

Retail Competition in The Electric Industry: A View From The Real World

William P. Saxonis, New York State Department Of Public Service, Albany, NY¹

ABSTRACT

The deregulation of the electric utility industry in New York State represents a major challenge and a radical departure from the regulated system of recent years. This paper examines the reactions and attitudes of electric customers and, to a lesser extent, the energy industry to the emerging competition in the State's electric marketplace. The primary data sources are customer surveys and extensive interviews with energy service companies and utilities. The research is derived from Department of Public Service staff conducted evaluations focusing on two distinct programs, one targeted at the State's farms and food processors and the other at the residential and commercial sectors in New York City and some of its suburbs. While the two programs serve different audiences and evaluation protocols differed, several key results were remarkably consistent and offer powerful insights into the retail access experience. This report highlights "lessons learned" and concludes with a discussion of the effectiveness of the evaluation process and how the evaluation results influenced State policy.

Background

Electric Deregulation in New York State

The New York State Public Service Commission (the Commission) is in the process of opening New York's electric marketplace to retail competition. To ensure that the transition to a new era of customer choice is as smooth as possible, the state's six investor owned utilities will be phasing in competition based on individual timetables and plans approved by the Commission. Each year an increasing number of consumers will have the opportunity to select their electric supplier, and by December 31, 2001, the transition will be complete. In early 1999, approximately 80,000 electric customers were no longer purchasing power from their traditional utility, but buying power from an energy marketer. (In New York, an energy marketer is referred to as an energy service company or ESCO.)

The Commission is carefully monitoring the progress of retail competition to ensure that it is being implemented fairly and effectively. For example, the Department of Public Service (Staff) is conducting ongoing evaluations of two diverse electric retail choice programs: the Farm and Food Processor Retail Access Program (Pilot) and Consolidated Edison Retail Choice Program - Phase I (Con Edison Program).² Results from these evaluations are the subject of this paper.

¹ Any opinions expressed explicitly or implicitly are those of the author and do not necessarily represent those of the New York State Department of Public Service.

² The evaluations were conducted using a team approach. The dedication and skills contributed by team members Edith Allen, Kin Eng, Fran Hart, Martin Insogna, Honor Kennedy, Diane Johns, and Patrice O'Connor were instrumental in our success. The author of this paper, Bill Saxonis, served as the team leader. The process was also aided by the contributions of additional staff too numerous to mention.

The Farm and Food Processor Retail Access Program

In June 1997, the Commission approved the Pilot program to offer qualified farms and food processors the opportunity to purchase electricity from suppliers other than their local electric utility. The Pilot offered a valuable opportunity to test key systems and assess public reaction in four utility service territories covering most of upstate New York. The Commission stated that “by implementing this program and incorporating the lessons learned from it into our broader retail access efforts . . . a smoother transition to the new era of consumer choice” would be ensured.³

The two-year Pilot program started on November 1, 1997 in the service territories of Niagara Mohawk Power Corporation (NMPC), Central Hudson Gas and Electric Corporation (CHG&E), and New York State Electric and Gas Corporation (NYSEG). Rochester Gas and Electric Corporation (RG&E) customers were eligible for enrollment on February 1, 1998.⁴

Farms with an annual gross revenue of at least \$10,000 and food processors who meet the criteria of Standard Industrial Class Code 20 as defined by the U.S. Office of Management and Budget are eligible to participate in the Pilot. Based on the most recent U.S. Bureau of the Census data (1992), we estimated that approximately 17,000 farms and 575 food processors are eligible.⁵ About 20 ESCOs are listed on the Commission’s website (*www.dps.state.ny.us*) as eligible to serve customers, but only a handful of firms marketed their services actively.

