



Senate

General Assembly

File No. 273

February Session, 2008

Substitute Senate Bill No. 573

Senate, March 31, 2008

The Committee on Energy and Technology reported through SEN. FONFARA, J. of the 1st Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING ELECTRICITY MARKET REFORMS AND MUNICIPAL AGGREGATION.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (k) of section 16-244c of the 2008 supplement
2 to the general statutes is repealed and the following is substituted in
3 lieu thereof (*Effective from passage*):

4 (k) (1) As used in this section:

5 (A) "Participating electric supplier" means an electric supplier that is
6 licensed by the department to provide electric service, pursuant to this
7 subsection, to residential or small commercial customers.

8 (B) "Residential customer" means a customer who is eligible for
9 standard service and who takes electric distribution-related service
10 from an electric distribution company pursuant to a residential tariff.

11 (C) "Small commercial customer" means a customer who is eligible

12 for standard service and who takes electric distribution-related service
13 from an electric distribution company pursuant to a small commercial
14 tariff.

15 (D) "Qualifying electric offer" means an offer to provide full
16 requirements commodity electric service and all other generation-
17 related service to a residential or small commercial customer at a fixed
18 price per kilowatt hour for a term of no less than [one year] six months.

19 (2) In the manner determined by the department, residential or
20 small commercial service customers (A) initiating new utility service,
21 (B) reinitiating service following a change of residence or business
22 location, (C) making an inquiry regarding their utility rates, or (D)
23 seeking information regarding energy efficiency shall be offered the
24 option to learn about their ability to enroll with a participating electric
25 supplier. Customers expressing an interest to learn about their electric
26 supply options shall be informed of the qualifying electric offers then
27 available from participating electric suppliers. The electric distribution
28 companies shall describe then available qualifying electric offers
29 through a method reviewed and approved by the department. The
30 information conveyed to customers expressing an interest to learn
31 about their electric supply options shall include, at a minimum, the
32 price and term of the available electric supply option. Customers
33 expressing an interest in a particular qualifying electric offer shall be
34 immediately transferred to a call center operated by that participating
35 electric supplier.

36 (3) Not later than September 1, 2007, the department shall establish
37 terms and conditions under which a participating electric supplier can
38 be included in the referral program described in subdivision (2) of this
39 subsection. Such terms shall include, but not be limited to, requiring
40 participating electrical suppliers to offer time-of-use and real-time use
41 rates to residential customers.

42 (4) Each calendar quarter, participating electric suppliers shall be
43 allowed to list qualifying offers to provide electric generation service
44 to residential and small commercial customers with each customer's

45 utility bill. The department shall determine the manner such
46 information is presented in customers' utility bills.

47 (5) Any customer that receives electric generation service from a
48 participating electric supplier may return to standard service or may
49 choose another participating electric supplier at any time, including
50 during the qualifying electric offer, without the imposition of any
51 additional charges. Any customer that is receiving electric generation
52 service from an electric distribution company pursuant to standard
53 service can switch to another participating electric supplier at any time
54 without the imposition of additional charges.

55 Sec. 2. (NEW) (*Effective from passage*) On or before January 1, 2009,
56 the Department of Public Utility Control shall conduct an uncontested
57 proceeding to consider giving municipalities the authority to form
58 aggregation compacts that would allow them to operate regional
59 energy efficiency programs modeled on Massachusetts's Cape Light
60 Compact. The department shall report the findings of such proceeding
61 to the joint standing committee of the General Assembly having
62 cognizance of matters relating to energy.

63 Sec. 3. Section 16-245s of the general statutes is repealed and the
64 following is substituted in lieu thereof (*Effective July 1, 2008*):

65 (a) No electric distribution company shall submit or execute a
66 change in a customer's selection of an electric supplier unless the
67 change has been confirmed by one of the following: (1) [An
68 independent third-party] A recorded telephone verification that is
69 subject to an audit; (2) receipt of a written confirmation received in the
70 mail from the customer after the customer has received an information
71 package confirming any telephone agreement; (3) the customer signs a
72 document fully explaining the nature and effect of the change in
73 service; or (4) the customer's consent is obtained through electronic
74 means, including, but not limited to, a computer transaction.

