

Thursday, October 23, 2014

## Pennsylvania market at risk is polar vortex effect returns

Pennsylvania saw residential power shopping rise well above 2 million in the space of just two years, but one of the market's biggest backers on the commonwealth's PUC, Commissioner James Cawley, told the NEM event in Baltimore yesterday the market is one more polar vortex event away from failure. The vortex events caused over 9,000 informal complaints to flood the PUC and caused the legislators in Pennsylvania to step back from further market-friendly reforms.

The big issue was customers on variable rates and the degree to which their retailers passed through the spiking wholesale prices to them. After the vortex events, some 80,000 customers returned to utility service though in the months since about 10,000 switched again to retailers, NEM President Craig Goodman said.

Many customers who went back to utility service ended up paying for the vortex twice because the utilities spread costs out to the summer, he added. This summer was mild, so the utilities had less use to spread those costs over, he noted.

"If we get another polar vortex [event], I fear for our whole program," said Cawley. "We did a lot of hustling... in order to quell the criticisms and concerns that we were getting from the legislature."

The vortex events were enough to eliminate a bill that would have ended default service in Pennsylvania starting next year. Utilities can come and ask the PUC to do that under existing laws in their own territories, but Cawley said the politics for that have to be right, too.

"I think default service is a crutch," Cawley said. "My consumer-advocate friends view it as an essential part of the deal back in 1996 when electric generation unbundling occurred.

**QUOTABLE:** But I still think it's a crutch.

As long as you allow customers to stay where they are, they're going to say well this is like insurance – this is like Medicare. I don't understand anything about it. I am going to stay right where I am. I am not going to make the effort. – *Pennsylvania PUC Commissioner James Cawley at an NEM event in Baltimore*

The polar vortex effect was felt across the eastern US, so the Maryland PSC has had to deal with its impacts as well, Maryland PUC Commissioner Lawrence Brenner said at the event. His commission saw 949 complaints in Q1 of this year – more than double those seen last year, he added.

The commission opened a proceeding to look into the winter's impact on utilities and retailers and one change that came out of it was quicker switch times using smart-meter capabilities, Brenner said.

District of Columbia PSC Chair Betty Anne Kane's comments focused on the two biggest things before her agency: The Exelon-Pepco merger and major upgrades to the power and natural gas distribution systems in DC. The DC PSC's process on the merger will have it coming out with a decision next year and Kane noted its impact on the competitive market is one of the areas to be examined in the case.

An effort to "underground" power lines in the city and install new gas pipes would not impact retailers directly, but Kane noted they will amount to new fees for consumers.

Residential consumers are insulated from the undergrounding as they are subsidized, but large customers who make up most of DC's load and its shoppers will be hit with much higher bills due to the effort. Retailers should keep that in mind in doing business in DC, Kane warned.