Pilot participants are generally paying less for electricity than if they had continued to purchase electric supply from their utility. We estimate that most customers are experiencing a discount of around four to 10 percent of their electric bill. This is primarily the result of the Commission ordering the utilities to offer an additional reduction above the market price of electricity. The discount level varies by ESCO and between farms and food processors.⁶

Evaluation Objectives and Strategy

Initially, the Farm and Food Processor Pilot program was to be evaluated by the utilities participating in the Pilot. The Commission required these utilities to submit monitoring and evaluation

³Case 96-E-0948, page 2, Petition of Dairylea Cooperative Inc. to Establish an Open Access Pilot Program for Farm and Food Processor Electricity Customers.

⁴ Due to the later start date for RG&E and the relatively slow pace of sign-ups, we delayed surveying participants and eligible nonparticipants in this region until September 1998. We received 78 surveys from 167 participants and about 125 surveys from nonparticipants. Due to this five month gap and minor changes in the survey to reflect differences in the billing protocols, the results were not merged with the data presented in this report.

⁵The estimate of the number of farms may be high because it is based on 1992 census data. In recent years, the number of farms in the State has been declining. For example, the number of New York farms declined over 14 percent between the 1987 and 1992 census.

⁶ For NMPC, NYSEG, and RG&E, the backout credit equals the market price of energy and capacity plus an adder of one cent per kWh for farming operations and four tenths of a cent per kWh for food processing businesses. CHG&E uses a different backout credit, but the resulting discount is similar to that of other participating utilities. ESCOs have passed along all or most of their credit to their customers.

plans, but considered the submissions often “lacking in detail and of uneven quality.” Moreover, several interested parties expressed concerns about the objectivity of a utility conducted evaluation. The Commission concluded that Staff should assume responsibility for the entire evaluation effort.

A Staff interoffice team was established to plan, implement and report on the evaluation. During the summer of 1997, the Staff evaluation team developed a comprehensive evaluation plan at the same time the Pilot program was being formulated. This early planning was important for effectively coordinating the evaluation with program operations and allowing sufficient time for the collection of data. The team sought input from interested parties (e.g., ESCOs and participating utilities) by making the evaluation plan a topic at several public forums.

The primary goal of the evaluation was to be comprehensive by obtaining input from all the key stakeholders in the Pilot program — consumers, utilities and ESCOs. The primary objectives of the evaluation included:

- Document lessons learned for incorporation into subsequent phases of retail access;
- Focus on providing timely data to key staff;
- Maintain quality evaluation standards without causing an undue burden on participants;
- Provide ample opportunity for input from internal and external sources;
- Produce accurate and balanced reports on a periodic basis.

Evaluation Methodology

The evaluation of the Pilot program featured two mail customer surveys (participants, nonparticipants) and detailed interviews of participating and nonparticipating ESCOs and participating utilities.

The customer surveys were mailed within about four months (late March, early April 1998) of the introduction of the Pilot. The timing was based on the assumption that participants could still recall program marketing, the sign-up process, and the factors that encouraged their decision to participate, and that a majority of participants would have had actual program experience, including receiving one or more bills for electric service.

The sampling design was based on the goal of having statistically reliable data that would allow analysis across utility territories. Because the Commission allowed some flexibility in the administration of the Pilot, there were minor technical differences in the program operations among the utilities. The evaluation was designed to achieve a sufficient response rate in each utility service territory to obtain results that met or exceeded a precision of 5 percent (plus or minus) at the 95 percent confidence level, a common standard for survey-based evaluations. In some cases, the entire population was sampled, and in others cases, we used random sampling techniques.

Interviewing ESCOs and Utilities

A major component of the evaluation effort was detailed telephone interviews with the utilities and ESCOs. These interviews were conducted approximately every quarter during the program’s first year. Additional interviews are planned through late 1999. The interviews serve as useful tools to gauge the industry’s perceptions about the Pilot’s strengths and weaknesses, to identify any technical or administrative problems, such as system reliability, billing or load balancing, and to learn about any unexpected results. While questions were prepared to guide the interviews, participants were offered wide latitude to discuss Pilot related issues. The interviews tended to focus on detailed operational

procedures (e.g., transmitting meter data, financial security requirements) rather than general deregulation concepts. Interviews were also conducted with ESCOs that had signed up to serve customers, but had either no customers or only a few. Our goal was to find out why.

