



Orange & Rockland
a Con Edison, Inc. company

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January 27, 2005

RECEIVED

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Office of Retail Market Development
Director

VIA OVERNIGHT MAIL

Honorable Jaclyn Brillling
Secretary
State of New York
Public Service Commission
Three Empire State Plaza
Albany, NY 12223

Re: Competitive Opportunities Development Plan in Response to the
Commission's *Statement of Policy on Further Steps Toward Competition
in Retail Energy Markets*, issued on August 25, 2004

Orange and Rockland Utilities, Inc., ("O&R" or the "Company") submits the enclosed Plan to Foster the Development of Competitive Markets ("Plan") in response to the State of New York Public Service Commission's ("Commission") *Statement of Policy on Further Steps Toward Competition in Retail Energy Markets*, issued August 25, 2004 in Case No. 00-M-0504 ("Statement of Policy").

O&R has been in discussion with its ESCOs and the DPS Staff on the items included in the attached Plan and intends to continue this open dialog. The Company proposes to send a copy of this filing to each ESCO participating in the Company's Retail Choice Program. A copy of the filing will also be posted on the Company's website.

Questions on this filing can be directed to me on (845) 577 - 3677.

Very truly yours,

Roberta J. Scerbo
Director - Retail Access

cc: Ronald Cerniglia

ORANGE AND ROCKLAND UTILITIES, INC.

COMPETITIVE OPPORTUNITIES DEVELOPMENT PLAN

OBJECTIVES

O&R prepared this Plan in response to the Commission's Statement of Policy issued on August 25, 2004. The Statement of Policy further refined the Commission's goals for, and vision of, the future of competitive retail energy markets in New York State. In addition, the Statement of Policy outlined the next steps to accelerate development of competition in the electric and natural gas markets, including directing the utilities to develop individual plans to foster the further development of retail energy markets.

The Plan builds on the previous initiatives that O&R has implemented. In the Policy Statement the Commission acknowledged that, "[T]he retail access model at Orange and Rockland Utilities has been a highly successful voluntary migration program" *Statement of Policy*, p. 3. Therefore, O&R will continue to enhance and promote its *PowerSwitch* migration program. The Company's primary message to customers will be that participating energy supply companies ("ESCOs") provide customers with choice of energy suppliers, pricing options, green power options, and a potential to realize lower energy supply costs. O&R plans to continue to promote the options available to customers to choose an alternative supplier, including the Internet, a toll-free telephone service, O&R bill inserts, and, in particular, options for enrolling directly through the ESCOs. The Company's goal is to continue to offer and improve on the ease of choosing an alternate supplier.

Much of the fundamental customer education on competitive energy choice will be achieved through the Company's current consumer outreach program. Recent incentives, however, are defined more narrowly below and will focus on continuing to educate customers about the ESCOs themselves and the unique programs they may offer.

O&R's objectives are to:

- Continue to educate customers on the fundamentals of competitive energy markets, such as how costs of supply and delivery are treated separately and that, if they switch to an energy supplier, O&R will continue as their energy delivery company and respond to all emergencies.
- Inform customers about the individual ESCOs, focusing specifically on ESCOs' names, business descriptions and the unique programs that they offer including special offers such as fixed rates or the availability of energy generated by renewable resources.
- Concentrate on education and migration strategies that will focus on encouraging migration in the larger C&I classes to provide exposure to spot market pricing.

RECENT INITIATIVES

Marketer Incentive Program – First Rate Year

Pursuant to the Commission's Order Adopting the Terms of a Joint Proposal issued October 23, 2003 in O&R's most recent gas base rate proceeding, the Company is authorized to spend up to \$200,000 per year, during each of the First, Second, and Third Rate Years, to promote gas retail choice in the Company's service territory through incremental programs developed jointly by the Company, Staff, and ESCOs. In the First Rate Year, in coordination with its core outreach and education efforts on competitive choice options (e.g., *Switch & Save*, *Energy Choice*), O&R worked jointly with Commission Staff and ESCOs to develop promotional programs to supplement promotional costs incurred by ESCOs. O&R's target audience was its 84,000 residential and small business gas customers who were not already enrolled in retail access. To the extent possible, and to achieve deeper message penetration and economies of scale, the secondary target audience was O&R's 155,000 residential and small business electric customers not enrolled in retail access. The key accomplishments in the First Rate Year include;

eBids

The Company developed an Internet site – eBids - where customers can post a solicitation for ESCOs to bid competitively on providing the customer with energy supply at a fee structure that best meets the customer's needs. The Company is promoting eBids through radio commercials on local stations, bill inserts, articles in O&R's consumer newsletters, Virtual Response Unit and On-Hold customer service messages, direct mail and leave-behind materials with promotional announcements. O&R will monitor the customer and ESCO response to eBids and will solicit input from ESCOs in the Second Rate Year for possible enhancements to the eBids Web site.

