

PPL Electric Utilities Introduces Rate Option For Industrial Customers to Encourage Conservation and Load Shifting

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To offer its largest industrial customers incentives to adjust their electricity use as market prices for electricity fluctuate, PPL Electric Utilities is introducing a demand-side rate initiative on June 1.

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"As the market price of electricity changes, industries that choose our new rate option can benefit by decreasing, increasing or shifting their electricity use as market conditions change," said John F. Sipics, vice president for Regulatory Support at PPL Electric Utilities.

"Experience has shown that during periods of peak demand, even small reductions in customer usage can have a big effect on wholesale electricity prices," he added.

PPL Electric Utilities believes that its new rate option can help minimize spikes in wholesale electricity prices, encourage greater competition in the electricity market and further enhance the reliability of electricity supply in the mid-Atlantic region.

The demand-side rate option, approved by the Pennsylvania Public Utility Commission on Thursday (5/24), is available to about 500 industrial customers who represent PPL Electric Utilities' largest consumers of electricity.

If customers reduce electricity usage from their normal level during periods of high electricity prices, they qualify for a credit on the energy supply portion of their electric bill. If they use more electricity during high-price periods, they pay a premium.

The rate option covers only the energy supply portion of customers' electric bills. All other charges - such as distribution and transmission - continue at existing PPL Electric Utilities rates.

"We designed this option for customers who are able to respond quickly to market price signals," Sipics said. "The response may be to reduce demand or to shift production to hours when the price of electricity is lower, or to use their own sources of generation."

He noted that customers who have not chosen a new electricity supplier under Pennsylvania's Electric Choice program get their supply from PPL Electric Utilities at regulated rates that are capped at 1997 levels.

Because those customers are not exposed directly to fluctuations in the prices that electricity producers charge, they have little incentive to reduce electricity use when price is high.

"On some days, particularly in the summer, the regulated price those customers pay is far less than the actual market price of electricity," Sipics said. "Our new rate option provides incentives for our largest customers to understand and respond to changes in market prices for electricity."

PPL Electric Utilities has a history of innovation in the design of electric rates. It is still the only electric utility in Pennsylvania to offer a real-time pricing option to a small group of business customers.

"From our experience with real-time pricing, we have the framework in place to give customers market-price projections for electricity a day in advance - a feature that makes our new rate option possible," Sipics said.

PPL Electric Utilities delivers electricity to 1.3 million customers in 29 counties of eastern and central Pennsylvania.

PPL Electric Utilities is a subsidiary of PPL Corporation (NYSE: PPL). Headquartered in Allentown, Pa., PPL

Corporation generates electricity at power plants in Pennsylvania, Maine and Montana; markets wholesale or retail energy in 42 U.S. states and Canada; and delivers electricity to nearly 6 million customers in Pennsylvania, the United Kingdom and Latin America.

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Contact: George Lewis of PPL, 610-774-5997

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