

**Case 07-E-0523 – Report regarding expansion of the ESCO referral program for new service customers**

**Introduction**

As part of the Commission's March 25, 2008 order in Case 07-E-0523, Consolidated Edison Company of New York (the "Company") was directed to file a report with the PSC staff and interested parties describing whether it is feasible to expand the Company's ESCO referral program to persons who contact the Company for new service. The following is the Company's report. The report includes a description of the current ESCO referral program, a proposed process for expansion of the program, a cost recovery proposal and a timetable for implementation. The report also addresses whether the expansion of the ESCO referral program for persons who contact the Company for new service presents an impediment to the timely provision of service to residential and non-residential applicants required by §11.3 (4) and §13.2(a)(1), respectively, of the Commission's regulations.

**Description of the Company's ESCO Referral Program**

The Company's ESCO referral program is called *PowerMove*. The *PowerMove* program was implemented in accordance with the guidelines of the "ESCO Contract" approach as described in Case 05-M-0858. *PowerMove* offers eligible customers the opportunity to receive a 7% discount off the Company's price for energy supply for a period of 65 calendar days (the introductory period) when they enroll with an ESCO. Eligible customers are residential or small non-residential electric customers and all firm service gas customers. In addition, eligible customers must currently be taking supply service from Con Edison and must not be pending enrollment with an ESCO at the time of the *PowerMove* enrollment request. The customer also must not have previously participated in *PowerMove*.

Customers can enroll in *PowerMove* through various methods. Customers can visit the Company's Coned.com or PowerYourWay.com websites, call a toll free number and use a self-service automated enrollment procedure, or contact the Company and

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speaking with a representative. When enrolling, customers can choose their own ESCO or have the Company randomly assign one. Within two business days of a successful enrollment, the Company sends the customer a letter that confirms the enrollment and the selected or assigned ESCO. Additionally, the Company sends an Electronic Data Interchange (EDI) transaction in the form of an 814 Enrollment Response to the ESCO. Thirty days prior to the expiration of the introductory period, the ESCO must provide the customer with a contract, previously approved by PSC Staff, governing the post-introductory period. A customer can request to rescind the *PowerMove* enrollment up to 3 business days prior to the *PowerMove* enrollment effective date and can cancel the enrollment and return to the Company for supply at any time within the introductory period without an ESCO early termination penalty.

All customers enrolled in the Company's *PowerMove* program receive a utility consolidated bill containing delivery charges from the Company and supply charges from the ESCO. Bills for service during the initial 65-day introductory period contain a special bill message informing the customer that the supply charges on the bill include a 7% discount off the Company's price for supply.

The *PowerMove* program was implemented for electric services on June 6, 2006 and August 7, 2006 for gas services. Since implementation, 85,000 customers have enrolled with an ESCO through the *PowerMove* program. There are currently 20 ESCOs participating in the *PowerMove* program.

**Expansion of the PowerMove Program to New Service Customers**

The Company has reviewed the feasibility of expanding its current *PowerMove* program to include new customers, and has determined that it is feasible. The Company proposes to offer customers initiating service the opportunity to enroll in the existing *PowerMove* program by modifying its existing new service initiation process.

To initiate service at Con Edison, persons desiring service generally contact the Company by calling the toll-free customer service telephone number. When a person calls, a Customer Service Representative (CSR) requests the information necessary to

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initiate service for the applicant. The CSR also offers the applicant the option to enroll in services such as electronic payment. The Company proposes that, as part of the options offered to an applicant at turn on, eligible customers be asked to choose a company to provide their electric or gas supply. During the telephone conversation, the CSR will explain that the applicant has the option of receiving supply service from an ESCO by enrolling with an ESCO through the *PowerMove* program or receiving supply service from Con Edison. The Company plans to make this request to residential and small non-residential electric service applicants and all firm service gas service applicants in connection with initiating service, with the exception of retroactive service initiations<sup>1</sup> with an effective date for the service more than 10 calendar days before the date of the call.

When a new customer enrolls their electric service in the *PowerMove* program, the effective date of electric service with the ESCO will be the effective date of the service initiation. Because retail access gas service starts on the first calendar day of a month, when a new gas customer enrolls in the *PowerMove* program, the effective date of gas service with the ESCO will be the first day of the next month, or the first day of the month following based on the date the new service order is processed. A new gas customer's initial gas bill will include supply charges from Con Edison.

As described above, when a customer enrolls in *PowerMove*, within two business days the Company sends the ESCO an EDI notification and the customer a letter confirming the enrollment. Currently the EDI notification and customer letter are sent at least 15 days before the effective date of enrollment with the ESCO in accordance with the *Uniform Business Practices for Retail Access* (UBP). This notice period allows the customer the opportunity to rescind the enrollment with the ESCO before the enrollment becomes effective. For new service customer enrollments in *PowerMove*, the EDI enrollment notification and customer letter will be sent the day the new service request is processed. As a result of this, new service customers enrolling their electric service in *PowerMove* would not have a notice period or the opportunity to rescind their enrollment with the ESCO before the effective date of enrollment. The Company would request a

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<sup>1</sup> Applications for service are sometimes made after the person has begun using the Company's service. These are considered "retroactive" service initiations.

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waiver of the UBP rules providing customers a notice period and the ability to rescind their enrollment. Alternatively, the UBP could be modified to incorporate new-service specific enrollment and customer notice procedures. New service customers enrolling their gas service in *PowerMove* will have the standard 15-day notice period. All new service customers who enroll in the *PowerMove* program will also have the opportunity to return to the Company for supply upon request after the enrollment with the ESCO has become effective.

