BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Commission's Review of the Natural Gas Retail Market Development.	)))	Case No. 13-1307-GA-COI

COMMENTS OF OHIO PARTNERS FOR AFFORDABLE ENERGY, THE OHIO POVERTY LAW CENTER, EDGEMONT NEIGHBORHOOD COALITION, PRO SENIORS, INC., SOUTHEASTERN OHIO LEGAL SERVICES, LEGAL AID SOCIETY OF COLUMBUS, LEGAL AID SOCIETY OF CLEVELAND, COMMUNITIES UNITED FOR ACTION, AND THE CITIZENS COALITION

Ohio Partners for Affordable Energy ("OPAE"), the Ohio Poverty Law Center, the Edgemont Neighborhood Coalition, Pro Seniors, Inc., Southeastern Ohio Legal Services, the Legal Aid Society of Columbus, the Legal Aid Society of Cleveland, the Legal Aid Society of Southwest Ohio on behalf of Communities United for Action, and the Citizens Coalition, collectively the Low Income Advocates ("LIA"), submit these initial comments in response to the Entry issued June 5, 2013 ("Entry") in this Commission-order investigation of Ohio's retail natural gas market.

The Commission has asked for comment on a number of issues. Any question in the Entry that is not addressed by these comments does not suggest an endorsement of any viewpoint or a lack of interest by the LIA. These comments focus on those issues which are especially crucial to low-income residential customers.

I. General Comments

The questions posed in the Commission's Entry appear designed to lead to a pre-ordained conclusion emanating from a misguided view of the intention of R.C. 4928.02. The purpose of that legislation was to substitute market forces for regulation when setting the price of natural gas available to consumers. The General Assembly did not determine that natural gas should be provided to end-use customers **only** through bilateral contracts offered by unregulated Competitive Retail Natural Gas Suppliers ("marketers" or "CRNGS"). LIA adamantly oppose such a move.

Ohio has been on a long path to substitute competitive market forces for regulation in the pricing of the commodity portion of a customer's natural gas bill. Starting in 1998, with a pilot in the service territory of Columbia Gas of Ohio, the Commission has permitted marketers to sell natural gas in competition with local distribution companies ("LDCs"). During the early years, marketers competed with a price determined through a regulated gas cost recovery ("GCR") process. The Commission then modified the GCR to make it more market-based, using quarterly pricing based on the NYMEX and including traditional adjustments for over- and under-recovery used in the GCR process. The marketers next competed with a price based on the projected monthly NYMEX close which retained the GCR adjustments. This evolved to the use of a declining clock auction to establish an 'adder' to the monthly NYMEX close known as the Standard Service Offer ("SSO"). The SSO was a wholesale transaction, with the LDC taking title to the gas and using a true-up rider to ensure complete recovery of the cost of providing natural gas service, with marketers continuing to compete against this default service.

The evolution to competitive markets reached its conclusion with the implementation of the Standard Choice Offer ("SCO"). The SCO is a retail product provided by marketers who receive a pro rata share of the customers that have chosen not to choose a marketer. This is analogous to a service a customer receives through a governmental aggregation. The price is set through an auction that establishes an adder to the monthly NYMEX close. The LDC manages the auction so that most costs associated with providing choice, such as billing system modifications and customer education, are spread across all customers and recovered by the utility. The auction, not the utility, sets the price for the natural gas commodity, though the utility continues to collect various riders that cover costs related to the delivery of natural gas to end-use customers which are borne either by the marketers or customers directly. The Commission oversees the auction to ensure it operates fairly, in much the same way it oversees other aspects of marketer operations, but the Commission does not set (or regulate) the price produced by the auction.

Consumer groups have counseled caution at each stage of this evolution. While the initial results of competition – when marketers were competing with the traditional GCR – were very positive, as the default service price moved closer to a market basis the price benefits available from marketer offers declined and marketers increasingly focused on fixed price contracts which provide a form of rate stability. Consumer and low income groups have been closely involved in every stage of the process, taking a 'show me' attitude toward the claims made by proponents of competition, and voicing concern about the increasingly anti-consumer practices prevalent among marketers

while pushing for greater transparency on the price, terms and conditions of marketer contracts.

