



National Energy Marketers Association

To: NEM Members

Re: Proposed Expansion of ConEd's Marketer Referral Program – Technical Conference

Date: July 31, 2008

A technical conference was held at the Commission's Albany offices on July 30th on ConEd's proposed expansion of its marketer referral program, PowerMove, to include new service customers.

Program Details

ConEd gave a general outline of the program expansion. Terms include:

- Approximately 330,000 customers will be offered the program (gas & electric).
- The new service program will NOT be offered to customers with retroactive service initiation. However, those customers can still participate in PowerMove via the current program methods.
- Eligible electric customers include residential and small non-residential customers.
- Eligible gas customers include all firm service gas customers. This is the way it is handled in the current program and reflects the fact that small and large commercial customers currently comprise one commercial class and the decision to avoid having to define small versus large commercial customers.
- The timing of enrollment of gas customers will be different than that for electric customers reflective of ConEd's procedure of a 15th day cut off for gas customer enrollments.
- With respect to the random assignment process for customers, ConEd maintains round robin lists of dual commodity marketers, gas marketers and electric marketers. Single commodity marketers will not be assigned dual service customers. PSC Staff asked for statistics on dual service, gas-only and electric-only customer participation in the program to better permit single commodity marketers to evaluate the merits of participation in the program.
- Each account number (as opposed to customer) is allowed to participate in the program once per commodity service.
- For customers that want to affirmatively choose an ESCO (as opposed to random assignment) but do not have a particular ESCO in mind at the time of the call, the customer will be referred to the website or a brochure rather than having the CSR read a list of all participating marketers
- ConEd wants marketer input on the script for the CSRs

Notable facts about ConEd's retail choice program:

- Currently, under PowerMove, ConEd estimates that approximately 45% of customers affirmatively choose an ESCO with the remainder being randomly assigned (ConEd offered to provide details of the statistics).
- ConEd processes between 25,000 and 30,000 switches per month. Of those, there are about 600 alleged account slams per month. PSC Staff stated that of those alleged slams, for most instances, it has not substantiated a slam occurred (through its review of enrollment recordings etc.)

Cost Recovery

With respect to its cost recovery proposal, ConEd did a small study of the time involved on customer calls to implement the program to arrive at its cost estimates.

- Of its 400,000 orders for new service, 328,000 would be eligible for the program (excludes retroactive service initiation).
- Examined the incremental time of the call
 - Additional 1.1 minutes for customers declining the program (84% of calls in study)
 - Additional 2.3 minutes for customers accepting the program (16% of calls in study)
 - Amounts to average incremental added time of 1.4 minutes, which ConEd says translates into 5 new CSRs
- Estimated implementation cost of \$101,000
- Estimated on-going cost of \$310,000 – this would be revised annually

Issues identified:

- The CSR time spent informing customers of the choices available to them should not be billed to marketers because the information discussed is in the nature of a “social good.”
- Current referral program implementation costs were borne by ratepayers.
- Should there be a differentiation between implementation costs that will facilitate providing the general body of ratepayers with “institutional” information (and borne by ratepayers) versus incremental costs (borne by marketers)?
- Implication in ConEd's cost study that there is no slack time for existing ConEd CSRs.
- The 5 new CSRs would not be tasked exclusively with handling the referral program.
- Through its cost recovery mechanism, ConEd would be charging ESCOs for customers accepting AND declining the program.

With respect to its ESCO cost-sharing proposal, ConEd designed it in that way so that initial ESCOs participating in the program would not disproportionately bear the costs. ConEd wants unanimous ESCO buy-in to the terms of the program. ConEd noted that so long as it gets cost recovery, it is not wedded to a particular funding source.

The current POR discount rate recovers for uncollectible bills, a risk factor, an administrative cost for ConEd's operation of the POR program, and credit and collection costs for the supply piece of the bill. Charges for the referral program would be deducted from marketers' monthly POR disbursement.

Consumer Group Concerns

- Should the referral program be expanded without an evaluation of slamming under the current program? PSC Staff noted that a Commission decision on UBP marketing standards is expected soon with respect to this concern.
- There is a concern that consumers are not receiving marketer agreements and being held in the referral program. Consumer reps. asked how contracts are executed with customers and what happened if a customer did not act on the contract. It was noted that, pursuant to Commission Order on the functioning of referral programs, that such customers remain an ESCO customer. It was also noted that a customer can return to utility service at any time during the introductory period.
- Consumer reps. suggested that an alternative approach would be to have the ESCO initiate the service on the customer's behalf with the utility. ConEd's initial reaction was that this would be permissible under the UBP. However, right now, the customer, and not the ESCO, must contact ConEd to enroll in PowerMove.