



# **Public Utilities** **Fortnightly**

March 1, 1995

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# **MAPPING THE GRID**



# Metering Relationships in the Era of Deregulation

*Let's say retail wheeling is here. Now there are two bills—energy (from the IPP) and transmission (from the utility). Which gets paid first?*

**D**eregulation is a battle over metering relationships with commercial customers, not a struggle between competing suppliers of energy.

As long as the local electric utility emerges from the process with exclusive control over its metering, credit, and billing relationships, then deregulation will only cement its position as the customer's primary energy service provider—and further enhance the "pool" concept by which the local utility acts as agent for the retail customer to purchase energy from independent power producers (IPPs). This outcome will prevail even if regulators adopt retail wheeling.

And there's more. If we assume a totally free and competitive market, then even a cable television or telephone carrier can enter the picture. These telecommunications firms, which can lay claim to a wealth of experience in customer billing and information management, can easily purchase energy services from local or distant electric utilities, acquire transportation and delivery through intermediate providers and local delivery systems, and then build great economies of scale through combined billings along with offsite

readings and shutoffs. Their skills can create a bonanza in the synergy that comes from a complete package—energy, entertainment, and telecommunications.

*True deregulation* would rest on the bedrock of offsite energy measurement and offsite termination controlled by a distant company. Cable, telephone, wireless or satellite technologies could all play a role. *Partial deregulation* would permit the local electric utility to act as a billing agent for its customers in reading, collecting, and enforcing service terminations, and acquiring services from any power provider and transporter.

But none of these visions—whether feasible, intelligent or destructive—reaches the basic issue: Who will control the billing, measurement, and collection relationship with the retail electric customer? Here are some scenarios.

## **Scenario #1:**

### **Utility Mails the Bill**

Let's assume that the local electric utility wheels power to retail customers—power generated by an IPP. The IPP sells energy services to customers at negotiated rates, but subject to utility control

over the credit and billing relationship with the customer. Competition will bring limited price relief to energy prices, but not wheeling charges, or credit terms. The local wheeler (utility) will read its own meter and bill for all charges and remit to the IPP for its contractual share, whether paid by the customer or not.

In a slight variation, payment to the IPP might depend on bill collection from the customer. Non-payment forces shutoff, with reconnection dependent upon payment of all energy charges (wheeling plus energy), plus a deposit. The risk is borne by the wheeler but possibly also by the IPP, because the latter holds no right of onsite service termination.

## **Scenario #2:**

### **IPP Mails the Bill, Too**

The IPP, assuming some credit risks, alternatively may substitute itself as the end-use "customer of record" for payment and, perhaps, widescale bargaining of wheeling charges and rebilling the customer for energy charges itself.

Here are more options: The wheeler reads the meter for the IPP and either forwards the readings (electronically) to the IPP or bills the end-use customer directly under the IPP billing label, with directions to remit to the IPP (the wheeler would add a markup for wheeling charges). Under a third option, the end-use customer receives two bills: one bill from the wheeler for net wheeling charges,



and a second bill for energy charges from the IPP.

Either way, nonpayment leads to IPP service termination, but through the tariff process laid down by the wheeler (remember, it's the utility's meter). In reality, it is the IPP, as customer of record, who fails to pay the wheeler, who in turn terminates service. Wheeling charges borne by the IPP for the end-use customer would continue until account closure or shutoff. Reconnection to the wheeler, at tariffed prices (or with another IPP at market prices), would depend upon payment of unpaid wheeling charges, not energy charges. Even though obligated to pay wheeling charges, a clever IPP would refrain from paying them as leverage to impede service reconnection with the local wheeler and gain prompt payment of all energy charges. Risks are actually shared by the IPP and the wheeling utility.

### **Scenario #3: IPP Takes Over**

In this scenario, the IPP breaks out of local meter control by substituting its own multidata meter, which would communicate information to the IPP as well as the wheeler for the customer, now known as an IPP metered customer or IMC. These smart meters, some of which are in trial runs, would communicate by cellular, remote, cable, fiber optics, or telephone lines. Obviously uneconomic at this time for mass residential use, absent big capital expenditure, these remote reading methods offer unlimited potential for medium- and large-sized customers, who would share some costs and whose energy volume would justify the cost. Electronic shared billing permits the local wheeler to track delivery charges.

## **Some Sample Tariffs**

**Rule 1.1 — CUSTOMER LIABILITY FOR ALL CHARGES.** Notwithstanding the customer's selection and fulfillment of any financial responsibility to any energy provider, customer shall remain liable for payment of wheeling and energy charges and subject to remedies in these tariffs in the event of nonpayment thereof.

**Rule 1.2 — UTILITY AS EXCLUSIVE BILLING AGENT.** The utility shall bill and collect for all wheeling and energy charges, notwithstanding the source and metering thereof, and shall have complete access to all metering facilities hereof, including all data generated by any technology, but no obligation to pay an IPP for energy service in the event of customer default.

