

DYKEMA GOSSETT • A PROFESSIONAL LIMITED LIABILITY COMPANY • 800 MICHIGAN NATIONAL TOWER • LANSING, MICHIGAN 48933-1707

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter, on the Commission’s own motion,)
to consider the restructuring of the electric utility)
industry.)
_____)
Case No. U-11290

COMMENTS
OF
DTE EDISON AMERICA, INC.

Pursuant to the Michigan Public Service Commission’s (“Commission”) March 8, 1999 order in the above referenced docket, on October 20, 1999, the Commission Staff filed its report entitled *Staff Report on Bidding Cycle One - Open Access Bidding Report: Results and Recommendations From the First Bid Cycle* (“Staff Report”). On October 28, 1999, the Commission issued its Scheduling Order directing that comments on the Staff Report be filed by November 18, 1999.

The following comments are respectfully submitted by DTE Edison America, Inc. (“DTE Edison America”). DTE Edison America is a Michigan corporation located at 101 North Main Street, Ann Arbor, Michigan 48104. DTE Edison America’s parent company is DTE Energy which is a Michigan corporation headquartered at 2000 Second Avenue, Detroit, Michigan 48226. DTE Edison America is a retail energy company that serves *residential and small business* customers in deregulated energy markets.

A significant part of the Staff Report’s focus was on the relatively low interest in customer choice exhibited in the first cycle in bids for *residential and small business* customer load. In part, these comments will address this area. Specifically, these comments will address the following:

- ₁ Potential explanations for the relatively low interest exhibited by *residential and small business* customer load.
- ₂ Necessary clarification on bid forfeiture procedures;

Potential explanations for the relatively low interest exhibited by bids for residential and small business customer load - As indicated above, DTE Edison America's charge is to serve *residential and small business* customers in deregulated energy markets. It successfully serves residential and small business customers in Pennsylvania, and is licensed and operating in New Jersey. The Staff Report would lead one to conclude that residential and small business customers will come along as they learn more about the program. DTE Edison America suggests that the present program and the rules in place discourage participation by marketers/aggregators for residential and small business customers. Other reasons for the lack of marketer/aggregator participation in Michigan include high transactional costs and confusion/uncertainty by both customers and marketers.

The need to incorporate "shopping credits" or "price to compare" - States with successful residential and small commercial markets have created "*shopping credits*" or "*price to compare*".

^{1/} The shopping credit format used in other states sets a benchmark which is more easily understood by residential and small business customers. From DTE Edison America's experience, the shopping credit is the most critical element in creating a competitive energy market. From the marketer's perspective, the shopping credit provides a competitive bogey to compete against. From the

^{1/} In Pennsylvania, the shopping credit is called the "price to compare."

consumer’s perspective, the shopping credit provides a simple format to compare competitive offers from market participants versus staying with the incumbent utility.

Properly designed shopping credits are a reflection or approximation of the fully delivered retail cost of generation when a customer’s electric bill is unbundled. To provide a valid comparison to utility generation charges, the shopping credit must reflect the “whole” cost of generation, including energy, capacity, transmission (if applicable in a particular state or market), reactive power and voltage control, frequency regulation, spinning and supplemental reserves, and other operating costs.

Simply stated, the shopping credit is the benchmark that consumers use to compare and evaluate generation service offers from alternative generation suppliers. It is the price suppliers must beat to provide savings to customers. A price lower than the shopping credit will provide savings to customers in addition to any mandated rate reductions.

Under the Michigan bid process, the customer is ill-equipped and easily confused when confronted with a complex decision. The shopping credit minimizes confusion and sets an identifiable benchmark for both the marketer and the consumer.

Shopping credits are the most critical component in making all customers, including residential and small commercial, attractive to as many prospective marketers as possible. It is important that shopping credits be set at a level that attracts enough energy suppliers seeking residential and small business customers. This will best facilitate a robust marketplace, diversity of supply and the opportunity for meaningful, long-term savings.

