FILE

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Commission's	)	
Investigation of Ohio's Retail Electric	)	Case No. 12-3151-EL-COI
Service	)	

To The Honorable Public Utilities Commission of Ohio:

In accordance with Commission Entry of May 29, 2013, the Staff has completed its investigation in the above matter and submits its findings and recommendations in this Market Development Work Plan for consideration by the Commission.

The Market Development Work Plan presents the results of the Staff's investigation conducted in accordance with the Commission entries and do not purport to reflect the views of the Commission nor should any party to the instant proceeding consider the Commission in any manner constrained by the findings and recommendations set forth herein.

Respectfully submitted,

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PROCEDURAL HISTORY

In its entry dated December 12, 2012, the Public Utilities Commission of Ohio initiated an investigation into Ohio's retail electricity market, Case No. 12-3151-EL-COI, in order to establish actions that the Commission can take to enhance the health, strength, and vitality of the market. It is the Commission's responsibility to encourage market access for retail electric service, including both supply and demand-side products, and to protect consumers against market deficiencies and market power. The Commission sought comments regarding the extent to which barriers may exist to a consumer's means to choose a retail electric service that meets their needs.

Prior to 1999, electric utilities provided distribution, transmission and generation in a bundled package. However in 1999, the Ohio General Assembly passed Amended Substitute Senate Bill 3 (SB3), enacting Chapter 4928 of the Ohio Revised Code (O.R.C.). Electric utilities in Ohio were required to separate their charges into distribution, transmission and generation portions. These rates were frozen for the first five years after SB3 became effective from 2001 to 2005. This was known as the market development period intended as a transition phase, allowing the market for electric generation to develop and move away from the traditional rate-of-return approach.

In 2008, Amended Substitute Senate Bill 221 (SB 221) continued the restructuring process, enhancing opportunities for customer retail electric service choices to include distributed generation, advanced and alternative energy sources, demand-side management, time-differentiated pricing, advanced metering infrastructure. Also in 2008, the Commission adopted Chapter 4901:1-37, Ohio Administrative Code (O.A.C.), which implemented the corporate separation laws set forth in SB 221 and 4928.17, O.R.C., in an effort to further deregulate by requiring corporate separation of non-competitive retail electric service from competitive retail electric service.

The Commission found it appropriate to evaluate the vitality of the competitive retail electric service markets supported by these legislative mandates since they had been in place for a sufficient amount of time. Additionally, as a result of declining energy prices and new standards mandated under the Environmental Protection Agency's (EPA) Clean Air Act, including the Utility MACT (Maximum Achievable Control Technology) and MATS (Mercury Air Toxics Standards), recent generation retirement announcements have been made by Ohio-based utilities. These generation retirements create concern that there may be insufficient generation capacity to meet requirements and may produce constraints in certain regions. In the face of these challenges, the

Commission found it appropriate to investigate the health, strength, and vitality of Ohio's retail electric service market.

Through the Commission's initial Order on December 12, 2012, fourteen questions were presented on "Market Design," and eight questions on "Corporate Separation." Parties were given until January 30, 2013 to file comments, and reply comments were to be filed by February 15, 2013.

On January 24, 2013, the Commission determined that additional time may be needed due to the scope and magnitude of the issues presented in the initial Entry; therefore, all parties wishing to address the questions set forth in the Commission Entry filed on December 12, 2012, were instructed to file initial comments no later than March 1, 2013, and reply comments on March 29, 2013.

On March 22, 2013, the Retail Energy Supply Association (RESA) filed a motion for a one-week extension of the deadline to file reply comments. On March 27, 2013, the attorney examiner found that RESA's motion for a one week extension of the deadline for interested parties to file reply comments was reasonable and should be granted. Consequently, reply comments were ordered be due by April 5, 2013.

Twenty-eight parties[1] filed comments in response to the initial questions, which are all docketed on the Commission's website[2]. The majority of the twenty-eight parties that filed initial comments also filed reply comments.

After review of the parties' comments, the Commission issued an Entry on May 29, 2013, ordering six stakeholder collaboration workshops to be held at the offices of the Commission. The stakeholder collaboration workshops were intended to promote coordinated efforts to further develop Ohio's retail electric service market. These workshops were to be solution-driven; stakeholders attending the workshops were strongly encouraged to recommend changes that can be immediately implemented by

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[1] Advanced Energy Economy Ohio, American Association of Retired Persons (AARP),Citizen's Coalition, Constellation NewEnergy and Exelon Generation Company, LLC., Direct Energy Services, The Dayton Power and Light Company, Dominion Retail, Duke Energy Ohio, Duke Energy Retail and Duke Energy Commercial Asset Management, EnerNOC, Environmental Law & Policy Center, FirstEnergy Solutions, Hess Corporation, Industrial Energy Users-Ohio (IEU-OH), Interstate Gas Supply, Inc., National Energy Marketers Association (NEMA), Northeast Ohio Public Energy Council, Nucor Steel Marion, Inc., Ohio Edison Company, the Cleveland Electric Illuminating Company and The Toledo Edison Company, Ohio Energy Group (OEG), Ohio Environmental Council, Ohio Partners for Affordable Energy, Ohio Utility Law Project and Edgemont Neighborhood Coalition and Pro Seniors, Inc. and Southeastern Ohio Legal Services and Community Legal Aid Services and Legal Aid Society of Columbus and Legal Aid Society of Cleveland and Communities United for Action and Citizens Coalition, Office of the Consumers' Counsel, OMA Energy Group, Retail Energy Supply Association, The Sierra Club, Utility Workers Union of America

[2] http://dis.puc.state.oh.us/CaseRecord.aspx?CaseNo=123151&x=0&y=0#main

competitive retail electric service (CRES) providers and electric distribution utilities (EDU), as well as changes that can be adopted by the Commission.

The Commission also ordered that the workshops be used for the development of a market development work plan ("work plan"). This work plan should identify changes that the Commission can adopt to promote the development of Ohio's retail electric service market. The work plan was ordered to be developed by Commission Staff, as a result of the stakeholder collaboration effort, and to be filed in this case after the workshops have concluded. Specifically, Staff was ordered to file a status report on January 16, 2014, updating the Commission on the progress of the stakeholder collaboration workshops and indicating whether further workshops would be beneficial or needed for the creation of the market work plan and the proposed date for submittal of the market work plan to the Commission.

Additionally, on June 5, 2013 the Commission issued an Order with eight questions on "Market Design" and eight on "Corporate Separation." To further the development of Ohio's retail electric service market, the additional questions were issued for the stakeholders comments. Twenty-five of the original parties[3] responded to the second interrogatory, either individually or jointly.

The purpose of the workshops was to permit participants to highlight or summarize positions on key issues that the PUCO could address as part of an intermediate work plan to promote competition and/or the market development work plan. The six stakeholder collaboration workshops were held at the offices of the Commission on the following dates:

1. June 25, 2013 – How Do We Create Consistency in Operation Support Across the State?
2. July 30, 2013 – Barriers to Competitive Retail Market, Do They Exist?
3. September 5, 2013 – Corporate Separation
4. October 10, 2013 – Market Evaluation and Purchase of Receivables
5. November 5, 2013 – Data and Billing
6. December 11, 2013 – En Banc Commission Meeting

The workshop summaries are attached as Appendix A.

[3] The Cleveland Electric Company, Constellation NewEnergy, Inc., The Dayton Power and Light Company, Duke Energy Ohio, Duke Energy Retail, Exelon Generation, FirstEnergy Solutions, Interstate Gas Supply, Northeast Ohio Public Energy Council, Ohio Consumer Council, Ohio Energy Group, Ohio Edison Company, Ohio Environmental Council, Ohio Partners for Affordable Energy, Ohio Power Company, The Toledo Edison Company, The Sierra Club

At the end of each of the first three workshops, Staff proposed forming subcommittees on a volunteer basis to discuss and recommend proposals for specific actions that could be implemented without Commission action. There were no subcommittees created after the second and third workshops due to lack of topics and a lack of consensus on those topics from the stakeholders.

As a result of the first workshop, Staff developed three subcommittees to discuss specific topics in order to create workable solutions to improve certain aspects of the Ohio retail electric service market. In selecting the topics that would be addressed by the subcommittees, Staff reviewed and evaluated all of the proposed subcommittee topics received from the stakeholders and focused on items that seemed to be solution-driven and immediately implementable. The three subcommittees established were Market Evaluation, Data and Billing, and Purchase of Receivables.

The Market Evaluation Subcommittee, Purchase of Receivables Subcommittee, and Data and Billing Subcommittee discussion summaries are, at the time of the issue of this work plan, available on the Commission's website[4].

[4] http://www.puco.ohio.gov/puco/index.cfm/industry-information/industry-topics/retail-market-investigation/

DEVELOPMENT WORK PLAN

Standardizing the Retail Electric Service Market

Through these collaborative efforts one main theme held constant across all of the topics, standardization. Staff believes that in order to enhance the market, efforts must be taken to standardize the practices, processes, and market rules of the various EDUs in Ohio. The current state of Ohio's electric utility industry is one in which the sharing of data, the processing of transactions, and various other items are inconsistent across utility territories. These inconsistencies can create barriers for CRES providers willing to do business throughout the state, causing harm to consumers as a result of fewer competitors and therefore less competition. Streamlining the state electric service market policies will increase competition and provide for cost efficiencies potentially leading to savings for customers.

The inconsistences were created for valid reasons at the time, but as the retail electric service market has developed and continues to evolve the inconsistences must be reduced. Staff recommends that the Commission consider consistency impacts across the state when implementing policy. Staff does recognize that changes to the market should be made with careful deliberation and consideration as to how standardizing the market across the state affects customers, utilities and suppliers.

Ohio Retail Electric Service Market Definition and Measurements

Throughout the investigation into Ohio's retail electricity service market, the stakeholders worked collaboratively to identify key issues affecting the health, strength, and vitality of the market and ways to resolve these issues. In order to establish actions the Commission can take in order to enhance the well being of the market, the market must first be defined. The Market Evaluation Subcommittee was formed to define the "market" and enable the Commission to determine where Ohio's retail electricity service market is today and what an optimal retail electricity service market should be. The subcommittee, through a collaborative process, worked diligently to determine an appropriate definition of "effective competition" for the retail electric service market in Ohio. Given the number of stakeholders serving on the subcommittee, there were multiple views on what constitutes an appropriate definition. Some stakeholders asserted that the definition should be very specific and contain specific objectives in the definition; whereas, others held that the definition should be more academic and used in conjunction with separate measurements. Upon reviewing what other jurisdictions have done and considering the input from all stakeholders, Staff puts forth the following proposed definition:

In the Ohio retail electric service market, effective competition would be defined as having:

- Participation in the market by multiple sellers so that an individual seller is not able to influence significantly the market price of the commodity.
- Participation in the market by informed buyers.
- Lack of substantial barriers to supplier entry into and exit from the market.
- Lack of substantial barriers that may discourage customer participation in the market.
- Sellers offering buyers a variety of competitive retail electric services.

The term *Effective competition* is used to emphasize that due to the nature of the regulated electric industry, Ohio may not be able to become a fully competitive market, yet it can still achieve a level of competition that encourages and creates benefits for both buyers and sellers.