Recently, numerous interested parties filed comments on the rules which regulate the business practices of gas and electric marketers. Consumer groups expressed and quantified their concerns about current bilateral contracting approaches. In order for the market to work correctly, it needs to be regulated effectively so the playing field is as level as possible between customers and marketers. Obviously, most consumers do not monitor the gas market daily; do not have a lawyer on retainer that can review proposed contracts; and, in the case of many consumers, have no idea what all those letters and phone calls are about. It is not surprising that marketers spend far more on high pressure sales pitches than consumer education, but absent effective customer education a functional marketplace for essential energy services will not develop.

LDCs have made their peace with choice. All have embraced the SCO approach. They still handle most of the billing, permitting them to make money on the two-month float between when bills are paid and when LDCs pay the marketers. Those that have affiliates which own pipelines have managed to put in place and get approval for recovery of the costs of long-term contracts, minimizing competitive options for transportation services that could produce lower overall prices for customers. LDCs impose hefty security requirements on suppliers, some might say excessive in some cases, which eliminate the LDCs' exposure to any financial hardships resulting from a default by a supplier. These provisions also protect customers to varying degrees.

The effectiveness of deregulation in serving consumer interests is a mixed bag. The old GCR methodology tended to minimize price volatility, though at the end of the day customers wound up paying above-market prices for gas (often plus carrying charges). While there is no more utility default service, there is the SCO, a plain vanilla service offer that minimizes marketing costs and uses volume purchasing for small customers to maximize the benefits of the market that pass through to customers. Governmental aggregations offer an alternative source of supply, available because the General Assembly saw that consolidating small customer loads would help in negotiating for better prices, terms and conditions. And, marketers are free to educate and innovate.

LIA is not aware of any groundswell of customer support for changes in the current approach to providing natural gas used in the service territories of the four largest LDCs. There is no push to eliminate governmental aggregation. There is no outcry against the SCO. There are a number of complaints about marketers that are receiving desultory attention from the Commission (though the staff at the Commission's Service Monitoring and Enforcement Division does receive good reviews from customers for ironing out problems). SCO prices are at or below the price level available in other states with which Ohio competes in national and international markets, and prices charged by marketers are roughly at or slightly above those rates. Overall, customers seem pretty satisfied with how service is provided though they will always grumble about the size of their bills and the bothersome nature of excessive marketing calls or visits by door-to-door salespeople.

The General Assembly has established a sound process for considering alternative regulation plans. Each LDC is unique. All are served by different combinations of pipelines. All have different types of storage options. All have different proximities to new and old sources of gas. Individual alternative regulation plans simply make sense. This approach has produced innovation as different approaches are tried in one LDC and can be adopted through an alternative regulation case in another service territory.

The original alternative regulation provisions of Ohio's Revised Code have been modified to the detriment of customers. No longer are alternative regulation proposals required to be filed in conjunction with rate cases, eliminating an opportunity for customers to see distribution rates properly aligned with costs, and preventing scrutiny of the costs associated with delivery and storage that are passed through to customers in the competitive price they pay or through other rider mechanisms. Still, alternative regulation proposals do require an application, public notice, and a hearing, providing customers with the opportunity to review and potentially convince the Commission to alter the proposal to ensure consumers are protected.

LIA is concerned about substituting a Commission Ordered Investigation ("COI") for the process dictated by statute to adopt alternative regulation plans. A COI does not lend itself to careful consideration of the variations in operational and supply issues that are unique to each LDC. The customers can easily be ignored in this process. LIA is doing its best to articulate what we see based on our experience in working directly with customers to help them maintain service, iron out disputes with marketers and utilities,

and protect them from unconscionable marketing practices, but this is no substitute to hearing from customers themselves.

Natural gas policy in Ohio, as articulated by R.C. 4928.02, focuses on the customer. It evinces the decision of the General Assembly to substitute market forces for regulation when determining the price of commodity service. The PUCO has carried out that mandate: it no longer regulates commodity prices in the four largest LDCs. Using the market has proven superior to the GCR process, but must be weighed against the need to protect customers from the unfair business practices of marketers. LIA believes that the Commission has implemented Ohio law in a manner that provides customers with access to essential natural gas services at a reasonable price. Improved marketer regulations and greater transparency in marketer offers are the issues our clients tell us need to be addressed, and a proposed rule that addresses these issues is before this Commission,

