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**Energy Rules Stakeholder
Meeting and Workshop**
**Arizona Corporation
Commission**
July 30, 2019
Docket No. RE-00000A-18-0405



Energy Rules Stakeholder Meeting and Workshop

Who is the National Energy Marketers Association (NEM)?

A non-profit trade association representing leading suppliers and major consumers of natural gas and electricity throughout the U.S., Canada and the European Union.

NEM Membership:

- IPPs, suppliers of distributed generation, energy brokers, power traders, global commodity exchanges and clearing solutions, demand side and load management firms, direct marketing organizations, billing, back office, customer service and related information technology providers
- Inventors, patent holders, systems integrators, and developers of advanced metering, solar fuel cell, lighting and power line technologies



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Who is the National Energy Marketers Association (NEM)?

- Originally founded in Washington, DC
- Opened West Coast office in Sparks, Nevada in 2017
- NEM is celebrating its 22nd anniversary this year

NEM Executive Staff

- Craig Goodman, President & CEO, NEM
- Stacey Rantala, Executive Director, Regulatory Services
- Catalina Aguilar, Executive Director, Member Services



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NEM filed comments in the Docket on July 11th

NEM Recommendations respond to:

- 1) Staff's proposed revisions to retail electric competition rules; AND**
- 2) Chairman Burns May 3rd letter requesting that stakeholders describe "what they believe retail competition *should* look like in Arizona," in other words their vision of an ideal retail market.**



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1) All Customers Should Be Eligible to Shop for Electricity

- Residential customers should be able to shop as a result of an individual purchasing decision, not just through an aggregation
- An aggregation program should be structured in a manner that does not restrict/impede individual purchasing decisions



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2) A Firm Commencement Date for Retail Electric Competition Should Be Established

- Leverage best practices of current retail choice jurisdictions to speed implementation
- Leverage retail supplier expertise and technological capability amassed over 20 years of service to customers in other states
- Establishing a firm date permits competitive entities to make resource investment decisions and product development decisions
- The ability to effectuate/implement many rule provisions is dependent upon first establishing a commencement date for competition



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3) Utilities Should Exit the Commodity Merchant Function and Focus Resources on Maintaining and Upgrading Reliable Delivery Infrastructure

- Competitive suppliers should be providers of electricity and energy-related products, services, information and technologies
- Competitive suppliers should perform the role of the Provider of Last Resort (POLR)
- Texas, the leading restructured electric market, made the wise choice for utilities to exit the commodity merchant function. Texas consumers have benefitted from robust choice options from multiple suppliers.



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4) Unbundling of Delivery Service Rates is Critical to the Proper Functioning of the Retail Electric Marketplace

- Unbundling delivery service rates and proper allocation of commodity and commodity-related costs to default pricing is necessary to allow consumers to accurately compare competitive offers and provides needed price transparency
- Default commodity rates should not be a mere pass through of wholesale energy costs, should be the “fully loaded” cost of providing the service



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5) Standard Offer Service Rates Should Reflect Current Market-Based Pricing Conditions

- The frequency of Standard of Service (SOS) pricing should be differentiated by customer class
 - Example – SOS pricing for large C&I customers who can be billed hourly could be based on hourly, time of day commodity rate
 - Example – For residential and small commercial customers, SOS pricing could be a monthly-adjusted, market-based commodity rate



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6) Supplier Tariff Filing Requirements Should Be Flexible to Accommodate Product Innovation

- The rules can be designed in a manner that complies with legal precedent
- The rules related to supplier tariff filings should be developed to accomplish dual purposes:
 - Providing consumers with price transparency; AND
 - Retaining flexibility for competitive suppliers to respond to dynamically changing market conditions to offer different pricing plans and customized products to consumers



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7) The Proposed Rules Should Reflect Current Day Best Practices and Technological Innovations

- Since the retail competition rules were adopted 20 years ago, best practices in retail choice markets have emerged that can be used to update the rules, as appropriate

Examples:

- Rule requirement for “written authorization” to enroll a customer is outdated. Allow electronic and telephonic enrollment as well.
- Rules should provide for consolidated billing option (consumers prefer single bill)
- Rules should establish an expeditious customer switching timeframe. The best practice established in other states is a three-business day switching rule.