Participation in the market by multiple sellers so that an individual seller is not able to influence significantly the market price of the commodity refers to the concept that the idealized purely competitive market insures that no buyer or seller has any market power or ability to significantly influence the price for a sustained period. The sellers in a purely competitive market are price takers. The market sets the price and each seller reacts to that price by altering the variable input and output in the short run.

Participation in the market by many informed buyers refers to the concept that buyers and sellers in an effectively competitive market need to know enough about the market to find the best deal they can and have access to the full information about the product and prices.

Lack of substantial barriers to supplier entry into or exit from the market refers to the ability of CRES providers to move in and out of the market. Firms should be able to move resources in and out of this market with relative ease and little expense. This allows firms to be especially quick to respond to market conditions.

Lack of substantial barriers that may discourage customer participation in the market refers to the ability of the buyer to participate. While the consumer needs to be assured they are protected from fraudulent and predatory solicitation, the protections should not be so encompassing as to discourage the consumer from participating in the market.

Sellers are offering buyers a variety of competitive retail electric services refers to the suite of products that can be sold to the consumers. While some parties felt that this definition should address only electric generation commodity in its basic form, Staff does not agree. The Ohio retail electric service market is a vast market that contains various sub-markets within the larger market as a whole. Narrowing the definition of what sellers may offer, may inadvertently stifle the market.

This definition should be used as the goal for the Ohio retail electric service market. While the definition helps create a destination for Ohio's retail electric service market, by itself it is only a motto. However, the definition used in conjunction with a set of measurements or defining criteria will assist in creating and maintaining a course of action to achieve an effective competitive retail electric service market in Ohio. The subcommittee agreed in principle that the following five measurements are a reasonable set of indicators of the health of the competitive retail electric service market:

1. Number of PUCO certified CRES providers in the State of Ohio.
2. Number of PUCO certified CRES providers by EDU service territory.
3. Number of active CRES providers by EDU service territory.
4. Number of customers shopping by class, by EDU service territory.
5. Percentage of load shopping by class, by EDU service territory.

Staff agrees with the subcommittee and recommends that these five measurements be adopted. In addition, Staff recommends the following additional criteria be adopted:

6. All EDUs in Ohio have structural separation.
7. 100% of the SSO load is procured via a competitive process for all EDUs in Ohio.
8. Customers are engaged and informed about the products and services that they receive.

The data for the measurements are included in Appendix B.

The additional criteria should be added to provide an easily assessable state of the current retail electric service market in Ohio. Allowing the general public a place to simplistically see whether EDUs are functionally separated and the amount of the SSO load that is procured via a competitive process increases the transparency of the market.

Measuring the extent to which customers are engaged and informed customers is not readily quantifiable. However, the Commission and all participants should actively strive to ensure that customers are engaged and well informed.

Furthermore, Staff recommends that the measurement data be made available to Staff by the EDUs by the beginning of the third quarter after the Commission's order in this proceeding. The EDUs should work with Staff on the processes and dates of the submittal of this data. It is further recommended that the definition and measurements be posted on the PUCO's website. The measurements should be updated quarterly and posted on a new page under *Be Informed* on the PUCO's Electric Consumer Information website page. Staff recommends that a rolling five year graph of each measurement be published to the PUCO website in addition to each quarter's current actual numbers. Included with the definition and measurements should be the following disclaimer:

> "No individual metric is determinative of the lack of effective competition or implies that action needs to be taken. Rather, the collective results of the metrics can be used for monitoring purposes to evaluate the effectiveness of competition at a particular time."

It is recommended that any action taken by the Commission against an individual market participant be based upon the application of Ohio law to specific facts or conduct and should not be based solely on any individual metric performance data. The disclaimer reiterates that the definition and measurements should be used as a guide. The measurements should assist the Commission in its evaluation of the market and potentially be used as an indicator that more analysis and evaluation of the market is needed.

Confidentiality of Supplier Information

When evaluating a market, companies' market share is an important contributing factor to the health and vitality of the market. Section 4901:1-25-02 (A)(3)(b), O.A.C., states that each certified electric service company, certified electric cooperative, and certified governmental aggregator shall submit on a quarterly basis monthly data for the number of customers served and amount of sales in megawatt hours. However, in the retail electric service market the suppliers' number of customers and load are considered to be confidential. Per section (5) (b) "any information filed pursuant to paragraphs (A)(2)(d), (A)(3), and (A)(4) of this rule shall be deemed to be confidential information, unless and until the interconnection applicant or customer owner may make, or agree to make, such information public".

While the Commission is provided with this data, per statute it cannot be shared with the public, unless authorized by the suppliers. The fact that this data is confidential, when it is often public knowledge in non-regulated markets, can create public mistrust. In an effort to create an effective and competitive retail electric service market it is imperative that the public trust the market and know that information is available and accurate. The Commission must strive for transparency within the retail electric service market.

During the workshop and subcommittee discussions, utilities often would cite the percentage of shopping customers in their territory to claim that the market is vibrant and does not need additional measures. However, Staff believes such a statistic needs to be considered in the proper context; otherwise, the statistic alone can be misleading, because one marketer could potentially own a majority of the market share. Staff contends a crucial step in determining the health and viability of the retail electric service market is to know not only the number of active CRES providers in a market, but also the market share by number of customers and load in MWh. Staff recommends that the number of customers served and load in MWh for each CRES in each EDUs service territory should not be confidential because this type of information is not confidential in other industries.

Corporate Separation

In 1999, the Ohio Legislature passed Senate Bill 3 which required, in part, electric utility companies to file corporate separation plans before the Commission (O.R.C. 4928.17, Case No. 99-1141-EL-ORD, O.A.C. 4901:1-20-16). In 2008, the Ohio Legislature passed Senate Bill 221 which revised in part the corporate separation law (Case No. 08-777-EL-ORD, O.A.C 4901-37)

In this investigation, the Commission and Staff asked respondents to address several questions pertaining to corporate separation. For example: "*Should generation and competitive suppliers be required to completely divest from transmission and distribution entities, maintain their own shareholders and therefore, operate completely separate from affiliate structure?*" Through the responses to the Commission's interrogatories and the third workshop held on September 5, 2013, most stakeholders responded that functional separation is adequate in order to meet the corporate separation requirements if done correctly.

Staff fully believes it is imperative that utility and its affiliate activities should be vigilantly monitored to ensure compliance with section 4928.17, O.R.C. and Chapter 4901:1-37, O.A.C. Furthermore, alignment of cost causation with cost recovery is important in order to further Ohio's policy goals pursuant to Section 4928.02, O.R.C.

Staff recommends that no further Commission action pertaining to the requirement for electric utilities to fully divest generation and supplier functions from transmission and distribution entities, maintaining their own shareholders and therefore, operating completely separate from affiliate structure is necessary at this time. Staff believes that corporate separation can be achieved through structural separation with an affiliate with sufficient monitoring and structural safeguards.

The chart below shows the current timelines that the utilities, through prior Commission orders, must complete the structural separation of their generation assets from the transmission and distribution entities. FirstEnergy's first ESP commenced on June 1, 2009, but the EDU separated its generation several years prior to 2009.

Ordered Structural Separation Timeline

FirstEnergy	June 1, 2009
AEP Ohio*	January 1, 2014
Duke Energy Ohio	December 31, 2014
Dayton Power & Light	May 31, 2017

*AEP's ESP has been appealed to the Ohio Supreme Court
Case No. 13-0521

Staff notes that there is the potential for utilities to share competitive information across functions. In turn, this could have a direct impact on the market and be detrimental to CRES providers and consumers. Therefore, Staff recommends that any utility that does not fully divest its generation and supplier function from its transmission and distribution function must be required to file with the Commission their policies and procedures for ensuring that the companies have complied with the Code of Conduct rules of the section 4901:1-37, O.A.C. The Code of Conduct policy and procedures must be filed within six months of the Commission order in this case. If there has been no change to a company's Code of Conduct policy and procedures from those previously approved by the Commission, the Company should file a statement in this docket stating such. Any subsequent changes to it must be filed no later than sixty days from the date of the change.

Staff recommends that each utility's policy and procedures pertaining to compliance with the Code of Conduct rules between affiliates be audited at a minimum, every four years by the Staff of the Commission or by a third party auditor chosen by the Commission and under the direction of Staff. The cost of the audit would be considered a normal operating expense.

Staff's recommended audit schedule is as follows,

2015 – FirstEnergy

2016 – American Electric Power

2017 – Duke Energy

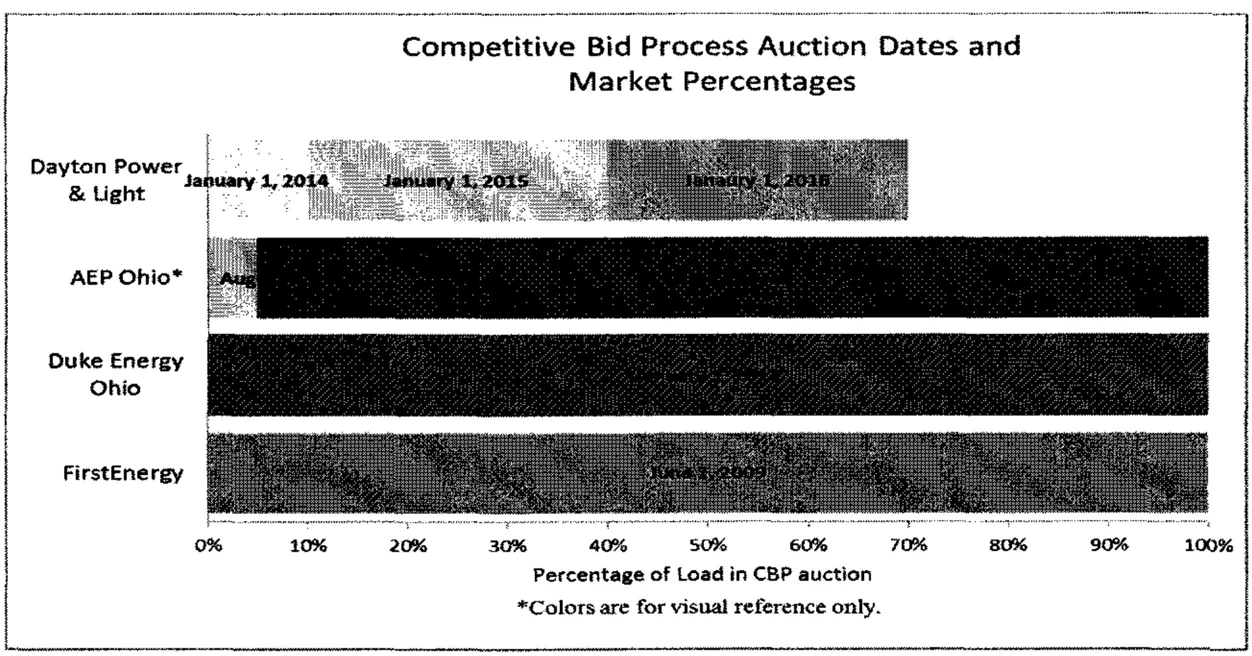
2018 –Dayton Power and Light

Should these audits demonstrate a failure to comply with Chapter 4901:1-37, O.A.C., Staff would recommend the Commission to consider requiring generation and CRES providers to completely divest generation and supplier functions from transmission and distribution entities, maintaining their own shareholders and therefore, operating completely separate from affiliate structure.