75 (b) [Third-party telephone] Telephone verification shall [be in
76 accordance with the following procedures: (1) The electric supplier

77 seeking to verify the change shall do so by connecting the customer by
78 telephone to the third-party verification company or by arranging for
79 the third-party verification company to call the resident to confirm the
80 sale; and (2) the third-party verification] include, but not be limited to
81 the company [shall obtain] obtaining the customer's oral confirmation
82 regarding the change, and [shall record] recording that confirmation
83 by obtaining appropriate verification data. The record shall be
84 available to the customer upon request. Information obtained from the
85 customer through confirmation shall not be used for marketing
86 purposes. The verification procedure in this subsection shall not apply
87 when a residential customer directly calls an electric distribution
88 company to make changes in electric supplier service, provided an
89 electric supplier shall not avoid the verification procedure by asking a
90 residential customer to contact an electric distribution company
91 directly to make changes in electric supplier service. [For purposes of
92 this section, "third-party verification company" means a company that:
93 (A) Is independent from the electric supplier that seeks to provide the
94 new service; (B) is not directly or indirectly managed, controlled or
95 directed or owned wholly or in part by (i) an electric supplier that
96 seeks to provide the new service, or (ii) any corporation, firm or person
97 who directly or indirectly manages, controls or directs or owns more
98 than five per cent of such supplier; (C) operates from facilities
99 physically separate from those of the electric supplier that seeks to
100 provide the new service; and (D) does not derive commissions or
101 compensation based upon the number of sales confirmed.]

102 (c) Any violation of this section shall be deemed an unfair or
103 deceptive trade practice under subsection (a) of section 42-110b.

104 (d) The Department of Public Utility Control shall adopt
105 regulations, in accordance with the provisions of chapter 54, to address
106 abusive switching practices by suppliers.

107 Sec. 4. (NEW) (*Effective from passage*) (a) For purposes of this section,
108 "municipal aggregation unit" means a municipality, or political
109 subdivision thereof, or group of municipalities, or political

110 subdivisions thereof, that serves as an electric aggregator for the
111 purpose of negotiating the purchase of electric generation services
112 from an electric supplier for all electric customers within the legal
113 boundaries of such municipality, or political subdivision thereof, or
114 group of municipalities, or political subdivisions thereof.

115 (b) On and after January 1, 2009, there shall be a municipal electric
116 aggregation program. Such program shall allow customers of a
117 distribution company, as defined in subdivision (29) of section 16-1 of
118 the 2008 supplement to the general statutes, to opt-in to the electric
119 service offered by the municipal aggregation unit. The combined
120 number of participants in the program during 2009 shall represent not
121 more than four hundred megawatts of load in the state, as determined
122 by the Department of Public Utility Control. Each municipal
123 aggregation unit that seeks to participate in the program shall file with
124 the department a letter of intent, draft ordinance and such other
125 documentation as the department may require. Each municipal
126 aggregation unit shall retain the services of a firm having expertise in
127 electric aggregation and energy procurement to provide assistance
128 with its participation in the program, including, but not limited to, the
129 development of its request for proposal. Municipalities or political
130 subdivisions of municipalities that are served by municipal electric
131 utilities that have declined to participate in the competitive electric
132 generation market shall not be eligible to participate in this program.

133 (c) A municipality shall initiate a process to form or join a municipal
134 aggregation unit by the adoption of an ordinance.

135 (d) The municipal aggregation unit shall issue a request for proposal
136 to licensed electric suppliers for the provision of electric generation
137 service and select a bidder after providing a written analysis that the
138 economic benefits will be equal to or exceed the current or projected
139 economic benefits of receiving electric generation services through
140 standard service. Such bidders shall include as part of their bids
141 provisions for the implementation and deployment of smart meters
142 and related technologies. The municipal aggregation unit shall not be

143 subject to the provisions of section 16-245s of the general statutes, as
144 amended by this act.

145 (e) On or before June 15, 2008, the Department of Public Utility
146 Control shall open a proceeding to develop a set of program
147 requirements that shall include, but not be limited to, the manner by
148 which electric customers are provided (1) notice of the initiation of the
149 aggregation program, (2) information regarding rates and
150 environmental characteristics, (3) information regarding contract terms
151 and conditions, and (4) notice regarding a customer's right to cancel
152 service. Electric customers shall be given not less than sixty days notice
153 prior to the initiation of an aggregation project.

