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BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Proposal of )  
FirstEnergy Service Company to Modify ) Case No. 09-778-EL-UNC  
Its RTO Participation. )

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INITIAL COMMENTS OF  
THE RETAIL ENERGY SUPPLY ASSOCIATION

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I. Introduction

Pursuant to the Entry of September 4, 2009, the Retail Energy Supply Association (RESA)<sup>1</sup> respectfully submits the following comments to the Commission regarding FirstEnergy Service Company's (FirstEnergy) regional transmission organization (RTO) realignment proposed in its application with the Federal Energy Regulatory Commission (FERC) in FERC Docket No. ER09-1589. RESA is a broad and diverse group of retail energy suppliers who share the common vision that competitive retail energy markets deliver a more efficient, customer-oriented outcome than regulated utility structure. Several RESA members are certificated as competitive retail electric service providers and active in the Ohio retail electric market. The comments expressed in this filing represent the position of RESA as an organization but may not represent the views of any particular member of RESA.

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<sup>1</sup> RESA's members include ConEd Solutions; Direct Energy Services, LLC; Exelon Energy Company; GDF SUEZ Energy Resources NA, Inc.; Gexa Energy; Green Mountain Energy Company; Hess Corporation; Integrys Energy Services, Inc.; Just Energy; Liberty Power; RRI Energy; Sempra Energy Solutions LLC. The comments expressed in this filing represent the position of RESA as an organization but may not represent the views of any particular member of RESA.

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## **II. PJM's Administration and Markets Can Support Retail Marketing At A Level Equal to or Better Than MISO.**

RESA members participate in both the Midwest Independent Transmission System Operator (MISO) and the PJM Interconnection, Inc. (PJM). Both MISO and PJM operate and maintain reliable transmission systems and cost effective markets, though each administer their operations and markets in a different fashion. At this time, RESA believes that PJM's market structure is better aligned with the operation and functioning of retail markets. In addition, RESA finds PJM's rules are farther along in terms of renewable energy credit ("REC") registries and tracking systems. Finally, PJM has more experience with auctions and thus has more refined procedures. In sum, focusing exclusively on the programs and administration, RESA finds PJM to be equal or better than MISO as a choice of regional transmission organization, for purposes of serving the competitive retail electric service market.

## **III. Movement of Utilities Between RTOs Should be Structured to Minimize Disruption to Service and Avoid Interference with Existing Contracts.**

RESA recognizes FirstEnergy's desire and legal ability to apply to change its RTO membership. As noted above, RESA finds PJM a suitable RTO for competitive retail markets. Effectuating a change of RTOs though by its very nature will create disruptions. Specifically, retail suppliers are providing service to customers through existing contractual agreements which have been designed and priced using MISO assets. A change of RTO then needs to take into consideration the existing contracts and the need to switch or reconfigure the generation and transmission used to supply existing customers when FirstEnergy moves from MISO to PJM. Thus, the Commission should evaluate the effects of pending RTO moves on all customers, both utility standard offer customers and customers served by competitive retail electric suppliers. Moreover, the financial risk to all parties, including customers, the utility, retail suppliers, and

wholesale suppliers, should be evaluated, with adequate steps taken to prevent, minimize or remedy the disruptive effects.

In addition, the Commission should also consider that retail suppliers not currently serving customers but looking to enter Ohio must re-evaluate their business model in the event of a RTO change. While these suppliers may not be financially at risk as a result of the change, the regulatory uncertainty created by the move may discourage or delay potential market entrants. For example, a supplier knowing that FirstEnergy's proposes to move to PJM in less than two years may delay serving retail customers in FirstEnergy if it requires obtaining a MISO CP node for such a short period. Transition programs may be needed to prevent the upcoming change of RTO to being a barrier of entry or expansion. Working out such interim plans or programs is supported in spirit if not in word by the Ohio Energy Policy of supporting the development of the competitive retail electric market as stated at Section 4828.02, Revised Code.