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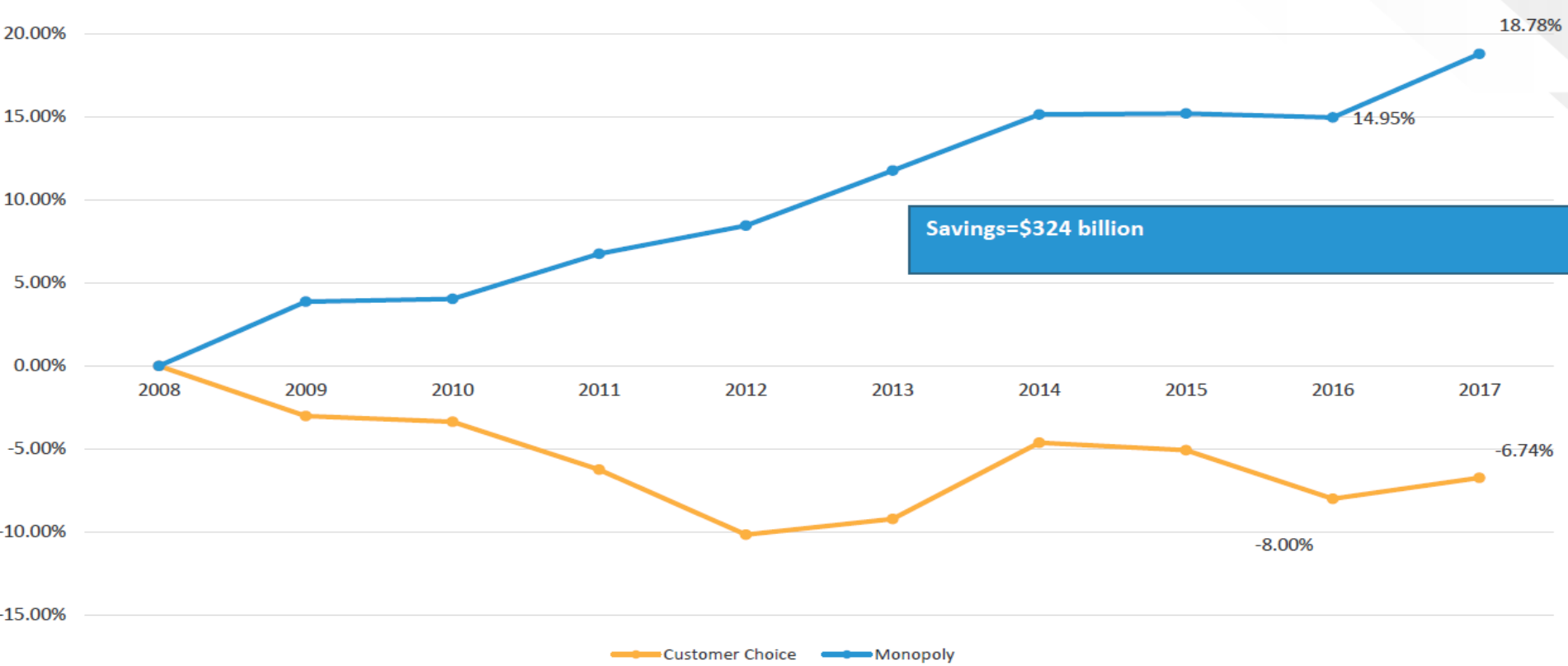
7) The Proposed Rules Should Reflect Current Day Best Practices and Technological Innovations - continued

- Technological innovations over the past 20 years in data exchange, billing processes, and metering technology should be incorporated into the rules
- A prerequisite for the energy products and services that consumers are demanding today is the timely availability of granular customer data to the customer's provider of choice