154 Sec. 5. Subdivision (31) of subsection (a) of section 16-1 of the 2008
155 supplement to the general statutes is repealed and the following is
156 substituted in lieu thereof (*Effective from passage*):

157 (31) "Electric aggregator" means (A) a person, municipality,
158 municipal aggregation unit, as defined in section 4 of this act, or
159 regional water authority that gathers together electric customers for
160 the purpose of negotiating the purchase of electric generation services
161 from an electric supplier, or (B) the Connecticut Resources Recovery
162 Authority, if it gathers together electric customers for the purpose of
163 negotiating the purchase of electric generation services from an electric
164 supplier, provided such person, municipality or authority is not
165 engaged in the purchase or resale of electric generation services, and
166 provided further such customers contract for electric generation
167 services directly with an electric supplier or, in the case of a municipal
168 aggregation unit, such customers contract for electric generation
169 services with an electric supplier pursuant to said section 16-244c, as
170 amended by this act, and may include an electric cooperative
171 established pursuant to chapter 597.

172 Sec. 6. Section 16-245o of the general statutes is repealed and the
173 following is substituted in lieu thereof (*Effective from passage*):

174 (a) To protect a customer's right to privacy from unwanted

175 solicitation, each electric company or electric distribution company, as
176 the case may be, shall distribute to each customer a form approved by
177 the Department of Public Utility Control which the customer shall
178 submit to the customer's electric or electric distribution company in a
179 timely manner if the customer does not want the customer's name,
180 address, telephone number and rate class to be released to electric
181 suppliers. On and after July 1, 1999, each electric or electric distribution
182 company, as the case may be, shall make available to all electric
183 suppliers customer names, addresses, telephone numbers, if known,
184 and rate class, unless the electric company or electric distribution
185 company has received a form from a customer requesting that such
186 information not be released. Additional information about a customer
187 for marketing purposes shall not be released to any electric supplier
188 unless a customer consents to a release by one of the following: (1) An
189 independent third-party telephone verification; (2) receipt of a written
190 confirmation received in the mail from the customer after the customer
191 has received an information package confirming any telephone
192 agreement; (3) the customer signs a document fully explaining the
193 nature and effect of the release; or (4) the customer's consent is
194 obtained through electronic means, including, but not limited to, a
195 computer transaction. Each electric distribution company shall make
196 available to any municipal aggregator town-wide customer demand
197 and load information upon request of such aggregator. The
198 department shall conduct an uncontested case to determine how such
199 aggregators shall handle such customer information to ensure the
200 privacy of such customers and to prevent the release of individual
201 customer information.

202 (b) All electric suppliers, except municipal aggregation units, shall
203 have equal access to customer information required to be disclosed
204 under subsection (a) of this section. No electric supplier, except a
205 municipal aggregation unit, shall have preferential access to historical
206 distribution company customer usage data.

207 (c) No electric or electric distribution company shall include in any
208 bill or bill insert anything that directly or indirectly promotes a

209 generation entity or affiliate of the electric distribution company. No
210 electric supplier shall include a bill insert in an electric bill of an
211 electric distribution company.

212 (d) All marketing information provided pursuant to the provisions
213 of this section shall be formatted electronically by the electric company
214 or electric distribution company, as the case may be, in a form that is
215 readily usable by standard commercial software packages. Updated
216 lists shall be made available within a reasonable time, as determined
217 by the department, following a request by an electric supplier. Each
218 electric supplier seeking the information shall pay a fee to the electric
219 company or electric distribution company, as the case may be, which
220 reflects the incremental costs of formatting, sorting and distributing
221 this information, together with related software changes. Customers
222 shall be entitled to any available individual information about their
223 loads or usage at no cost.

224 (e) Each electric supplier shall, prior to the initiation of electric
225 generation services, provide the potential customer with a written
226 notice describing the rates, information on air emissions and resource
227 mix of generation facilities operated by and under long-term contract
228 to the supplier, terms and conditions of the service, and a notice
229 describing the customer's right to cancel the service, as provided in this
230 section. No electric supplier shall provide electric generation services
231 unless the customer has signed a service contract or consents to such
232 services by one of the following: (1) An independent third-party
233 telephone verification; (2) receipt of a written confirmation received in
234 the mail from the customer after the customer has received an
235 information package confirming any telephone agreement; (3) the
236 customer signs a document fully explaining the nature and effect of the
237 initiation of the service; or (4) the customer's consent is obtained
238 through electronic means, including, but not limited to, a computer
239 transaction. A customer who has a maximum demand of five hundred
240 kilowatts or less shall, until midnight of the third business day after
241 the day on which the customer enters into a service agreement, have
242 the right to cancel a contract for electric generation services entered

243 into with an electric supplier. The provisions of this subsection shall
 244 apply to the customers of municipal aggregation units, except such
 245 customer shall, until midnight of the sixtieth business day after the day
 246 on which the customer enters into a service agreement, have the right
 247 to cancel a contract for electric generation services entered into with an
 248 electric supplier.