We promised the interview participants to treat the details of the interviews confidentially. This encouraged frank discussions, but restrains us in publicly reporting results. We are able to share some general, but important, observations from these interviews.

The Results

Highlights of Results From the Pilot Program Evaluation - The Participants

As of April 1999, about 4,400 electric customers were participating in the Pilot, comprising approximately 35 percent of the food processors and 25 percent of the farms. The number of participants varied significantly by utility. More than 90 percent of the customers are in the NMPC and NYSEG territories with about nine percent in CHG&E and RG&E territories. This imbalance is largely attributable to the location of farmers and food processors and the size of the utility territory.

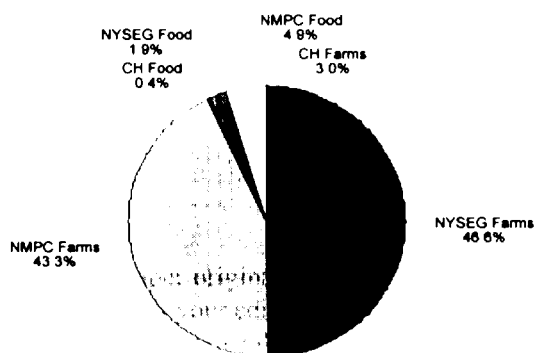
Customer surveys were mailed in late March and early April to participants in the NMPC, NYSEG and CHG&E territories. We received a total of 1,323 usable participant surveys, a response rate of 43 percent. Our goal was 20 percent! The vast majority of the respondents identified themselves as farmers (about 93 percent). About 7 percent identified themselves as food processors.⁷ The percentage of respondents by utility and ESCO is generally consistent with the program population.

The responses from participants of the three utilities were similar in most cases. We also analyzed the results among the four ESCOs representing nearly 94 percent of all Pilot accounts. Like the utility results, the differences in responses to key questions were relatively small.

Marketing the Pilot Program

Marketing the Pilot involved the dual challenge of introducing the concept of energy competition to farms and food processors along with explaining specific aspects of the Pilot program. The ESCOs, trade organizations (e.g., New York Farm Bureau, DairyLea Cooperative, Associated New York State Food Processors), utilities, and the Commission were actively engaged in the promotion of the Pilot. The most influential information sources were the agribusiness trade organizations such as the New York Farm Bureau and the DairyLea Cooperative. Nearly three-quarters of the respondents indicated that their trade organization played a major role in their decision to participate. These groups actively encouraged

Participant Responses by Utility, Type



⁷ Food processors are slightly over represented. Due to the small size of the group, Staff surveyed all food processors with the goal of receiving a sufficient number of surveys for analysis.

their members to participate, often recommending enrollment with a specific ESCO.

How did you choose your electric marketer?

- I depended on the recommendation of my trade organization (45%).
 - The recommendation of my trade organization was a major factor, but I also examined other offers (28%).
 - My trade organization was not a major factor in my selection (27%).
-

About 81 percent of the respondents that received information from a trade organization found it “very useful” or “somewhat useful.” The influence of trade organizations was very different when we compared farmers and food processors. About 76 percent of the farmers considered trade organizations a major factor, compared to only 34 percent of the food processors.

