

**Electric Choice Supplier Handbook**  
**Chapter 1: Overview of Roles of Electric Choice Participants**

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#### 1.0 Overview of Roles of Electric Choice Participants

The implementation of Electric Choice in Michigan changes the roles of current participants in the electricity marketplace and introduces new participants into the process. These new roles and responsibilities will continue to evolve as retail access unfolds.

Electric Choice has two immediate impacts on the electricity marketplace structure. It separates the commercial business contracts and transactions from the physical power flows, and it brings a number of new participants into the market. Power will continue to flow directly from the generator, through one or more transmission systems, through a distribution system, and finally to a customer location as shown by the bold arrows on the right side of Figure 1-1. The commercial transactions related to these power flows can follow several different paths, depending on the number of parties involved and where and when they take title to the power. The simplest case involves the generator, marketer, and retailer represented by a single entity. In this case, the customer need only deal with that entity and the distribution provider, which is Detroit Edison. In more complex cases, these functions could be performed by different parties, with or without transaction assistance from intermediaries (e.g., brokers, aggregators).

This overview begins with several diagrams describing the Detroit Edison view of the present and future electricity marketplace. An understanding of the Detroit Edison view will aid the reader in understanding each participant's role and overall context of the market.

**Figure 1-1**, “New Entities and Relationships Will Emerge With Competition”, illustrates the change from integrated generation, wholesaling, retailing and delivery – all within one regulated company - to a *deregulated* energy marketplace where specific energy functions (generating, wholesaling, and retailing) are in the hands of one or more new entities, utilizing *regulated* utility functions (transmission provider, distribution provider) to deliver energy to an end-use customer.

**Figure 1-2**, “Overview of Participation”, shows the complex pattern of relationships that will exist between the utility and the other participants in order to provide a customer with power. For example, there will be specific regulatory, administrative, legal, financial, and data obligations.

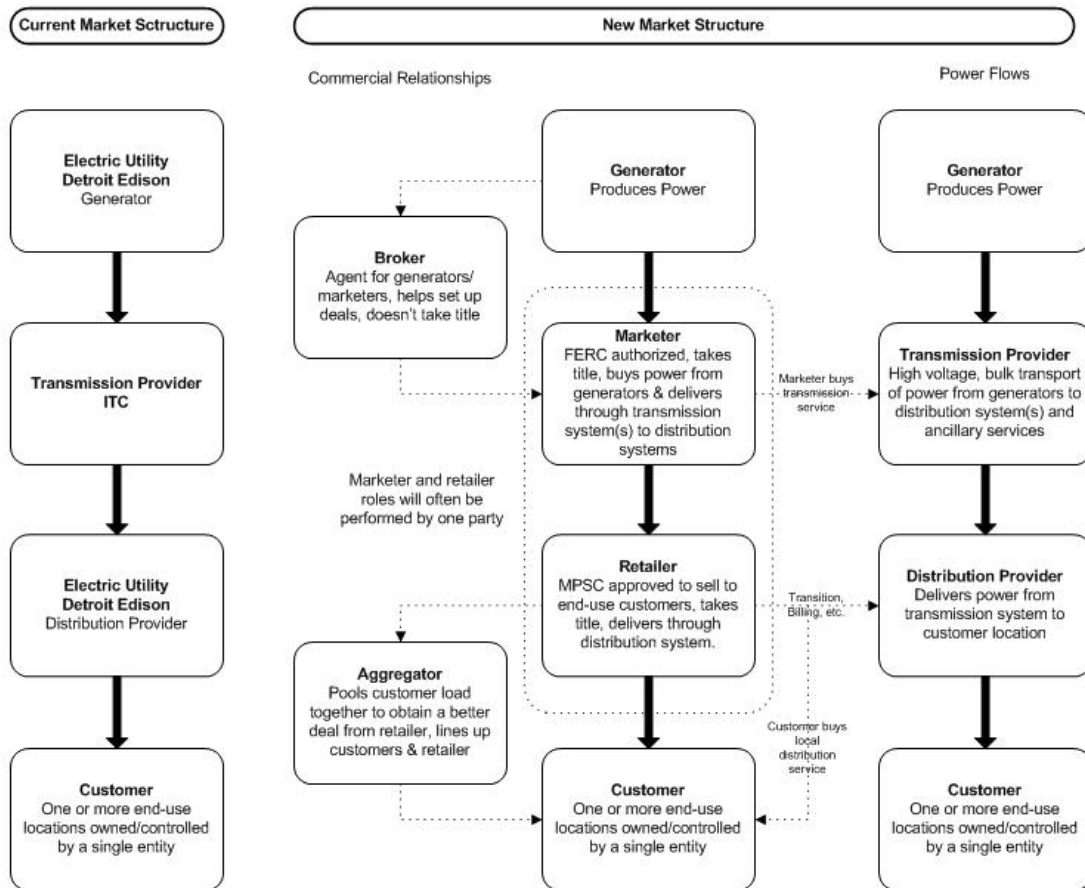
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**Figure 1-1:**