Should the Commission elect to pass through to customers part or all of the cost of FirstEnergy changing RTOS, the Commission needs to be attentive too and prevent shopping customers from being charged twice for expenses which are caused by FirstEnergy's move to PJM that are being picked up by the shopping customers' competitive retail electric service provider.

#### **IV. Timing Of The Switch From MISO To PJM**

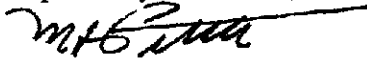
Given the timing restrictions imposed by MISO on market participants coupled with the timing of PJM's capacity auction and the end of the current electric security plan for the FirstEnergy utilities, RESA believes FirstEnergy has recognized that timing of the move is critical and that FirstEnergy has presented a reasonable timeframe for the move. If there is a delay, RESA is encouraging the FERC to ensure that an RTO move does not take place in the

middle of an electric security plan. This will minimize additional risks placed on retail or wholesale suppliers – a cost that may ultimately be passed through to customers.

**V. Conclusion.**

The proposed RTO realignment will provide a greater benefit to customers given PJM's better developed retail markets. However, any move by FirstEnergy from MISO to PJM should be done in a manner to minimize disruptions to service and avoid interfering with existing contracts. Further, the timing of the switch should be such that an Electric Security Plan is not divided between service through two RTOs.

Respectfully submitted,



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M. Howard Petricoff (0008287)  
Stephen M. Howard (0022421)  
Michael J. Settineri (0073369)  
VORYS, SATER, SEYMOUR AND PEASE LLP  
52 East Gay Street  
P.O. Box 1008  
Columbus, Ohio 43216-1008  
(614) 464-5414  
(614) 719-4904 (fax)  
[mhpetricoff@vorys.com](mailto:mhpetricoff@vorys.com)

Attorneys for the Retail Energy Supply  
Association

## CERTIFICATE OF SERVICE

I certify that a copy of the foregoing Comments was served upon the following parties of record by U.S. first class mail this 25th day of September, 2009.

Jacqueline Lake Roberts  
Senior Manager, Regulatory Affairs and  
Public Policy  
EnerNOC, Inc.  
101 Federal Street, Suite 1100  
Boston, MA 02110

David C. Rinebolt  
Ohio Partners for Affordable Energy  
Colleen L. Mooney  
231 West Lima Street  
P. O. Box 1793  
Findlay, OH 45839-1793

Cleveland Electric Illuminating Co.  
Arthur Korkosz  
FirstEnergy Service Company  
76 S. Main Street, Suite 1800  
Akron, OH 44308

Thomas E. Lodge  
Kurt P. Helfrich  
Carolyn S. Flahive  
Ann B. Zallocco  
Thompson Hine LLP  
41 S. High Street, Suite 1700  
Columbus, OH 43215-6101

Ohio Edison Company  
Ebony Miller  
James Burke  
FirstEnergy Service Company  
76 S. Main Street  
Akron, OH 44308

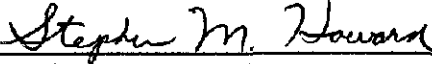
Samuel C. Randazzo  
Lisa G. McAlister  
Joseph M. Clark  
McNees, Wallace & Nurick LLC  
21 E. State Street, 17<sup>th</sup> Floor  
Columbus, OH 43215

Toledo Edison Company  
Mark Hayden  
FirstEnergy Service Company  
76 S. Main Street  
Akron, OH 44308

Daniel Shields  
Federal Energy Advocate  
Public Utilities Commission of Ohio  
180 E. Broad Street  
Columbus, OH 43215

David F. Boehm, Esq.  
Michael L. Kurtz, Esq.  
Boehm, Kurtz & Lowry  
36 E. Seventh Street, Suite 1510  
Cincinnati, OH 45202

Theodore Robinson  
Citizen Power  
2121 Murray Avenue  
Pittsburgh, PA 15217

  
Stephen M. Howard