected customer load, will reduce wholesale market costs in PPL by 1%. Last year, PPL customers paid \$3.2 billion for electricity and the 1% reduction translates into savings of more than \$30 million dollars. That's \$10 for every residence, whether they participated in our product or not. Other RESA members are actively developing pilot programs regarding time of use and energy optimization products that rely on smart meters. Smart meter technology will allow competitive suppliers to offer other innovative products or even permit a customer to design their own rate, within parameters. As utilities integrate smart meters, competitive suppliers will begin to deploy these and other innovative products and services.

V. Legislation Recommendations

In regards to House Bill 2188, and based on my previous comments conveying the benefits of smart meters in the Commonwealth, RESA is concerned with certain aspects of this bill. First of all, RESA is not convinced that allowing customers to opt-out of smart meter deployment is the best way to address some of the concerns that have been raised. To the extent that there are

legitimate concerns about customer privacy or the use of more granular customer consumption information for nefarious purposes, RESA submits that there are alternative means of addressing these concerns. For example, customers already have the ability to opt-out of releasing their consumption data and will continue to be able to do so once smart meters are deployed. Additionally, it could be costly and operationally difficult to maintain a separate consumption measurement and wholesale settlement process for a subset of customers electing not to have a smart meter. If an individual opt-out is permitted, these cost and operational implications should be factored into tariffs and protocols for permitting such an opt out.

House Bill 2188 also allows utilities to offer time of use and real-time price plans to residential and commercial customers – we recommend that this provision is no longer needed as the market is restructured, competitive suppliers are beginning to offer these type of services as smart meters are deployed, and the Public Utility Commission has recently recommended that utilities no longer directly provide these products. PECO, for example, has already competitively bid out their time of use offering to the winning competitive supplier.

Lastly, it is our understanding that there may be some interest in allowing not just individual customers but entire utilities to opt-out of smart meter installation altogether. Given that PPL and PECO have already or are in the process of successful installation efforts, RESA feels that it could be counter-productive to system reliability, would stifle innovative products and services from the emerging competitive marketplace, and ultimately would reduce customer benefits that could be realized, if the remaining utilities are permitted to forego this obligation. Accordingly, RESA opposes any provision to permit an EDC to opt out of smart meter deployment.

VI. Conclusion

Thank you for the opportunity to provide these comments, I am happy to answer any questions you may have, and in my new capacity as RESA's Pennsylvania State Electricity Chairman, I look forward to an on-going dialogue and working closely with this Committee on energy-related issues.

As I said earlier, there is still much more work to be done by all of us in the energy industry in the near term, but I am confident that our collective efforts will result in the Commonwealth becoming the most competitive energy marketplace in North America.

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