Customers will now interact with one or more new entities when electing to participate in Electric Choice. A deeper level of involvement and knowledge will be required of the customer who will need to make conscious power purchase decisions when choosing among alternative retailers who seek their business.

**New Entities and Relationships Will Emerge with Competition**

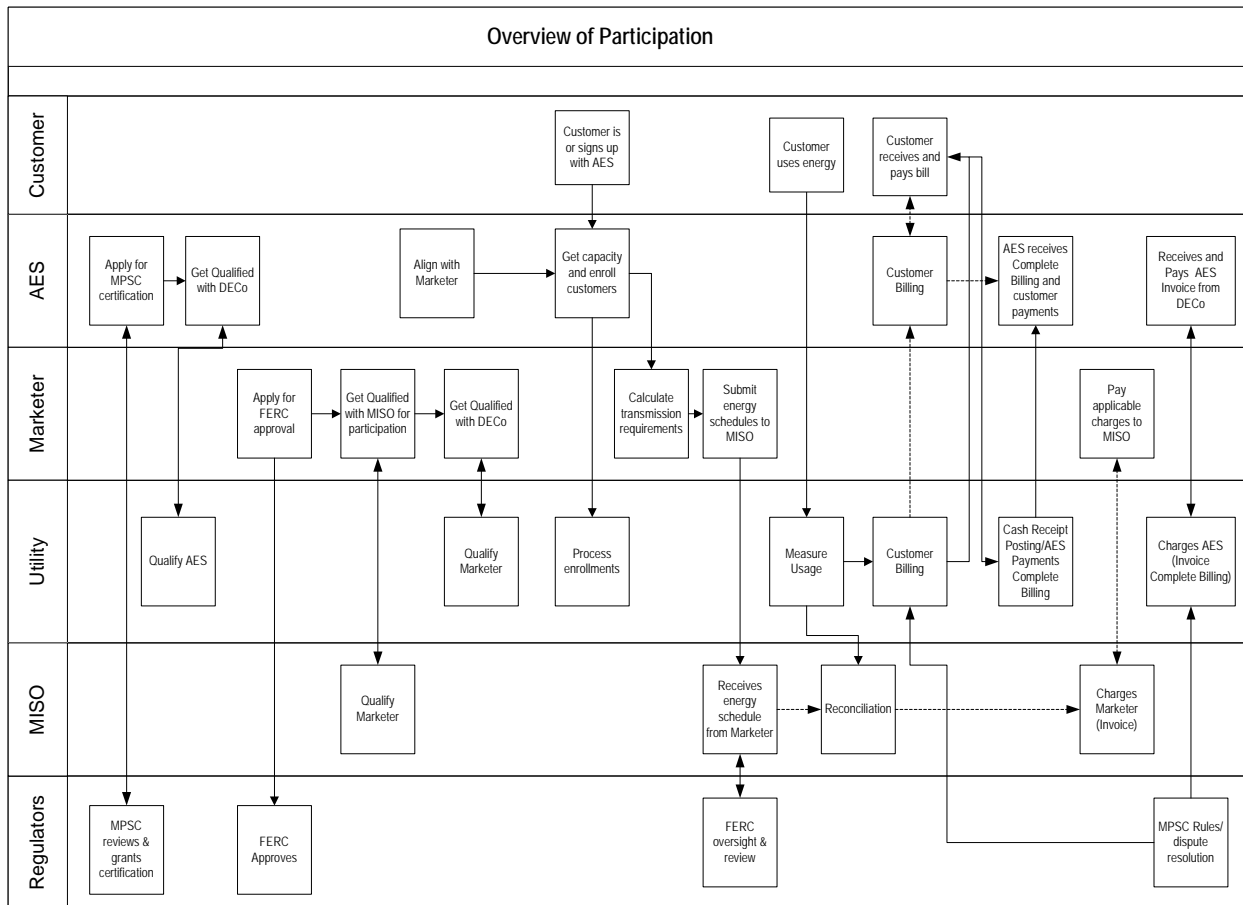


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**Figure 1–2:**

This diagram illustrates the working relationships needed between various market participants to establish and complete typical purchase and delivery transactions of unregulated electric generation.



The following pages introduce the reader to a number of new terms, roles, responsibilities, and relationships. Each of the sections provides a definition of a key term, including a description of the defined entity's marketplace role, followed by participation guidelines.

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#### **1.1 Customer**

The customer is the end-user of energy at one or more locations in the State of Michigan who has facilities connected to the Detroit Edison distribution system.

Prior to Electric Choice, the customer obtained full electric service from Detroit Edison, which had been granted the exclusive legal right to provide service to the customer's location. In June 2000, Michigan passed legislation (PA 141) which allowed all residential, commercial and industrial customers to have a choice of competitive electric suppliers. In October 2008, legislation was passed which modified PA 141 and placed a 10% cap on Electric Choice based on Detroit Edison's prior year's weather-adjusted sales.

Under retail access, the customer will conduct transactions with at least two entities – Detroit Edison and a retailer. The customer is responsible for choosing a retailer.

##### **1.1.1 Regulatory Requirements**

Currently, there are no statutory or regulatory approvals needed to be a customer in the State of Michigan, other than those applicable to business generally. If and when any regulations become effective, the customer will be required to comply with those requirements.

