

STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION

At a session of the Public Service  
Commission held in the City of  
New York on December 18, 2002

COMMISSIONERS PRESENT:

Maureen O. Helmer, Chairman  
Thomas J. Dunleavy  
James D. Bennett  
Leonard A. Weiss  
Neal N. Galvin

CASE 01-E-0359 - New York State Electric & Gas Corporation -  
Petition For Approval of Its Electric Price  
Protection Plan. SINGLE BILL METRICS.

ORDER ADOPTING SINGLE BILL METRICS

(Issued and Effective December 30, 2002)

BY THE COMMISSION:

BACKGROUND

In the Order Establishing Procedures For Commencing the Retail Access Program (Retail Access Procedures Order) issued September 20, 2002 in this proceeding, it was decided that New York State Electric & Gas Corporation (NYSEG) would implement consolidated single billing, by charging customers in the same bill for both utility delivery and energy supply company (ESCO) supply services. Single billing would commence at the time NYSEG implemented its new "Voice Your Choice" retail access program (the RA Program) on January 1, 2003.

As discussed in the Retail Access Procedures Order, a consolidated single bill is essential to moving retail access forward for the benefit of all utility customers. Absent a single bill, customers selecting an ESCO as the electricity supply provider would see two bills, one from the ESCO for

supply and another from the utility for delivery service. Residential and small commercial customers might be reluctant to select an ESCO as the supply provider over an incumbent utility, like NYSEG, that could charge for both supply and delivery on the same bill. Consequently, assurances were needed that NYSEG would timely implement a single bill reflecting ESCO charges as of the date its RA Program went into effect.

The requisite assurances could be fostered through monetary incentives:

payment obligations could be imposed on NYSEG if it fails to achieve various measurements, or metrics, of billing success, such as timely submission of ESCO charges to customers and timely transfer of payments from customers to ESCOs.<sup>1</sup>

NYSEG was directed to participate in a collaborative with other parties to develop the appropriate means for ensuring the utility's performance, through a metrics-based approach or otherwise. The utility was to report on the outcome of the collaborative by November 6, 2002, and other parties were advised they could present their positions on the issues raised in the collaborative as of that date.

On November 6, 2002, NYSEG and Staff filed a Single Bill Metrics Joint Proposal (Metrics JP) intended to achieve the objectives described in the Retail Access Procedures Order.<sup>2</sup> No other party has commented on the outcome of the collaborative or the Metrics JP.

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<sup>1</sup> Retail Access Procedures Order, p. 5.

<sup>2</sup> The Metrics JP is attached as Appendix A.

THE METRICS JP

The Metrics JP begins with a commitment by NYSEG to the development and approval of Electronic Data Interchange (EDI) protocols as a permanent solution to the data interchange barriers preventing it from collecting the ESCO supply charge information that would be reflected in a consolidated single bill.<sup>3</sup> While awaiting the final testing and approval of all EDI protocols, NYSEG proposes to use those EDI protocols that have been developed to date to implement an interim single bill solution. To assure that the interim solution is effectively implemented, two metric-based service quality measures are proposed -- Timely Bill Issuance, for presentment of ESCO charges to customers, and Timely Payment Remittance, for transfer of payment amounts received from customers to ESCOs.

Under the Timely Bill Issuance metric, ESCOs, customers individually, and ratepayers generally will be compensated if NYSEG fails to timely issue a consolidated single bill after receiving the ESCO's EDI data. The ESCO will be paid between \$.50 and \$2.00 per bill if issuance following receipt of the data is tardy, depending upon the length of the delay. If a bill's issuance is delayed by more than 7 days, the affected customer will receive a \$10.00 bill credit, and NYSEG will acknowledge in writing that the delay was attributable to it. If monthly targets for the number of bills timely issued are missed, NYSEG will also credit revenue adjustments to the Asset Sales Gain Account (ASGA) established under its Rate Plan for

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<sup>3</sup> See Case 98-M-0667, Electronic Data Interchange, Order Approving Electronic Data Interchange Transactions for Utility Bill-Ready and Rate-Ready Billing (issued June 21, 2002) and Order Granting Rehearing to Revise Procedures (issued August 23, 2002)(EDI Orders).

the benefit of ratepayers.<sup>4</sup> The revenue adjustment can vary from \$4,800 to \$200,000, under a sliding scale that matches increases in the adjustment to the scope and extent of single bill issuance failures. The sliding scale commences at more than 500 failures to timely issue a bill per month and rises to 10,000 failures per month.

