

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Commission's Review)
of Time-Differentiated and Dynamic) Case No. 12-150-EL-COI
Pricing Options for Retail Electric)
Services.

COMMENTS OF DUKE ENERGY OHIO, INC.

I. INTRODUCTION

Now comes Duke Energy Ohio, Inc., (Duke Energy Ohio) and submits comments in response to the Public Utilities Commission of Ohio (Commission) Entry, issued on January 11, 2012, inviting comments regarding time-differentiated and dynamic pricing options for retail electric services.

II. COMMENTS

Duke Energy Ohio responds to the specific questions posed by the Commission in its Entry as follows:

(Q1). The Commission is seeking comments on whether electric distribution utilities (EDUs) and/or competitive retail electric service (CRES) providers should offer pricing options for all consumers with advanced or interval meters that reflect the time varying prices in wholesale electricity markets and additional dynamic pricing options such as pre-paid, indexed, and other variable rates. The Commission seeks to determine how information regarding such options might best be made available to these consumers. The Commission anticipates initiating a series of workshops on time-differentiated and dynamic pricing.

Duke Energy Ohio's Response:

The Company does not believe that prescriptive requirements are appropriate in regard to time-varying pricing or dynamic rates. Ohio is a retail choice state, meaning that customers have the ability to purchase electric generation service from a competitive market, therefore competitive forces and customer demand should dictate the type of pricing options offered to customers in Ohio. Information regarding time varying prices or dynamic rates that may be offered in Ohio should come from the electric generation service provider offering the pricing option rather than from the Commission.

(Q2) The Commission is also seeking comments on the development of a standardized approach to help consumers compare different types of retail pricing options for competitive services. Existing "price-to compare" information may not permit consumers to readily compare fixed prices with time-differentiated or dynamic retail pricing. Among the options to be considered, the Commission is seeking comments on the development of an on-line bill-to compare calculator that could help consumers compare the bill impacts of alternative retail service offerings and how best to inform consumers of the availability of this capability.

Duke Energy Ohio's Response:

Just as the Company believes the existing "price to compare" information provides a level of protection to customers from the potential confusion around different flat pricing options that can select from today, a standardized comparative format would be beneficial around time differentiated rate. The Commission may consider conducting workshops with both the EDUs and CRES suppliers to discuss and determine the best

way to avoid customer confusion around time based structures. Such discussions should include, at a minimum, ways to clearly describe to customers what potential benefits and risks are associated with the rate offering. Any proposed mechanism should clearly show how a proposed new rate would compare to a providers existing flat rate based upon the specific customer's historic usage over the past 12 months. While the Company believes that the Commission should establish these minimum criteria, it believes that individual electric distribution utilities should determine their own sourcing strategies to optimally deliver these capabilities to customers.

(Q3) In taking these comments, the Commission may seek to evaluate and potentially expand the range of choices available to consumers and encourage more effective retail competition. This would include the development of innovative service offerings by CRES providers. By encouraging the development of time-differentiated and dynamic pricing options, the Commission is seeking to provide consumers with additional tools to manage their electricity bills, improve utility asset utilization, and enhance the reliability and resilience of the power system.

Duke Energy Ohio response:

Customers are likely to seek out tools with which to control their electric bills and enhance the reliability of the power system. Competitive forces and generation providers looking to differentiate their offerings will naturally develop and offer pricing structures that are both appealing to customers and allow them to effectively manage their bills. If the Commission creates a standardized rate comparison tool that provides the necessary clarity regarding the potential impact of the pricing offers, customers will

have the ability to determine what generation offers are attractive, not unlike customer demand dictates what type of toppings are on a delivered pizza.

(Q4) The Commission is also seeking comments on whether EDUs and/or CRES providers should propose plans for educating eligible customers regarding the benefits, risks, and application of time-differentiated and dynamic pricing options and for marketing any newly proposed options. The Commission is requesting specific comments on what means EDUs or CRES providers would view as the most effective plans to educate consumers and whether such plans should include development of a comparison web page or alternate means to highlight the availability of comparable time differentiated and dynamic pricing options and provide links to time-differentiated and dynamic pricing options available from the EDU and from certified CRES providers.

Duke Energy Ohio's response:

Educating eligible customers regarding the implications and economic rationale behind time-differentiated rates is a critical component of accelerating the natural customer demand for time varying rates and dynamic pricing options. Similar to the standardized "price to compare" tool for time differentiated rates, the Commission may consider encouraging similar messaging across the entire state. Content for the campaigns should include education regarding the cost justification behind time differentiated rates, different potential rate structures and the potential risk associated with adopting time differentiated rates.

