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DOCKETED BY 

LAWRENCE V. ROBERTSON, JR.
ATTORNEY AT LAW

P. O. Box 1448
TUBAC, ARIZONA 85646

(520) 398-0411
FAX: (520) 398-0412
EMAIL: TUBACLAWYER@AOL.COM

ORIGINAL

OF COUNSEL TO
MUNGER CHADWICK
ATTORNEYS AT LAW

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January 17, 2014

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

RE: Commission's Inquiry into Potential Impacts to the Current Utility Model Resulting from Innovation and Technological Developments in Generation and Delivery of Energy

Docket No. E-00000J-13-0375

Dear Chairman Stump, Commissioners & Interested Stakeholders:

Direct Energy Services, LLC, and Noble Americas Energy Solutions LLC, (collectively "Direct and Noble") appreciate Commissioner Robert Burns having initiated a process for the Commission to collect information and intelligence on the impact of innovations and technological developments in the electric industry on the current energy utility model in Arizona.

History shows that innovation and technology developments can cause dramatic increases in productivity, transforming industries and setting whole societies on new paths to growth. For example, the rise of wireless technology fundamentally altered telecommunications. PCs and smartphones, enabled by ever-smaller and faster chips, have revolutionized the consumer-electronics industry. And portable audio devices - starting with the Sony Walkman and continuing with the iPod - have radically transformed the way music is packaged, purchased, and consumed.

In the energy industry, smart grid technologies, the expansion of use of utility scale and distributed renewables resources, especially solar in Arizona, and strides in energy efficiency, along with low gas prices due to the economic recovery of shale resources, are transforming energy usage patterns and how energy is produced and delivered.

The widespread adoption of new transformative energy technologies could save customers hundreds of billions of dollars annually and help achieve economic growth while

improving the environment. While not every new technology will achieve widespread adoption, those that do will change energy markets dramatically.

The scope for this docket appropriately seeks to have the Commission gain a comprehensive understanding of the types of innovative measures and new technologies that are available and those that are "in the works". From the perspective of Direct and Noble, a necessary component to facilitate the adoption of innovative energy technologies will be the presence of policies and regulations that support and allow the optimization of such advancements for energy users in Arizona. In order for Arizona residents and businesses to fully reap such benefits, they must be able to evaluate and choose among the various products and services that the technologies spawn, because choice provides the impetus for the development of products and services that the technologies offer. Allowing the innovators and market experts to partner with Arizona regulators for the betterment of energy users will allow the best possible solution for the future.

By limiting customer choice to products and services offered by only the incumbent utility, without competitive alternatives, Arizona customers are being denied the full benefits of product innovation and empowerment. There is substantial evidence which demonstrates that customer choice has placed downward pressure on electric prices, stimulated innovation and efficiency, and empowered customers to choose products and services to meet their individual needs – to the benefit of all customers. In that regard, there is ample evidence that the ability for innovation and technology advancements to transform the energy space in beneficial way will ultimately depend on whether or not customers have access to the products and services that will enable them to use energy more efficiently, and whether there is genuine market competition for their business, because it will be customer choice and competition that will bring the most viable technologies to the forefront.

Direct and Noble have previously provided information to the Commission that customer choice is much more than securing the lowest possible cost energy suppliers, especially in an era of rapid technological changes. Specifically, the benefits of robust, sustainable competition extend beyond a simple analysis of price. With competition, customers are empowered to choose among a number of value propositions customized to their individual needs. In some instances, that may be an evaluation solely on price, but for others it may be about increasing their use of renewable energy, or a desire to have a fixed price in place for a pre-determined period of time, while still others may prefer time differentiated prices or some blend of fixed and variable pricing. The full range of customer choice benefits should be evaluated in their entirety; cost savings is but one of those benefits and innovation is another.

It has been said that price savings is the main benefit and driver for a retail market, and this may be the primary reason for some customers, but it certainly is not the only benefit that competition brings to a market. Customers of all classes are actively selecting competitive green power options, and a range of energy efficiency and load reduction products and services from suppliers at the retail level in competitive markets. In their comments to the Commission in Docket No. E-00000W-13-0135 Direct and Noble presented a table that described examples of a

wide range of products, services, and value-added options offered by competitive retail suppliers.¹ We present this table again as Appendix "A" to this letter to underscore the role that customer choice can and should play in its efforts to bring the full benefit of technological innovation to Arizona's energy consumers.