The Metrics JP also provides for a Timely Payment Remittance metric. ESCOs will be compensated for delay in remitting the payments owed them through late charges, rising from .5% per month interest to 1.5% per month interest, depending upon the length of the delay.

Under the Metrics JP, the single bill service quality measures will take effect on January 1, 2003 and will terminate the later of 90 days after NYSEG completes EDI Phase I utility bill-ready testing or the end of the month in which NYSEG certifies it has completed Phase II EDI utility bill-ready implementation, as those determinations are made in accordance with the EDI Orders. Even if those time periods are still running, however, the metrics nevertheless will expire no later than May 31, 2003. The revenue adjustments will take effect February 1, 2003 and will terminate at the earlier of May 31, 2003 or the otherwise-effective expiration of the metrics.

During its term, the Metric JP payments and revenue adjustments shall not exceed \$1.4 million, assuming bill issuance and ESCO remittance delays affect no more than 10,000 customer bills per month, or \$2.0 million if delays affect more than 10,000 bills per month. The Metrics JP also provides for reporting on compliance with issuance and remittance deadlines

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<sup>4</sup> Under NYSEG's Rate Plan, the ASGA is a repository for monies owed to ratepayers. Case 01-E-0359, supra, Order Adopting Provisions of Joint Proposal With Modifications (issued February 27, 2002)(Rate Plan Order).

and audit of NYSEG's performance. Finally, it excuses NYSEG from performance under certain force majeure circumstances.

#### DISCUSSION AND CONCLUSION

The metrics recommended in the JP achieve the objectives set forth in the Retail Access Procedures Order. The metrics create a reasonable incentive that will encourage NYSEG to actively take all reasonable steps needed for successful implementation of the single bill. Moreover, metrics payments will adequately compensate ESCOs and ratepayers if NYSEG's performance proves inadequate.

Under the proposed metrics, ESCOs are reimbursed for single bill failures. If NYSEG is tardy in issuing a bill to the point where an ESCO is allowed to undertake the billing itself, NYSEG will pay \$2.00 to the ESCO. That amount is sufficient compensation for an ESCO that incurs the additional expense of issuing its own bill. Moreover, where NYSEG is otherwise unduly late in issuing a bill, other payments to ESCOs adequately compensate them for the extent of the delays they experience in the presentment of their charges to customers.

ESCOs are also compensated under the Timely Payment Remittance metric. If NYSEG unduly delays forwarding to an ESCO a payment that the utility has received from an ESCO customer, a late charge is imposed. That charge to NYSEG ranges up to 1.5% in interest per month on the amount of the late remittance. A 1.5% monthly rate, the same charge the utility imposes on its customers for late payments, is reasonable.

Under the metrics, individual customers receive the \$10.00 bill credit if NYSEG unduly delays billing them. This amount is sufficient to alleviate the inconveniences an individual customer experiences a result of the late bill. Moreover, NYSEG will acknowledge on the bill that its tardy

presentation is attributable to the utility. The ESCO thereby averts customer dissatisfaction in the initial developmental stages of NYSEG's RA Program, when customers' first impressions of ESCO performance may color their longer-term interest in accessing retail electricity supplies from utility competitors.

The general body of ratepayers is compensated, and NYSEG is encouraged to promptly and properly implement the single bill, through the revenue adjustments imposed upon the failure to timely issue a significant number of bills during a month. Under this sliding scale metric, NYSEG can incur up to \$200,000 in revenue adjustments per month, if 10,000 or more bill failures are experienced in a month.<sup>5</sup> This sort of sliding scale, identifying revenue adjustments for failure to perform at varying levels, resembles the utility's existing customer service quality mechanisms.

Under those mechanisms, sliding scale revenue adjustments are made if the utility fails to satisfactorily resolve customer complaints or fails to adequately preserve electric system reliability. Since those revenue adjustment mechanisms are considered appropriate to encourage the utility to resolve complaints and preserve reliability, the approach is adequate to encourage satisfactory implementation of the single bill.

The revenue adjustments NYSEG will incur if it fails to properly implement the single bill are commensurate with NYSEG's other customer service revenue adjustments. Under those mechanisms, the utility may incur an annual maximum revenue adjustment of \$3.5 million each in the complaint category or the

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<sup>5</sup> Premising the metrics on a maximum of 10,000 bill failures per month is appropriate, given the retail access penetration levels expected for the residential and small commercial customers interested in the single bill.

electric reliability category.<sup>6</sup> A maximum payment cap of \$2.0 million applicable to the period when the single bill metrics will be in effect is comparable in magnitude.