Benefits of Retail Electric Competition – U.S. Savings

All Sector Weighted Average Price Change by Percentage, 2008-2017



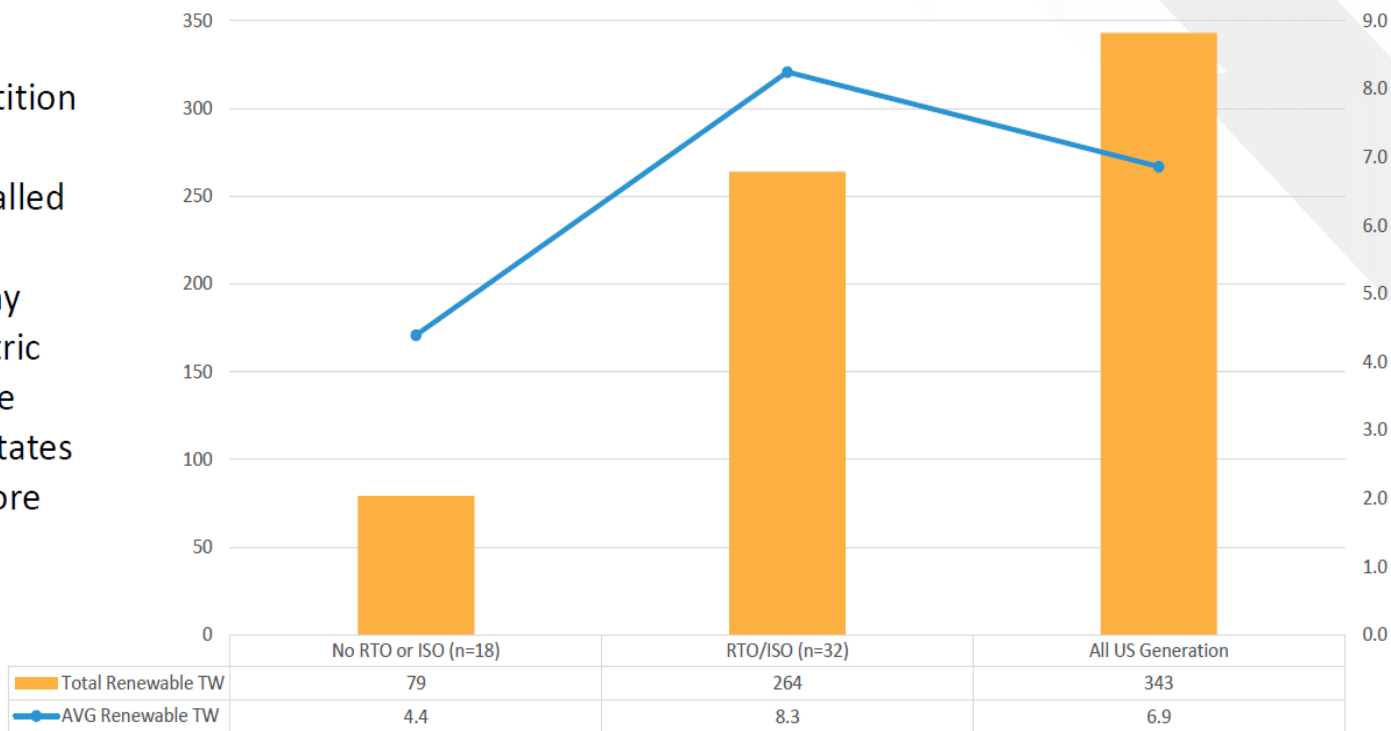
Source: Study of The Perryman Group, commissioned by Florida Energy Freedom



Benefits of Retail Electric Competition – U.S. Renewable Generation

Renewable Generation: Markets vs Monopolies

- ✓ States with electric competition have a greater amount of renewable generation installed
- ✓ There are 1.8 times as many states with wholesale electric markets as non-competitive states, but the wholesale states have installed 3.4 times more renewable generation



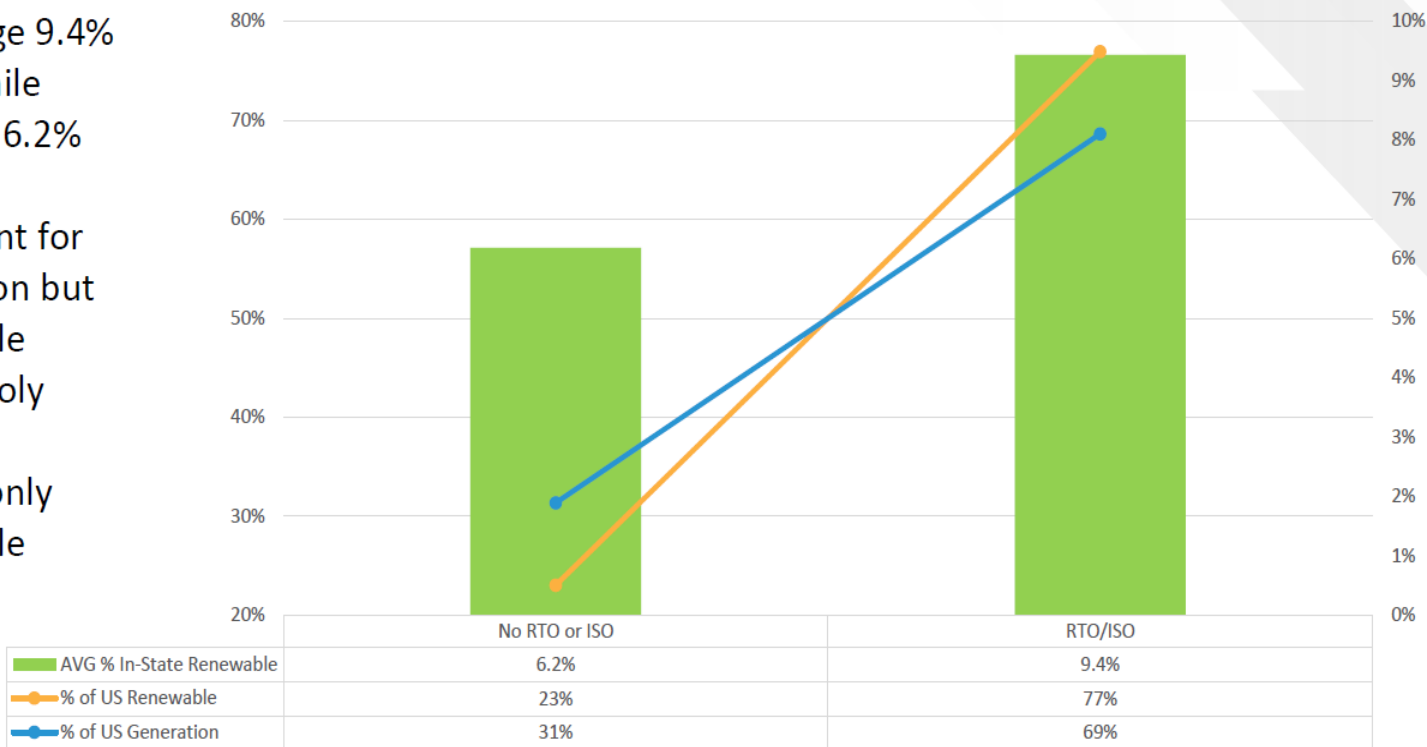
Source: Florida Energy Freedom from data compiled by Energy Information Administration, Electric Power Monthly, February 2017.