**Compliance with regulations on service initiation**

In this report, the Company proposes to offer persons initiating service the opportunity to enroll in the existing *PowerMove* program by modifying its existing new service initiation process. The existing service initiation process for all Con Edison customers is designed to accomplish the timely provision of service consistent with Home Energy Fair Practices Act (HEFPA) and non-residential service regulations. The Company does not propose any additional steps in the service initiation process beyond those described in this report, which might present an impediment to the Company's timely provision of service.

**Implementation Costs and Ongoing Costs**

In order to expand the current *PowerMove* program to new customers the Company will incur implementation and ongoing operations and maintenance costs. Implementation costs include system development costs associated with modifications to the Company's Customer Service System (CSS), Retail Access Information System (RAIS) and Transportation Customer Information System (TCIS) to accommodate the proposed program expansion. The Company estimates that implementation costs associated with these modifications to the CSS, RAIS, and TCIS systems would total \$101,715. Details of the system development costs are provided in **Appendix A** of this

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report. Additional implementation costs include the hiring, training, and equipment for five new CSRs required for maintaining PSC-mandated customer service levels, while accounting for the average 1.4 minutes of increased time of each service initiation call during which the *PowerMove* program would be offered. The Company estimates that costs associated with hiring, training and equipment would total \$66,047. Details of the costs associated with hiring, training, and equipment of the required employees are provided in **Appendix B** of this report.

Ongoing operations and maintenance costs associated with expansion of the *PowerMove* program include the cost of five Customer Service Representatives. In addition, ongoing costs include the training of existing customer service staff on an appropriate and effective method of offering applicants the ability to enroll with an ESCO through the *PowerMove* program. The Company estimates that ongoing operations and maintenance costs would total \$310,274. Details of the ongoing operations and maintenance costs are provided in **Appendix C** of this report.

**Cost Recovery**

The Company proposes that expansion of the *PowerMove* program to new service customers be funded by the ESCOs participating in the program. The Company proposes that one time implementation costs be divided evenly among the ESCOs participating in the program at the time of implementation. Total implementation costs are estimated to be \$167,762. Currently 20 ESCOs participate in the *PowerMove* program. Therefore, each ESCO would be assessed an estimated charge of \$8,388 associated with implementation costs. The Company also proposes to evenly divide ongoing operations and maintenance costs among the ESCOs participating in the *PowerMove* program. Ongoing operations and maintenance costs are estimated to be \$310,274. Therefore, the Company estimates that each of the 20 ESCOs participating in the program would be assessed a charge of \$15,514 associated with ongoing operations and maintenance costs.

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Ongoing operations and maintenance costs would be evaluated each year and will consist of an estimate of costs for the following year and a true-up for the difference between the past year's actual and estimated costs. Annual ongoing charges would be assessed to ESCOs on January 1<sup>st</sup> of each year.

The Company would require new ESCOs who want to participate in the *PowerMove* program to pay a one time fee equal to the amount paid by the initial ESCO participants for implementation costs. This one time fee ensures that new ESCOs joining the Company's *PowerMove* program do not benefit from the implementation of *PowerMove* for new service customers funded by other ESCOs. In addition to the one time fee, new ESCOs who join the *PowerMove* program would be assessed a charge for ongoing operations and maintenance costs, which would be prorated based on number of months remaining in the year they join the program. The initial fee and the first year ongoing operations and maintenance charges collected from new ESCOs who join *PowerMove* would be used to offset ongoing operations and maintenance costs in the following year for all ESCOs.

The Company would require that all current and new ESCOs participating in the *PowerMove* program accept new service customer enrollments and pay their portion of the implementation and ongoing operations and maintenances costs as described in this report. All charges to ESCOs would be deducted from ESCOs' monthly Purchase of Receivables disbursement.

**Timetable**

The Company estimates that it would require seven months to implement an expansion of the *PowerMove* program to new service customers. The Company would require full agreement regarding the process to be implemented and an expression of intent to participate from all ESCOs participating in the *PowerMove* program prior to proceeding with any implementation tasks.

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**APPENDIX A**

**Detail of System Development Costs Associated with Expansion of the PowerMove Program to New Service Customers.**

<b>Modification</b>	<b>Cost</b>
Modifications to CSS to record PowerMove offer acceptance or rejection by applicant for service.	\$19,006
Modifications to RAIS and TCIS to process new service PowerMove enrollments and set the appropriate effective date with ESCO.	\$21,312
Modifications to the CSR desktop to determine when to offer PowerMove, provide script, and list of participating ESCOs.	\$35,796
Comprehensive testing of all modifications	\$25,600
<b>Total System Development Implementation Costs</b>	<b>\$101,715</b>

**APPENDIX B**

**Detail of Costs Associated with Hiring, Training, and Equipment for New Employees Required for Expansion of the PowerMove Program to New Service Customers.**

<b>Training</b>	<b>Cost</b>
One training instructor @ \$1,730 per week for 9 weeks	\$19,930
Standard 9 weeks training for 5 CSRS	\$34,560
<b>Total Training Costs</b>	<b>\$54,490</b>

<b>Equipment</b>	<b>Cost</b>
5 new computers for 5 CSRS	\$10,769
5 new telephone headsets for 5 CSRS	\$788
<b>Total Equipment Costs</b>	<b>\$11,557</b>

**Total Training and Equipment Implementation Costs = \$66,047**



**APPENDIX C**

**Detail of Ongoing Operations and Maintenance Costs Associated with Expansion of the PowerMove Program to New Service Customers.**

<b>Ongoing Operations and Maintenance Costs</b>	<b>Cost</b>
Total Annual cost of 5 new CSRS ( $\$56,320 * 5$ )	\$281,600
Training of 531 existing CSRs (2 hours * \$27 per hour * 531 CSRs)	\$28,674
<b>Total Ongoing Operations and Maintenance Costs</b>	<b>\$310,274</b>