Experience in other states is instructive. Low shopping credits in California, Rhode Island

and Massachusetts have frustrated customer choice. Results in California have been particularly disappointing. As of March 2, 1999, less than 1% of California customers opted to choose their electric supplier.

The experience in Pennsylvania has been more favorable to residential and small business customers. In the PECO service territory, more than 15% of residential customers switched to a non-utility provider *in the first year*. DTE Edison America respectfully suggests that the Pennsylvania experience merits this Commission’s attention.

Michigan’s failure to implement Electronic Data Interchange (EDI) protocols and market business rules conducive to mass markets – Margins in the mass markets are minimal. Therefore, high transactional costs stifle creation of a robust retail market. Automated systems are less costly than non-automated systems. *Ergo*, for mass markets, manual transactions are less likely to succeed. Thus, EDI protocols and market business rules are necessary.

The need for EDI protocols - Michigan has yet to establish an EDI protocol. As the Commission knows from evolving competitive telecommunications markets, EDI is the most cost effective and reliable means by which a marketer can communicate with the incumbent utilities. DTE Edison America believes that the development and use of EDI protocol in this Commission’s Choice Program is the single most effective way to reduce costs to marketers and utilities.

The benefits of an established EDI protocol will more than pay for itself. These efficiencies are evident by the successful implementation of EDI in Pennsylvania and its successfully “mirrored” program in New Jersey. In the Pennsylvania and New Jersey models, residential and small business customers chose their electric supplier. Suppliers and host utilities exchanged necessary data

electronically on behalf of their customers with no interruption in service levels. The two states followed several steps necessary to build an effective EDI program. Among these were:

- _A Identification of internal business processes needed to support EDI;
- _B Identification of common business processes and nomenclatures;
- _C Identification of common technological infrastructures;
- _D Thorough and detailed testing between trading partners simulating an actual production environment; and
- _E Ongoing active leadership and support by the respective states' commissions and their staffs.

Existing electronic business documents were chosen as the vehicle for implementing EDI, namely the ANSI ASC X12 transactions (American National Standards Institute, American Standards Committee). Through judicious and effective adaptation of these documents to the states' deregulated energy needs, all parties were able to reach common goals and objectives. DTE Edison America suggests that the same effectiveness can be achieved in Michigan with the same time and attention given to this effort. Specifically, the following is recommended:

- _A That all transaction documents for customer enrollment, invoicing, remittance, billing, and historic and monthly customer usage, be provided and supported;
- _B That the host utilities and all suppliers in consideration should be required and be given ample opportunity to build the necessary EDI processes;
- _C That planning and testing in particular should be given special focus to ensure that everyone involved reaches a common understanding; and

- _D That regular ongoing EDI communication among the host utilities, suppliers, commission, and other appropriate parties be encouraged and supported for review, feedback, and continued direction.

EDI is, by its very nature, a tool to provide maximum efficiencies in business-to-business transactions. As businesses become more and more efficient in response to customers' needs and requirements, customer confidence builds as well.

The need for cost effective business rules - EDI is only one of many business rules which need to be developed and finalized. Other cost effective business rules are also required. In order to reap the benefits of an open, effectively competitive market, regulators must fairly reshape markets. Lack of uniform business rules from state-to-state is a significant barrier to entry.

To address this concern, The Coalition for Uniform Business Rules (CUBR) was formed. Competitive service providers participating in several markets throughout the country have unique insights on business rules that encourage fair and innovative restructuring processes. CUBR consists of representatives from natural gas and electricity marketers, utilities, meter service providers, meter data management agents, billing and collection companies, software vendors, and other mid and back-office service providers. In September 1999, CUBR released a consensus document that describes minimum uniform business rules. Industry participants who have "road tested" competitive environments across the nation and who have identified best business practices in the electricity and natural gas industry drafted consensus-supported uniform business rules. The CUBR document focuses on the following ten priority issues: (1) Supplier Licensing; (2) Customer Information; (3) Enrollment and Customer Switching; (4) Creditworthiness; (5) Billing and

Payments; (6) Electric Metering; (7) Electric and Natural Gas Operations; (8) Supplier Tariff and Agreements; (9) Performance Standards and Incentives; and (10) Utility-Supplier Dispute Resolution Process. As part of its mission, CUBR also will release standard electronic transaction (SET) or EDI implementation guides and data dictionaries for the business rules.