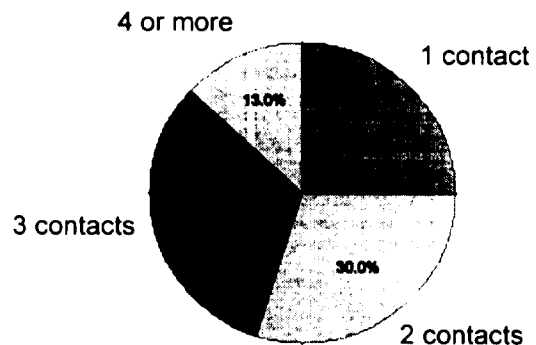
The role of trade organizations in soliciting customers differed among ESCOs. For example, the percentage of customers of the major ESCOs stating that the trade organization was not a major factor ranged from five to 37 percent. This was not surprising since some ESCOs had closely allied their marketing efforts with trade organizations. For these organizations, the decision appeared to produce the desired outcome. ESCOs were rated as the second most important source of information. Other sources of information such as the Commission, utilities, media outlets, seminars, and contact with business or personal associates were used less. The percentage of customers identifying information from these sources as “very useful” or “somewhat useful” was significantly lower compared to the trade associations and ESCOs.

Understanding the Offers From the ESCOS

Participants were asked how many ESCOs contacted them, but only 40 percent responded to the question. Based on 517 responses, 75 percent had contact with more than one ESCO. More than 45 percent of the respondents found it difficult to compare offers, while 21 percent did not. Thirty-four percent were neutral, suggesting that they were not sure or did not review more than one offer.

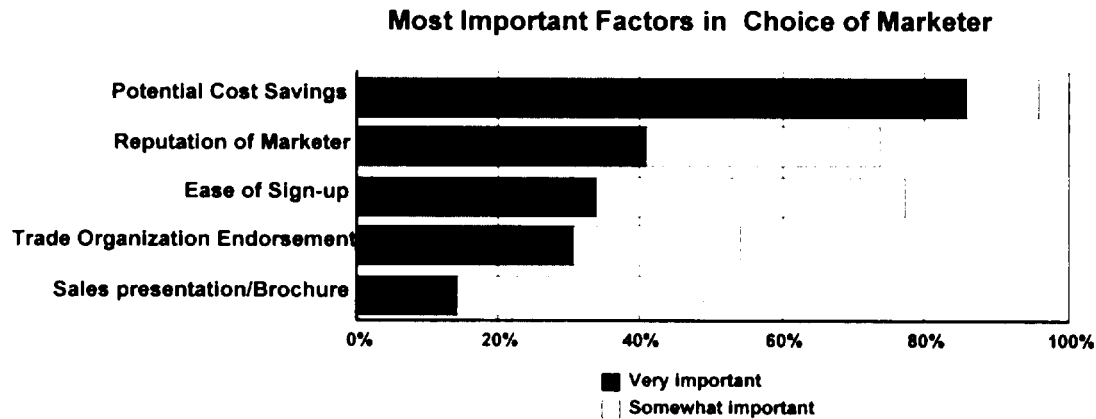
What Factors Influenced Customers’ Choice of ESCO?

We asked customers to tell us which factors were important in their choice of electric marketers and to rate them as to importance. The most often cited factors were potential savings, ease of sign-up, and reputation of the marketer. The most important factor in selecting an ESCO for the vast majority of respondents was potential cost savings. More than eight out of ten respondents identified cost savings as a “very important” factor. The only other factor identified as “very important” by more than 40% was



the reputation of the ESCO. By major ESCO, the percentage of Pilot customers citing the “reputation of the electric marketer” as “very important” ranged from a high of 49 percent to a low of 29 percent. Interestingly, customers of the ESCO with the highest percentage citing “reputation” as “very important” found the trade organizations to be less important than the customers of other ESCOs. For example, about 16 percent of these customers considered trade organizations to be “very important” compared to 55 percent of the customers with another major ESCO.

The enrollment process, endorsements of trade organizations, and the ESCO sales presentation were also influential determinants. Environmental factors (e.g., green power) and premiums (e.g., rebates or free gifts) were not ranked as important because these features were rarely offered.