Benefits of Retail Electric Competition – U.S. Renewable Generation

Renewable Generation: Markets vs Monopolies

- ✓ Competitive states average 9.4% renewable generation while monopoly states average 6.2%
- ✓ Competitive states account for 69% of installed generation but 79% of installed renewable generation, while monopoly states account for 31% of installed generation but only 23% of installed renewable generation





Texas - Number of REPs and Products Serving Residential Customers, September 2018*

| Utility Service Territory | Residential Suppliers | Number of Products |
|---------------------------|-----------------------|--------------------|
| AEP Central | 48 | 282 |
| AEP North | 24 | 237 |
| CenterPoint | 51 | 305 |
| Oncor | 50 | 311 |
| TNMP | 42 | 247 |

* PUCT Report, 2019 Scope of Competition in Electric Markets in Texas, page 2.



Texas Inflation-Adjusted Comparison of Regulated and Competitive Rates (2019)*

| TDU | 2001 Last Regulated Rate Adjusted for Inflation (cents/kWh) | Dec. 2018 Lowest Fixed Price for 12 Month Plan (cents/kWh) | Dec. 2018 Average Fixed Price Offer 12 Month Plan (cents/kWh) | Dec. 2018 Lowest Offer Available (cents/kWh) |
|---------------------|--------------------------------------------------------------------|-------------------------------------------------------------------|----------------------------------------------------------------------|-----------------------------------------------------|
| AEP Central | 13.1 | 6.3 | 12.5 | 6.1 |
| AEP North | 13.6 | 5.9 | 12.1 | 5.5 |
| Center Point | 14.4 | 5.6 | 11.9 | 5.5 |
| Oncor | 13.2 | 4.5 | 11.1 | 4.5 |
| TNMP | 14.4 | 6.2 | 12.1 | 5.8 |

* PUCT Report, 2019 Scope of Competition in Electric Markets in Texas, page 3; Association of Electric Companies in Texas, The Retail Electric Market in ERCOT, 2019.



Texas Inflation-Adjusted Comparison of Regulated and Competitive Rates (2017 Report)*

| TDU | Last Regulated Rate (2001) cents/kWh | Last Regulated Rate Adjusted for Inflation | Current Lowest Fixed Price | Percentage Change |
|---------------------|---------------------------------------------|---------------------------------------------------|-----------------------------------|--------------------------|
| AEP Central | 9.6 | 13.1 | 5.6 | -57.25% |
| AEP North | 10.0 | 13.6 | 5.0 | -63.24% |
| Center Point | 10.4 | 14.1 | 5.4 | -61.7% |
| Oncor | 9.7 | 13.2 | 4.5 | -65.91% |
| TNMP | 10.6 | 14.4 | 5.0 | -65.28% |

* Project 45635, Draft PUCT Report, 2017 Scope of Competition in Electric Markets in Texas, page 5.



Texas Inflation-Adjusted Comparison of Regulated and Competitive Rates (2015 Report)*

| TDU | Current Price (cents/kWh) | REP | Last Regulated Rate (2001) | % Change | Inflation-Adjusted 2001 Regulated Rate | Inflation-Adjusted %Change |
|--------------|----------------------------------|------------------------|-----------------------------------|-----------------|-----------------------------------------------|-----------------------------------|
| AEP Central | 8.75 | American Light & Power | 9.60 | -9% | 12.89 | -32% |
| AEP North | 8.75 | American Light & Power | 10.00 | -13% | 13.43 | -35% |
| Center Point | 8.60 | Spark Energy | 10.40 | -17% | 13.97 | -38% |
| Oncor | 7.73 | American Light & Power | 9.70 | -20% | 13.03 | -41% |
| TNMP | 8.30 | Gexa Energy | 10.60 | -22% | 14.24 | -42% |

* PUCT Report, 2015 Scope of Competition in Electric Markets in Texas, page 5.