A review of state policy as articulated by R.C. 4929.02(A) clearly states the preference of the General Assembly to promote all types of competition in order to: "[p]romote the availability to consumers of adequate, reliable, and reasonably priced natural gas services and goods". R.C. 4929.02(A)(1). The method selected to achieve this is to "[p]romote the availability of unbundled and comparable natural gas services and goods that provide wholesale and retail consumers with the supplier, price, terms, conditions, and quality options they elect to meet their respective needs". R.C. 4929.02(A)(2). Bilateral contracts, government aggregations, and the SCO all represent options that are consistent with the state's policy because they provide customers with diverse competitive options. The current approaches to harnessing the market have

been especially effective at providing "reasonably priced natural gas services", a goal that is of particular interest to residential customers, and critically important to low income consumers and customers on fixed income, especially in these difficult economic times, given that roughly35% of all Ohioans qualify for income eligible programs.[1]

The SCO is not a vestige of traditional regulation; rather it is a manifestation of the Commission's promotion of innovative supply options in such a way that competition is harnessed to provide customers with the lowest competitive market price. There is nothing innovative about eliminating the SCO option. Customers already have the choice of bilateral variable and fixed rate contracts with marketers. Eliminating the SCO option will reduce market-based alternatives available to customers.

There is no evidence that discontinuing SCO service will lead to an overall increase in competition nor is there any evidence that the SCO is hindering a competitive market. CRNGS currently provide services to all customer classes. Marketers serve substantial shares of the markets via bilateral contracts despite the fact that prices for these types of contracts are generally higher than the SCO. Still, some marketers have shown an ability to sharpen their pencils and offer bilateral contracts at a price that is competitive with the SCO price as well as terms and conditions. CRNGS also offer other products through bilateral contracts that customers find attractive, such as fixed rate contracts. Some CRNGS are even selling gas appliances or providing repair and weatherization services to customers – just like utilities did many years ago.

[1] A sustainable wage – an income level that obviates the need for assistance-- is considered above 200% of the federal poverty income guidelines. State of Poverty 2012 Report. Ohio Association of Community Action Agencies. Table 4, Appendix. Page 13.http://issuu.com/oacaa/docs/state_of_poverty_2012_final?e=6471529/1368308. Ohio's low income energy programs use this as the income level for determining eligibility for assistance.

No one disputes that the current SCO auction process is competitive and that market forces are used to establish the price of the natural gas commodity at the auction. The SCO is transparent in its terms and conditions, and in the manner the price is set. The SCO serves three additional critical functions: (1) it provides a benchmark for natural gas prices, allowing customers to compare various competitive offers; (2) it provides the regulatory bodies, in this case the PUCO and the Attorney General, with a benchmark to gauge if prices are just and reasonable, as required by statute, and to determine whether marketers are engaging in improper business practices; and (3) it enhances competitive forces by using a market mechanism to establish a barrier against predatory pricing or tacit collusion.

The latter function is critical. It is widely recognized in economic and legal circles that there is a tendency for sellers to engage in improper practices when the commodity being sold is standardized; suppliers have access to the same sources of supply; and, costs of delivering the product are roughly equivalent. Larger marketers will most likely have a lower average cost in supplying customers than smaller marketers and will be able to set prices below the smaller competitors, eventually pricing them out of the market. The experience of natural gas rate deregulation in Georgia illustrates the pitfalls of “mandatory” customer choice without an SSO or a similar default service mechanism. One local distribution company—Atlanta Gas and Light Company (“AGL”)—has fully exited from the merchant function and no longer provides standard offer service. In 1999, when Georgia deregulated, residential customers of AGL were paying approximately the United States national average price. Since the AGL exit, between the years 2000–2011, AGL customers have paid a price that is consistently

higher than the U.S. national average and higher than other gas utilities in the state.[2] The wholesale market has a pricing scheme – the NYMEX – that provides a benchmark against which other prices can be compared. The retail market requires a similar mechanism.

The Commission is charged with fostering competition that produces fair and reasonable prices. R.C. 4929.02(A)(1). The current economic and environmental conditions have contributed to less growth in natural gas commodity sales, fewer customers, declining prices, and possibly lower profits for marketers in Ohio. Blaming the existence of the SCO for this situation is illogical. There is no causal relationship between the SCO and current poor market conditions.

The Commission's request for comments in this proceeding fails to address some of the biggest issues facing consumers: rates, reliability, capacity reserves, consumer protections, and consumers' ability to evaluate competitive options. The questions in this Entry focus on how to configure a more robust competitive market, and seem to assume that a market based solely on bilateral contracts will benefit all customers—including residential customers, including low income households—and serve the public good. The overarching issue is whether a market limited to bilateral contracts really serves the best interests of consumers and the public good. LIA members were at the table and believe the legislative goal of the General Assembly was and is to provide the lowest rates and maintain an adequate supply of natural gas using the competitive market, not to achieve an end state that limits competition to

[2] Direct testimony of Bruce M. Hayes, October 5, 2012, On Behalf of the Office of Ohio Consumers' Counsel, PUCO Case No. 12-1842-GA-EXM, at 23 and BMH Attachment 1.

bilateral contracts regardless of the price impacts on customers. The legislature did not act to protect middlemen; it acted to substitute market mechanisms for price regulation.