Respondents were asked whether dissatisfaction with their utility was a major factor in their decision to switch to an ESCO. Almost 19 percent advised that it was a major factor in their decision making process, but more than 58 percent disagreed. Twenty-two percent neither agreed nor disagreed.

Customer Experiences With the Enrollment Process

The ease of enrollment was an important factor in the selection of an ESCO. In general, respondents were satisfied with the process, with 45 percent strongly disagreeing with the statement that “switching from my utility to an ESCO was difficult.”

The process was not entirely flawless. About 17 percent indicated that they found it difficult. About 20 percent of the participants responded that they had specific problems when switching to an ESCO from their local utility. Administrative problems were common themes in the Evaluation Team’s periodic surveys of the participating ESCOs and utilities.

Staff was aware of sign-up problems early in the program, and also aware that the utilities and ESCOs were working to smooth out the enrollment process-- a source of customer frustration--especially in the early stages of the Pilot. Accordingly, this finding may not reflect the current environment.

When respondents were given an opportunity to elaborate on any problems they encountered while switching to an ESCO, nearly one half (150 of 322) complained about paperwork, delays and general confusion. One farmer reported that “it has been at least five months since we signed up. We still are not sure we are signed up.” Several respondents were critical of utility delays (e.g., “they dragged their feet”) and, to a lesser extent, of the ESCOs (e.g., “they lost my application”).

Participant Interest In Value-Added Services

The primary ESCO marketing approach was to offer quality service at the lowest possible price. Most ESCOs offered service either at cost or with a minimal markup. Few customers were offered value-added services (e.g., energy audits, time of use meters) or incentives (e.g., rebates, free gifts) that were common in other Pilot programs conducted in other parts of the country.

The survey sought information on customer interest for additional service offerings from an ESCO. Assuming the charges were “reasonable,” a majority expressed interest in energy audits, assistance in financing energy measures, environmentally clean power, a meter capable of providing hourly consumption and price data, and suggestions for reducing electricity consumption (more than 80 percent of the respondents expressed interest in this subject). Respondents to our nonparticipant surveys had a similar interest in value added services.

There was also a high level of interest in low priced service with no extras. Respondents, however, did appear to be receptive to additional services at the right price. Determining the “right price” was beyond the scope of this evaluation, but data clearly suggests a potential market for value-added service.

Billing

Billing protocols were frequently discussed during the development of the Pilot. Would the utility bill for the ESCO? If yes, what were reasonable charges? How would delinquent charges be handled? Would the ESCO provide a bill for the cost of the power and the utility for the cost of transmission and distribution?

As the Pilot unfolded, it became clear that billing was a significant problem. All but one of the major ESCOs were using a two-bill system: an ESCO bill for supply and a utility bill for transmission and distribution. Many customers had not received a bill for electric power from their ESCOs even months after enrollment. The ESCOs claimed that they were not receiving the appropriate data from the utilities to prepare accurate customer bills. The utilities argued that sufficient information had been provided, and that requests for additional data presented significant administrative burdens and exceeded Commission requirements.

As a result of the billing problems, Staff wanted to determine what percentage of customers understood their billing arrangement. We found that about 18 percent of the survey respondents were not certain about how they would be billed. Approximately 20 percent of customers taking service from ESCOs providing a separate bill for their service thought they would continue to receive only one bill from their utility.

A majority of the survey respondents (58 percent) indicated they had not received a bill since taking service from an ESCO. Many respondents suggested that we should survey them again after they had been billed. Of those who had received a bill, 81 percent felt that the utility formats met their needs, and 66 percent felt that the ESCO formats met their needs, but nearly 20 percent were not sure. Respondents who felt that the bill formats did not meet their needs were given the opportunity to explain the deficiencies. Seventy-nine respondents commented about the lack of information and 32 asked for enough data to permit them to calculate savings. As one person stated, the bill was “difficult to understand, does not show any savings to date.” Twenty respondents noted the need for more explanation in general and others complained about a variety of specific issues including a bill for each account number, unexplained charges, slow billing, and problems with budget billing plans.