##### **1.1.2 Detroit Edison Requirements**

The key requirement is that the customer is already connected to the Detroit Edison system as a full service customer or meets the requirements for new customers connecting to the Detroit Edison system.

Customers taking service under MPSC-approved contracts or other contracts with the company are bound by the terms of their contracts and will not be eligible for Electric Choice service until their existing contracts permit a service change.

Specific requirements for each customer location include:

- All customer loads to be placed on Electric Choice service must be separately metered (from full service loads) as indicated in the Retail Access Service Rider. See Appendix A for the Retail Access Service Rider.
- Residential and single-phase secondary customers served pursuant to special rates that differentiate base loads from special purpose loads (e.g., interruptible air conditioning on a separate meter) must re-combine those

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loads and have the entire combined load served as an Electric Choice load. At Detroit Edison's option, loads may be combined either logically during the billing process, or physically by removing the separate meter from the customer's location. If any of the separate loads are on interruptible rates, Detroit Edison will disable or remove the interruption device. Detroit Edison will not charge for meter removal or interruption device disabling or removal.

- Customer loads at a single meter point cannot be split or separated between Full Service Rider and Electric Choice service.
- Large industrial/commercial sites with separately metered loads (but not special purpose loads such as described above or on special rates, known as riders) may have some of these separately metered loads on Full Service Riders and some on the Retail Access Service Rider. Nevertheless, a single metered load cannot be split.