(Q5) The Commission is not at this time seeking comments on whether to expand the deployment of advanced metering infrastructure. Rather, the Commission is focusing on pricing options for those consumers who have advanced or interval meters that could to take advantage of time-differentiated or dynamic pricing. Specifically, the Commission is seeking comments to address the following questions:

(a) Should EDUs offer consumers with advanced or interval meters time-differentiated or dynamic retail rates to ensure that such options are available to such consumers? In addition to or in conjunction with Commission-approved time of use programs, should such choices include dynamic pricing options that reflect time varying PJM Interconnection, LLC (PJM) market prices?

Duke Energy Ohio's response:

As noted above, EDUs should not be required to offer any specific type of time differentiated rates or dynamic pricing. Additionally, EDU's presently auction their loads to determine the standard service offer and such standard service offers are based upon an around-the-clock price, which means that the EDU's actual generation costs are not tied to hourly pricing. Given the lack of connection between time varying PJM market prices and the electric distribution utility's generation costs, it would not make sense for the electric distribution utility to offer customers a rate based on the PJM market prices.

(b) Should EDUs offer consumers with advanced or interval meters two-part dynamic pricing, such that the offer provides a dynamic price signal and a hedging or insurance component that addresses consumer risk aversion?

Duke Energy Ohio's response:

Based upon Duke Energy Ohio's experiences with offering a series of time-differentiated rate pilots, as well as customer feedback, customers appear to prefer simple pricing structures. A two-part dynamic price structure would likely be too complex for customers and hence not garner significant customer

interest. At some point in the future, if and when customers become more comfortable with time-differentiated pricing structures, the two part design with an insurance component could be a structure that would be desirable to customers.

(c) Are there specific forms of dynamic or time differentiated pricing which should be offered to different groups or classes of consumers who have the requisite metering?

Duke Energy Ohio's response:

Time-differentiated rate offerings should be the product of the EDU or CRES supplier in response to customer demand. Based upon the Duke Energy Ohio's experience with offering time-differentiated rate pilots to date, Duke Energy Ohio recommends a portfolio of relatively simple time-of-use rate offers with varying ratios of peak to off-peak ratios that allow customers to match their personal risk tolerance to a rate.

Duke Energy Ohio understands the position that was presented by Ahmad Faruqi at the recent dynamic pricing workshop conducted on March 28, 2012, regarding the viability of peak-time rebate programs. Mr. Faruqi discussed his concerns regarding the sustainability of a peak-time rebate design that only rewards customers for shifting usage, rather than other more complete and cost justified designs that also provide the appropriate level of symmetrical risk for customers choosing not to take action to shift their usage. However, the time-

differentiated pricing principles can be applied in multiple forms, and a variety of options may be explored to maximize up-front and long-term customer engagement. Customer reward structures, which provide incentives for load-shifting and eliminate the risk that dynamic pricing is perceived by some customers as punitive, may be attractive if they are underpinned by sound time-differentiated pricing fundamentals.

- (d) Should the Commission support well designed field tests by EDUs and/or CRES providers of additional time-differentiated or dynamic pricing options and various approaches to and combinations of consumer education, targeted messaging, information feedback, and/or enabling technology to better assess what options may work best for consumers and have the greatest beneficial impacts?*

Duke Energy Ohio's response:

The Commission's has supported Duke Energy Ohio's efforts to test and learn from its deliberate roll-out of a portfolio of time-differentiated rate pilots over the past three years to limited populations of customers. The Commission may continue to support such pilot offerings by Duke Energy Ohio and other EDUs.

No additional level of Commission encouragement is necessary.

- (e) What barriers, if any, are there to CRES providers offering dynamic pricing to consumers with advanced or interval meters? What steps, if any, should the Commission consider to encourage or to remove barriers to CRES providers offering packages that include dynamic pricing?*

Duke Energy Ohio's response:

The following two major barriers to CRES providers providing time varying rates exist:

1. Billing Systems: Creating the necessary data management and billing systems to support different dynamic pricing structures requires significant investment and time.
2. Customer awareness: Currently, customers are generally unaware of the cost justification for time-differentiated rates and understanding why such rates may provide value to customers. As discussed earlier, over time with the appropriate education, this hurdle may be able to be addressed.