Standard Service Offer as the Default Service

Currently, the Standard Service Offer (SSO) is considered the default service for customers that initially enroll with a utility for new service. Some CRES providers would prefer that Ohio change the way default service is assigned. Multiple examples of how default service could be assigned were discussed, including rotating customers to various CRES providers based on the CRES providers' percentage of market share. Most CRES providers believe that by moving all new customers into a rotation of CRES providers will increase retail electric market participation and customer awareness. The consumer advocates disagree and argue that in fact many customers actively choose to stay in the default SSO service. Utilities and consumer groups felt that changing how the default service works would be too cumbersome for customers. They contend that default service allows customers time to familiarize themselves with different CRES providers and contract rates so that they can make educated decisions.

Each utility has or is on track to have one hundred percent (100%) of its internal customer load procured through a competitive auction process, which sets the SSO price for each territory. Below is a graph that illustrates the percentage of each utility's internal load that will be served through a competitive auction and the dates that those percentages are or were first initiated.



Staff recommends that the SSO remain as the default service. The declining clock auction mechanism has been extremely successful in delivering prices that are competitively sourced. Staff routinely monitors these auctions as they take place, both on site and from the Commission offices, and has not observed any major problems or unreasonable results. Default service sourced through competitive auctions allows all customers to benefit from competition, even if they do not choose to avail themselves of the ability to shop for their own supplier. In addition, default service sourced in this manner provides a valuable reference point to which other offers can be compared. At this time, given the current state of customer education and knowledge of the retail electric service market, Staff believes forcing customers to various CRES providers could create customer confusion. Staff recommends that as customer awareness and participation increases, the Commission should reevaluate the default service mechanism. Any future changes to the SSO should be implemented consistently statewide.

Purchase of Receivables

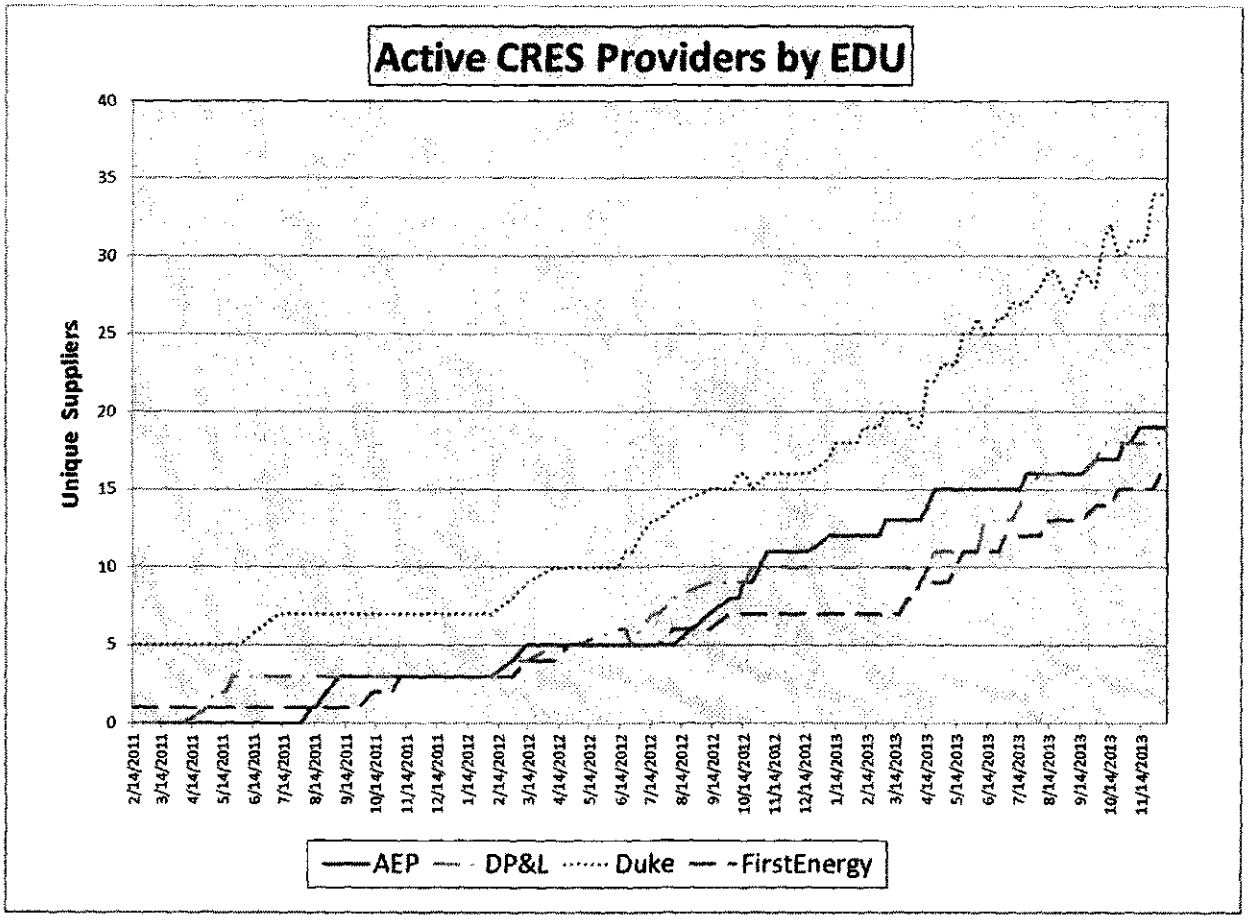
A Purchase of Receivables (POR) program is designed so that a CRES provider's receivables with consolidated billing from an EDU are purchased and become the debt of the utility; therefore, collection responsibility of such debt becomes that of the utility.

In Ohio, all of the natural gas local distribution companies (LDC) who have established Choice programs offer POR to the natural gas suppliers. Duke, as a combination utility, also offers a POR program to electric CRES providers wishing to participate. In AEP's most recent ESP application (Case No. 13-2385-EL-SSO), AEP Ohio (AEP) requested Commission approval for the establishment of a POR program.

Most CRES providers argue that POR is needed for several reasons, such as, the ability to terminate service for non-payment since the right to terminate service lies with the EDU and CRES providers are not a party to potential payment arrangements made between customers and utilities. In addition, most CRES providers argue a POR program is a necessity to encourage competition, thus ensuring a robust retail electric service market.

The opponents of a POR program state that customer switching rates in Ohio show evidence that competition is thriving in Ohio and therefore adding POR is not necessary to encourage competition. Additionally, the opponents are concerned with the significant cost required to implement a POR program and believe that there would be no additional benefit to customers. Finally, the opponents argue there is no evidence that POR will result in increased competition.

Staff reviewed the number of CRES providers posting residential offers on the Commission's Apples to Apples chart. The graph below illustrates the number of "Active CRES Providers by EDU" in each EDU service territory. The data indicates that there are and have been more active suppliers in Duke Energy Ohio's service territory compared to other EDU service territories in Ohio. In the past two years, Duke has experienced an increase of eleven (11) active competitive suppliers over AEP, twelve (12) over Dayton Power and Light and fifteen (15) over FirstEnergy for the same time period.



The historical empirical evidence indicates that in Duke Energy Ohio's service territory, which includes the option for POR, there are a significantly higher number of active CRES providers. Staff recognizes that there are other factors that might lead to this increase; however, the impact of Duke's POR on the number of active CRES providers in a service territory cannot be minimalized.

Staff believes that a POR program would resolve the CRES providers' inability to efficiently and effectively process its bad-debt collections, which will eliminate a market barrier and result in an increase in the number of active suppliers, a diversity of the suppliers, and an increase in the number of products available in the market. Furthermore, Staff believes that at a minimum a POR will reduce customer confusion for the following three reasons. First, it would eliminate multiple entities attempting to collect on overdue supplier and EDU accounts. Second, it will eliminate the posting of charges from more than one supplier if a customer elects to switch. Finally, it will alleviate confusion when partial payment allocation is applicable.

Staff recommends that the Commission order all electric utilities that currently do not offer a POR program to file an application within one year of the Commission Order in this proceeding to implement a POR program. While each service territory is unique and may require slight variations, Staff recommends that all applications include general program rules, the discount rate, timing of the purchases, applicable proposed riders, current collection rates and procedures and assurances that uncollectable costs are not collected through other riders or base rates. Staff recommends that each application be evaluated by the Commission on its individual merits. Staff recommends that all EDUs have implemented a POR program within two years of this Commission Order.

If the Commission does not accept Staff's recommendation to require EDUs to establish a POR, Staff recommends that the Commission order the utilities to provide the data required, to suppliers, in order to assist them in their collection efforts. Below is a list of items that should be provided to CRES providers through a secure FTP website that would be hosted and paid for by the individual CRES providers. The initial IT cost for any changes to the systems would be absorbed by the EDU as those fees should be minimal. The information that needs to be provided to the CRES providers in addition to the normal account data needs to include the following:

- Total customer payment amount (utility and supplier portion)
- Amount billed by supplier
- Amount of payment allocated to supplier
- Date applied
- Payment plan flag

In a non-POR scenario, Staff also recommends that EDUs adopt similar language to Dayton Power and Light's final bill message, which advises customers that their outstanding supplier charges have been returned to the supplier for collection. The specifics of the final bill message are discussed in the Bill Format section of this report.

Electronic Data Interchange

The Commission's Order on November 30, 1999, in Case No. 99-1141-EL-ORD, directed Ohio's investor-owned electric utilities and interested stakeholders to participate in a taskforce for the development of uniform business practices and electronic data interchange (EDI) standards. On May 15, 2000, the Operational Support Planning for Ohio Taskforce (OSPO) and Data Exchange Work Groups, which were comprised of representatives from each Ohio Electric distribution utility, potential marketers and generation suppliers, and other interested parties, filed a stipulation and pro forma certified supplier tariff in Case No. 00-813-EL-EDI which were subsequently adopted by the Commission on July 19, 2000. The OSPO Taskforce was active until 2002. The OSPO Data Exchange Workgroup (OSPOData) was a subgroup of the OSPO Taskforce charged with the development and implementation of the EDI transaction codes and rules to enable electric retail customers to choose an alternative generation supplier. The OSPOData group was active from 2000 until 2004 and was reconvened in 2010 under the Ohio EDI Working Group (OEWG) name to update EDI documentation and resolve issues.

During the Data and Billing Subcommittee meetings, CRES providers and EDUs voiced concerns with the current state of the OEWG. The majority felt that improvements could be made to the current format to improve the effectiveness of the EDI process. As one participant explained OEWG has excellent engineers but they need the architects to provide the plans. Originally, OSPO acted as the architects prior to the groups disbanding. When OEWG was reformed OSPO was not. It is apparent that a policy working group needs to be reestablished in order to assist the OEWG in providing direction and guidance.

