



Texas Electric Choice

Information for Customers of AEP

March 26, 2001

New Ways of Doing Business Call for New Rules of Conduct

Historically, investor-owned utilities (IOUs) like AEP have provided electric service to customers within a given service territory that was approved by the Public Utility Commission of Texas (PUCT). The companies generated power, moved it through their power lines, and sold it as a single product at a regulated rate.

The Texas Electric Choice Act, also known as Senate Bill 7 (SB7), gives Texas customers the opportunity to choose their retail electricity provider beginning Jan. 1, 2002.

The Change in Structure

According to SB7, all IOUs must separate into three companies:

- a generating company,
- a transmission and distribution company (or energy delivery company) and
- a retail electric provider (REP).

This business separation will split the energy delivery business from the energy sales business. This means the energy delivery utilities will deliver power, but will not sell it to customers. The sale of power will occur in the REP business.

The energy delivery company will remain subject to regulation by the PUCT, while the generating company and the REP will participate in a competitive market structure.

This new business environment will require some rules for these new working relationships. Code of Conduct is the set of rules under which the regulated energy delivery companies can interact with their unregulated affiliates (e.g. REPs) in this new competitive environment.

Code of Conduct Outlines Rules for New Working Relationships

The purpose of the Code of Conduct is to establish a fair playing field among the state's electric industry competitors in a new competitive market. The Code of Conduct will make sure that a REP affiliated with an energy delivery utility will not have an unfair advantage over other retailers marketing in the utility's traditional service territory and elsewhere throughout the state. Additionally, it will ensure that customers of the regulated energy delivery utility do not pay for competitive affiliate activities through regulated rates.

The Code of Conduct outlines what types of activities can and cannot be transacted between regulated energy delivery utilities and their competitive affiliates. Also, for activities it permits, the Code describes how those activities are to occur between the regulated energy delivery companies and their competitive affiliates.

Topics addressed in the Code of Conduct include information sharing, marketing and promotional practices and other activities.

Guidelines for Information Sharing

The Code of Conduct outlines specific guidelines on sharing four types of information:

- proprietary customer information,
- aggregate customer information,
- customer requests for information and
- energy delivery company information.

There are two main points for customers to remember regarding information sharing.

First, proprietary information about your account -- including billing history, credit history





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and kilowatthour usage -- will remain confidential. Your AEP delivery company will not share this information (except under limited circumstances) with other companies, including companies affiliated with it, unless you have given express permission to do so.

Second, if you request information about competitive retailers or competitive services, AEP will respond with information that does not promote, offer an opinion or refer a customer to any competitive company.

Guidelines for Promotion, Sales and Marketing

The Code of Conduct generally prohibits joint promotional, marketing, advertising and sales

activities between energy delivery utilities and their unregulated affiliates. Linking the purchase of electric service from a competitive company to service from the regulated energy delivery company is strictly prohibited. Customers will receive the same quality of delivery service regardless of who provides power.

And finally, a regulated utility may not allow a competitive affiliate to use its name, trademark, brand or logo without a disclaimer. The disclaimer must emphasize that customers of the regulated energy delivery company are not required to purchase the services offered by the competitive affiliates.

The Code of Conduct became effective in January 2000.