#### **1.2 Aggregator**

An aggregator consolidates customers into a buying group for the purpose of purchasing blocks of power. The aggregator then aligns this group of customers with an AES – a role the aggregator may choose to perform. An aggregator may be a customer or simply serve as a broker between an AES and customer. If an aggregator chooses to purchase power and then resell it to customers it has aggregated, the aggregator must qualify as an AES.

If an aggregator chooses not to be an AES, the aggregator role will be limited to aggregating customers to an AES. Any transaction between a customer and an aggregator (who is not an AES), or between an aggregator and its AES, will not involve Detroit Edison and will have no impact on either the commercial or physical flow of power.

##### **1.2.1 Regulatory Requirements**

Currently, there are no statutory or regulatory approvals required to be an aggregator in the State of Michigan, other than those applicable to business generally. If and when any regulations become effective, an aggregator will be required to comply with those requirements.

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#### 1.2.2 Detroit Edison Requirements

There are no Detroit Edison requirements for aggregators, unless the aggregator takes on other roles. If an aggregator takes on another role, such as becoming a retailer, it must meet the requirements of that role.

### **1.3 Alternative Energy Supplier (AES)**

An AES is an entity that has obtained all the necessary legal approvals to sell retail electricity in Michigan. The AES will take title to power and sell power in Michigan's retail customer market.

The AES buys products/services needed to provide power to customers, combines these products/services in different marketing packages, and sells the packages to customers.

#### 1.3.1 Regulatory Requirements

An AES must meet all MPSC and State of Michigan certification requirements.

#### 1.3.2 Detroit Edison Requirements

##### AES Agreement

Prior to customer enrollment, the AES must execute an AES Agreement with Detroit Edison. The AES Agreement defines the requirements for being an Electric Choice retailer. See Appendix B for a copy of this agreement. A downloadable, read-only version of the AES Agreement is available on the Detroit Edison website at: <http://www.suppliers.detroitedison.com> in the Downloads & Links section.

##### Electronic Business Transactions (EBT)

An AES must comply with the electronic standards and protocols established for communications with Detroit Edison. These standards and protocols are posted on the Detroit Edison web site in the Downloads & Links section. See Chapter 7, Electronic Business Transactions, for more information.

Typical electronic business transactions for retailers may include:

- Documenting customer enrollment and switches
- Reporting customer consumption and billing determinants
- Reporting customer payments

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- Electronic funds transfer to and from retailers

#### 1.4 Marketer

The marketer is an entity that takes title to power and has FERC authorization to market energy services. FERC authorization allows the marketer to use transmission systems to move power from the generator(s) to the distribution system. The marketer is either a FERC-authorized power marketer or a utility.

Transmission-related responsibilities of the marketer include: scheduling energy, obtaining ancillary services, and paying energy imbalance charges. Essentially, a marketer takes on the role of a wholesaler, gathering power supply and arranging deliveries to the distribution system where the retailer breaks the bulk transactions down into individual retail sales. In many cases, the retailer and marketer functions will be handled by one entity. The retailer and marketer designations are needed, however, because the two functions are separate and may be performed by different parties. Thus, both a retailer and a marketer are required to complete delivery to a customer.

##### 1.4.1 Regulatory Requirements

###### FERC Authorized

A marketer participating in the Electric Choice Program must be a FERC-authorized power marketer or a utility authorized to transmit energy over the transmission system.

##### 1.4.2 Detroit Edison Requirements

###### Marketer Agreement

Prior to serving customers, marketers must execute a Marketer Agreement with Detroit Edison. The Marketer Agreement defines the requirements for being an Electric Choice marketer. See Appendix C for a copy of this agreement. A downloadable read-only version of the marketer agreement is available on the Detroit Edison web site at <http://www.suppliers.detroitedison.com> in the Downloads & Links section.