Staff recommends that an EDI Policy Working Group be formed. The working group should be facilitated by Staff and made up of utility and supplier representatives and at least one representative from the OEWG. The main objective of the group should be to prioritize EDI change requests and recommend EDI changes. The new working group would also serve as the forum to resolve issues that cannot be resolved in the OEWG working group.

Seamless Moves / Contract Portability

The Data and Billing Subcommittee explored "seamless move" and "contract portability" options in order to improve the electric retail market and provide for a better shopping experience for customers. A "seamless move" is the ability of a customer's supplier to move with the customer to a new address without interruption in his or her supplier contract. "Contract portability" is the ability to transfer a customer's supplier contract, by providing to the supplier the account information for the new location, including start date, to allow a supplier to submit EDI enrollment at the new location.

Currently, when a supplier customer moves within the same EDU's territory, a new utility account number or unique identifier is assigned by the EDU. The EDU treats this situation as if a new customer account is being created, whether or not the customer is under contract with a supplier. The customer is automatically switched back to the utility's default service. During the subcommittee discussions, one issue with contract portability is that it would result in the customer returning to the default sales service for one or two months. In addition, seamless move was considered to be an impossible option due to an apparent impasse regarding PJM capacity issues; therefore, the subcommittee discussions focused on contract portability options.

Subsequent to the conclusion of the Data and Billing Subcommittee discussions, Staff ascertained that the issues with PJM capacity that prevented seamless moves have been resolved, per a proposal before the Pennsylvania Public Utilities Commission (PaPUC). It was determined in Pennsylvania's Seamless Move and Instant Contact (SMIC) group that capacity would not be an issue for seamless moves because the customer, although changing locations, would still be part of the portfolio of already existing accounts for the suppliers.

This solution was made possible through the PaPUC directing "the EDCs to develop and submit plans to the Commission by the end of 2013 to implement seamless moves in their service territories by June 1, 2015[5]."

Staff believes that customers would derive greater overall benefit from the implementation of seamless moves rather than contract portability. Therefore, in similar fashion to the PaPUC Order, Staff recommends that the Commission order the OEWG to provide, within six months of the Order an operational plan to put a seamless move process into effect. Staff also recommends that the OEWG work with their counterparts from Pennsylvania for lessons learned and opportunities for standardization between the states.

Bill Format

The Data and Billing Subcommittee was charged with exploring enhancements to the EDUs consolidated bills, such as, the possibility of a standardized bill format, inclusion of supplier's logos, and standardization of the price-to-compare calculation and message.

Extensive discussions took place regarding the implementation of a standard uniform electric bill across the state. Participants presented various proposed mock-ups to the subcommittee. Utilities expressed concern with a standardized bill format given that each EDU has a centralized billing process designed for multi-state billings. Any significant modification to the EDUs current bill format would result in a large cost to the

[5] Pennsylvania Public Utilities Commission's Investigation of Pennsylvania's Retail Electricity Market: End State of Default Service (Case No. I-2011-2237952) Final Order.

utilities. An additional hurdle to a standard bill format is that each utility does not currently use the same size paper. A change in the bill format could create issues with centralized billing centers if the paper size has to be changed.

While there was extensive opposition towards a full-scale standardization for the reasons discussed above, parties attempted to compromise and all parties seemed willing to standardize the language used within the bills. The parties in general agreed that using terms such as "supply" and "delivery" and modifications to the price to compare language may improve customer understanding of the bill.

Throughout the discussion of bill standardization, some CRES providers voiced the need to have CRES logos displayed on the bills. Many of the CRES providers want the ability to have their logos positioned at the top of the bill next to the electric utility's logo. While CRES providers want the ability to place their logos on the bills, some want to ensure that this is an option and not a requirement. The utilities were not fully opposed to CRES logos being on the bills; however, the location of the logo was an issue to the EDUs. EDUs felt that the logos should be positioned next to the CRES provider's charges and not at the top of the bill, because in some cases the top of the bill serves as the payment remittance, which may create customer confusion. An additional concern for the EDUs is cost recovery for the upgrade to their billing systems to allow for the addition of the CRES logos and the additional monthly bill print cost.

Through the discussions it was determined that the price-to-compare calculation and bill message should be consistent for each utility. Some utilities calculate the price-to-compare number using the prior month's charges, while others calculate it on an annual basis. The inconsistency creates additional hurdles for market education as programs need to be service territory specific and the educational material could create confusion if used in the wrong service territory.

Staff believes that the price-to-compare display should still be that of the customer's utility rate even if the customer is shopping. As the EDUs transition to market pricing for generation service, seasonal rates and step rate pricing will be eliminated. This change will increase the importance of the price-to-compare as a tool for customers to use when deciding between competing offers.

As a result of the Data and Billing Subcommittee discussions, Staff recommends the Commission order the following:

- Each EDU should file an application for bill format changes within six months of this Order to account for the bill changes below.
- The EDUs adjust their bill language to reference "supply" and "delivery" charges. Supply charges refer to all by-passable charges or supplier billed charges.

Delivery charges refer to all non-by-passable charges and cost associated with distribution and if applicable, transmission charges.

- The EDUs adjust bills to distinguish the supply charges from the delivery charges in a separate defined section of the bill. The supply charges would be separated from delivery in the same manner for customers served by the SSO or a CRES provider.
- The EDUs include on its bills the supplier's logo in the area containing the "supply" charges of the bill. The CRES logo should be the same size as the EDUs' logo. If the EDU's logo is in color, then it is recommended that the CRES provider's logo also be in color. All CRES providers shall be required to include their logo on the bills.
- That all EDUs price-to-compare calculations should be standardized. The price-to-compare should be calculated by dividing the dollar amount of the current months bill that could be avoided with switching by the number of KWh used that month.
- Staff recommends that the price-to-compare language be slightly modified to accurately describe that it is the utility price that is being compared.

> **Price-to-Compare:** In order for you to save money off of your utility's supply charges, a supplier must offer you a price lower than (utility name)'s price of X.XX cents per kWh for the same usage that appears on this bill. To review available competitive supplier offers, visit the Public Utilities Commission of Ohio's "Energy Choice Ohio" website at www.xxxxx.com[6].

Staff understands this investigation is specific to the electric retail market; however, Staff believes similar recommendations should be considered as they apply in the natural gas retail sector.

In regards to cost recovery for the IT changes needed to allow CRES logos on the bills, Staff recommends the Commission authorize the utility to charge all active CRES in their territory a one-time initial setup charge. The setup charge must represent the true cost of the IT changes and will be split evenly amongst all active CRES in the EDU's service territory. The EDUs will bear the burden of proof to demonstrate of the cost of the IT changes. The EDUs will file the proposed cost for the IT changes with THE Commission Staff for review. Staff recommends to the Commission that if there is no Staff issues raised on the 61st day following the information submitted to Staff, the proposed IT change cost will be effective.

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[6] New website address is not available at the time of publication of the Staff Report.

For the first five years after implementing the IT change, new CRES providers that enter an EDU's service territory will be charged the same one-time setup fee. Any additional funds received by the EDU above the approved IT cost must be applied as an offset to the expenses charged to all suppliers for consolidated billing.

Customer Enrollment

By rule, EDUs are prohibited from releasing the customer's account number without the customer providing written consent. Currently in Ohio, a CRES provider must provide the EDU with the customer's utility account number or a unique ID (for this report we will refer to both the utility account number and the unique ID as "account number") in order to enroll a customer. CRES providers believe that account numbers are too long for customers to memorize and obtaining the account number from the customer is a barrier to the competitive market and hinders the CRES providers' ability to solicit and enroll customers. Some CRES providers advised that customers should be able to enroll by using information that they keep in their wallets. This type of enrollment has been coined, "enroll from their wallets."

Various identifiers that could be used in place of the account number were discussed in the *Data and Billing Subcommittee.* The first possible identifier discussed was the customer's social security number (SSN). The EDUs pointed out that not all of the EDUs collect SSN for all of their customers, which would cause gaps in the ability to use SSN as a unique identifier. The consumer parties were not in favor of using a customer's SSN for fear of the potential for identity theft. Additionally, most parties felt the SSN should not be used due to Federal Red Flag rules. The option to use information which was only identifiable to the customer to serve as authorization for the release of the customer account number, such as a date of birth or driver's license number was also discussed.

Staff still believes that account numbers should be protected and that only the customer should be allowed to authorize the EDU to release his/her account number. As a means to help customers easily obtain their account numbers in order to enroll with a supplier, Staff recommends that all of the EDUs provide customers with the ability to register on the EDUs website, without the use of the customer account number, and view their account information. Once registered and logged in to the EDU's website, the customer would be able to view his/her account number, monthly usage information, and an electronic version of the customer's current bill. This information will provide the customer with adequate information to switch to a supplier, which will include his/her account number, current supply rate, and current provider of his/her supply.

Staff recommends that each EDU be required to submit a proposal to Staff within three months of the Commission's Order in this case on how they will allow customers to register without an account number in order to access their account information online, while ensuring customer protections. Staff also recommends that EDUs include education on their websites about the need for customers to have their account numbers readily available in order to switch to a CRES provider. The proposal shall contain the plan and the estimated deployment date. It is recommended that all of the proposals shall have a deployment date set no later than one year from the Order.

This solution will benefit consumers, the EDUs, and the suppliers. Customers will be enabled to more readily access their account information, thus becoming informed due to the valuable information on the EDU's websites. EDUs will benefit in that more customers will likely be using the EDU's website. Lastly, CRES providers should benefit through the elimination of the shopping barrier. The implementation cost should be incurred as operating expenses of the utilities.

Advanced Metering Infrastructure

The deployment of advanced metering infrastructure (AMI) in conjunction with two-way communication technologies in Ohio provides for the data acquisition and data analysis necessary to modernize the electric distribution system. These technologies afford a greater opportunity to further the policy of the State of Ohio[7] through innovative supply and demand-side retail electric services, although a number of data access and privacy issues require clarity and resolution before these services can be realized.

For CRES providers, customer energy usage data (CEUD) from AMI should enable services that are functionally equivalent to, or substitutes for, traditional electric services. For customers, the data enabled services should provide the opportunity to save money by providing price incentives that encourage shifting consumption to off-peak periods, and by increasing customer awareness of their consumption patterns. As a result, customers may adopt smart energy efficiency choices and measures, which will support the potential market development for value added products and services using CEUD for energy-specific and energy-related third-party offerings. However, the detailed nature of CEUD from AMI, when compared to electromechanical meters, creates a new facet of personal information that needs to be evaluated and addressed before these services can develop. Finally, for EDUs the costs of providing the data access and availability for smart meter CEUD need to be formally investigated.

