NATIONAL ENERGY MARKETERS ASSOCIATION

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The Honorable Kristi Izzo
Secretary
State of New Jersey
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Trenton, NJ 08625-0350
Via Fedex and Email: energy.comments@bpu.state.nj.us

Re: Board Staff's Utility Consolidated Billing/Purchase of Receivables Proposal

Dear Secretary Izzo:

The National Energy Marketers Association (NEM)[1] hereby submits reply comments to the initial stakeholder submissions on the Board Staff's Utility Consolidated Billing/Purchase of Receivables (UCB/POR) Proposal pursuant to the Notice of Opportunity to Comment. Under Staff's Proposal, both electric and natural gas consumers would be required to receive dual billing when they are 120 days in arrears; customers would be eligible for utility consolidated billing if they are not 90 days or more in arrears; utilities would be required to provide suppliers with timely arrearage reports; and utilities would have to provide suppliers with forty five days notice of intent to drop a customer. While recognizing Staff's efforts to devise a proposal to improve upon the current New Jersey POR model, in NEM's initial comments we urged the

[1] NEM is a non-profit trade association representing both leading suppliers and major consumers of natural gas and electricity as well as energy-related products, services, information and advanced technologies throughout the United States, Canada and the European Union. NEM's membership includes independent power producers, 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. NEM members also include inventors, patent holders, systems integrators, and developers of advanced metering, solar, fuel cell, lighting and power line technologies.

Board to require all utilities to offer a properly functioning traditional POR program and eliminate both the recourse and dual billing requirements that have been appended to the New Jersey POR construct to the detriment of consumers, that has hindered retail market development in the State, and that has imposed this costly, complicated and unnecessary duplicative billing and collection structure on the marketplace. All of the competitive suppliers submitting comments resoundingly supported the implementation of a traditional POR program as the preferential model for Board adoption.

The utilities and Division of Rate Counsel comments raised objections to Staff's proposals arguing POR would increase utility costs and risks. However, NEM submits that the Division of Rate Counsel's objections to Staff's proposal are founded on a misunderstanding of the functioning and purpose of the POR discount rate. The utilities also objected to Staff's proposals because of the time, expense and operational requirements associated with implementation of Staff's proposed changes. However, as more fully explained below and in NEM's initial comments, the objections raised by these parties in fact argue in favor of Board adoption[2] and utility implementation of a properly functioning traditional, POR program, without recourse and forced dual billing.

<u>Utilities Are Not At Increased Risk in Traditional POR Programs</u>

The utility parties filing comments and the Division of Rate Counsel expressed concern with elements of the Staff's Proposal but on far different grounds. First, the utilities and Rate Counsel raise objections to Staff's proposed changes erroneously arguing that the extension of POR to

[2] The Board has the authority under EDECA to define the "manner and mechanics" by which consumers receive "customer account services" in the retail energy marketplace, including the statewide implementation of nonrecourse POR programs. N.J.S.A. Section 48:3-54.a. and Section 48:3-54.b. In addition, the Board has ample

additional consumers would increase uncollectible expense and risk to the utility. To be clear, in a traditional POR program, participating suppliers are charged a discount rate that compensates the utility for uncollectibles as well as prudent and verifiable incremental costs incurred by the utility in implementing and administering the POR program.[3] The utility faces no additional risk and its uncollectible experience should not be altered through the implementation of traditional POR. Indeed, this is the same overall population of customers that the utility was serving before. A consumer's payment status does not become worse by virtue of choosing a competitive supplier. In fact, a competitive product may permit a consumer to better control its energy costs/budget and be in a *better* position to pay or pay timely.

NEM would submit that providing consumers greater energy choices, products, or payment terms does not somehow turn otherwise good-paying customers into bad debt or credit-challenged customers. However, logic might strongly suggest that consumers who know that failure to pay a utility bill may result in their electricity being turned off, may be less vigilant about paying a second bill from a non-utility supplier that has no power to disconnect service. Indeed, eliminating the recourse and dual billing requirements would not only simplify the utility billing and collection system but may even lower the bad debt risks of non-paying customers.

NEM members report that the discount rate implemented by utilities in other traditional POR jurisdictions is typically at or around 1%, and as stated above compensates the utility for uncollectibles experience and implementation costs. The New Jersey utilities have not yet unbundled uncollectible expense from their delivery rates. That being the case, if the discount rate were structured to include uncollectibles expense, then consumers would unfairly be

general statutory authority to protect the public interest and to protect consumers from incurring duplicative billing costs unnecessarily, and to take action to correct defects inherent in the current utility billing mechanics.

required to pay that cost twice,[4] if charged to suppliers in the discount rate and it remained bundled in delivery rates.

The Cost and Resources Associated with Implementing Staff's Proposals Would be Avoided Through Implementation of Traditional POR

The utilities also objected to Staff's proposals to change customer eligibility for UCB and drop to dual billing after 120 days, and to require monthly arrearage reports and forty five days notice of intent to drop a customer, as it would require time and cost to implement and would be administratively burdensome to comply with for the utility. NEM submits that the utilities' arguments against Staff's Proposal of time and expense to implement belies the fundamental problem inherent in the current New Jersey POR model and highlights the cost-effectiveness, administrative simplicity and fairness of a properly functioning traditional POR program that maximizes the value of the legacy utility billing and collection infrastructure that has already been paid for by consumers in their delivery rates. All of the tracking and reporting of customer arrears experience, all of the customer switching back and forth between competitive supplier and BGS service when they are between 90 and 120 days in arrears, as well as the multiple billing systems to accommodate full service utility customers, UCB customers, and customers dropped to dual billing would be completely eliminated if a properly functioning traditional POR model were put in place. These costs are a significant burden on all of the stakeholders. However, they harm low income and payment-challenged consumers the most, as they disproportionately bear the added costs, discrimination and other negative consequences of being returned to utility service to avoid dual billing and prevented from shopping for energy options that can better help them budget for their energy needs.

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[3] An alternative method of utility remuneration in traditional POR programs is the use of a bad debt tracker rather than a discount rate mechanism.

Finally, and perhaps most tellingly, both NJNG and RECO detail in their comments that they currently do not drop customers to dual billing in their POR models. Accordingly, the dual billing and consolidated billing eligibility rule changes that are proposed are inapplicable and the arrearage reporting is rendered unnecessary in their systems. Moreover, both NJNG and RECO that currently provide the traditional POR program, expressed no intent or reason to change the model that is working well for them, consumers and suppliers.

Conclusion

NEM urges that the Board adopt a traditional, successfully-proven traditional POR program without either the recourse or dual billing requirements.

Respectfully submitted,

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[4] The utilities would also be permitted a double recovery of uncollectibles cost.