249 (f) An electric supplier shall not advertise or disclose the price of
 250 electricity in such a manner as to mislead a reasonable person into
 251 believing that the electric generation services portion of the bill will be
 252 the total bill amount for the delivery of electricity to the customer's
 253 location. When advertising or disclosing the price for electricity, the
 254 electric supplier shall also disclose the electric distribution company's
 255 average current charges, including the competitive transition
 256 assessment and the systems benefits charge, for that customer class.

257 (g) Each electric supplier shall comply with the provisions of the
 258 telemarketing regulations adopted pursuant to 15 USC 6102.

259 (h) Any violation of this section shall be deemed an unfair or
 260 deceptive trade practice under subsection (a) of section 42-110b.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	16-244c(k)
Sec. 2	<i>from passage</i>	New section
Sec. 3	<i>July 1, 2008</i>	16-245s
Sec. 4	<i>from passage</i>	New section
Sec. 5	<i>from passage</i>	16-1(a)(31)
Sec. 6	<i>from passage</i>	16-245o

Statement of Legislative Commissioners:

In section 4, the effective date was changed for internal consistency.
 In section 5, the reference for the definition of "municipal aggregation unit" was changed for accuracy.

ET *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either chamber thereof for any purpose:

OFA Fiscal Note

State Impact: None

Municipal Impact:

Municipalities	Effect	FY 09 \$	FY 10 \$
Various Municipalities	Uncertain	See Below	See Below

Explanation

This bill would result in a modification to how an electric company can verify that a customer wants to switch to a competitive supplier. There is no fiscal impact associated with this provision of the bill.

The bill also establishes an opt-in municipal electric aggregation program. This would allow customers to opt-in to the electric service offered by the municipal aggregation unit. The purpose of a aggregation unit would be to secure better and more competitive prices for its members, resulting in a savings to members. However, this potential savings may be offset by the bill’s requirement that each municipal aggregation unit must retain consulting services. It is unclear if this additional cost will offset any savings that the unit may obtain. Therefore, the fiscal impact associated with this portion of the bill is uncertain.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

OLR Bill Analysis**sSB 573*****AN ACT CONCERNING ELECTRICITY MARKET REFORMS AND MUNICIPAL AGGREGATION.*****SUMMARY:**

This bill modifies one of the four ways an electric company can verify that a customer wants to switch to a competitive supplier, allowing the supplier rather than an independent third party to verify a request made by telephone.

The bill establishes, starting January 1, 2009, an opt-in municipal electric aggregation program. The combined number of participants in 2009 is capped at 400 megawatts of electric demand, as determined by the Department of Public Utility Control (DPUC).

By law, electric companies must give to their residential and small commercial customers, who ask for it, information on introductory flat rate offers from suppliers that meet certain criteria. The bill reduces, from 12 to 6 months, the minimum period a supplier must offer this rate for this provision to apply.

The bill requires DPUC to conduct an uncontested proceeding to consider giving municipalities the authority to form aggregation compacts that would allow them to operate regional energy efficiency programs modeled on Massachusetts's Cape Light Compact. DPUC must report its findings by January 1, 2009 to the Energy and Technology Committee.

EFFECTIVE DATE: Upon passage, except that the verification provisions are effective July 1, 2008

VERIFICATION OF SWITCHING REQUESTS

By law, an electric company cannot switch a customer to a supplier unless the change has been confirmed by telephone verification or one of three other options. The bill modifies the telephone verification option. Under current law, the supplier seeking to verify the change must connect the customer by telephone to an independent third-party verification company or arrange for the company to call the resident to confirm the sale. The company must obtain the customer's oral confirmation of the change, and record that confirmation by obtaining appropriate verification data.

