

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

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

**COMMENTS OF OHIO EDISON COMPANY, THE CLEVELAND ELECTRIC
ILLUMINATING COMPANY AND THE TOLEDO EDISON COMPANY**

I. INTRODUCTION

In a January 11, 2012 Entry (at 1) in this docket, the Public Utilities Commission of Ohio ("Commission") requested 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 also seeks "to determine how information regarding such options might best be made available to these consumers." Id. Below are the comments of Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company ("Companies").

II. COMMENTS

The Companies thank the Commission for providing interested parties the opportunity to comment on the above issues. However, as more fully discussed below, because electric generation service in Ohio is a competitive service, the pricing of which is no longer under the jurisdiction of the Commission, discussion of these issues may be moot. As a competitive service, pricing options are generally left to the discretion of

those providing the service, namely the CRES providers. Questions concerning dynamic pricing and other pricing options surrounding retail electric generation service should be left to the discretion of these providers. The pricing of their products is a marketing, financial and management issue that should be left to the option of these providers, any of whom may *choose* to distinguish themselves from others in the market through innovative pricing mechanisms involving dynamic and other pricing structures.

With these comments in mind, the Companies submit the following brief responses to the issues included in the January 11th Entry.

Responses to the Commission's 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?**

Response: No. Electric Distribution Utilities are by definition utilities providing distribution services. The facilities used to provide distribution services were built to accommodate peak loads. Distribution rates are already designed to recover distribution related costs based on a customer's contribution to peak demand. Because EDUs such as the Companies no longer own generation assets and only offer generation service as a provider of last resort ("POLR"), their supplies for such POLR service are obtained through a wholesale competitive bid process. Pricing for such POLR service should already factor in the times at which the generation service is needed based on customer load profiles, and, accordingly, the bid prices should already reflect the time at which the generation will be used. Moreover, because pricing of competitive services such as electric generation is part of the competitive process, if EDUs were lawfully ordered to

offer time-differentiated and/or dynamic generation related pricing, EDUs would, in essence, be competing with CRES providers for customers shopping for an electric generation supplier – a situation that is contrary to State policy, which removed EDUs from this market. And because EDUs are assured cost recovery for the POLR services provided, inserting EDUs into the competitive generation market would provide EDUs with an unfair competitive advantage. Finally, should the Commission lawfully order the Companies to provide such a time sensitive pricing option to those with interval metering capabilities, any price differential between what the customer would pay under such a new rate and what they would otherwise pay would need to be recovered from other customers taking POLR service. This would create a cross subsidization issue that, again, is contrary to State policy and the principles of competitive markets. For all of these reasons, EDUs should not be mandated to offer customers dynamic or other time-differentiated pricing options.

- (a)(2) 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?**

Response: For all of the reasons discussed in (a)(1) above, EDUs should not offer pricing options reflecting time varying 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?**

Response: By offering the fixed POLR price, EDUs effectively offer a hedge against time-sensitive rates. Any further innovations with hedging or other pricing

insurance products should be part of pricing structures offered by CRES providers in the competitive generation market.

- (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?**

Response: As previously stated, the Companies believe that the pricing of competitive products such as electric generation service should not be regulated because, as a marketing, financial and management issue, the pricing structures offered for generation service should be left to the discretion of CRES providers. Such innovative pricing structures afford these CRES providers the opportunity to distinguish themselves from others in the marketplace.

- (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?**

Response: The Companies believe that better educated customers are in a position to make better, more informed decisions. Any combination of consumer education, targeted messaging, information feedback and/or enabling technology implemented to allow customers to better assess their pricing options should be supported only if found to be cost effective, and, if EDUs are expected to participate or promote such tools, only if they receive timely cost recovery for their efforts. The Commission is already supporting well designed field tests, such as the Companies' Smart Grid Modernization Initiative Consumer Behavior Study, and, because the use of such technology is relatively new in the

marketplace, the Companies encourage the Commission to continue to do so, perhaps expanding such field studies to include issues such as effective marketing and educational efforts, behavioral responses and the potential costs vis-à-vis the benefits of dynamic pricing. In so doing, not only do such pilots and other field activities educate customers, but they also educate the Commission, those involved in the field tests and other interested parties, thus allowing more informed decisions to be made by all involved.