(f) Should EDUs and/or CRES providers develop and implement a plan to better inform eligible consumers regarding time-differentiated and dynamic pricing options? If so, what should such plans include?

Duke Energy Ohio's response:

Information and the manner in which both EDUs and CRES suppliers communicate with customers regarding time varying prices or dynamic rates that may be offered in Ohio should be at the individual discretion of the generation service provider. Marketing of rate offers should not be prescriptive in nature, as it is a critical component of how generation service providers compete. The Commission may consider a requirement that all rate

offers be comparable such that they may be entered into a standardized rate comparison tool.

(Q7) The price-to-compare information currently disclosed on residential customer bills and by EDUs may not be sufficient to enable customers to readily compare fixed price products with innovative competitive service offerings and time-differentiated or dynamic pricing. Moreover, customers may find comparisons of representative bills to be more useful than comparisons to a price that is used in the calculation of one portion of their bills. To facilitate bill comparisons, the Commission is seeking comments on the development of a standardized approach for providing customers bill comparisons, including reports showing possible benefits of adoption of dynamic price offerings for consumers.

Duke Energy Ohio's response:

Just as the existing "price to compare" information provides a level of protection to customers from the potential confusion around different flat pricing options that can be selected today, a standardized comparative format would be beneficial around time-differentiated rate. The Commission may consider conducting workshops with both the EDUs and CRES suppliers to discuss and determine the best way to avoid customer confusion around time-based structures. At a minimum, such offers should clearly describe what potential benefits and risks are associated with each rate offer. The comparison tools employed by the different electric distribution utilities should clearly show how the new rate would compare to the customer's existing flat rate based upon the specific customer's historic usage over the past 12 months.

(Q8) The Commission is also interested in the potential development of a secure on-line application with appropriate privacy protections that could make bill comparisons available to customers. Such an application could illustrate for customers how different price and service offerings might impact their overall electricity bills. Are there

alternative approaches which the Commission should consider that could provide customers comparable or superior capabilities for comparing different forms of pricing and different competitive retail service offerings? The Commission notes that there are open Commission dockets exploring considerations of consumer privacy protection and customer data access issues related to advance metering and Smart Grid (Case No. 11-277-GEUNC, In the Matter of the Review of the Consumer Privacy Protection and Customer Data Access Issues Associated with Distribution Utility Advanced Metering and Smart Grid Programs) as well as cyber security related to advanced metering and Smart Grid (Case No. 11-5474-AU-UNC, In the Matter of the Commission's Review of Cyber Security Issues Related to Entities Regulated by the Commission. The Commission invites interested persons to comment, as appropriate, in these other two Commission dockets. With respect to the development of a bill comparison application, the Commission is seeking comment in this docket on the following questions:

(a) Is the development of such an on-line application reasonable and practicable?

Duke Energy Ohio's response:

After the Commission has taken actions to establish the necessary processes and protocols to protect customer data and have the necessary cyber security requirements in place regarding the transfer and storage of customer data, the development of a standardized bill comparison tool would be valuable in helping protect customers from the potential risks associated with time varying rates.

(b) Are comparable applications already commercially available? If so, what steps, if any, should the Commission consider to facilitate appropriate customer access to such applications?

Duke Energy Ohio's response:

Duke Energy Ohio is not aware of any such bill comparison application. It also believes that while there is value in all of the electric distribution utilities providing the Commission recommended bill comparison functionality, it does not agree with the Commission prescribing the use of any such application. The value to customers is derived from the offering straight forward and easy to use information, not from offering a specific application or tool.

(c) What elements would help make such an application useful to customers?

Duke Energy Ohio's response:

A bill comparison application should include the following features and functionality:

- The ability to compare multiple rate offerings quickly.
- The ability to compare rates based upon historic usage data.
- The ability to project different usage patterns, so a customer can assess the magnitude of the behavioral change or/load shifting will be required to achieve a positive bill impact.

(d) Are there alternative approaches which the Commission should consider that could provide customers comparable or superior capabilities for comparing different forms of pricing and different competitive retail service offerings?

Duke Energy Ohio's response:

Duke Energy Ohio is not aware of any alternative approaches to provide customer comparable or superior capabilities for comparing prices across competitive offers.

III. CONCLUSION

Duke Energy Ohio appreciates this opportunity to provide comments and looks forward to working with the Commission Staff and other stakeholders to continue discussions and the implementation of time-differentiated and dynamic pricing options for retail customers.

Respectfully submitted,



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