

Comments of the  
**Apartment and Office Building Association**

*Before*

**The Structure and Transition Task Force**  
of the  
**Joint Subcommittee on Electric Industry Restructuring**

*Regarding*

**Issues for the June 15, 1998 Task Force Meeting**

**Issue: Which electricity services will be competitively provided?**

***AOBA Position:***

All generation services should be competitively provided. This does not, however, require that all retail electric customers must purchase generation services directly from competitive suppliers of those services. Rather, customers should be provided the option of purchasing generation services from a competitively bid default supply pool.

Transmission and Distribution services should continue to be provided by regulated utility monopolies.

Metering, billing and collection functions may ultimately need to be provided on a competitive basis to maximize the benefits of competitive generation markets. Clearly, there is nothing in utility metering, billing and collection activities that could not be performed by a third-party. Yet, it may not be necessary to immediately deregulate those services. The task force must be cognizant of the fact the information is the key to successful marketing of competitive services, and undue restrictions on the either the form or availability of customer usage data can create significant barriers to market participation for potential competitors in power supply markets. Thus, key initial concerns with respect to the competitive provision of metering, billing and collection services primarily relate to (1) utility and marketer access to metered customer usage data and (2) flexibility in the (a) the time periods for which usage data is recorded and the form in which usage data is made available to others, and the procedures and costs for obtaining usage data from the party(ies) that assumes responsibility for the metering and billing functions.

**Issue: Market Power**

***AOBA Position:***

To address market power concerns it would be preferable if (1) T&D utility operations are independent of generation activities and (2) no provider of generation services controls more than 40% of the total generation supply available resources, where the total available resources to the state or a geographic submarket with the state is measured by the sum of the generation capabilities in the state or the submarket and the amount of power that can be imported to the state or submarket under peak demand conditions. Limiting providers to not more than 40% of the market, ensures that there will always be at least three suppliers in the market with no individual supplier having a dominant position in the market.

To achieve establish the independence of T&D utility operations and limit market share utility divestiture of generation assets will be necessary. This can be achieved, without a legislative or regulatory requirement to do so, by (1) limiting a utility's ability to participate in profits from competitive market sales of generation in the absence of divestiture and/or (2) offering transitional incentives (e.g., higher returns on T&D services on a interim basis for utilities who voluntarily divest their generation assets. All divestiture of generation assets should be accomplished through open competitive bidding processes.

**Issue: Suppliers of Last Resort and Default Suppliers**

***AOBA Position:***

Attempts at distinctions between the supplier of last resort and the default are neither necessary nor productive. Concerns regarding the establishment of such distinctions generally arise where either (a) T&D utility operations are not fully independent of generation function activities and/or (b) an attempt is made to segregate the usage characteristics and costs of serving default customers from those who must rely on a supplier of last resort. However, the distinctions between these two groups are often either vague or arbitrarily established and the administrative costs of maintaining those distinctions are substantial.