II. Commission Questions

a. *What regulatory changes, if any, should be made to further support a fully competitive retail natural gas marketplace?*

We do not believe that any regulatory changes, other than improvements in the regulation of marketers and marketing practices, need to be made. All prices available are currently established by competitive forces and all customers are served by marketers. The multiplicity of offers – the SCO, governmental aggregations, and bilateral contracts – provides customers with a broad range of competitive options. CRNGS compete within this framework for SCO tranches, governmental aggregations, and individual customers. Each option presents market opportunities. The SCO minimizes marketing costs, as does the governmental aggregation option. Bilateral contracts provide an opportunity for marketers to present customers with more options as well as compete on price.

The most important thing that can be done to support a competitive market is to effectively regulate competitive suppliers. As noted by comments filed by AARP, Low Income Advocates, and other consumer organizations in Case No. 12-3151-EL-COI, there needs to be greater transparency in marketer offers, particularly in variable rate contracts. These comments echo those filed by consumer parties in Case Nos. 12-925-GA-ORD and 12-1924-EL-ORD. There needs to be stricter regulation of CRNGS, with a particular focus on preventing unconscionable business practices. Customers need to know the number of complaints filed against competitive marketers. They need to know

the outcomes of those complaints. The Commission must be more vigilant in overseeing the actions of marketers and the operation of markets.

In its comments in the above-referenced cases, OPAE detailed the number of types of consumer complaints received by the Commission and repeats that information here. Following is a listing of marketers for which complaint/contacts in excess of 100 during the two year period were received with the types of complaints noted:

GAS PROVIDER	MISLEADING INFO	SLAMMING	TOTAL
Commerce Energy	149	9	709
(Note: Just Energy in Ohio; 149 "cancellation issues"; 13 "posed as utility")			
Constellation Energy Gas Choice	24	4	187
Direct Energy Services	100	6	841
(Note: 131 "cancellation issues"; 9 "posed as utility")			
Dominion Retail	13	6	237
(Note: 39 "government aggregation;" 32 "cancellation issues")			
Future Now Energy	84	12	281
(Note: 48 "cancellation issues"; 12 "posed as utility")			
Integrys Energy Services	17	--	127
(Note: 32 "cancellation issues")			
Integrys Energy Services-Natural Gas	--	--	21
All "Integrys" CRES Total			132
Interstate Gas Supply	64	7	772
(Note: 115 "cancellation issues"; 3 "posed as utility"; 43 "government aggregation")			
SouthStar Energy Services	6	5	226
(Note: 61 "cancellation issues")			
Vectren Retail	67	5	344
(Note: 51 "cancellation issues"; 5 "posed as utility")			

OPAE did not track the complaints through the system to resolution. The two months of detailed data OPAE did request permitted OPAE to track complaints made

during that period. OPAE Reply Comments, Case Nos. 12-925-GA-ORD and 12-1924-EL-ORD at 7.

It is not enough to simply say that the competitive market will ensure that marketers will not abuse customers. We already have a stark reminder that the free marketplace left to regulate itself does not necessarily provide or protect the market and its customers from abusive practices. The housing collapse which precipitated the largest economic downturn since the Great Depression, a function of the unsound mortgage lending practices that inflicted great harm both to the market as well as homeowners, is a classic example of regulatory failure. One of the biggest impediments to competition is the lack of trust customers have in marketers, which is compounded by the inability of customers to effectively shop because the current regulatory framework does not require marketers to provide customers with information necessary for clear understanding of terms, conditions and pricing, providing the ability to compare among multiple offers in an efficient manner. Moreover, there are a number of customers ill-prepared to analyze their options. Those with mental disabilities, learning difficulties, poor reading and math skills, or other impediments will have difficulty effectively shopping. Lack of internet connections or computer literacy sharply limits the amount of information on which to make a decision.