Energy Choice Catalogs

The Company has developed Two Energy Choice Catalogs, a residential and a business version. The catalogs constitute a comprehensive "how-to" guide for customers wishing to find an alternate energy supplier. The catalogs include sections explaining the fundamentals of Energy Choice, as well as descriptions of the various programs offered by O&R, including *PowerSwitch* and eBids. These catalogs also provide a list of natural gas and electric suppliers and include one-page full color ads developed and supplied to O&R by each of the ESCOs. These Energy Choice Catalogs were distributed as a direct mailing to every O&R customer not currently taking service from an ESCO. The catalogs also will be sent to customers that contact O&R for information about retail choice. Copies of the catalogs are attached as Exhibit A and B to the Plan.

PowerSwitch

The Company recently initiated a change to its *Switch and Save* Program. O&R introduced the *Switch and Save* Program in August 2000. The intention of this program initially was two-fold; to make the decision and process of switching to an ESCO easier for the customer, as well as increase the enrollment of participating ESCOs. The Program has achieved success. Since its inception, approximately 55% of all customer enrollments with ESCOs resulted from its implementation. However, the Company recognized that it was time for the next stage of *Switch and Save*. To coincide with the concept behind the Marketer Incentive Program of developing programs that promote and enhance ESCO name recognition, the Program was modified to add a new option that allows customers to choose a specific ESCO. The Program's other features remain unchanged. Customers continue to be offered an introductory 7% discount and continue to have the option to allow O&R to assign them randomly to an ESCO. As of August 2004, customers are also afforded the power to choose their ESCO. This latest evolution of *Switch and Save* is called PowerSwitch. To date, 38% of customers that enrolled through PowerSwitch have taken advantage of the opportunity to choose their own supplier. O&R would note that this initiative was not funded by the Marketer Incentive Program.

PLANNED INITIATIVES

Aggregation Programs and Market Expo

Aggregation programs have been employed in a number of states to increase the number of customers purchasing energy supply from ESCOs and to increase ESCOs participation. O&R will begin to explore migration strategies that will focus on encouraging migration in the larger C&I classes. O&R will work to develop an approach that would best serve to meet the Commission's objective as well as serve the interests of the Company, its ESCOs, and customers. To date 50% of O&R's large mandatory time-of-use customers have migrated.

The Commission's near term strategy includes exposing the largest usage, mandatory time of use customers to spot market pricing as contract and hedging arrangements expire. As O&R's existing hedging arrangements expire it is the Company's intention to develop market-based rates for its largest class of customers: Service Classifications SC 9 and 22. O&R will be filing with the Commission proposed changes to its tariff in late January 2005, to be effective May 1, 2005. Shortly after making the appropriate tariff filing, O&R will send letters to customers explaining the new pricing strategies and inviting the customers to a Market Expo. This Marketer Expo, currently planned for March 2005 will provide a forum for the ESCOs, large non-residential customers, and the Company to exchange information regarding the new utility pricing. The Market Expo will also provide a forum for customers to discuss the hedging services available from ESCOs, and receive offers from ESCOs. O&R will work with the customers and ESCOs to help facilitate enrollments at the Market Expo.

Home Shows

Orange and Rockland attends the Rockland County and Orange County Home Shows annually. The main focus of the O&R booths for the past five years has been Energy Choice. O&R, represented by a team of personnel from both the Corporate Communications and the Retail Access Departments attend the Shows to discuss and promote Choice to customers. O&R also raffles off a prize to all customers that sign up for PowerSwitch at the show. With the goal of promoting its ESCOs to customers, beginning in 2005, as part of the Second Rate Year Marketer Incentive Program, O&R has reserved additional spaces at the Rockland County Home Show and will make this venter space available to its ESCOs. Utilizing Marketer Incentive Funding, O&R will purchase "give always" for the ESCOs, which generically promote choice.

Bill Format

Under the existing Consolidated Billing Agreement, ESCOs provide O&R with a single rate (\$/kWh and/or \$/ccf) to be charged each customer for each unit of electricity and/or gas supply consumed by that customer. Rates may differ from customer to customer. The Company has received requests from its ESCOs to expand the billing capability to include, in addition to the single rate per unit, the ability to bill a flat fee or credit. In 2005 the Company plans to solicit further input from its ESCOs and work with its Billing System consultants to obtain cost estimates for implementing such billing modifications. If the changes are determined to be both desired and not cost prohibitive, the enhancement to the ESCO page of the consolidated bill will be made.

Interval Data via EDI

O&R will investigate options to enable the Company to provide interval data to ESCOs via electronic data interchange ("EDI").

Energy Choice Catalogs

As mentioned above, Energy Choice Catalogs were produced as part of the First Rate Year Marketer Incentive Program. As part of the Second Rate Year plan, O&R will investigate ways to reprocess the ads provided by the ESCOs. Much time and money was spent to produce the ads. To optimize their benefit, O&R may reuse them in a less costly advertising piece such as a "flyer" to be inserted into area newspapers.

CONCLUSION

The Plan implements the Commission's Statement of Policy and demonstrates O&R's continued commitment to the further development of retail competition in the New York State.