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[7] Section 4928.02, O.R.C. State policy. (D): *Encourage innovation and market access for cost-effective supply- and demand-side retail electric service including, but not limited to, demand-side management, time-differentiated pricing, and implementation of advanced metering infrastructure.*

Customer Information

In response to the comments filed in Case No. 11-0277-GE-UNC, *In the Matter of the Review of Customer Privacy Protection and Customer Data Access Issues Associated with Distribution Utility Advanced Metering and Smart Grid Programs*, and specifically the comments addressing 'whether the Commission should consider, develop, and adopt additional rules or policies or otherwise consider smart grid-related privacy or data access issues at the time of the Entry, Staff made a number of formal recommendations in the rulemaking proceedings for Chapters 4901:1-10, 4901:1-21 and 4901:1-24, O.A.C., which were later adopted by the Commission. The rules prohibit EDUs or CRES providers from disclosing granular CEUD without the customer's written consent. Further, the rules outline the format for the consent form and include requirements for the specification of data recipients, type and granularity of the data being collected, and uses for which the data is being collected.

On customer information for AMI and related issues, Staff defers to those rules set out in the Electric Service and Safety Standards[8] (Case No. 12-2050-EL-ORD) and Rules for Competitive Retail Electric Service[9] (Case No. 12-1924-EL-ORD). Staff believes that the customers should be the owners of their own CEUD and the rule modifications provide the appropriate framework for electric utility companies, and designated third parties, to act as data custodians for the customer.

Data Access and Time-Differentiated Rates

To develop the electric services discussed above, the appropriate data must be exchanged between the EDU and the CRES providers in the appropriate format and level of granularity. The data must also be delivered in a timely manner, so as not to impact the effectiveness of the services provided. However, Staff notes that a formal investigation into the costs of providing this data access is necessary to provide insight into the appropriate granularity (e.g. hourly), frequency (e.g. real-time, next day, billing cycle, historical), data quality (e.g. bill quality, raw meter data), and format (e.g. FTP file, EDI, web portal) of the data provided. In order to facilitate the investigation into costs,

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[8] Case No. 12-2050-EL-ORD, January 15, 2014 Commission Order at p. 18-19. "The Commission believes that the authorization for release of customer energy usage data should be done in written form or by email... the Commission adopts additional language to Ohio Adm. Code 4901:1-10-12(F)(3) for the purpose of clarifying the specific information contained in the written release consent form for customer energy usage data."

[9] Case No. 12-1924-EL-ORD, December 18, 2013 Commission Order at p. 39. "The Commission agrees with AEP Ohio that the addition of rules to address privacy protections for customer information should be implemented. The Commission has implemented these changes in Paragraphs (D) and (E) [of Ohio Adm. Code 4901:1-21-10]"

Staff recommends the Commission require utilities who have deployed AMI to all or a significant number of its customers, to file amendments to their supplier tariffs, which specify the terms, conditions and charges associated with providing interval CEUD. The Commission should encourage and/or provide an opportunity for CRES to work with utilities to specify options for granularity, frequency, quality and format so that the costs and charges associated with each option may be specified. More specifically, the Commission should specify that such tariff amendments should address or include the following:

- The format, method, granularity, and frequency of CEUD a CRES provider may receive.
- Implementation of individual network service peak load and peak load contribution formulas for all residential and small commercial customers.
- Recovery of any incremental information technology infrastructure and/or provisioning costs.

The Commission should recognize the interactions of these recommendations with the EDI issues enumerated above, and require that utilities demonstrate the extent to which, and how, the filing of tariff amendments are consistent with the OEWG deliberations and the Commission's rules.

The installations of AMI provide an opportunity to develop time-differentiated rates that could provide systemic benefits to all ratepayers. Assuming these rates are developed to reflect wholesale market pricing in on- and off-peak periods, the size and shape of load can be managed so as to reduce energy prices and capacity costs. Staff recommends that while the data access issues are being addressed, and until there are systemically beneficial time-differentiated rates offered by CRES providers, EDUs with all or a significant number of AMI deployed and certified should offer pilot time-differentiated rates. Once there are sufficient time-differentiated rates offered in the competitive market, the pilots could be terminated.

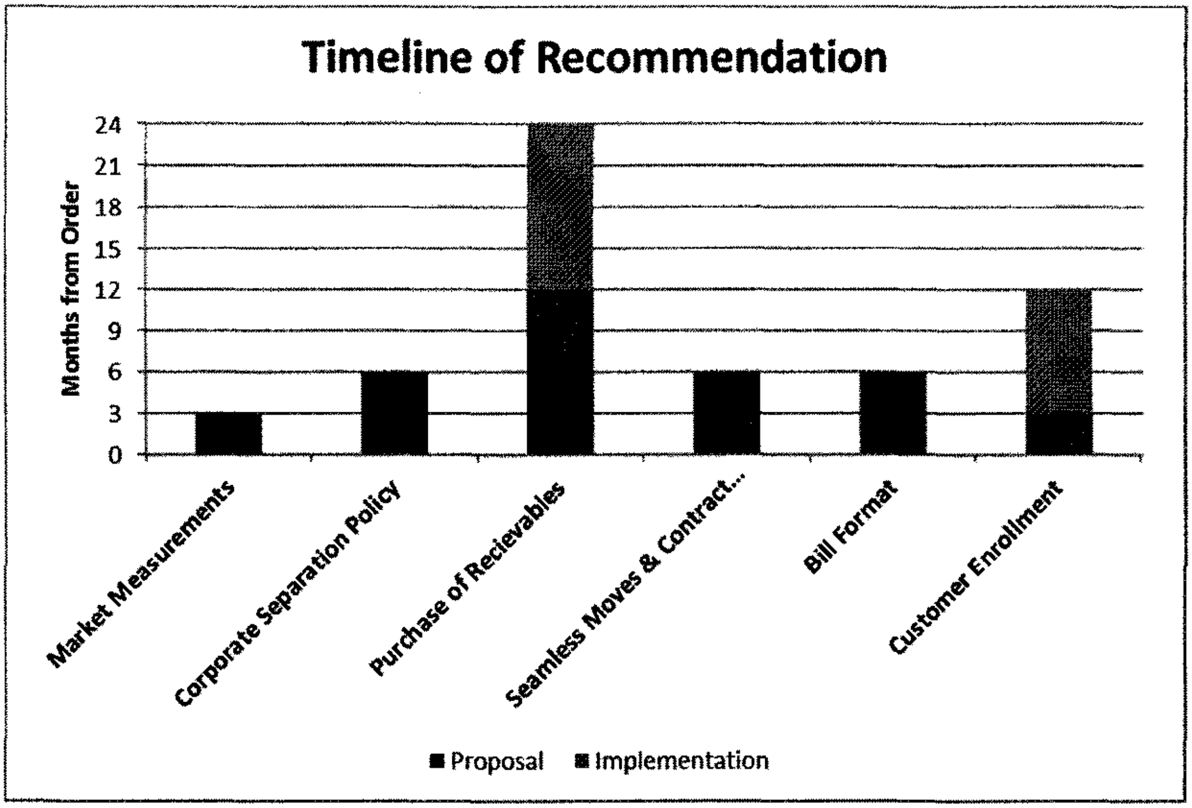
Multi-State Standardization Collaborative

Throughout the collaborative effort, stakeholders mostly focused on standardizing Ohio's processes across the state. During the final workshop, a suggestion was made to expand that standardization across the PJM region. As more states move to a competitive retail service market model, opportunities to standardize and work collaboratively with other states are increased.

The Mid-Atlantic Conference of Regulatory Utilities Commissioners (MACRUC) has held collaborative meetings in the past in order to discuss electric retail markets in the member states. Staff recommends that the Ohio Commission work with other MACRUC members and form an official committee to focus on improvements to the retail electric service market in MACRUC states and standardizing the region with best practices.

Timeline

Below is a chart that shows the delivery dates for the EDs based on Staff's recommendations.



APPENDIX A – WORKSHOP SUMMARIES

Workshop 1: How Do We Create Consistency in Operation Support Across the State?

In the June 25, 2013, workshop, the focus of discussion was on how to create consistency in operation support across the State. The workshop opened with prepared discussion remarks by two opening speakers:

1) Stephen Bennett, PPL Energy Plus and Retail Energy Supply Association (RESA)
2) Matthew White, Interstate Gas Supply Energy

Mr. Bennett and Mr. White started the discussion with their prepared remarks; from there the discussion was an open forum for all in attendance to contribute. The following topics were discussed throughout the workshop.

Customer Identification for Switching

Suppliers would like for customers to have the ability switch providers without having to know their Utility ID number. Suppliers believe this will create a more dynamic and active market and will increase their ability to solicit to customers. Some parties concerns about consumer protection were raised.

Bill Formatting and Inserts

Some parties would like having the ability to include marketing bill inserts and to have dual branding on customer bills. Another suggestion was the potential to create usage data and price comparisons directly on the bills. Various parties discussed simplifying / standardizing customer bills to reduce customer confusion.

The main concerns were focused on cost recovery and who pays for these potential changes and the specifics needed to implement them. Concern was voiced as to whether the cost benefit justified the suggested changes or if the market is already fluid without these additions.

Electronic Data Interchange

Uniform data availability across the state would be preferred by parties to be able to streamline their process and reduce costs for suppliers. Issues expressed were with the specific changes, customer data protection and potential cost as it relates to changing the existing systems and how those cost would be recovered.

Purchase of Receivables

Some parties would prefer a consistent purchase of receivables program across the state. They feel this would open up the market to more vendors and encourage competition. Concerns addressed had to do with lack of uncollectible expense riders from some parties and that the market is already highly saturated and competitive without a purchase of receivables program in many parts of the state.

Making the PUCO Comparison Tool – Apples to Apples – More Useful

Holly Karg, Director of the Office of Public Affairs, presented a list of questions to the attendees for discussion on improving the PUCO's Apples to Apples website. Below are the main discussion points from this topic.

- Sorting - Suppliers suggested allowing the ability for customers to sort the supplier list by multiple options, including but not limited to, price, contract length, fixed/variable contract, monthly fees, termination fees and supplier ranking. There were different opinions on whether the initial sort should be alphabetical or random.
- Complaint Tracker – Interest in including a complaint tracker to allow customers to query complaints.
- Rating System – Interest in having a rating or star system that would help customers choose their suppliers.
- Illinois Website - The Illinois website was brought up often as a potential reference for best practices to date. http://www.pluginillinois.org/
- Suppliers Direct Access - Suppliers want the ability to have direct access to the website and to be able to adjust their prices and for those prices to appear virtually immediately. Feel this provides a more accurate and fluid market for customers.
- Small Business Sizes - Small business rates are negotiated based on usage and time of day, they are not standard like residential. This causes issues for listed prices on the website. Suppliers prefer links over set prices. Hard to set specific size, large homes can also be considered as a small commercial customer, depending on their usage.
- Customer Protection & Education- Customer groups would like to see historical trends/graphs of prices offered by suppliers and EDUs. Provide more interactive data for customers to educate themselves with, ensure secure links to sites and customers have protections in place.
- Customer Surveys / Focus Groups- Was suggested that customer surveys and/or focus groups be used in developing and implementing the website.

- Phasing In – Was suggested a phased delivery of the website to allow for further enhancements on a going-forward basis.

Workshop 2: Barriers to Competitive Retail Market, Do They Exist?