Commissioner Robert Burns' December 5, 2013 proposed scope for this proceeding seeks, among other things, information on "[b]usiness and regulatory impacts such as the need for smart grid to realize benefits, *changes in market structures, system operations and planning, rate designs, and regulatory policies resulting from or needed to facilitate the adoption of the technology or innovation.*" [emphasis added]. Direct and Noble believe this to be a direct acknowledgement of the role of customer choice in the deployment and acceptance of new beneficial technologies, which are important and vital considerations for this proceeding. Extensive information on this topic has been placed in the record in Docket No. E-00000W-13-0135. Direct and Noble respectfully request that their comments submitted in that proceeding be incorporated into this proceeding for consideration, including in the forthcoming workshops.

In closing, Direct and Noble look forward to participating in this proceeding, and are optimistic about the potential to bring innovative products and services to energy-consuming residents and businesses in Arizona.

Respectfully submitted,



Lawrence V. Robertson, Jr.

On behalf of Direct Energy Services, LLC and
Noble Americas Energy Solutions, LLC

¹ Because of the highly competitive nature of competitive offers, the number of customers selecting individual products and services are not publicly reported

Appendix “A”

January 17, 2014
Direct and Noble Comments
Docket No. E-00000J-13-0375

Appendix "A"

Table 1: Examples of Competitive Retail Supplier Products and Services

Category	Product / Service Type	Product / Service Examples, Features
Core Products	Fixed Price Solutions - Gives customers one fixed price per kWh throughout their contract term	<ul style="list-style-type: none"> • Price certainty – one fixed price for all usage • Simplicity – make a one-time decision and get an easy-to-understand bill • Easy budget management – manage to the budget because the price is fixed in advance for all usage • Usage variance protection – keep a fixed price even when usage varies from events beyond the customer's control, such as a long summer heat wave
	Variable Price Solutions - Gives customers a month-to-month price per kWh with no contract or cancellation fee	<ul style="list-style-type: none"> • Flexibility – great option for customers looking for a no-contract plan • Optionality – customers enjoy a month-to-month rate and have the freedom to switch to a fixed price plan at any time • Simplicity – customer can cancel or change the contract at any time with no fee
	Time Based Solutions - Gives customers a month-to-month price per kWh or fixed term that rewards customers for shifting their usage from peak to off-peak periods.	<ul style="list-style-type: none"> • Hourly Rate Plan - offers different rates during on-peak and off-peak hours throughout the day, encouraging customers to use energy when costs are lower
	Prepaid Electricity – Allows customers to pay for a specific amount of electricity to activate an account and customer continues to pay as often as they like to their account balance above zero	<ul style="list-style-type: none"> • No deposit nor credit check required • Customers can cancel or change the contract at any time with no fee • Customers receive text messages or emails that allow them to see how much electricity they are using on a regular basis allowing them to better manage energy usage and costs
Optional Product Offerings <i>Examples of additional services brought to the market by</i>	Renewable Energy - Green-e Energy Certified Renewable Energy Certificates (RECs) from wind power to meet customer's environmental and budget objectives	<ul style="list-style-type: none"> • Support the operation and development of renewable power plants • Product zero emissions of greenhouse gases and no harmful pollutants • Promote sustainable energy programs in the U.S.
	Demand Response Technologies - provides a way for companies to respond to energy market and	<ul style="list-style-type: none"> • Streamlines processes to improve the efficiency of the customer's business

Category	Product / Service Type	Product / Service Examples, Features
<p><i>competitive suppliers that can be utilized by customers at their discretion</i></p>	<p>demand changes</p>	<ul style="list-style-type: none"> • Capacity offer: Participant would provide an agreed upon reduction to a specified base line for a not to exceed number of instances and time duration per instance. • Economic offer: Participant would reduce load in response to a notification. Response would be optional and benefits would accrue only to those customers that respond. This program can be offered to all customer classes. Payments could vary by event or for simplicity be set for all events. • Customized offer: Participant could define their own program incorporating elements from the standard offers.
	<p>Solar Power – an important and fast-growing part of the nation’s energy supply</p>	<ul style="list-style-type: none"> • Clean technology – a great option for those seeking an alternative to fossil fuel technologies • Sustainable – if a customer’s organization is seeking to develop sustainable and responsible strategies, solar and other green technologies can help • Solar expertise – capabilities to design, install and maintain customers’ solar projects
	<p>Energy Efficiency - energy services to maximize efficiency, minimize costs and reduce emissions</p>	<ul style="list-style-type: none"> • Technical Solutions – including retrofits and upgrades, facility modernization, and on-site generation from renewable sources • Conservation programs – Direct Energy can help create conservation programs for customer’s organizations. • Heating, Ventilation and Air Conditioning support (including maintenance or upgrade programs) • Electrical (including home energy management, electric vehicle plug-in stations) • Plumbing (including solar thermal & tankless water heaters)