Moreover, the floors at which NYSEG will begin incurring payment obligations under the metrics are set relatively low. Revenue adjustments commence once more than 500 bill issuance failures are experienced in a month. Payments are made to ESCOs and customers upon any bill issuance or remittance delay of unacceptable duration. These measures create incentives sufficient to encourage the utility to avoid delay in issuing bills or transferring payments to ESCOs.

The limitations on the application of the single bill metrics are appropriate under these circumstances. Restricting the period the metrics are in effect to January through May 2003 is reasonable.<sup>7</sup> The interim single bill implementation is a short-term measure effective only until the EDI protocols are fully tested and approved, which is expected within the five-month period. As a result, the metrics adopted here are not needed over a longer term.

Reporting and audit requirements adequately facilitate review of NYSEG's performance. While allowing the utility to excuse its failure to perform upon force majeure events is unusual, under these circumstances the approach is acceptable. Single billing is an untried venture at NYSEG. Circumstances beyond the utility's control should not cause it to incur payment responsibilities if its implementation efforts are satisfactory, but it failed to succeed due to forces beyond its

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<sup>6</sup> Rate Plan Order, Exh. 113 (Joint Proposal), §VII, pp. 41-46.

<sup>7</sup> A revenue adjustment metric is not needed for January 2003 because NYSEG expects to issue few single bills in that month, the first the RA Program is in effect.

control. A force majeure approach properly implements that principle.

The Commission orders:

1. The single bill metrics set forth in Appendix A to this Order are adopted.

2. This proceeding is continued.

By the Commission,

(SIGNED)

JANET HAND DEIXLER  
Secretary

NYSEG Single Bill Metrics  
November 6, 2002

Introduction

Staff and NYSEG agree that NYSEG has been an active and strong supporter of the Commission's efforts to move to an EDI environment for exchanging customer information between suppliers and the utility and has been an active participant in the PSC's EDI Collaborative. The Company and Staff anticipate that the use of EDI for consolidated billing will result in fewer errors and is the most efficient process. To that end, NYSEG has been aggressively readying its systems to become EDI compliant as soon as possible. NYSEG and Staff agree that this interim single bill solution is intended to be temporary until such time as EDI implementation for the utility bill ready solution is completed. NYSEG and Staff agree that each party will use its best efforts to ensure that the necessary EDI utility bill ready transaction and related test plans are in place no later than May 31, 2003.

NYSEG will implement the two metric-based service quality measures as described below. These metrics are consistent with the Order Establishing Procedures for Commencing the Retail Access Program ("the Order"), issued September 20, 2002 in this proceeding. Application of these metrics is limited to the matter set forth in the Order.

I. Timely Bill Issuance

A. ESCO Compensatory Payments

NYSEG will pay ESCOs for failure to issue a consolidated utility single bill in a timely manner once valid (EDI X12) machine-processable data has been received from the Supplier as follows:

0 to 3 Business Days	No penalty
4 to 7 Business Days	\$0.50 per bill
Over 7 Business Days	\$1.00 per bill if NYSEG still issues a single bill
	\$2.00 per bill if the Supplier elects to issue a bill for its charges

There is only one penalty per bill per cycle. The charges are not cumulative.

B. Customer Compensatory Payments

A customer will receive a \$10 bill credit and a bill message acknowledging the delay was attributable to NYSEG if the utility fails to issue to that customer the consolidated single bill within 7 business days after receiving valid (EDI X12) machine-processable data from the ESCO.

C. Ratepayer Revenue Adjustments

NYSEG will credit revenue adjustments to the Asset Sale Gain Account, for the benefit of all ratepayers, if monthly targets for timely bill issuance are missed, for the months February - May 2003, as follows:

<u>4 to 7 Business Days</u>	<u>Bills per Month</u>	
	0 to 500	\$0
	501 - 2000	\$ 4,800
	2001 - 5000	\$ 10,000
	5001 - 10000	\$ 60,000
	10000+	\$100,000
<u>Over 7 Business Days</u>	<u>Bills per Month</u>	
	0 - 500	\$0
	501 - 2000	\$ 16,000
	2001 - 5000	\$ 48,000
	5001 - 10000	\$120,000
	10000+	\$200,000

The revenue adjustments are not cumulative from period to period, so the adjustment to the Asset Sale Gain Account would be set at the greatest amount incurred under either schedule above, for a maximum credit to ratepayers of \$200,000 per month.

