

**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 INTERSTATE GAS SUPPLY, INC.

Pursuant to the Entry issued on January 11, 2012 ("January 11 Entry") in the above-captioned proceeding, Interstate Gas Supply, Inc. ("IGS Energy" or "IGS") respectfully submits these comments in response to the Commission's inquiry into time-differentiated and dynamic pricing options ("Dynamic Pricing").

I. Overview

Dynamic Pricing has the potential to provide customers with lower energy costs, encourage innovation, and empower customers to take control of their energy consumption. The benefits of Dynamic Pricing are also greatly enhanced with competition. Competitive electric markets not only increase the Dynamic Pricing options available to customers, but also enhance the development of technologies that enable customers to utilize Dynamic Pricing products. Further, competitive retail electric service ("CRES") suppliers contribute to customer education and awareness of Dynamic Pricing, thus encouraging customers to utilize Dynamic Pricing products. For these reasons, Dynamic Pricing options in a fully competitive market are far more effective than Dynamic Pricing options in a fully regulated utility pricing market.

Because competitive markets enhance Dynamic Pricing and vice versa, it is important that any program the Commission adopts for Dynamic Pricing fosters the pro-competitive market principles outlined below:

- Dynamic Pricing product offerings should be driven by CRES suppliers and not electric distribution utilities (“EDUs”);
- Competitive suppliers should have access to the EDU technology required to offer Dynamic Pricing and customer data that will enable CRES suppliers to offer Dynamic Pricing options to customers;
- Dynamic Pricing products should contain appropriate price signals that encourage customers to consume electricity during less costly periods;
- Dynamic Pricing options should reflect market prices for electricity;
- Dynamic Pricing infrastructure development, Dynamic Pricing education and efforts to encourage participation in Dynamic Pricing programs should be paid for by all ratepayers.

With the above listed principles in mind, IGS Energy offers its comments to the Commission’s specific inquiries set forth in the January 11 Entry.

II. Comments of the Commission’s Inquiries

In the January 11 Entry, the Commission asks for comments on general Dynamic Pricing topics and poses specific questions about Dynamic Pricing. IGS Energy will attempt to address the general topics raised by the Commission and answer many of the specific questions asked in the January 11 Entry.

A. Comparing different Dynamic Pricing Options

The Commission requests comments on how to develop tools that allow customers to compare the different Dynamic Pricing options. IGS Energy does not believe that a standardized approach, such as a “Price to Compare,” will be useful to customers for comparing Dynamic Pricing options and could potentially lead to more customer confusion. Dynamic Pricing options are more complex than standard fixed price products—any attempt to standardize product offerings could result in inaccurate or misleading information being presented to customers. Rather than developing a standardized approach to compare Dynamic Pricing products, the Commission should focus on educating customers of the benefits and risks of Dynamic Pricing products. IGS Energy supports developing online tools to aid customers with calculating their electric bills based on Dynamic Pricing products and different levels of electric consumption. IGS Energy believes that these tools should be developed in a collaborative process.

B. Customer Education

In the January 11 Entry the Commission also seeks comments on how CRES providers and EDUs should educate customers on different Dynamic Pricing options. IGS supports customer education programs sponsored by EDUs to educate consumers on Dynamic Pricing. Much like the programs that educate consumers on Choice programs, education on Dynamic Pricing programs can encourage customers to adopt such programs. IGS Energy also supports developing comparison web pages provided that such web pages are presented accurately to customers and do not favor one Dynamic Pricing program over the other. The cost of customer education programs should be borne by all ratepayers as the availability of Dynamic Pricing programs is beneficial to all customers.

C. Specific Questions

The Commission's Entry also requests comment to several specific questions in regards to Dynamic Pricing programs.

- (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?**

IGS Energy believes that while it is important for EDUs to make tools and technology available for customers to receive Dynamic Pricing options from CRES suppliers, EDUs should not be a provider of Dynamic Pricing products. Currently in Ohio, it is the EDU's responsibility to provide a default service rate to those customers that do not shop. By offering different pricing options, other than the default service rate, EDUs would be performing a role that is traditionally provided by CRES suppliers—providing customers with different pricing options. Further, the ability of EDUs to offer Dynamic Pricing options is complicated by many of the Ohio EDUs transitioning to auction mechanisms to procure default service for customers. In competitive electric markets CRES suppliers are in the best position to offer customers Dynamic Pricing options that accurately reflect market prices for electricity.

