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CELLNET DATA SYSTEMS

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May 22, 1998

Ray T. Williamson
Acting Director
Utilities Division
Arizona Corporation Commission
Fax: (602) 542-2129

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Docket #: RE-00000C-94-0165

Re: *Staff Statement of Position, Retail Electric Competition*

Dear Mr. Williamson:

CellNet Data Systems ("CellNet") appreciates the opportunity to comment on the above-captioned item. CellNet is the leading, non-utility affiliated provider of electric meter data collection and processing services in the United States, reading over 1.5 million meters every day. In addition, CellNet provides services as the approved Meter Data Management Agent and Meter Service Provider for over half of the California Energy Service Providers registered in all three major utility service areas in the state. CellNet has been very active in Arizona's Unbundled Services Working Group, chairing one of the sub-committees of the Unbundled Metering Working Group, and is active in the regulatory process in all of the other states that have committed to deregulation, including California, Pennsylvania, Massachusetts, and New York.

- 1. **CellNet supports Staff's recommended phase-in schedule and the selection of the 20 kW threshold but urges a more precise definition of 20 kW.**

There are two problems with defining a threshold at a peak demand of 20 kW. The first is that many, if not most, customers at or near the threshold do not have demand meters. The second is that there is no specification of frequency; in other words, must a customer exceed the threshold once a year, twice, or some other frequency?

CellNet respectfully suggests the following solution. First, as recommended in the November 3, 1997 Unbundled Services Working Group report, Staff should adopt a kWh equivalent for customers without a demand meter. According to the load profiles provided by Southern California Edison Company, the closest proxy in California, the average load factor of small commercial customers is 47.1%, which means that a 20 kW customer consumes, on average, 82,500 kWh. CellNet recommends use of this figure for customers without a demand meter, unless Arizona's utilities have more precise information.



Second, CellNet suggests that Staff adopt a rule for demand-metered customers such that they be considered a 20 kW customer if they exceed the threshold of 20 kW at least once in the past 12 months.

2. CellNet strongly supports Staff's recommendation to use EDI.

EDI has been adopted for use by public utility commissions in Massachusetts, Pennsylvania, and, preliminarily, California. Data exchange working groups in New Jersey, New York, and California have also recommended adoption of EDI. By adopting Staff's proposal, the Arizona Corporation Commission ("ACC") would be facilitating in the establishment of a national standard.

CellNet respectfully suggests that Staff's proposal be clarified to specify that EDI be used for the following types of data exchanges:

1. Direct Access Service Requests ("DASRs").
2. Billing data.
3. Current meter usage data.
4. Historical meter usage data.
5. Account maintenance transactions (e.g. a customer name change).
6. Meter-specific information flows (e.g. communicating the results of a meter installation or providing meter configuration data from the Affected Utility to the ESP to enable the ESP to install a meter).

The language should also clarify that the EDI recommendation relates to use of the data exchange formats and protocols adopted by the ANSI X.12/Utility Industry Group. Finally, the language should specify that the Internet is the preferred data transport mechanism, as it is significantly less costly than the Value-Added Networks ("VANs") often used for EDI, and the Internet has been adopted for use in Direct Access in California for the exchange of DASRs, meter usage data, and other data.

3. Meter Ownership should be clarified and should be available to Affected Utilities, ESPs, and customers.

CellNet's believes that, in the case of states that decide to unbundle metering, such as Arizona, customers should be allowed to own meters.

As was recommended in the November 3 Unbundled Services Working Group report, it is critical that ownership be separated from Control. Control means the responsibility for ensuring that the meter is reliable, accurate, and safe and meets all of the requirements imposed by the ACC. Regarding Control, CellNet fully supports the Meter Committee's recommendation that either the Affected Utility or ESP remains fully responsible for the meter and has Control of the meter regardless of who owns the meter. In addition, customers should be allowed to purchase meters only through an Affected Utility or approved ESP.



There are two important reasons for allowing customers to own meters. First, customer ownership protects customers from potential abuse by ESPs by making it easier for customers to change ESPs. When customers own meters, they can change ESPs without changing meters. Second, customers should have economic choices. If customers cannot own meters, they are forced to rent them (either priced separately or priced built into energy rates) from an Affected Utility or ESP. Renting is a choice customers should also have. However, most customers prefer to own electrical appliances and electrical facilities, because they do not want to pay monthly forever for them. Allowing customer ownership allows both choices, ownership and renting, which are available to customers in almost all competitive markets.

In sum, CellNet supports the option of customer ownership because safety and accuracy can be ensured through separation of Control, and because customer ownership results in important benefits, including protection from ESP abuses and the ability to pay one time for a meter and avoid ongoing payments.

- 4. In the Billing category, CellNet urges Staff to clarify that the utility monopoly on connects and disconnects be limited to credit-related connects and disconnects.**

In specifying metering responsibilities, it is important to be clear. Some market participants interpret connects and disconnects to include new customer connections as well as move-out, move-in situations. Since the ACC has found it appropriate to allow ESPs to read meters and install meters, there is no reason to prevent ESPs from installing meters associated with new customer connections (the utility would still have to provide the line extension) or conducting activities associated with customer move-out, move-in situations.

Accordingly, CellNet respectfully suggests inserting the words "credit-related" in front of connects and disconnects where those words occur in Staff's position paper, or otherwise clarifying that the utility monopoly on this activity is for credit-related situations.

- 5. Staff should recommend Standard Offer prices consistent with economic efficiency to encourage appropriate levels of customer switching of suppliers.**

Experience in other states, particularly Massachusetts, Rhode Island, Pennsylvania, and California, has shown that Standard Offers have an enormous influence on customer switching of suppliers. Standard Offers are the amount per kWh of that customers pay the utility for kWh. In Massachusetts and Rhode Island, the Standard Offer is artificially low, below the wholesale price of power, which has resulted in virtually no customers switching, even though alternate suppliers can provide kWh below the utilities' actual cost of power. In Pennsylvania, the Commission set the Standard Offer artificially high, well above the wholesale market price, to stimulate customers to switch suppliers, with the result that the first phase of market opening – to five percent of customers – was nearly 100 percent oversubscribed.



In California, the Commission has also set an artificially low Standard Offer (called the PX credit). California started with the right idea, which was to set the Standard Offer based on the actual wholesale price of power in the Power Exchange ("PX"). However, the Commission did not add any Administrative & General ("A&G") expenses or overheads that any company providing electricity would have to cover. Thus, California's Standard Offer is also below the true cost, and results in fewer customers switching than should based on economic efficiency. This is because ESPs must offer a total price for power, including overheads, that is less than the utilities' price of power, which excludes such overheads. In short, customers are discouraged from switching to an ESP with lower cost power, unless the ESP's cost is so low that it provides margin for overheads as well.

Economic efficiency would be better served if the Standard Offer were set based on the wholesale market, with an adder for the utility's A&G expenses. This reflects the reality of wholesale prices and the reality of overhead costs, resulting in a level playing field. CellNet respectfully urges Staff to consider such an approach.

CellNet thanks you for the opportunity to comment.

Sincerely,

Chris S. King
Vice President

Strategic Planning & Regulatory Affairs

cc: Ron Franquero

CSK/wp