Uniform business rules lower costs for all market participants, ease market entry, enable the free movement of capital, goods, and services, and offer more information for all market participants. As a result, consumers have more choice and meaningful opportunities to recognize the value of a competitive marketplace. Competitors quickly enter advantageous markets, stimulating growth of innovative products and services to meet customer needs. CUBR will work with all market participants and facilitators to promote and establish the principles of the CUBR document as a standard for all open, competitive electricity and natural gas markets throughout the United States.

The nation's utilities have recognized the benefits of uniform business rules. Currently, EEI and CUBR are meeting to develop a universal document. It is hoped that they will complete this effort early next year.

DTE Edison America would welcome the opportunity to discuss uniform business rules with the Commission and Staff. As long as there are no finalized business rules, a marketer is at risk.

Necessary Clarification on Bid Forfeiture Procedures - Both the Staff Report and the Commission's Scheduling Order identified the need for clarification on bid forfeiture procedures.

DTE Edison America's specific question is best addressed by example:

- Assume:
- 1. Bidder is XYZ Retailer
 - 2. XYZ Retailer Bids on three projects:

Bids are as follows: No. 1 0.6¢ per kWh
No. 2 0.5¢ per kWh
No. 3 0.3¢ per kWh
 - 3. IBA^{2/} awards No. 1 0.6¢ per kWh awarded
No. 2 0.5¢ per kWh awarded
No. 3 ~~0.3¢ per kWh~~ not awarded
 - 4. XYZ Retailer voluntarily forfeits No. 2 at 0.5¢ per kWh^{3/}
 - 5. Forfeited bid is reassigned by IBA, to “next losing bidder”
- Question: If next losing bidder is XYZ’s Bid No. 3 at 0.3¢ per kWh, is XYZ Bid No. 3 awarded bid?

DTE Edison America respectfully requests clarification from the Commission with respect to the above. From our review of the experience in the Bid Cycle One, it appears that there is confusion on this point.

DTE Edison America is committed to meeting the needs of residential and small business consumers in the evolving transition to competitive markets. The Commission’s assistance in addressing the above will move Michigan closer to the date when residential and small business customers have meaningful choice.

^{2/} Independent Bid Administrator.

^{3/} As Staff Report indicates, “a winning bidder who submits multiple bids and voluntarily elects to forfeit capacity must do so by surrendering the lowest bid first, proceeding up to the highest bid.”

WHEREFORE, DTE Edison America respectfully requests that the Commission's order address the matters contained herein.

Respectfully submitted,

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Attorneys for the

DTE Edison America, Inc.

Dated: November 18, 1999

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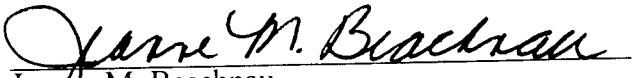
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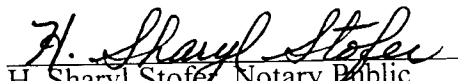
PROOF OF SERVICE

STATE OF MICHIGAN }
COUNTY OF INGHAM } ss.

Jeanne M. Beachnau, being first duly sworn, deposes and says that on the 18th day of November, 1999, she caused to be served upon the persons listed in the attached Service List, copies of Comments of DTE Edison America, Inc. in the above-captioned matter, by First Class United States Mail.


Jeanne M. Beachnau

Subscribed and sworn to before
me this 18th day of November, 1999


H. Sharyl Stofor, Notary Public
Ingham County, Michigan
My commission expires: 12/17/99

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