IGS Energy, however, understands that there may be a desire to expedite the process of making Dynamic Pricing options available to customers. For these reasons, IGS would be open to a collaborative process to develop a pilot program of Dynamic Pricing options for customers, provided that CRES suppliers should provide those Dynamic Pricing options.

An example of CRES suppliers serving a pilot time-of-use ("TOU") program can be found in Pennsylvania Electric Company ("PECO") service territory. In PECO a number of suppliers submitted proposals to be the provider of a TOU pilot program for customers, and

PECO ultimately selected one of those proposals as its pilot program. While IGS is not necessarily endorsing the PECO approach as it limits customers to just one Dynamic Pricing and CRES supplier option, it is an example of how a pilot Dynamic Pricing program can be served by the competitive market.

(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?

As IGS Energy notes in its previous answer, EDUs should not be in the business of offering Dynamic Pricing to customers as this role conflicts with Ohio EDUs' transition to competitive markets and role as default service provider. However, a mechanism offering on-peak and off-peak pricing to customers would be a valuable product. Such a mechanism would allow customers to participate in Dynamic Pricing programs while limiting customers' exposure to full market pricing. Accordingly, this product should be considered in IGS's proposed collaborative to develop Dynamic Pricing products that are ultimately provided by CRES suppliers.

(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?

Dynamic Pricing options should not be limited to certain groups or customer classes to the exclusion of others. All customers should have the opportunity to benefit from any of the available Dynamic Pricing options. Rather than limit customers pricing options, it is important to be transparent with all Dynamic Pricing so that customers know the prices they pay for electricity. Further, customer education is important to ensure that customers are aware and fully understand the implications of the Dynamic Pricing products they select.

(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?

IGS Energy would be open to developing a pilot program of Dynamic Pricing options for customers, including field tests by CRES providers of Dynamic Pricing Options and consumer education, targeted message, information feedback, and enabling technology. As IGS notes earlier in these comments, this largely should be done in a collaborative process designed to facilitate a Dynamic Pricing market that is provided by CRES suppliers. IGS Energy also supports customer education, targeted initiatives and other measures that are designed to encourage customers to select Dynamic Pricing options. The costs of these measures, however, should be paid by all customers, as the benefit of Dynamic Pricing options benefits all customers.

- (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?**

There are a number of potential barriers that could make it difficult for CRES providers to offer Dynamic Pricing to customers. Those barriers include:

- **Billing Infrastructure:** EDUs' billing infrastructure should be available to CRES providers so that CRES providers can offer Dynamic Pricing to customers. Without EDU billing that is capable of Dynamic Pricing, it will be very difficult, if not impossible for CRES suppliers to offer Dynamic Pricing to customers. In addition, purchase of receivables programs offered by utilities will enhance CRES providers' ability to offer Dynamic Pricing to customers.

- **Customer Information:** CRES providers must have access to customer information that is necessary to offer Dynamic Pricing to customers. This information includes customer electric consumption broken down in hourly intervals. Further this information must be available to CRES providers in a near real time basis. IGS Energy is also sensitive to the Commission's privacy concerns and understands that reasonable measures may be required to protect customer information provided to CRES suppliers.
 - **Subsidized Dynamic Pricing Offered by EDUs:** As noted above, Dynamic Pricing is most effective when offered through competitive markets. CRES provider Dynamic Pricing options, however, cannot flourish if EDUs offer Dynamic Pricing programs that are subsidized by other customer classes (including shopping customers) in order to encourage customer participation in those programs. For Dynamic Pricing to be sustainable in the long run, the true cost of electricity should be reflected in the Dynamic Pricing offered to customers. This cannot be done when all ratepayers are paying for some of the electricity costs of a selected class of customers that sign up for EDU Dynamic Pricing programs.
- (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?**

As noted above, IGS Energy would be open to a collaborative process to develop pilot program of Dynamic Pricing options for customers, including developing and implementing consumer education plans.

III. Conclusion

IGS Energy is generally supportive of the development of Dynamic Pricing options for customers. Effective Dynamic Pricing tends to create more efficient electric pricing and usage. Further, Dynamic Pricing promotes engaged and educated electric consumers that are more aware of their energy decisions. Finally, Dynamic Pricing is consistent with the principles a competitive market and, as such, a competitive market is the most appropriate place for dynamic pricing to develop in Ohio.

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Respectfully submitted,

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CERTIFICATE OF SERVICE

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Summary: Comments of Interstate Gas Supply, Inc. electronically filed by Ms. Melissa L. Thompson on behalf of Interstate Gas Supply, Inc.