UNITED STATES OF AMERICA
BEFORE THE
FEDERAL TRADE COMMISSION

Comments on Retail Electricity Competition Plans	))	V010003

Comments of Reliant Energy Retail Services, LLC.

I. Introduction

Reliant Energy Retail Services, LLC (Reliant Energy) hereby submits its comments and information to the Federal Trade Commission's (FTC) in response to the FTC's Notice Requesting Comments on Retail Electricity Competition Plans.

Reliant Energy is a subsidiary of Reliant Resources Incorporated. Reliant Energy is an energy retail supplier whose retail business affiliates were and are engaged in natural gas and electric retail marketing to residential, commercial and industrial customers in over 20 states. At the peak, Reliant Energy and its retail business affiliates served in excess of 27,000 natural gas and electric power retail customers connected to 52 local gas and electric utilities. Currently, Reliant Energy is very active in the new Texas restructured electric retail market. The Texas electric retail market is now in its Pilot program and the full market opening is now scheduled for January 2002.

II. Comments

Reliant Energy offers its comments and information in addition to supporting the comments of the Electric Power Supply Association. At this time, Reliant Energy's comments are limited to certain questions that Reliant Energy believes require a response from retail suppliers to include issues and information critical to the success of retail electric competition. While Reliant Energy does not respond to the other questions at this time, Reliant Energy will be following and participating in discussions and actions related to all issues that may result from the FTC request for comments. Reliant Energy's comments are set forth in Exhibit "A" attached hereto.

III.
Conclusion

Reliant Energy applauds the FTC for initiating the discussion of Retail Electric Competition on a national level rather than the typical state by state discussions. Reliant Energy strongly believes that a critical component to successful implementation of retail electric competition across the US is the development of national uniform business practices and related electronic transaction sets for exchange of information between all market participants.

DATED: April 3, 2001

Respectfully Submitted,

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EXHIBIT "A"
RELIANT ENERGY RETAIL SERVICES, LCC
COMMENTS REGARDING RETAIL ELECTRIC COMPETITION
DOCKET NO. V010003

History and Overview

2. What were the expected benefits of retail competition? Were price reductions expected in absolute terms or in relation to what price levels would be absent retail competition? Were the benefits of retail competition expected to be available to consumers in urban, suburban, and rural areas? Were the benefits expected to be available for residential, commercial, and industrial customers? Were the benefits expected to be comparable for each group of customers?

Reliant Energy supports Electric Power Supply Association's (EPSA) white paper entitled "Retail Competition: Getting it Right!" revised November 2000 (EPSA White Paper) and its information on benefits of retail competition.

3. What factors or measures should the Commission examine in viewing the success of a state's retail electricity competition program? How should these measures be evaluated?

Reliant Energy believes the prime measure of success of retail competition is customer satisfaction based on competition with multiple retail suppliers. Customer satisfaction usually includes both price and non-price attributes. Retail supplier competition depends on attraction of new retail suppliers that will invest in new infrastructure and related supply. If there are no new retail suppliers and related investments, the market will not grow and will ultimately fail.

Consumer Protection Issues

2. Do consumers have enough information to readily make informed choices among competing suppliers? Did the state coordinate its labeling requirements about the attributes of a supplier's product, if any, with neighboring states? Is there a need for federal assistance to provide standardized supplier labeling? If so, what would be the most useful federal role?

Reliant Energy believes that a standardized supplier labeling is needed, not only from a customer disclosure perspective, but also to lower a supplier's transaction costs. If there were national standards for supplier labeling, suppliers serving multiple states would be able to reduce transaction costs for compliance of supplier labeling and disclosure and pass these savings on to the retail customers.

3. Have consumers complained about unauthorized switching of their accounts to alternative suppliers ("slamming") or the placement of unauthorized charges on their electric bills ("cramming")? Were rules adopted to prevent these practices? Has the state taken enforcement action under its new authority against slamming and cramming? Have these actions been effective to curb the alleged abuses? Is there a need for federal assistance with slamming and cramming issues? If so, what would be the most useful federal role?

Reliant Energy believes that a federal standard for protections against slamming and cramming is desirable not only from a customer perspective, but also since it would reduce supplier's costs to both implement and comply. If there were national standards for protections for "slamming" and "cramming", suppliers serving multiple states would be able to reduce costs for market entry and compliance and pass these savings to the retail customers. Further, national standards would permit software and hardware system vendors to develop and market a single solution to suppliers both large and small further reducing a supplier's transaction costs. The development of third party software and hardware packages for suppliers and other service providers has occurred in the wholesale natural gas industry where Gas Industry Standard Board's standards have been implemented.

Retail Supply Issues

1. What difficulties have suppliers encountered in entering the market? What conditions/incentives attract suppliers to retail markets? Have suppliers exited the market after beginning to provide retail service? If so, why?

Reliant Energy believes that markets where retail prices are not able to respond to wholesale prices due to regulatory controls present the greatest difficulty for retail suppliers to enter a new market. Price controls that artificially prevent competitive suppliers from managing their price risk will prevent them from entering the market. If new retail suppliers do not enter the market, a competitive market will fail to develop. Further retail suppliers have also encountered difficulties in entering the market where there are different standards and business practices between the utilities, between the states and the between the seams of the utility/ISO/RTO wholesale electric market operating areas. These different operating practices and rules significantly increase the difficulty in wheeling electric power between wholesale market areas in particular from areas with excess capacity/energy to areas without excess capacity/energy.

