

PROJECT NO. 26359

**RULEMAKING TO ADDRESS § PUBLIC UTILITY COMMISSION
COMPETITIVE METERING §
§ OF TEXAS**

**COMMENTS OF IMSERV NA AND THE NATIONAL ENERGY MARKETERS
ASSOCIATION ON THE STAFF STRAWMAN RULES**

I. Introduction

IMServ NA and the National Energy Marketers Association hereby submit this response to the draft competitive metering strawman developed by PUCT staff.

IMServ NA is a certified meter data management agent (MDMA) in California, an Illinois PSC certified MSP, and a New York PSC certified MDSP (MDMA). IMServ is the leading MDMA in the successful competitive UK direct access market and the developer of the Star System, used in the UK and by the California ISO. In the UK, IMServ reads over 80,000 C&I direct access meters each day.

IMServ did not participate in the proceedings and the debate that led to the decision that metering is to be competitive in Texas. And we note that IMServ's policy is to not actively participate in debates that lead to decisions on whether or not to unbundle metering. However, once a decision is made, IMServ, as a leading international MDMA, is prepared to offer its experience to help make decisions work for energy suppliers, utilities and consumers.

NEM is a national non-profit trade association representing a regionally diverse cross-section of wholesale and retail marketers of energy and financial products, services, information and technologies throughout the United States, Canada and the U.K. NEM's membership includes: small regional marketers, large international wholesale and retail energy suppliers, billing and metering firms, Internet energy providers and trading platforms, energy-related software developers, risk managers, energy brokerage firms and financial institutions, information technology providers as well as suppliers of advanced metering and distributed generation technology.

This regionally diverse, broad-based coalition of energy and technology firms has come together under the NEM auspices to forge consensus and to help eliminate 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 and electricity 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, "***National Guidelines to Implement Competitive Advanced Energy Metering and Related Information Technologies***," (a copy of which is attached) supporting the implementation of advanced state-of-the-art, competitive metering as a

means to bring consumers the benefits of advanced real-time data collection and energy cost management. NEM asserts that to most rapidly bring the benefits of true price competition to consumers, each monopoly service historically bundled in a utility's bill should be unbundled from products and services that can be offered by competitive suppliers and subjected to the rigors of the marketplace. NEM urges the Commission to immediately unbundle the fully embedded monopoly costs associated with metering and related information technology functions and to make these costs known to consumers and the competitive marketplace. In the interim, NEM recommends that the Commission provide shopping credits to consumers equal to the fully embedded costs of all metering services and related information technologies including ownership, installation, servicing of equipment, maintenance, testing, reading, data management, validation, editing, estimations, pulse output transmission via Internet and billing.

Due to the limited time to respond to the draft prepared by Staff, we have only prepared these brief comments and look forward to the opportunity to further discuss our comments. However, we do note our strong concern regarding the Strawman.

II. The Strawman Should Permit Competition for the Full Range of Competitive Metering Services and Related Information Technologies

We agree with the Strawman proposal that a customer should be able to participate in competitive metering by purchasing, or otherwise contracting for a meter that complies with a standard. We further agree that a customer may choose a competitive provider for installation and routine maintenance of a non-utility-owned meter. These options should be a part of competitive metering and customer choice. However, we submit that the

Strawman is significantly flawed because it does not allow for customer choice in the full range of metering services and related information technologies.

III. The Strawman is at Variance with SB7

The Strawman suggests that, “[a]s the retail electric market matures, additional elements of metering services may be appropriate for competition.” However, SB7 explicitly provides that, “[m]etering services provided to commercial and industrial customers shall be provided on a competitive basis beginning on January 1, 2004.” (Sec. 39.107). The Strawman seeks to modify the statute rather than have customer choice for the full range of competitive metering services and related information technologies. Staff’s proposal is in direct contravention of SB7 and will impermissibly permit a monopoly to continue for these services.

IV. The Strawman Fails to Set Forth a Timeline, Standards and a Metering Manual

We are concerned that a timeline for what needs to be accomplished prior to January 1, 2004, has not yet been developed and included in the strawman. These concerns have been raised at past Commission meetings on metering. A clear listing of necessary steps for the opening of customer choice in metering is needed. However, the Strawman is lacking in this critical area. For instance, metering cost credits need to be established. In New York and Illinois, the Commissions have adopted an embedded cost-based methodology for implementation of metering credits. (See Illinois Commerce Commission Docket 01-0423, Interim Order, issued April 1, 2002; New York Public Service Commission Case 00-M-0504, Order Directing Filing of Embedded Cost Studies, issued November 9, 2001). The Strawman does not provide a listing of these credits.

Other necessary standards are also missing, for instance: VEE (validating and estimating meter reads), how data will be transmitted between parties, and certification of meter reading agents.

The Strawman is also lacking a process for developing a metering manual. In New York and Illinois, the PUC, utilities, metering firms and energy suppliers have drafted metering manuals and standards for competitive metering. These manuals should serve as a source of guidance in developing a competitive metering manual for Texas. Another example of a metering manual for Staff and Commission consideration is set forth in the "Uniform Business Practices for Unbundled Electricity Metering" developed through the UBP process sponsored by NEM, EEI, EPSA, and CUBR. Diverse industry stakeholders, including the Texas utilities, were active in the drafting of the UBP metering manual. The manual can be found at http://www.ubpnet.org/workshop/index_phase1.htm. In addition, the manual also contains standards for meter type and meter installation.

V. Competitive Metering Experience in Other Jurisdictions

Meter reading by firms other than utilities is an established practice. In fact, a number of utilities use third parties to read their meters through AMR or advanced meter reading. This established practice is similar to competitive metering firms reading customer choice meters and supplying the meter reads to authorized parties, such as utilities, energy suppliers and customers. Utilities that have used or are using third parties for AMR include PECO, Duquesne Light, Kansas City Power and Light and PGES.

While much has been said about California and many parties were blamed about energy supply and demand and cost issues, competitive metering has worked as planned in this

state. In fact, while the California CPUC has for various reasons temporarily frozen direct access participation, it has decided not to stop existing direct access customers and energy suppliers from receiving the benefits of competitive metering. In addition, the UK direct access effort is considered a successful example of direct access. The UK example demonstrates that a competitive MDMA approach can work.

VI. Conclusion

As SB7 envisions, competitive metering can work if all of the parties, including staff, utilities, metering firms and energy suppliers endeavor to make it a success. The delay of further implementation of competitive metering will benefit few parties. We strongly urge Staff and the Commission to facilitate customer choice and ensure the necessary standards, manuals and procedures for competitive metering are in place.

We appreciate this opportunity to comment on the facilitation of effective retail and competition in Texas and reiterate our commitment to working with Staff, 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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