A clear majority (62 percent) would prefer one bill from either the utility or the marketer if given the choice. Only 12 percent would elect for separate bills from their electric utility and ESCO marketer. About 26 percent had “no strong preference,” or were “not sure at this time.”

Participants who had received bills since switching to an ESCO were asked if the savings met their expectations. Of the 567 that responded to this question, 41 percent felt they met expectations, 21 percent felt that the savings were less than they expected, 10 percent thought the savings were more than expected and 28 percent were not sure.

The Pilot — The Participants’ Overall Assessment

One question on the survey was designed to capture a sense of the participants’ overall attitude toward the Pilot rather than comments on specific program elements. The respondents were asked if they agreed with the statement that the Pilot would be good for their business operations. Seventy-six percent agreed, with 42 percent “strongly” agreeing. Less than four percent disagreed and 21 percent were not sure.

The survey concluded with an open-ended question by asking respondents what they would do to improve the Pilot. Almost one-half of the respondents chose to make additional comments -- a high response for this type of question. The most common topic was related to the reduction of electric costs (132 responses).

- “Set it up so there are real savings! ”
- “Check out why the distribution costs are about 80 percent of the total costs.”

Comments related to information were also common, including lack of information about the program in general and specific areas such as calculation of savings, tax treatment and understandable bills. Sample comments include:

- “Have a list of electric marketers and something about them.”
- “Clear bills.”
- “Promotion of the program sooner would have increased participation. Still a lot of misunderstanding of the project among farmers.”

Many respondents took the opportunity to comment on the delays in the enrollment process and billings, which were most prevalent during the first two months of the Pilot. Some examples include:

- “Get their act together. The switch over is ridiculously too slow. Losing \$\$.”
- “It has been five months and I have not been switched.”
- “Get marketers & utility to work together.”
- “More cooperation between my electric utility and marketer.”

The Nonparticipants

We received 860 surveys in response to our nonparticipant mailing, a response rate of 23 percent. Surveys were received from the NMPC, NYSEG, and CHG&E service territories and represent a wide variety of farms and food processors. Nearly 22 percent of the respondents who were aware of the Pilot indicated that they had no plans to participate, but another 57 percent were still considering their energy choices. Eighty-three respondents (about 18 percent) had already signed up. (Time had elapsed from when Staff received the participant lists from the utilities and when nonparticipant surveys were mailed.)

The survey asked eligible customers to explain why they had decided not to sign up with an ESCO. A separate question was also posed to nonparticipants who were still considering enrollment. The responses indicate that many factors influence customer choice, but the overriding concerns cited

were lack of information and not enough projected savings. The reluctance to pay two bills, concerns over reliability of service, and a desire for more of a program track record were also important barriers. Satisfaction with their current utility was also a factor in not participating.

Con Edison Retail Choice Program/Phase I

Background

The Con Edison Retail Choice Program - Phase I was not considered a pilot program, but part of a multi-step plan to phase in retail choice in the Con Edison service territory no later than December 31, 2001. Phase I began June 1, 1998 and ended March 31, 1999. The program was designed to serve residential and small commercial/industrial customers selected to participate through a lottery system. To encourage participation, a one-time \$50 credit was offered to residential customers and a one-time \$75 credit to small commercial/industrial customers. The program was originally designed to serve a total maximum load of 500 mW, but an additional 500 mW of load was added in response to strong consumer demand. In January 1999, the program had about 70,000 participants representing about two percent of Con Edison's customers. Approximately 20 ESCOs are listed on the Commission's website as offering service, but the level of ESCO marketing activity varies widely.