The bill instead allows the supplier to verify the switch itself, subject to audit. The verification must be in writing. As under current law, the person verifying the switch must obtain the customer's oral confirmation of the change, and record that confirmation by obtaining appropriate verification data. However, another provision of the bill (§6) prohibits the supplier from providing service unless the customer has signed a service contract or consents to such services by one of the four methods prescribed in current law, and the bill extends these provisions to the municipal aggregation program described below. Thus the legal effect of the bill's changes in this area is unclear.

By law, the verification requirement does not apply when a residential customer directly calls an electric company to make changes in electric supplier service, so long as the supplier does not avoid the verification procedure by asking the customer to contact the electric company directly to make changes in electric supplier service. By law, the other verification options are: (1) receipt of a written confirmation in the mail from the customer, (2) the customer signs a document fully explaining the nature and effect of the change in service, or (3) the customer's consent is obtained through electronic means such as a computer transaction.

The bill exempts the municipal aggregation program described below from the electric company verification provisions, but not the supplier verification provisions.

MUNICIPAL AGGREGATION PROGRAM

By law, municipalities and other entities can serve as aggregators. Aggregators gather electric customers together to make them more attractive to competitive suppliers, but do not actually buy power on their behalf. Instead, the customers contract with a supplier for generation services (power).

The bill requires there to be a municipal electric aggregation program, starting January 1, 2009. The program must allow customers of an electric company to opt in to the electric service offered by the municipal aggregation unit. Under the bill, such a unit can be a municipality or a group of municipalities, or their respective political subdivisions, that serve as an electric aggregator to negotiate the purchase of electric generation services from an electric supplier for all electric customers within the unit's legal boundaries. A municipality must begin the process of forming or joining a unit by adopting an ordinance. Municipalities or municipal political subdivisions served by municipal electric utilities that have chosen to participate in the competitive electric generation market are not eligible to participate in the program. To date, none of the state's municipal electric utilities have chosen to participate in the competitive market.

By June 15, 2008, DPUC must open a proceeding to develop a set of program requirements. These must at least include how electric customers will be provided (1) notice of the initiation of the aggregation program, (2) information on rates and environmental characteristics, (3) information on contract terms and conditions, and (4) notice of a customer's right to cancel service. Electric customers must be given at least 60 days notice before prior to the start of an aggregation project.

Each aggregation unit that wants to participate in the program must file with DPUC a letter of intent, draft ordinance, and other documentation DPUC requires. Each aggregation unit must retain a firm with expertise in electric aggregation and energy procurement to help draft a mandatory request for proposal (RFP), and each unit must issue an RFP to licensed electric suppliers for the provision of electric

generation service. The bidders must include as part of their bids provisions for the implementation and deployment of smart meters and related technologies. The aggregation unit must select a bidder after providing a written analysis that the economic benefits will at least equal the current or projected economic benefits of receiving standard service (although, under current law large electric customers who have not chosen a competitive supplier receive last resort service rather than standard service).

The bill gives aggregation units preferential access to historical customer usage data. Specifically, it requires each electric company to make available customer demand and load information to any municipal aggregator who asks. DPUC must conduct an uncontested case to determine how the aggregators will handle the customer information to ensure customer privacy and prevent release of individual customer information.

By law, suppliers must give their potential customers (1) information on such things as their rates and the environmental characteristics of the power they sell and (2) a notice of their rights to cancel a contract. The bill extends these requirements to suppliers serving customers under the municipal aggregation program. Under current law, a customer who has a maximum demand of 500 kilowatts or less and who signs a contract with a supplier has until midnight of the third business day after the day when the customer enters into a service agreement to cancel a contract for generation services entered into with the supplier. The bill gives customers participating in the municipal aggregation program until midnight of the 60th business day after the day on which the customer entered into the service agreement to cancel a contract for electric generation services entered into with the supplier.

BACKGROUND

Cape Light Compact Program

The compact is a regional energy services organization made up of the 21 towns of Barnstable and Dukes counties (Cape Cod and

Martha's Vineyard) in Massachusetts. The compact operates residential and business energy efficiency programs. As authorized by each town, the compact operates a regional energy efficiency program that combines the buying power of the region's electric consumers to negotiate for economical electricity and other public benefits.

COMMITTEE ACTION

Energy and Technology Committee

Joint Favorable Substitute

Yea 21 Nay 0 (03/11/2008)