



National Energy Marketers Association

STATE OF NEW YORK PUBLIC SERVICE COMMISSION

Proceeding on Motion of the Commission to)
Investigate Competitive Metering for Natural) Case 02-M-0514
Gas Service)

COMMENTS OF THE NATIONAL ENERGY MARKETERS ASSOCIATION

The National Energy Marketers Association (NEM) hereby submits Comments pursuant to the Notice Soliciting Comments issued May 1, 2002, in the above-referenced proceeding.

NEM is a national, non-profit trade association representing wholesale and retail marketers of energy, telecom and financial-related products, services, information and related technologies throughout the United States, Canada and the U.K. NEM's Membership includes wholesale and retail suppliers of electricity and natural gas, independent power producers, suppliers of distributed generation, energy brokers, power traders, and electronic trading exchanges, advanced metering and load management firms, billing and information technology providers, credit, risk management and financial services firms, software developers, clean coal technology firms as well as energy-related telecom, broadband and internet companies.

This regionally diverse, broad-based coalition of energy and technology firms has come together under NEM's auspices to forge consensus and to help resolve as many issues as possible that would delay competition. NEM members urge lawmakers and regulators to implement:

- Laws and regulations that open markets for natural gas, electricity and related products, services, information and technology in a competitively neutral fashion;
- Rates, tariffs, taxes and operating procedures that unbundle competitive services from monopoly services and encourage true competition on the basis of price, quality of service and provision of value-added services;
- Competitively neutral standards of conduct that protect all market participants;

- Accounting and disclosure standards to promote the proper valuation of energy assets, equity securities and forward energy contracts, including derivatives; and
- Policies that encourage investments in new technologies, including the integration of energy, telecommunications and Internet services to lower the cost of energy and related services.

NEM has developed its recommendations for, "*National Guidelines to Implement Competitive Advanced Energy Metering and Related Information Technologies*," a copy of which is attached hereto and incorporated by reference. NEM supports the provision of gas metering on a competitive basis and supports the Commission's institution of this proceeding.

As a general matter, NEM urges the Commission to consider as part of this proceeding the proper embedded cost-based unbundled rates for gas metering service. Inasmuch as the Commission declined to include this function for consideration in the utilities streamlined cost of service studies in Case 00-M-0504, in the interest of implementing unbundled rates in an expeditious fashion,¹ it is imperative that proper unbundled rates be developed in this proceeding to provide consumers proper price signals about gas metering service.

1. What are the benefits and drawbacks of allowing large natural gas customers to procure metering and meter data services from competitive providers?

NEM asserts that the competitive unbundling of advanced metering and related technologies will enable the efficient management of both energy supply and demand through timely, accurate dissemination of critical real-time energy usage information. Advanced meters will permit suppliers to accurately match supplies to meet demand and avoid imbalance, standby, storage, injection and withdrawal costs. In this way, energy suppliers can significantly reduce costs and can pass along these savings on energy bills.

Advanced metering is also necessary to support value-added services such as energy use monitoring and control devices and provides consumers with the ability to avail themselves of time-of-use rates and demand response programs.

¹ The Commission reasoned in its "Order Directing Filing of Embedded Cost Studies" in Case 00-M-0504, issued November 9, 2001, at page 14 that, "Competitive metering for gas has not yet been authorized, and, by the time it is approved, the costs identified here would be stale."

Another benefit of permitting competitive gas metering will be the economies of scale that competitive providers will be able to attain. Competitive providers are currently permitted to read meters for electric customers. It is more efficient for a competitive provider to read both gas and electric meters and this efficiency can be passed on to consumers in the form of lower prices.

2. How large should a customer be in terms of gas load in order to qualify?

All customers should be eligible for competitive gas metering and entitled to the benefits of the competitive market. NEM submits that it is not uncommon, particularly in certain high-density urban areas, for up to 30 percent or more of the monthly utility meter reads to be estimated for billing purposes. This practice leads to inaccurate billing and increased costs to consumers.

Furthermore, restricting the class of customers eligible to receive competitive gas metering unnecessarily creates a barrier to competitive entry because it makes it less economic to perform these services.

3. What are the benefits and drawbacks of allowing large customers to measure the energy content of the natural gas they receive, and then basing their billing on that measurement?

Customers should be entitled to measure the energy content of the natural gas they receive, and the information received should be incorporated into customer bills. This could be accomplished by the installation of an energy content analyzer at the local distribution level. The installation of the analyzer should be performed by an independent third party. Furthermore, customers should have the option of having an energy content analyzer installed on their own facility. Permitting the measurement of energy content will allow for increased accuracy and fairness in billing.