In late 1998, a Staff evaluation team embarked on an evaluation of the Con Edison Retail Access program following essentially the same strategy and evaluation design as that of the Pilot program. The Con Edison program was targeted as the program with the largest number of switching customers, about 90 percent of the States's total (early 1999). Unlike the Pilot, an evaluation was not mandated by Commission order, but both Staff and the Commission recognized the value of evaluation in monitoring and fine tuning their effort to promote competition in the electric industry. Like the Pilot evaluation, all aspects of the evaluation were conducted by in-house staff.

Con Edison had conducted an evaluation of the participants soon after the conclusion of the enrollment process. This evaluation featured a strong emphasis on marketing issues and pinpointing reasons customers decided to participate. Con Edison shared the results of this evaluation with Staff on a confidential basis. The evaluation team concluded it would be more efficient to direct our survey at capturing a "long term" assessment of program experience. Our customer survey focused on the customers' assessment of the program including bill savings, customer service, and overall satisfaction. The survey was mailed approximately 60 days prior to the end of Phase I (early February 1999). We did not survey customers who did not participate.

The ESCO and utility interviews were conducted in late 1998 and early 1999. About 3,950 surveys were mailed to a random sample of participating customers in February 1999 and by April 5 more than 1,500 surveys were received, a response rate of about 38 percent. We had anticipated receiving about 400 surveys, a 10 percent response rate.

The Pilot/Con Edison Programs Compared

While the overall objective of the Pilot and the Con Edison programs was to encourage participation in retail access and test key systems, there are several key differences in the two programs, including:

- The Pilot involved four utilities with some variance in operating rules in each of the utility territories. The Con Edison program involved one utility and one set of rules.

- The majority of the participants in the Pilot were farmers located in rural upstate communities, while the majority of the participants in the Con Edison program were residential customers located in New York City.
- The pilot program has about 4,400 participating customers, the Con Edison program about 70,000.
- The Pilot offered an adder to the backout credit to help encourage electricity priced below the normal utility rate. The Con Edison program did not have the additional adder, but offered a sign up credit on the first bill (\$50 for residential, \$75 for commercial).
- Customer aggregation was encouraged in the Con Edison program, but unlike the case of the Pilot, trade organizations did not play a critical role in program marketing.

Lessons Learned

While there were some differences in program and evaluation design, we found some striking similarities on several key issues. They include:

The concept of deregulation is embraced among participants

About 78 percent of the Con Edison participants agreed that “overall offering consumers the option of choosing an electric supplier is a good thing.” About 76 percent of the farmers and food processors agreed that the Pilot program would be good for their business.

There is preference for one bill

Participants of both programs were critical of the two bill system, often citing the inconvenience of making additional payments and forfeiting services such as budget billing. About 80 percent of the Con Edison survey respondents disliked the two bill system. Only six percent indicated that the type of billing system did not make much difference.

Bills must be user friendly

Consumers must be able to determine their savings easily. About 37 percent of the participants in the Con Edison program and about 28 percent in the Pilot indicated that they were unable to figure out if they were saving money.

Savings is the most important reason to participate in retail access

In both programs around 85 percent of the participants indicated that potential savings was the driving factor in participation, far more important than any other factor (e.g., reputation of marketer, dissatisfaction with the utility).

Customers need more information

Despite volunteering to participate in retail access, the participants in both programs expressed a need for more and better quality information. About 23 percent of the Con Edison participants were either dissatisfied or very dissatisfied with the information they received about the retail access program, with about 22 percent “neither satisfied nor dissatisfied.” (The question asked for a general assessment and did not ask respondents to specify the source of information or to comment on their ability to compare offers from ESCOs.) The Pilot program survey asked respondents specifically if they found it difficult to compare offers from ESCOs and more than 45 percent answered in the affirmative.

Participants are interested in energy efficiency

Around 80 percent of the respondents in both programs expressed interest in information about how to reduce electricity consumption.