In the July 30, 2013, workshop, the focus of discussion was on possible barriers to competitive markets. The workshop opened with prepared discussion remarks by five opening speakers:

1) Teresa Ringenbach, Direct Energy
2) Stacia Harper, Ohio Partners for Affordable Energy
3) Joe Serio, Ohio Consumers Council
4) Bill Allen, American Electric Power
5) Lou D'Alessandris, First Energy Solutions

After the prepared remarks, an open discussion was held allowing parties to comment on topics presented and to comment on any other potential barriers to a competitive retail market place. The following topics were discussed in detail throughout the workshop.

Default service and the Standard Service Offer

Discussion revolved around the necessity of the Standard Service Offer and whether or not there is structural bias associated with it. Generally the electric utility companies and the consumer advocacy groups believe the SSO is legally required and serves as a benchmark for other rates to be measured against. This is because the SSO price is obtained through a regulated, competitive, and transparent process. The SSO price also serves as a necessary protection against predatory pricing. For the most part, suppliers believe the SSO creates barriers within the competitive market; SSO's are unique to each utility company's service territory and vary in length of time. Suppliers also feel customers should have the choice of choosing their supplier immediately. Utilities and consumer groups are afraid this would be too cumbersome for customers. The default service option allows customers the chance to familiarize themselves with different suppliers and contract rates available.

Standardization of the Electric Security Plans

The point was raised that the current trend of short-term ESP's with the ability to exit the SSO auction at the end of the ESP, creates a barrier to long-term investment planning in the Ohio market. Long-term capital investments are considered risky due to the lack of standardization across service territories, trend of short-term ESPs, and the unpredictability of regulatory oversight. According to some suppliers, consistency across service territories and the ability to forecast long-term into the Ohio energy market should create a more competitive and robust market.

Model States with Deregulation

Texas was mentioned as a state that has already been deregulated but most of the discussion focused around how Ohio should be weary of using Texas as a model state. One key difference is that Texas operates under ERCOT and the wholesale marketplace is a function of the state. Another difference is how a customer signs up for service. In Texas, customers contact their supplier directly and the supplier notifies the distribution company. Since electricity is an essential service, concerns were raised regarding consumer protection and how new customers do not necessarily have the time or knowledge to examine the available options.

Smart Meters and Data Access

Concerns were raised by suppliers over equal access to smart grid data. Access to this data would allow suppliers to offer better and more innovative products designed around customer's usage. Utilities warned that access and distribution of this data will require changes to their current infrastructure and the associated costs will be passed on to customers. Each individual utility has their own uniform system, usually across multiple jurisdictions, with unique efficiencies specific to that utility. Another problem is that each utility is in a different stage of smart grid deployment and most are still in the early stages.

Generation Subsidies

Generation subsidies within the Standard Service Offer were mentioned as a barrier to competition. CRES providers believe all subsidies should either be eliminated or the utility should not be allowed to bid into the auction, while this may result in an increased SSO, it levels the competition among all parties. Consumer groups raised the point that "subsides" could be considered a relative term.

Focus Groups

Concern was raised over the lack of customer involvement in the process. No party presented an objection to reaching out to customers and holding focus groups prior to spending more money in order to better develop the market. Some of the questions that could be addressed in these focus groups would revolve around why or why not a customer has chosen a supplier, what were their likes or dislikes about the process, and what do customers really know about their electric bill.

Workshop 3: Corporate Separation

In the September 5, 2013, workshop, the focus of discussion was on corporate separation. The workshop opened with prepared discussion remarks by five opening speakers:

1) Matt White, IGS
2) Lee Barrett, Duke Energy
3) Maureen Grady, OCC
4) Dwayne Pickett, Integrys Energy
5) Eileen Mikkelsen, First Energy

After the prepared remarks, an open discussion was held with parties commenting on both the comments presented and any other corporate separation topics. The following topics were discussed in detail throughout the workshop.

Information Sharing Between Affiliates

Generally consumer advocacy groups claimed that the law is clear in that there should be corporate separation and no information sharing between affiliates. The electric utility companies stated that functional separation is not harmful to consumers because there are rules in place to protect them.

Affiliate Transactions and Shared Costs

Discussion revolved around the electric utility companies' adherence to the code of conduct rules and cost allocation manuals, which are periodically updated and reviewed by the Commission, in order to ensure adherence to rules regarding affiliate transactions occurring at fully embedded cost.

A consumer advocacy party suggested there is a need for periodic and comprehensive audits of procedures to make sure affiliate transactions and shared costs are reasonable and according to law. There was discussion around the potential for perverse incentives to allocate costs from shared services to get rate recovery and therefore there should be more scrutiny. Suppliers stated that they do not have the benefit of being able to allocate a percentage of cost to an affiliate as an electric utility company does with certain costs such as payroll associated with call centers. Suppliers also stated that some costs are appropriate to be shared with an affiliate, whereas other costs would not be appropriate to allocate.

Electric utility companies countered that the shared services model creates lower operating costs. Rules designed to prevent manipulation are working. Shared services model is working and results in lower costs for customers. This leads to efficiencies and could lead to lower costs to consumers. Any changes could lead to higher costs and less efficiencies.

Return on Equity (ROE) and Business Risk

Discussion revolved around the appropriate return on equity (ROE) for distribution companies given their amount of risk. There was general consensus that ROE should be commensurate with business risk. However, consumer advocacy groups claim that an electric utility company's return on equity should be lower because of lower risk, thus producing lower distribution rates. Generally electric utility companies countered that the assumption that wires companies should have lower ROE is wrong and there is greater risk than realized. It was pointed out that FERC is encouraging investments and with that comes greater risk. Also, it was suggested that the best place to review ROE is in a base rate proceeding and that consideration should be given to the proxy groups being used to determine ROE in order to determine if they are most appropriate.

Workshop 4: Market Evaluation and Purchase of Receivables

In the October 10, 2013, workshop, the focus of discussion was the Market Evaluation and Purchase of Receivables Subcommittees report.

Market Evaluation

The workshop opened with prepared discussion remarks by six opening speakers regarding the Market Evaluation subcommittee's progress:

1) Eileen Mikkelsene, First Energy
2) Steve Nourse, American Electric Power
3) Maureen Grady, Ohio Consumers Counsel
4) Matt White, IGS Energy
5) Sharon Noewer, First Energy Solutions
6) Stacia Harper, Ohio Partners for Affordable Energy

After the prepared remarks, an open discussion was held with parties commenting on both the comments presented and any other market evaluation topics. The following topics were discussed in detail throughout the workshop. A recap of what the subcommittee worked on was provided by Staff and is included in Appendix A.

Customer Choice of Electric Products and Services

One concern among the consumer advocate groups was making sure customers had several options to choose from in the market place. These choices include the SSO, aggregation or a competitive supplier. Consumer advocacy groups feel the SSO is necessary because it serves as a benchmark for which all other electricity offers can be measured. Suppliers agree that customers should have a choice but believe that customers need to be more actively engaged and informed. Suppliers also believe that all electric products and services need to be created equal thus eliminating any artificial regulatory restrictions such as different consumer protections, any subsidiaries or simply a default service option.

Defining a Fully Functional Market and the Associated Metrics

Some of the EDU's had concerns with the definition and the metrics that are being used to evaluate the marketplace. All metrics should provide guidance but be limited in number, transparent and easy to understand by everyone including the customers. There was also concern about reviewing areas that have already been codified in Ohio. Consumer advocates stated that metrics developed by the Commission should be supported by the mandate of the law.

Customer Engagement and Education

All parties agree that steps can be taken to make customers more engaged in the process and better educate them on the options available in the marketplace. Consumer advocacy groups suggested the PUCO office of retail competition should be the driving force behind educating customers. One concern was who should pay for the cost of educating customers and whether or not they are even necessary. In some service territories in Ohio, customer shopping is as high as 80%.

Purchase of Receivables

The second half of the workshop opened with prepared discussion remarks by four opening speakers regarding the Purchase of Receivables (POR) Subcommittee's progress. The opening remarks addressed a traditional purchase of receivables approach and a non-purchase of receivables / alternative data sharing solution. A recap of what the subcommittee worked on was provided by Staff and is included in Appendix B.

1) Stephen Bennett, Retail Energy Supply Association (RESA)
2) Teresa Ringenbach, Retail Energy Supply Association (RESA)
3) Joe Serio, Ohio Consumers Counsel
4) Carrie Dunn, FirstEnergy

After the prepared remarks, an open discussion was held with parties commenting on both the comments presented and any other POR and POR/alternative topics. The following topics were discussed in detail throughout the workshop.

Purchase of Receivables

Advocates for implementation of purchase of receivables say the process improves billing for the customer because it's consolidated under one entity which manages payments, arrearages and collections. This process reduces confusion and enhances the customer experience. Adding a purchase of receivables program could potentially attract more suppliers to the state, increasing competition. Opponents argued that competition within the state is already at a significant level so the program is unnecessary and there is no evidence that a POR would further improve the electric choice market. Establishing a purchase of receivables program would result in increased costs for all customers. Each EDU billing system is different so changes would have to be made to each individual system in order to accommodate POR, while potentially sacrificing current EDU billing efficiencies.

Non-Purchase of Receivables / Alternative Data Sharing Solution

The workshops helped reveal minor tweaks or changes the suppliers can make to assist with the sharing of data between the CRES providers and the EDUs. All EDUs operate differently so any decisions made on a forward basis should be unique to the EDU and not on a statewide basis. Concern was raised over the protection of a customer's identity. Consumer advocacy groups and EDUs felt it was inappropriate to share a customer's social security number. This information should be received from the customer directly. Suppliers believe alternative data sharing is simply a temporary solution or stop gap until a POR system can be instituted.

Workshop 5: Customer Data and Billing

In the November 5, 2013, workshop, the focus of discussion was the Customer Data and Billing Subcommittee report.

Customer Enrollment

The workshop opened with prepared discussion remarks by three opening speakers regarding the subcommittee's progress regarding:

1. Jim Williams, Ohio Consumers' Counsel
2. Michele Jeunelot, American Electric Power
3. Teresa Ringenbach, Direct Energy

Discussion:

A recap of what the subcommittee worked on was provided by Staff and is included in Appendix C. The discussion focused on issues that were addressed during the customer enrollment subcommittees.

Pro and Cons of "Enrolling from your Wallet"

Currently, customers must have their account number present in order to change suppliers and suppliers can only access account numbers from EDU's if written consent given. This limits suppliers' ability to market to potential customers. Today, enrollment happens by going directly to the customer by mail, phone, or door. Suppliers want the ability to market and sign up customers outside of the home. Concerns were raised about safeguarding a customer's account number in order to prevent against slamming or illegal changing of providers. The account number is currently displayed on the bill, which is a good source of information for customers who are considering changing suppliers.

Contract Portability

The next the workshop had prepared discussion remarks by four opening speakers regarding the Contract Portability subcommittee's progress.

1. Tad Berger, Ohio Consumers' Counsel
2. Dan Jones, Duke Energy Ohio
3. Sharon Noewer, FirstEnergy Solutions
4. Dwayne Pickett, Integrys Energy Services

Discussion

Staff provided a summary and overview on the contract portability workshops which is included in Appendix A. The panelists reiterated what was learned and discussed during the workshops.