5. Are there safety issues with gas metering or energy content measurement that should be taken into account?

Competitive gas metering is sometimes opposed based on safety arguments. However, these arguments ignore the fact that with the selection of a competitive meter provider, a brand new meter is typically installed that is often safer than the meter being replaced. Upon installation of the meter, problems may be identified that otherwise would have been undetected. Competitive meter service providers (MSPs) utilize professionals for the installation of meters. Typically, MSPs hire experienced former utility employees.

Another safety argument proffered against competitive gas metering is that disconnection of gas service in order to install a meter may cause pilot lights to need to be relit. As an initial matter, utilities replace gas meters all the time without negatively impacting safety because of pilot lights. Competitive providers can also perform this function. Furthermore, in order to ensure pilot light safety, a gas cylinder can be installed to keep gas flowing to a facility so that the need to relight a pilot light is not an issue.

Some argue that automated meter reading (AMR) systems pose a safety issue because meter readers don't personally read the meter and therefore cannot do a "sniff" test for gas. NEM submits that the "sniff" test is not and should not be the key source of identifying gas safety issues. Those opposing competitive gas metering on this basis should produce documentation of the effectiveness of the "sniff" test, i.e., the number of times this method detected a system that needed to be replaced within a two week time period by customer class. For instance, many gas utilities currently utilize AMR systems themselves. AMR systems give a more accurate read and reduce the possibility of energy theft. Additionally, AMR also allows for the possibility of new service offerings for end-use customers.

6. How should the New York Practices and Procedures for the Provision of Electric Metering in a Competitive Environment be modified for gas metering?

As a general matter, the provisions of an electric metering manual and gas metering manual should be made uniform to the greatest extent possible in order to allow competitive meter service providers and meter data service providers to enter the market based on a unified, standard set of rules, processes and procedures for doing business in the state.

With respect to the current Electric Manual, NEM offers the following recommended revisions for consideration with respect to gas and electric competitive metering:

- 1) The competitive electric metering market has suffered from the lack of a consistent certification process. Currently, there is a two-step process that requires Commission certification followed by certification from the individual utilities. To date, no utility has developed rules for certification. Only one utility has taken the step of identifying a contact person for certification purposes. This delay in certification is a significant barrier to entry. Such a situation should be remedied immediately with respect to electric metering and should not be permitted to occur with respect to gas metering. NEM urges that the Metering Manual provide for a single certification process applicable throughout the state in which the

Commission is solely responsible for certification. In the alternative, if utility certification is required, dates certain must be established by which certification rules are proposed, reviewed and then implemented.

2) Whether EDI or XML is employed, there should be a single template utilized throughout the state, rather than utility-specific templates.

3) In the electric metering program, the credits for MDSPs and MSPs are bundled. In order for consumers to be able to accurately determine the applicable credits, these credits must be unbundled. With respect to the gas metering program, unbundled credits should be instituted so that consumers can make an informed decision with respect to their competitive choices.

4) The electric manual is silent with respect to whether a customer, MDSP or MSP may purchase a utility meter. If a customer, MDSP or MSP finds a utility meter to be acceptable, then they should be entitled to purchase the meter that would otherwise be taken out of service. They should be entitled to purchase the meter based on its depreciated value plus a reasonable rate of return on the depreciated value. Not allowing customers or competitive providers to purchase utility meters in this circumstance, unnecessarily drives up the cost of competitive metering and increases the costs to consumers of selecting a competitive alternative.

7. Should competitive gas metering be extended to residential and/or small commercial customers?

Yes, all customers should be eligible for competitive gas metering and entitled to the benefits of a competitive market. (see response to Question 2).

8. Are there any innovative approaches to gas metering, meter data service provision, or energy content measurement that may not have been mentioned in the Order Instituting Proceeding which the Commission should consider?

There are a number of innovative approaches to gas metering and meter data service provision that the Commission should consider. For instance, the Commission could require a daily gas meter read or on-demand reads. Usually gas meters are read once a month. NEM recommends that daily or on-demand reads be posted on the web so that customers can see, plan and control their daily usage.

One of the benefits of advanced metering that the Commission should permit consumers to utilize is the ability to choose their meter read date and the ability to choose the date on which they get billed. This option is particularly beneficial for

large customers with facilities in multiple locations that may prefer to have all of their meters read on the same day, to receive all charges on a single bill and then to choose the day on which they get billed.

Furthermore, one method the Commission should consider for implementation of competitive metering is the unbundling of the metering function from the utility and the outsourcing of that function on a non-discriminatory and non-preferential basis.

NEM also recommends that if increased technology standards or requirements are mandated for consumers or a particular subgroup of customers, then the standards must be equally applicable to retail access and full service customers. If retail access customers are required to purchase a new technology as a term of service but full service customers are not, it creates a disincentive for customer switching.

NEM appreciates this opportunity to comment on competitive gas metering in New York and reiterates our commitment to working with the Commission and the other stakeholders to devise fair and effective ways to implement competitive restructuring in the state.

Respectfully submitted,



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