2. What are the customer acquisition costs and operational costs to service retail customers? How do acquisition and operational costs compare to profit margins for electric power generation services? Do retail margins affect entry? If so, how? Did the state harmonize the procedures suppliers use to attract and switch customers with other states' procedures, in order to reduce suppliers' costs?

Reliant Energy believes the cost of entering the market greatly affect the retail market and the decision of supplier to enter the markets both on a wholesale and retail level. Unless there is sufficient headroom between the "default" price/standard offer/shopping credits to provide the supplier sufficient economic returns for entering the market and give savings to the customers as an incentive to switch, a retail supplier will not enter the market. If after entering the market, market conditions change (either at the wholesale or retail level) to where headroom is reduced below a retail supplier's projections for entering the market, the retail supplier will exit the market for more fertile markets where there is sufficient headroom. Reliant Energy believes that everyone should consider that in a deregulated or restructured retail markets two market participants have the right to choose, the retail customer and the retail supplier. If there is insufficient headroom for retail suppliers to enter the market, then the retail customer does not have a choice except for the "default" price and service offering.

In Reliant Energy's opinion a very large component of a retail supplier's entry in the market are his costs to develop and comply with business practices needed to operate in the retail and wholesale markets to deliver electric power to retail customer after the sale is made. These costs could be significantly reduced if there were national uniform business practices and electronic data sets for the basic operating transactions, such as (transfer of customer operating information between market participants, enrollment and switching procedures, furnishing of metering information to market participants, billing practices between service providers (retail suppliers & utilities), competitive metering with Validation, Verification and Editing, and supplier tariffs and service agreements). For examples see Coalition for Uniform Business Rules: Standards for Uniform Business Rules Version 1.1, September 1999 and EEI/CUBR: Uniform Business Practices, August 2000.

Reliant Energy strongly believes that in any discussion of what needs to be done to promote competition, national uniform business practices and related electronic transaction sets needs to be strongly considered and encouraged.

5. What are the benefits or drawbacks of the different approaches to handling the supplier of last resort obligation for customers who do not choose a new supplier (e.g., allow incumbent utility to retain the obligation to provide generation services to non-choosing customers, auction the obligation, or assign the obligation to non-utility parties). What has been consumer reaction to these approaches? Is provider of last resort service necessary?

Customers who do not choose a retail supplier should initially stay with their current supplier. Beyond that, Reliant Energy believes that a provider of last resort is not a required part of a competitive market structure except to provide service during a minimum period when a customer's supplier leave the market without warning. This time period should be only long enough to allow the customer to choose another retail supplier that is generally not longer than 60 days.

Retail Pricing Issues

1. How is entry affected by the price for the provider of last resort service (for customers who do not choose) or for default service (for customer whose supplier exits the market)? How does the price for the provider of last resort or default service compare to prices offered by alternative suppliers? Is the price for provider of last resort service or default service capped? If so, for how long?

Reliant Energy believes the more common usage is that default service is for customers who do not choose while provider of last resort is for customers of suppliers who exit the market. Reliant Energy believes that the provider of last resort service should be of limited duration and not competitive with services offered by other retail suppliers. Further, the default service should be priced to provide adequate price differential or headroom so that a retail supplier price will allow the supplier to earn sufficient economic returns for entering the market and offer savings incentives to the retail customer to switch from the provider of last resort. The price for provider of last resort service or default service should not be capped and should include flexibility to permit adjustments in the costs of providing such services. Finally, the price and terms for default service or provider of last resort service should not permit retail suppliers from "gaming" such services where a retail supplier would transfer customers to such service during high market price periods and return the customers to a retail supplier's service during lower market price periods. If the market rules do not address this "gaming" opportunity, it will put the default service provider or the provider of last resort at serious financial risk.

Market Structure Issues

Other Issues

5. Which specific jurisdictional issues prevent state retail competition programs from being as successful as they might be?

The most important factor is that there be no retail or wholesale price caps. Next Reliant Energy believes that the lack of national uniform business practices and related electronic transaction sets have limited retail supplier's ability to enter markets unless the headroom is sufficiently large to compensate the retail supplier for the added costs of entering the market. If there were national uniform business practices and related electronic transaction sets, the cost of entering a market would mostly be limited to supply acquisition costs, marketing expenditures, and general operating risks associated with serving retail customers.

6. Which specific technological developments are likely to substantially affect retail or wholesale competition in the electric power industry that may alter the manner in which states structure retail competition plans? Why? What time frame is associated with these developments?

Reliant Energy strongly believes the development and implementation of national uniform business practices and related electronic transactions sets and the use of "Push" technology will greatly enhance the opportunities for both large and small retail suppliers to enter the market and provide competitive offers to retail customers. These technologies are now generally available and have been tested in various electric and gas markets that have already deregulated and restructured. The Gas Industry Standards Board (GISB), Edison Electric Institute and other interested associations and individual parties are taking actions to establish a national energy industry standards board. This national energy industry standards board would develop national business practices for retail electric and gas markets along the lines that GISB now performs for the wholesale gas industry.

7. What are the lessons to be learned from the retail electricity competition efforts of other countries? Are there other formerly-regulated industries in the U.S. (e.g., natural gas) that allow customer choice and provide useful comparisons to retail electricity competition? If so, what are the relevant insights or lessons to be learned?

Reliant Energy believes that the GISB efforts for the wholesale gas industry to develop national uniform standards is an excellent model to be used for the development of similar national standards for both the wholesale and retail electric markets and the retail gas markets.