II. Timely Payment Remittance

A. ESCO Compensatory Payments

NYSEG will compensate ESCOs for failure to remit payment to them in a timely manner following receipt of payment in full from the customer, as described below. The payment

remittance period is measured from the date that NYSEG posts the payment to the customer's account to the date that NYSEG either mails or issues the payment electronically to the supplier. Partial customer payments will first be applied to utility charges, consistent with the Uniform Business Practices.

0 to 5 Business Days	No penalty
6 - 10 Business Days	.5% per month interest on the payment amount received from customers for remittance to ESCOs.
Over 10 Business Days	1.5% per month interest on the payment amount received from customers for remittance to ESCOs.

Term

The metric-based service quality measures, except for the ratepayer revenue adjustments, will become effective on January 1, 2003 and will terminate the later of 90 days after NYSEG completes Phase I EDI Utility Bill Ready testing or the end of the month in which NYSEG certifies it has completed Phase II EDI Utility Bill Ready testing. Phase I and Phase II EDI Utility Bill Ready testing shall be as specified in the Opinion and Order Approving EDI Data Standards and Data Protocols and Modifying the New York Uniform Business Practices for EDI Implementation issued July 23, 2001 in Case 98-M-0667 and reiterated in the Order Granting Petition for Rehearing to Revise Procedures issued August 23, 2002 in Case 98-M-0667.

The ratepayer revenue adjustments will become effective February 1, 2003, and will terminate at the earlier of May 31, 2003 or the otherwise-effective expiration of the metric-based service quality measures described above. In no event shall the term extend beyond May 31, 2003.

The total of all penalties, including the ESCO compensatory payment, the customer compensatory payment and the ratepayer revenue adjustment, shall not exceed \$1.4 million for the term of this agreement (January 1, 2003 through May 31, 2003) based on 10,000 customer bills per month and \$2 million in the event the number of customer bills exceeds 10,000 per month and all penalties shall terminate May 31, 2003.

Audit

NYSEG shall file a report, within 10 business days after the end of each month, setting forth the cumulative payment obligations it has incurred under each of the above categories that are applicable for that month. For all purposes under these metrics, a business day shall include the period up to NYSEG's official close of business hours on that day.

NYSEG shall make available to Staff all records necessary to verify the time of receipt of information from ESCOs on each charge, the time each ESCO charge is billed, the time payment of each ESCO charge is received, and the time payment of each ESCO charge is sent to the ESCO.

Force Majeure

- A. If the Company is rendered unable, wholly or in part, by Force Majeure, as hereinafter defined, to perform its obligations hereunder when, as and if due hereunder, it is agreed that the performance of the obligations of the Company, so far as they are affected by Force Majeure, shall be excused and suspended from the inception of any such inability until it is corrected, but for no longer period, and that the Company shall not be liable for any payments, credits or adjustments under the metrics contained herein if performance is excused and suspended by reason of Force Majeure. The Company shall give notice thereof to the Staff of the State of New York Department of Public Service as soon as practicable after the occurrence of the Force Majeure. Such notice may be given orally or in writing but, if given orally, it shall be promptly confirmed in writing, giving reasonably full particulars. Such inability shall be promptly corrected to the extent it may be corrected through the exercise of reasonable diligence by the Company.
  
- B. "Force Majeure" shall mean acts of God, including epidemics, landslides, lightning, earthquakes, hurricanes, storms, fires, explosions, floods, washouts and other similar unusual and severe natural calamities; acts of the public enemy, wars, blockades, insurrections, riots, civil disturbances, arrests, or governmental actions such as necessity for compliance with any court order, law, statute, ordinance or regulation promulgated by a governmental authority

having jurisdiction, and any other laws, orders, rules, regulations, acts, or restraints of any government or governmental authority, civil or military, which have the effect of prohibiting or substantially impairing performance of the Company's obligations hereunder; strikes, lockouts, or other labor disturbances; and any other cause or event, whether of the kind herein enumerated or otherwise not foreseeable or otherwise outside the control of the Company.

- C. Notwithstanding the foregoing, the Company shall not be required to settle a strike, lockout or other labor disturbance if it believes that such settlement would not be in the best interests of the Company.