BEFORE THE DISTRICT OF COLUMB IA PUBLIC SERVICE COMMISSION

In the Matter of the Investigation into the Potomac Electric Power Company's Residential Air) Conditioner Direct Load Control Program)	Formal Case No. 1086
In the Matter of thenvestigation into the Potomac Electric Power Company's District of Columbia) Dynamic Pricing Program Proposal)	Formal Case No. 1109
Electric Power Company's District of Columbia))	Formal Case No.

REPLY COMMENT OF THE STAFF OF THE FEDERAL TRADE COMMISSION 1

January13, 2014

I. Introduction

The staff of the Federal Trade Commission (FTC) welcomes this opportunity to submit a reply comment on the public notice (Notider) the District of Columbia Public Service Commission(DC PSC)regarding proposed program of dynam(icariable)pricing of electricity for residential customers in the form of Reak Energy Savings Credit Several significant technical developments – including advarteed nology meters, often called "smart meters" – have made timely to consider what contributions electricity pricing incentives at the retail levelcan make to the achievement of substantial power system efficiencies improvements in the reliability of the electric system. Achievement of these efficiencies create benefits for all electricity ustomers It is particularly appropriate to provide incentives (in the form of bill savings) to customers who trim their electricity consumption from the begind

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¹ This comment expresses the views of the FTC's Office of the General Confisce of Policy Planning, and Burea Economics. The comment does not necessarily represent the views of the FTC or of animalividual Commissioner. The Commission, however, has voted to authorize the filing of this comment.

² 60:51 D.C. Register 016380-85 (Nov. 29, 2018) ailable at http://www.dcpsc.org/pdf files/hottopics/PublicNotice FC1086 and FC110 ampdf http://www.dcregs.dc.gov/Gateway/NoticeHome.aspx?noticeid=4654271



protection, the FTC enforces Section 5 of the Federal Trade Commission Act, which prohibits unfair or deceptive acts or practices. In its competition mission, the FTC enforces antitrust laws regarding mergers and unfair methods of competition that harm consumers. In addition, the FTC often analyzes regulatory or legislative proposals that may affect competition, allocative efficiency, or consumer protection also engages in considerable consumer education through its Division of Consumer and Business Education the course of all of this work, the FTC applies established legal and economic principles as well as, representative developments in economic theory and empirical analysis.

The energy sector, including electric power, has been an important focus of the FTC's merger review and other antitrust enforcement, competition advocacy, and consumer protection efforts. The FTC and its staff have filed numerous comments advocating competition and consumer protection principles with state utility commissistate legislatures Department of Energy (DOE) and the Federal Energy Regulatory Commissistate legislatures Department of Energy (DOE) and the Federal Energy Regulatory Commissistate legislatures he Department of Energy (DOE) and the Federal Energy Regulatory Commissistate legislatures he Department of Energy (DOE) and the Federal Energy Regulatory Commissistate legislatures he Department of Energy (DOE) and the Federal Energy Regulatory Commissistate legislatures he Department of Energy (DOE) and the Federal Energy Regulatory Commissistate legislatures he Department of Energy (DOE) and the Federal Energy Regulatory Commissistate legislatures he Department of Energy (DOE) and the Federal Energy Regulatory Commissistate legislatures he Department of Energy (DOE) and the Federal Energy Regulatory Commission (Energy) and the Energy Regulatory Commission (Energy) and the Energy Regulatory Commission (Energy) and the Energy Regulatory Commission (Energy) and Energy Regulatory Commission (Energy) and Energy Regu

⁴ For an overview of the FTC's education efforts, see the FTC staff's comment to the Consumer Financial Protection Bureau concerning "Request for Information on Effective Financial Education," Docket No. CFPB-20102030 (Nov. 2, 2012)available at http://www.ftc.gov/os/2012/11/1211cfpb.pdf

⁵ See, e.g., Opening Remarks of the FTC Chairman at the FTC Conference on Energy Markets in the 2ft Century: Competition Policy in Perspect (REDC) (4/2), 6(e)4(t)-2(s(P)-T-10()-1()-1()-2(n)]TJ

has issuedwo staff reports on electric power industry restructuring issues at the wholesale and retail levels. In addition, the FTC staffalong with staff from FERC, the Department of Justice,

III. Electricity Industry Innov ations Warrant Consideration of Retail Dynamic Pricing To Benefit Customers brough Lower Costs, Increased Innovation, and Expanded Variety of Services

One of the most significant technological developments in the electricity industry over the past 25 years has been white deployment of smart meters that measure and report power use in small time intervals and also communicate price and power system status information to customers. Dynamic pricing— offered either by tilities or by retail electricity marketers can present many benefits to power customers, including enabling them to better match their preferences for bill savings and increasing power system reliability. For example, under dynamic pricing, customers can choose to lower their electricity bil(o)-10432 144.7um toity bil(o40 11.0)

Alternatively, customers can manually adjutseir air conditioners or other heavy power uses when meters (or other communication sources) alert the that prices are going up or that they can earn credits for reducing power consumption.

Customer responses to retail price signals that accurately reflect wholesale market conditions reduce system costs, support reliability, and provide environmental benefits. example, a DR program that entails reduction of power use during periods officity sale prices can reduce overally stem costs by utilize lower-cost generation units and reducing the need for higheost peaking generators meet demand spikest can support reliability by cutting power consumption when the system is at greatest risk of blackouts eorise ring from a service interruption can provide environmental benefits by facilitating integration of renewable energy sources and avoiding the use of older, higher-cost generators with higher pollutant emissions during peak demand period his DR process a critical justification for grid modernization. Collectively, the term "smart grid compasses systems that support DR and the sophisticated monitoring of conditions roany componets of the power grid.

Some recent developments appear to unders.65 0(he)4()]23()-s s.004 Tc 0.o -0.0a.004 Tc 0.o

which Pepco's retail power customers receive price signals that even more closely resemble actual wholesale prices in real timAs indicated by the ppende Brattle graph, realime pricing provides the most accurate price signals and applies them in all periods. Intermediate steps between the Pepco proposal and real