Low Income Advocates provided significant information on the lack of access to internet services in initial comments in Case No. 12-3131-EL-COI. According to a November 2010 study by the Pew Center, household income is “the greatest predictor”

of internet use for Americans.[3] The U.S. Department of Commerce's telecommunications policy arm, the National Telecommunications &Information Administration, last year reported that 32% of U.S. households do not use the internet at home.[4] Forty percent of rural homes and 30% of all homes do not have internet access. While 95% of households making more than $75,000 per year use the internet at home, only 57% of households making less than $30,000 per year do. Jansen, *supra*, at 2. According to a U.S. Department of Commerce study released in November 2011, only 4 in 10 households with annual income less than $25,000 reported having wired internet access at home in 2010, compared to 93% of households with incomes exceeding $100,000.[5] Only 55 % of African-American and 57% of Hispanic households have wired internet access at home, compared with 72% of whites. *Id*. Senior citizens also access the internet at a notably lower rate than other adults do. A 2010 Pew Research Center study showed that 95% of Americans age 18-33 use the internet.[6] That number decreases significantly for senior citizens. Of those aged 65-73, only 58% reported using the internet. *Id.* That number dropped to a mere 30% of those 74and older. *Id.*

Further, the Commerce study found that when Americans in lower-income and rural communities do have access to the internet in their homes, that access is often slower than in wealthier communities. Kang, *supra*. As much as 10% of the United States does not have access to internet connections that are fast enough to download

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[3]Wayne, *Digital Divide is a Matter of Income*, New York Times (Dec. 12, 2010), citing Jansen, *Use of the internet in higher-income households,* Pew Research Center Publications (Nov. 24, 2010)14 p. 9-10.
[4]Kang, *Survey of online access finds digital divide*, Washington Post (Feb. 17, 2011).
[5] Crawford, *The New Digital Divide*, New York Times (Dec. 3, 2011).
[6]Zickuhr, *Generations 2010*, Pew Research Center Publications (Dec. 16, 2010), p. 5. *See* Appendix B, p. A-20.

web pages. *Id*. In rural America, only 60% of households use broadband internet service, compared to 70% of urban households, according to Commerce.[7] Overall, 28% of Americans do not use the internet at all. *Id*.

Yes, consumers make choices everyday: which gas station has the best deal; which local grocery stores have the best prices. However, these are not services that bind customers to long-term contracts. Energy services are different, they are essential, and their terms are more complex. Customers benefit from regulatory oversight of the market. Complaints to the PUCO must be answered and the protections provided can and should be improved. A focus on consumer protection through effective complaint processes and firm regulation of the business practices of CRNGS – and parallel provisions for CRES -- is necessary to ensure an effectively competitive market.

b. *What types of educational programs, if any, should be implemented to ensure that retail customers are fully aware of the options open to them for purchasing retail natural gas service?*

The 'Apples to Apples' chart established by the Commission at the outset of competition in Ohio was an innovative approach to providing customers with information on which to make choices among competing suppliers. A key feature of the chart has been and is the SSO or SCO price. This benchmark allows customers to compare options to a market price for a plain vanilla service. Without that benchmark, educational programs can only offer limited information to customers.

The Apples to Apples chart also needs to be expanded to include all offers that are available to the general public. Customers need to be able to see what the options are. The chart needs to be updated in real-time, so customers have access to the most

[7]Severson, *Digital Age Slow to Arrive in Rural America,* New York Times (Feb. 17, 2011).

current information when they shop. This information needs to be made widely available, possibly by establishing a network through public libraries, so that consumers have ready access regardless of their computer access or fluency. The Commission should also consider using community-based nonprofit organizations to provide counseling services to customers to assist them in reviewing their options among various marketer offers. Many nonprofit agencies already provide credit counseling, housing counseling services, and utility assistance. They are well positioned and have the experience to effectively communicate with and educate customers so the market works for rather than abuses families that lack knowledge of this new market they have been forced into.

A key issue is who should pay for this. Generally, sellers in markets are responsible for covering the cost of educating customers through their marketing efforts. In the natural gas retail market, CRNGS should be responsible for funding educational materials and activities developed by the Commission through a stakeholder process.