**Rule 1.3 — UTILITY TO SET CREDIT TERMS.** The utility shall act as exclusive credit, billing, and collection agent for any energy provider, and in the event of customer nonpayment, shall be entitled to enforce all remedies under these tariffs and as allowed by law through civil and criminal process.

**Rule 1.4 — CUSTOMER OF RECORD.** Notwithstanding the utility as the sole owner of any metering facility, an independent power producer (IPP) may substitute itself as customer of record (COR) in place of the actual consumer of the energy services for all wheeling and energy charges and shall be subject to all remedies under these tariffs in the event of nonpayment. The IPP and COR shall remain jointly and severally liable for all wheeling and energy charges.

**Rule 1.5 — RIGHT OF SHUTOFF AND NOTICES.** In the event of nonpayment of any wheeling or energy charges, if such energy was provided by the wheeler or a COR or IPP, the utility shall forward all notices advising of any outstanding charges and pending shutoff to both the COR and IPP and may proceed with service termination in accordance with these tariffs.

**Rule 1.6 — RIGHT TO RECONNECT WITH UTILITY.** Nothing in these tariffs shall preclude the consumer from disconnecting from any energy provider and substituting itself as COR, subject to establishment of credit terms and payment of all unpaid wheeling and energy charges, if supplied by the utility itself.

**Rule 1.7 — OBLIGATION TO PROVIDE UNINTERRUPTED SERVICE.** The utility shall continue to provide all energy services to any customer at tariffed rates, even though the customer has directly contracted with any other energy provider, predicated upon these tariffs' credit and payment terms. The customer bears the sole obligation to ensure receipt and delivery of energy services by any selected supplier, but the utility shall have no obligation to select any supplier, unless contractually obligated.

**Rule 1.8 — IPP METERED CUSTOMER (IMC).** An IPP that substitutes its own meter in place of any utility's meter shall be bound to comply with all tariffs, including, but not limited to, service termination notices, and shall remain liable for all wheeling and utility supplier energy services, at tariffed prices, until account closure and or shutoff. The utility shall have no obligation to provide service to an IMC, unless service is restored subject to the utility's credit and billing terms and selection of a new provider, if any.



The IPP would assume complete risk for the IMC's nonpayment and remain liable for wheeling charges until account closure or shutoff, again using nonpayment of wheeling charges as leverage for payment for energy. Assuming all credit risks with an IMC, the IPP would establish the account and credit terms, bill for all charges, and shut off for nonpayment either remotely (depending upon the technology) or manually,

### Private Label Billing

The IPP makes two deals: (1) with the consumer, for energy and wheeling charges at a negotiated prices and credit terms; (2) with the local utility, for wheeling, maintenance, meter reading, collection, and shutoff charges, again at negotiated prices.

A sharp IPP will enhance profitability with a markup in local wheeling charges under the rubric of "service," or "quality". The local utility still reads the meter, but bills directly in the name of the IPP as the sole billing party for all charges, and provides a separate post office box for remittances.

The local utility owns the post office box, receives and processes customer checks, deducts its share (for all IPP customers), and remits the net balance to the IPP. Nonpayment to this IPP generates service termination by the local utility as the IPP's agent. Reconnection depends upon payment of all charges (per local tariff).

But watch out. The local utility may create its own "IPP" as a marketing arm to sell energy under a private brand or label.

*The IPP would remain liable for wheeling charges until account closure or shutoff, again using nonpayment of wheeling charges as leverage for payment for energy.*

probably through a local contractor or the wheeler itself.

But the IMC (the consumer), faced with an IPP-initiated shutoff, may reconnect to the local wheeler, through the same or new meter, but subject to new credit terms. Assuming that the IPP would have paid all wheeling charges (and likewise absorbed the loss), the local utility would not condition reconnection upon payment of IPP wheeling or energy charges. However, the fact of nonpayment to the last IPP might convince the local wheeler to demand and receive a healthy deposit. Assuming that the IPP has not paid the wheeling charges (perhaps as a ploy to keep the customer?), the IMC, as a condition of service, might be compelled to pay the wheeling charges again.

Failure to pay outstanding wheeling charges might prevent the customer from acquiring energy from any IPP, as the wheeler has no obligation to provide wheeling service, absent payment of those charges.

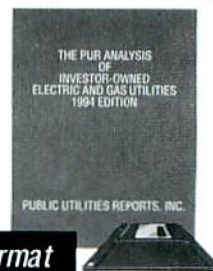
Competitive forces could motivate aggressive IPPs to pay a customer's outstanding and unpaid wheeling charges as a marketing or credit incentive. But an agreement between the unpaid IPP and wheeler preventing reconnection absent payment of outstanding IPP charges might violate anti-competitive laws.

*David Cook is an attorney engaged in private practice with the firm of Cook, Perkiss & Lew, San Francisco, CA.*

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