###### Electronic Business Transactions (EBT)

Marketers must comply with the electronic standards and protocols established for communications with Detroit Edison. These standards and protocols are posted

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on the Detroit Edison web site in the Downloads & Links section. See Chapter 7, Electronic Business Transactions, for more information.

Typical electronic business transactions for marketers may include:

- **Marketer Reconciliation**

When a customer rebill occurs outside of the 105 day MISO settlement period a marketer reconciliation calculation will be required to address the difference between what was billed by MISO to the Marketer versus what should have billed by MISO.

#### **1.5 Broker**

A broker is an entity that acts as an agent between the generator and the marketer. This entity gathers and offers generation sources to marketers who seek supply. Like an aggregator, once a broker initiates a transaction, it may or may not have a role in ongoing transactions.

It is important to note that brokers do not take title to power. For the purposes of the Electric Choice Program, if a broker takes title to power, it will be classified as a generator or a marketer. The broker will be considered a generator if it sells power to marketers that have transmission access, and will be considered a marketer if it arranges for transportation of the power over the transmission system and then sells the power. If a broker chooses to fill either of these roles, it must meet all requirements associated with each specific role.

##### **1.5.1 Regulatory Requirements**

Currently, no federal or state authorization is needed if an entity only intends to be a broker, other than those applicable to business generally. If and when regulations become effective, a broker will be required to comply with those requirements.

##### **1.5.2 Detroit Edison Requirements**

There are no Detroit Edison requirements for brokers, unless the broker takes on other roles. If a broker takes on another role, such as becoming a marketer, it must meet all requirements of that role.

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#### **1.6 Generator**

The generator is an entity that produces power that will be ultimately delivered to customers through one or more transmission systems and the customer's host utility distribution system, e.g., Detroit Edison. The generator is the original holder of title to the power.

##### **1.6.1 Regulatory Requirements**

A generator is expected to meet all federal, state, and local licensing requirements including all applicable state and federal environmental laws.

##### **1.6.2 Detroit Edison Requirements**

A Generator shall be duly certified with the Midwest Independent Transmission System Operator (MISO) prior to providing Retail Access service as evidence by being listed on the MISO Certified Market Participants List <http://www.midwestiso.org/publish> (Documents Tab – Certified Market Participants).

#### **1.7 Distribution Provider**

The distribution provider is the “wires” company that distributes power to customers in a given geographic area. Distribution of power is an MPSC-regulated business function. The distribution provider is responsible for building, maintaining, and operating the distribution system to provide for the reliability and availability of the distribution system to all customers. The distribution provider performs numerous services, including responding to customer inquiries, responding to outage and power quality issues, meter reading, and billing. Detroit Edison is the distribution provider for its currently defined service territory in Southeast Michigan.

##### **1.7.1 Regulatory Requirements**

The distribution provider is the regulated distribution utility serving the area. It must meet all requirements established by the MPSC.

##### **1.7.2 Detroit Edison Requirements**

Detroit Edison is the host distribution provider for the Electric Choice Program and is the only distribution provider possible for Electric Choice within the Detroit Edison designated service territory.

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#### **1.8 Transmission Provider**

The transmission system is the high-voltage, bulk transport system used to transport power from generators to the distribution providers for delivery to the ultimate end-use customer(s). The transmission provider is responsible for building, owning, maintaining, and operating the transmission system in a given geographic area to provide for the overall reliability of the electrical system. The transmission of power is a FERC-regulated function. International Transmission Company (ITC) is the transmission provider for customers in the Detroit Edison designated service territory.

A key role of a transmission provider is to balance generation to the total load, in real time, to maintain the integrity of the electrical system. The transmission provider is responsible for this balancing function. In doing so, the transmission provider automatically compensates for any imbalances between a marketer's generation and its retail customer's loads.

The transmission provider also provides a number of other required and optional services, including facilitating the use of the transmission system, modifying the transmission system when needed, and providing various ancillary services.

##### **1.8.1 Regulatory Requirements**

Transmission providers must meet all applicable FERC regulatory requirements.