Although LIA desires to see the Apples to Apples chart improved for those customers with the time, energy, and expertise to shop, no amount of tinkering with or improving the amount of education in the marketplace can replace the need for an SCO for those customers who choose not to shop. Likewise, no amount of tinkering with or improving education can replace sound consumer protection rules to protect vulnerable customers from those who would use the market to scam the innocent. No number of educational programs will change the fact the SCO has proven to be a least cost alternative to the majority of CRNGS offers and provides a number of additional market and non-market benefits.

c. *Does the SCO provide a competitive level playing field for SCO providers and competitive retail natural gas service (CRNGS) providers?*

Data indicates that CRNGS are effectively competing with the SCO and have acquired significant market shares in the utilities' service areas in which they operate. The burden is on CRNGS to quantify the costs they bear to compete with the SCO before any real discussion of this question can or should occur. At this point, marketer representatives cannot quantify these costs. See Case No. 12-1842-GA-UNC, Transcript Vo. 2 at 221-222. Moreover, CRNGS do match or offer prices below the SCO. While the prices of these offers may not stay below the SCO, their existence makes clear that marketers can compete on price if they want to; and marketers still have other options to differentiate their product in the terms and conditions of services.[8] The fact that some marketers have difficulty competing on price with the SCO is not evidence that the current market does not function properly or that the SCO operates as a market barrier. It is correct that using an SCO provides some market advantages, but that is no evidence that the resulting market is distorted. All gas suppliers bring certain advantages and disadvantages to the table when they decide to compete. This same complaint was made by the CRES providers in the concurrent Electric Market Investigation. It is important to note that participants in both dockets are the same; the CRNGS providers are generally also CRES providers.

[8]At the time these comments were written, the PUCO's Apples-to-Apples chart showed that 4 marketers are offering prices below the SCO in the Columbia Gas of Ohio service territory; 7 marketers are offering prices lower than the SCO in the Dominion East Ohio service territory; and, 5 marketers have offers below the SCO in the Vectren service territory.

d. *Are there barriers to market entry associated with the SCO and, if so, how are those barriers affecting the growth of Ohio's competitive market?*

There are minimal barriers to market entry associated with the SCO. In fact the Ohio SCO process is a leading national model that does address the market barriers to entry found in other states. The growth of Ohio's competitive market highlights the ability of retail providers to offer different kinds of products and pricing schemes that are outside the purview of the regulated utilities' role. In fact, in the most recent Duke SSO auction, a new market entrant, ENCOA, was a market winning bidder, receiving two market-priced SCO tranches through the competitive bid process.

e. *Is the SCO functioning as a competitive market price?*

The SCO is functioning as a competitive variable market price offered on a month-to-month basis. The auctions promote diversity of suppliers by allowing a CRNGS to obtain a relatively large number of customers without having to absorb customer acquisition costs. The auction process determines the market price of natural gas delivered to the customer from the receipt point as priced by the NYMEX and uses a declining clock auction, a market mechanism that most closely resembles perfect competition. There is no better approach to competitive pricing than a direct link to the market commodity pricing plus an auctioned adder. In addition, the auction process provides a societal benefit by providing a price benchmark that benefits everyone by providing market transparency to both customers and regulators.

III. Conclusion

The key to a fully competitive retail market is consumer education and effective regulatory oversight of marketers to prevent unconscionable and illegal business practices. Retaining the SCO is critical to both. The SCO permits customers to compare the price, terms, and conditions of marketer offers against a plain vanilla offer with simple and transparent terms. This allows marketers and governmental aggregations to offer products with alternative prices, terms, and conditions. Customers then have the ability to compare their options – the essence of shopping. The SCO plays the same role in the retail market that the NYMEX plays in the wholesale market, establishing a benchmark against which other wholesale opportunities can be judged.

The SCO also serves as a market-based check on predatory pricing or collusion. Dysfunctional markets are not the result of competition that the General Assembly envisioned. There are two options to preventing anti-competitive behavior: 1) some form of price oversight -- regulation -- by the Commission and the Attorney General; and, 2) a benchmark price set through open competition in the marketplace. The latter deters predatory pricing or collusion because a transparent auction process that mimics perfect competition determines the price. The former requires the Commission to exert regulatory authority to ensure that the market functions properly. Recent practices in the banking and mortgage sector make clear that lack of sufficient regulation can result in dire consequences for consumers.

Ohio has a fully competitive retail market. All customers are served by CRNGS. All prices are set by the market. A wide variety of terms and conditions exist. The market-based SCO prevents chicanery in the marketplace in the form of supplier

collusion or predatory pricing. Ohio's natural gas pricing structure has achieved the end-state envisioned by the General Assembly. The Commission should declare victory and focus on effectively overseeing marketer business practices to ensure customers are served in a fair and legal manner.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a copy of these Initial Comments was served on the persons stated below via electronic transmission this 9th day of July 2013.

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