There is strong interest in “green power”

ESCOs in both programs placed little emphasis on promoting green power, but customers expressed a strong interest in “green power” even if it resulted in higher cost. About 40 percent of the Con Edison participants and 65 percent of the Pilot participants indicated a willingness to pay more for “green power.” (The wording on the Con Edison survey suggested paying at least five percent more for electricity. The wording on the Pilot survey was less specific, asking participants if they would be interested in “green power” if it was available at a “reasonable” cost. The difference in wording may have influenced the more enthusiastic response in the Pilot evaluation.)

Resolving technical details is critical

Our interviews with the ESCOs in both programs offered the opportunity to explore a wide range of issues. One lesson that emerged from these interviews was that smooth program operations are critical to the success of retail access and the fledgling ESCO industry. For example, failure to execute a technical detail, such as accurately matching lengthy account numbers, can result in serious problems such as enrollment delays and inaccurate bills. Problems of this type can result in costly administrative and public relations problems for ESCOs, utilities, and customers. Moreover, the consumers’ confidence in retail access would be jeopardized.

Conclusions

Consumers participating in retail access programs suggest that New York’s efforts to bring competition to the marketplace are on the right track. Most think that they will benefit. As expected during a transition period of a complex industry, we learned that more work needs to be done to ensure that competitive energy markets operate at maximum efficiency. When Con Edison respondents were asked about their satisfaction with the retail choice program, only about 38 percent indicated that they were satisfied or very satisfied. We did not ask a similar question of the Pilot participants because the survey was administered too early in the Pilot program for customers to make a valid assessment (about 58 percent had not received their first bill). Concerns expressed by some Pilot participants (around 20 percent) relative to billing problems, enrollment process and disappointing bill savings would suggest the satisfaction level for the program would be less than ideal.

The Commission is dedicated to making the retail access experience work effectively for both consumers and the electric industry. Our evaluation effort has played an important role in helping the Commission monitor the effectiveness of retail access. Our in-house evaluation team was able to provide data quickly and offer great flexibility in responding to changing needs, concerns, and issues. The results from the evaluation effort have been used by Staff and the Commission to improve the operation of retail access, including a major effort to make retail access business rules more uniform (Case 98-M-1343). Two current cases where the evaluation data was influential are:

- In March 1998, the Commission ordered an internal staff working group to work with ESCOs, utilities, and other interested parties to review methods for improving billing as we transition to full retail access. In May 1999, the Commission approved Staff recommendations to issue for comment a staff proposal to require utilities to allow qualified ESCOs to perform certain billing functions for utilities, allowing customers to receive a single bill for both ESCO and utility services.
- In October 1998, the Commission instituted a collaborative proceeding (Case 98-M-0667) to implement standardized Electronic Data Interchange (EDI) between utilities and

ESCOs/Marketers. A working group composed of electric and gas utilities and ESCOs/Marketers is working to develop standard data formats and business processes necessary to exchange customers' enrollment and billing data in a retail energy environment; review and adjudication by the Commission is expected later in 1999, with implementation of EDI expected to begin in early to mid 2000.

Our evaluation process provided an effective mechanism for retail access customers, ESCOs and utilities to register their concerns in a systematic and unbiased fashion. Many of the participants expressed their appreciation that we were making the effort to monitor the programs. Our response rates far exceeded our goals and respondents were surprisingly generous in responding to open-ended questions. Consumer surveys in both evaluations generated response rates far greater than expected. The industry was highly cooperative with our interview process.

Utilizing a multi-office evaluation team to cover all aspects of the evaluation allowed us to leverage data. For example, the understanding of the program gleaned from our extensive industry interviews helped guide the design of the customer surveys, and the results of the customer survey helped guide our industry interviews. Moreover, this comprehensive data approach allowed us to better understand the programs and explain not only what was and was not working but also why.

The Staff evaluation team will continue to play an important role in monitoring and analyzing retail competition during the critical transition period. The core evaluation team will remain in place to build upon the valuable evaluation experience that we have gathered working with two pioneering and diverse retail access programs.