Seamless Transfers of Customers

Currently, customers who move within their service territory cannot automatically stay with the same supplier. The customer will first be moved back to the SSO until the supplier can confirm and re-sign the customer up. Suppliers would like a warm call transfer, which has the EDU transferring the call to the supplier if the customer wants to retain their current suppliers.

Consumer Protection

Customers may not understand portability and the old contract may not fit their new residences needs. One suggestion was "Affirmative Consent" where the customer would be provided a summary of the key terms in the contract.

Electronic Data Interchange

The next the workshop had prepared discussion remarks by three opening speakers *regarding the Electronic Data Interchange Subcommittee's progress.*

1. Jim Williams, Ohio Consumers' Counsel
2. Stacey Gabbard, American Electric Power
3. Sharon Hillman, RESA

Discussion

Staff provided a summary on the Electronic Data Interchange workshops which is included in Appendix A. The panelist reiterated what was learned and discussed during the workshops.

Conformity of Information

Everyone involved in the working groups have benefited and learned about the uniqueness of each of the EDU's current systems. Any potential changes are daunting to the EDU's because they have already invested heavily in the current systems, changes would have to also involve capital recovery in the discussion.

Web Portals

EDU's are preparing web portals to launch next year and they are important for updating customer usage, risk management, product development and other key information for customers. Both accurate and timely data is important for both current and historical data in order to keep customer satisfaction. Only the commission would have enforcement authority as it pertains to the standards of the web portals.

Bill Formatting, Bill Messaging and CRES Logos

The next workshop had prepared discussion remarks by three opening speakers regarding the Bill Formatting, Bill Messaging and CRES Logos subcommittee's progress.

1. Tad Berger, Ohio Consumers' Counsel
2. Dan Jones, Duke Energy Ohio
3. Barth Royer, Dominion Retail

Discussion

Staff provided a brief overview on the Bill Formatting, Bill Messaging and CRES Logo workshops which are included in Appendix A. The Ohio Consumers' Counsel also demonstrated what the proposed new bill could potentially look like. The panelist reiterated what was learned and discussed during the workshops.

Standardized Bill Format

The idea behind a standardized bill format is to avoid customer confusion and more easily compare one rate to another within the competitive supplier market. The problem is not all Ohio utilities are the same. Each of the EDU's systems is unique; some companies have a combination of both electric and gas on the bill. Most of the utilities bills also serve multiple states in order to achieve cost efficiencies. The price to compare portion of the bill also changes from month to month depending on time of year and the riders. Any comparison between prices should be done on a 12 month basis.

Logo on the Bill

Logo placement is more important to some CRES providers than others. A logo on the bill is a way for suppliers to brand themselves. Logos also remind customers who their electric supplier currently is and who to contact if they have a problem. Adding logos to the bill can be complicated and expensive for the EDU's because it will require a redesign of the entire bill and parts of their billing system.

Workshop 6: Commission En Banc

In the December 11, 2013, workshop, the focus of discussion was the Customer Data and Billing Subcommittee report. The workshop was transcribed by a court report. The full transcript will be docketed on January 2, 2014.

http://dis.puc.state.oh.us/CaseRecord.aspx?CaseNo=12-3151&x=0&y=0

Market Overview Speakers:

1. Pat Wood III, Wood3 Resources
2. Bill Massey, COMPETE Coalition
3. Philip O'Connor, PROactive Strategies

Discussion

All three speakers gave presentations on the benefits of deregulation and how to successfully move to a competitive market. Pat Wood III, a former Texas Commissioner and FERC Chairman during their period of deregulation in Texas, emphasized that in order to make the transition a success you need robust infrastructure, balanced rules and vigilant oversight. Bill Massey, who is a former FERC Commissioner, currently heads a coalition of over740 diverse members who all support well-structured competitive electricity markets. Bill stressed that the competitive market principals should be: accurate and transparent price signals, open to all market participants, market rules should be non-discriminatory and non-bypassable charges and subsidized resources distort the market. Philip O'Connor, who was previously vice president of Constellation Energy, believes that customers in Ohio and nationwide have shown an appetite for electric choice. Per the research presented, 20% of the US electricity load is now served by non-utility suppliers. Mr. O'Connor believes that Ohio's next steps should be to end the ESP/MRO dichotomy, end subsidies, improve customer data access, allow for seamless enrollment and standardize purchase of receivables across Ohio.

For more detail on the presentations, please refer to the presenter's power point presentations.

http://www.puco.ohio.gov/puco/index.cfm/industry-information/industry-topics/retail-market-investigation/

Questions

Following the Speaker's presentations, the presenters were asked various questions about transitioning to a competitive retail market by Chairman Todd Snitchler and Commissioner's Steven Lesser, Asim Haque and Beth Trombold.

Consumer Education:

Holly Karg, the Director of Public Affairs, gave an update on the success of the Public Utilities Commission's ability to reach out and inform consumers across the state about electric choice. She also gave a brief overview on the newly redesigned Apples-to-

Apples website that is in the process of being launched. The new website will focus on both gas and electric suppliers and allow residential, large and small businesses to filter, select and compare offers from suppliers.

Sub-Committee Panelist:

Following the first three Retail Market Investigation workshops, sub-committees were formed consisting of consumer groups, competitive retail electric suppliers, and investor-owned utilities. These groups have spent the past several months discussing the pros, cons and feasibility of instituting changes in order to achieve a more robust competitive market.

The second portion of the workshop consisted of panelist comprised of individuals who participated in these meetings. The Panelist answered questions from the Chairman and Commissioner's about their specific topics.

Customer Enrollment Options

1. Theresa Ringenbach, Direct Energy
2. Michele Jeunelot, American Electric Power
3. Jim Williams, Ohio Consumers Counsel

Discussion/Questions

- Ways to achieve "enrolling from your wallet".
  - Customer Enrollment lists with added customer account numbers.
  - A monitored database where suppliers can look up customers.
  - Submit EDI enrollment with blank customer account numbers, allowing them to enroll when they want.
- Concerns about potentially slamming customers.
  - Suppliers can use 3rd party services to verify identities.
  - The current rules in place are working.
- Early Termination Fees and Fixed vs. Variable Pricing.
  - Varies by the Supplier but can be an impediment to shopping.
  - Utilities often receive complaints from customers involving these issues.

Contract Portability

1. Dwayne Pickett, Integrys Energy
2. Sharon Noewer, FES
3. Dan Jones, Duke Energy Ohio
4. Tad Berger, Ohio Consumers Counsel

Discussion/Questions:

- Confirmed consent vs. a warm transfer.
    - Integrys views confirmed consent by checking a box on the contract allowing the contract to be portable.
    - A warm transfer has the EDU transfer the call of the moving customer to their current supplier if that customer wants to remain with their current supplier.
- Customer Protection Issues.
    - Contracts should be transparent and easily understandable.
- Problems moving from one EDU territory to another.
    - Currently a customer would need to receive a new customer account number before they could begin shopping.
    - Contract portability is currently not possible.

POR- Full POR and Non-POR Data Sharing Solution

1. Stephen Bennett, PPL Energy Plus / RESA
2. Matt White, IGS
3. Carrie Dun, FirstEnergy
4. Joe Serio, Ohio Consumers Counsel

Discussion/Questions:

- Ways CRES suppliers believe POR improves the overall customer experience.
    - Once source of collections from the customer.
    - Reduces customer confusion on billing and collections.
- POR's potential effect on the competitive market.
    - POR been used in other states to "jumpstart" the market.
    - FirstEnergy claims it is not needed since customers in Ohio are currently shopping at a high percentage.
    - POR leads to more diversified suppliers and products, per the CRES suppliers.
- Setting of the discount rate.
    - Currently, default rates are collected in distribution rates for some of the Ohio EDUs.
    - Duke's discount rate is currently set at 0.
- The OCC's concern is what the quantified costs of instituting a POR program are.

Bill Formatting, Bill Messaging and CRES Logos

1. Barth Royer, Dominion Retail
2. Dan Jones, Duke Energy
3. Tad Berger, Ohio Consumers Counsel

Discussion/Questions:

- Standardization of the Bill format across the State.
    - Standard bill provides necessary information to customers and allows for easy comparison of rates.
    - Duke expressed that all the utilities are not the same and have unique characteristics, for example Duke serves electric and gas customers.
    - Most utilities have a standard bill across multiple states.
- Price to Compare
    - Calculated differently depending on the utility.
    - Standardization of the price to compare formula is needed per the CRES suppliers.
- Supplier Logo
    - Utilities are concerned about the expense, would require reprogramming for some utilities.
    - CRES suppliers feel logos will help mitigate customer confusion and reaffirm to the customer who their supplier is.

Electronic Data Interchange

1. Sharon Hillman, MC^2 / DP&L Retail
2. Stacey Gabbard, American Electric Power
3. Jim Williams, Ohio Consumers Counsel

Discussion/Questions:

- Electronic Data Interchange standards.
    - All parties agreed that standards should be statewide.
    - Parties do not believe that EDI standards should be litigated during ESP cases.
- Smart meters effect on EDI.
    - Due to the increase in data through smart meters, there could be an increase in the EDI request and traffic.
- Utilities need policy and guidance in order to move forward.
    - Some utilities are currently more electronically advanced then others, allowing for easier EDI changes.

- EDI working group is full of engineers but need the "architects" to create the policy for the working group to follow.

APPENDIX B

Ohio Retail Electric Service Market Measurements

1. ***Number of PUCO certified CRES Providers in the State of Ohio as of December 19, 2013.***

There are currently 633 PUCO certified competitive suppliers in the State of Ohio[10].