- (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?**

Response: Issues surrounding barriers to the offer of dynamic pricing options are issues better left to CRES providers; and the Companies defer to them on any discussions of the same. As EDUs, the Companies' current meter technology is sufficient to allow them to bill their customers for the POLR service received by the customers. Therefore, the cost of any metering technology needed for dynamic pricing options today should be borne by either the CRES supplier or the shopping customer.

- (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?**

Response: As previously indicated, the Companies generally believe that better educated customers make better, more informed decisions. The task of (and also the cost of) educating customers on the merits of any type of competitive service, is generally left to the provider of such service. Nevertheless, should the

Commission pursue such an initiative that requires participation by EDUs and/or CRES providers, then any such plan should include market research that identifies the current level of customer understanding of such pricing options, the level of customer interest in such pricing options, and the customer's sensitivity to the costs associated with providing such options. Moreover, because such pricing options are part of the competitive services offered by CRES providers, any participation in such activities by EDUs would require timely cost recovery of all costs incurred for such participation.

Additional Issues Raised by the Commission

In addition to the above issues, the Commission also seeks 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."¹ Again, because dynamic pricing and other pricing structures for competitive electric generation service are issues for CRES providers, approaches for providing customers with bill comparisons are also issues for CRES providers. Accordingly, the Companies defer to such providers for their response. Should the Commission involve the EDUs in any such activities, studies will be necessary to determine the types of billing and other system changes that would be necessary to accommodate any such reporting by the EDU, as well as the cost and how such costs would be timely recovered.

¹ Entry this docket at 3 (Jan. 11, 2012).

Finally, the Commission expressed an interest “in the potential development of a secure on-line application with appropriate privacy protections that could make bill comparisons available to customers”² and asked several specific questions regarding this issue:³

- Is the development of such an on-line application reasonable and practicable?
- Are comparable applications already commercially available? If so, what steps, if any, should the Commission consider to facilitate appropriate customer access to such applications?
- What elements would help make such an application useful to customers?
- 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 Companies are opposed to any involvement in any on-line or other tools that assist a segment of customers electing to shop in the competitive generation market with their evaluation of pricing options for any such services. These are tools that should be offered by the CRES providers at their cost. Further, it would be difficult to develop and maintain a generic tool that is flexible enough to address all of the potential innovative pricing structures that all of the CRES providers may develop. As a competitive service, it is the responsibility of the provider of any such service to offer tools that promote their service offerings. The Commission should not involve themselves in the marketing techniques CRES providers may elect to use to make any such promotions.

² Id.

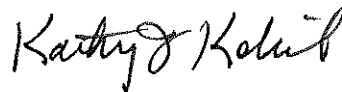
³ Id at 4.

III. CONCLUSION

In sum, dynamic and other innovative pricing options for competitive generation service are issues best left to CRES providers. EDUs, as distribution companies recover the costs of their distribution facilities, which were built to accommodate peak demands, through demand based rates. An EDU's involvement in generation pricing options or tools to evaluate the same is contrary to state policy which rendered electric generation services competitive.

The Companies thank the Commission for the opportunity to provide comments on issues surrounding dynamic pricing options for competitive generation service and look forward to continued participation in future discussions.

Respectfully submitted,



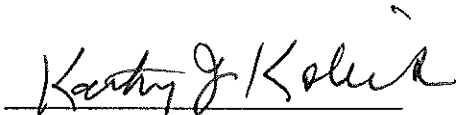
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CERTIFICATE OF SERVICE

I hereby certify that a copy of the Comments of Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company was served this 11th day of April, 2012 via the Docketing Information System of The Public Utilities Commission of Ohio.


Kathy J. Kolich

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Summary: Comments on Dynamic Pricing electronically filed by Ms. Kathy J Kolich on behalf of Ohio Edison Company and The Cleveland Electric Illuminating Company and The Toledo Edison Company