2. ***Number of PUCO certified CRES Providers by EDU Service Territory as of December 19, 2013***

Dayton Power & Light	36
AEP Ohio (OP, CSP)	22
Duke Energy Ohio	49
First Energy (TE, CEI, OE)	59

3. ***Number of Active CRES Providers by EDU Service Territory (as of December 9, 2013)***

Dayton Power & Light	19
AEP Ohio (OP, CSP)	19
Duke Energy Ohio	34
First Energy (TE, CEI, OE)	16

[10] PUCO certified CRES providers include Genco, Brokers, Aggregators, Government Aggregators, and Marketers

4. **Number of Customers Shopping by Class, By EDU Service Territory as of December 19, 2013.**

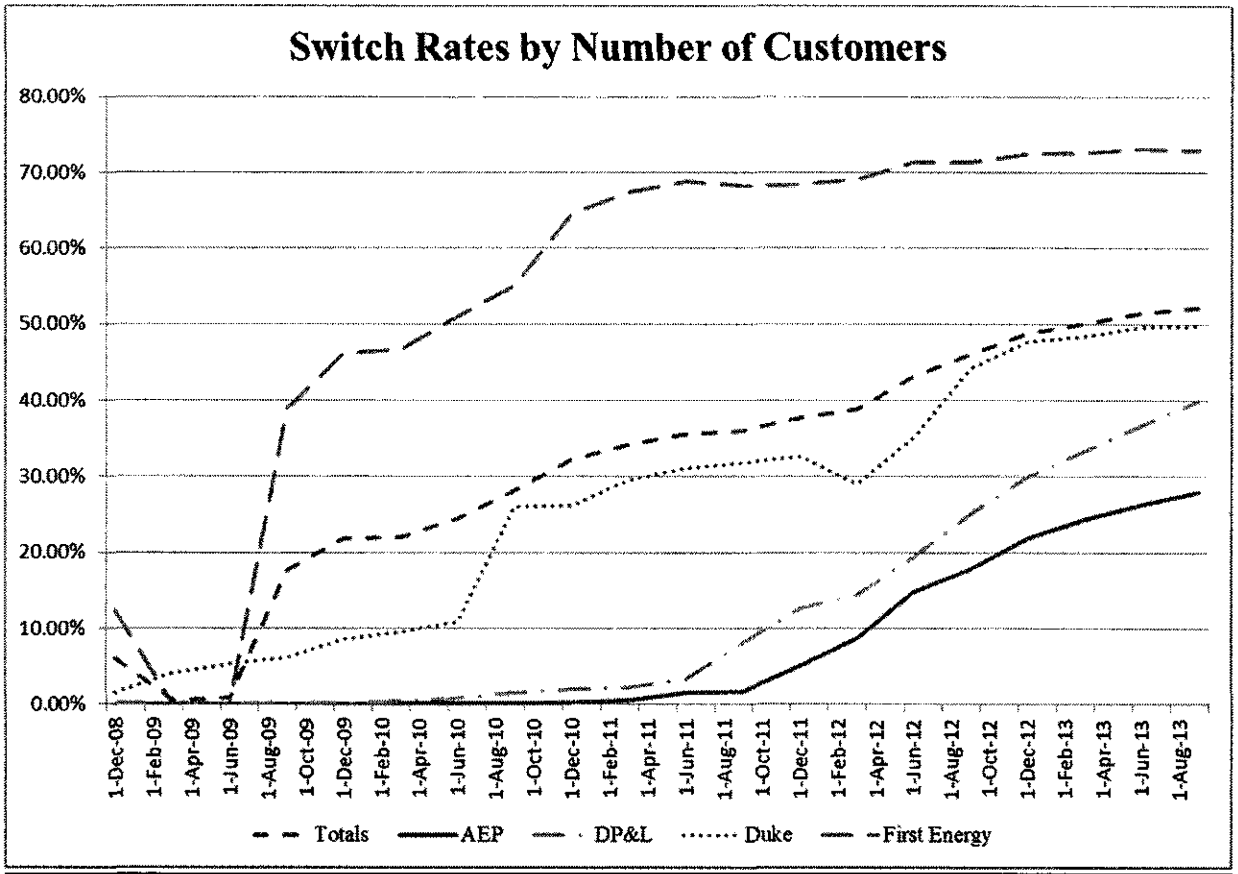
Switch Rates by Customers

Dayton Power & Light	Residential Customers	Commercial Customers	Industrial Customers	Total Customers
DP&L	283,574	22,923	505	308,476
Competitive Suppliers	170,982	27,424	1,228	204,817
Total Customers	454,556	50,347	1,733	513,293
EDU Share	62.38%	45.53%	29.14%	60.10%
Electric Choice Customer Switch Rates	**37.62%**	**54.47%**	**70.86%**	**39.90%**

AEP Ohio	Residential Customers	Commercial Customers	Industrial Customers	Total Customers
AEP	945,318	99,286	5,352	1,051,325
Competitive Suppliers	326,612	75,469	4,786	408,290
Total Customers	1,271,930	174,755	10,138	1,459,615
EDU Share	74.32%	56.81%	52.79%	72.03%
Electric Choice Customer Switch Rates	**25.68%**	**43.19%**	**47.21%**	**27.97%**

Duke Energy Ohio	Residential Customers	Commercial Customers	Industrial Customers	Total Customers
Duke	311,371	33,280	655	346,958
Competitive Suppliers	302,921	34,751	1,513	343,536
Total Customers	614,292	68,031	2,168	690,494
EDU Share	50.69%	48.92%	30.21%	50.25%
Electric Choice Customer Switch Rates	**49.31%**	**51.08%**	**69.79%**	**49.75%**

First Energy	Residential Customers	Commercial Customers	Industrial Customers	Total Customers
FE	514,761	46,784	542	565,053
Competitive Suppliers	1,334,526	180,972	2,052	1,518,143
Total Customers	1,849,287	227,756	2,594	2,083,196
EDU Share	27.84%	20.54%	20.89%	27.12%
Electric Choice Customer Switch Rates	**72.16%**	**79.46%**	**79.11%**	**72.88%**


Switch Rates by Number of Customers
80.00%
70.00%
60.00%
50.00%
40.00%
30.00%
20.00%
10.00%
0.00%
1-Dec-08
1-Feb-09
1-Apr-09
1-Jun-09
1-Aug-09
1-Oct-09
1-Dec-09
1-Feb-10
1-Apr-10
1-Jun-10
1-Aug-10
1-Oct-10
1-Dec-10
1-Feb-11
1-Apr-11
1-Jun-11
1-Aug-11
1-Oct-11
1-Dec-11
1-Feb-12
1-Apr-12
1-Jun-12
1-Aug-12
1-Oct-12
1-Dec-12
1-Feb-13
1-Apr-13
1-Jun-13
1-Aug-13
Totals
AEP
DP&L
Duke
First Energy

5. Percentage of Load Shopping by Class, By EDU Service Territory as of December 19, 2013.

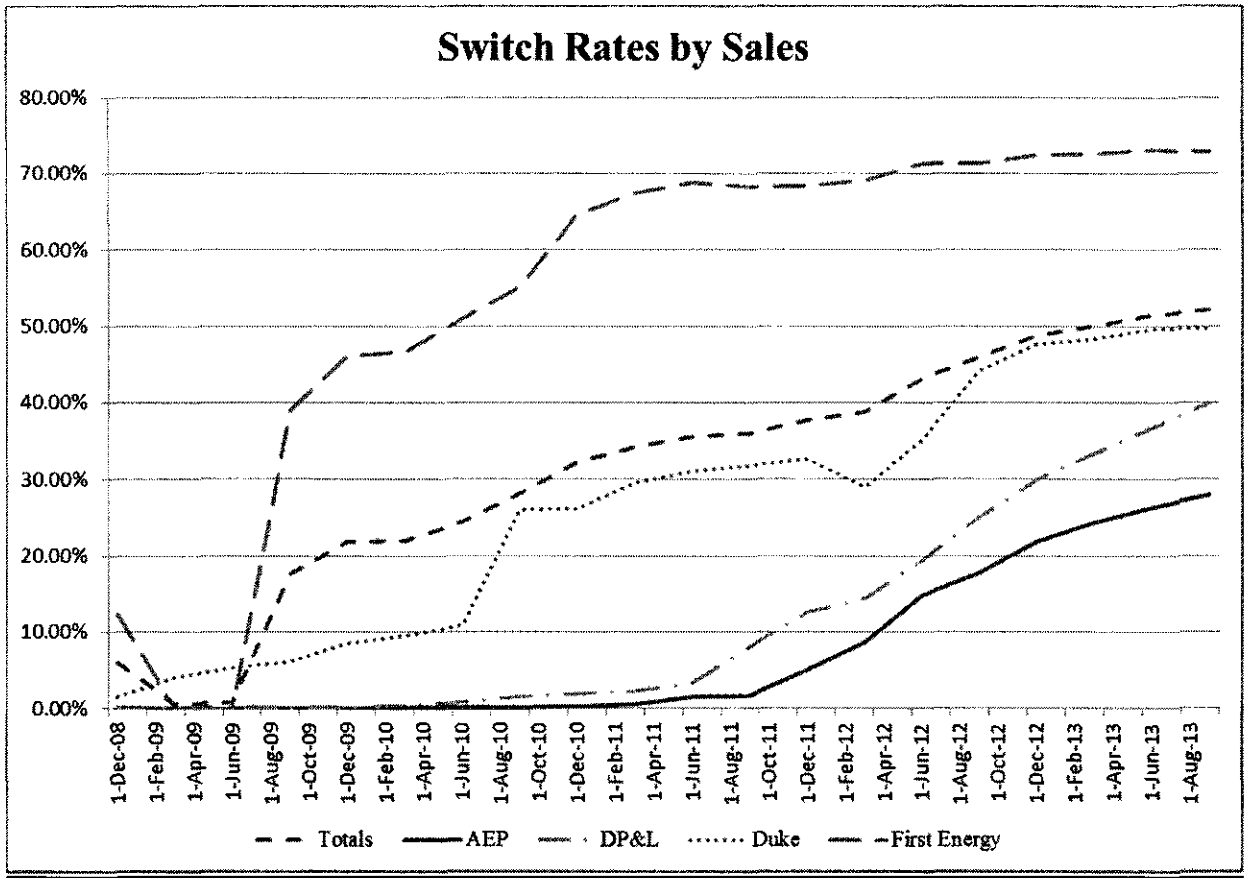
Switch Rates by Sales (MWh)

Dayton Power & Light	Residential Sales	Commercial Sales	Industrial Sales	Total Sales
DP&L	254,084	57,535	6,656	364,050
Competitive Suppliers	177,866	279,354	309,108	845,241
Total Sales	431,950	336,889	315,764	1,209,291
EDU Share	58.82%	17.08%	2.11%	30.10%
Electric Choice Sales Switch Rates	**41.18%**	**82.92%**	**97.89%**	**69.90%**

AEP Ohio	Residential Sales	Commercial Sales	Industrial Sales	Total Sales
AEP	874,661	275,607	345,055	1,500,235
Competitive Suppliers	325,115	1,022,450	955,226	2,308,353
Total Sales	1,199,776	1,298,057	1,300,281	3,808,588
EDU Share	72.90%	21.23%	26.54%	39.39%
Electric Choice Sales Switch Rates	**27.10%**	**78.77%**	**73.46%**	**60.61%**

Duke Energy Ohio	Residential Sales	Commercial Sales	Industrial Sales	Total Sales
Duke	329,319	91,944	11,014	440,694
Competitive Suppliers	345,453	496,710	436,008	1,400,139
Total Sales	674,772	588,654	447,022	1,840,833
EDU Share	48.80%	15.62%	2.46%	23.94%
Electric Choice Sales Switch Rates	**51.20%**	**84.38%**	**97.54%**	**76.06%**

First Energy	Residential Sales	Commercial Sales	Industrial Sales	Total Sales
FE	393,024	119,181	310,148	848,896
Competitive Suppliers	1,063,294	1,226,942	1,459,066	3,750,433
Total Sales	1,456,318	1,346,123	1,769,214	4,599,329
EDU Share	26.99%	8.85%	17.53%	18.46%
Electric Choice Sales Switch Rates	**73.01%**	**91.15%**	**82.47%**	**81.54%**



6. All EDUs in Ohio Have Functional Separation

<u>Ordered Structural Separation Timeline</u>

FirstEnergy	June 1, 2009
Duke Energy Ohio	December 31, 2014
AEP Ohio*	January 1, 2014
Dayton Power & Light	May 31, 2017

*AEP's ESP has been appealed Supreme Court Case No. 13-0521

7. 100% of SSO Load is Procured via a Competitive Process For All EDUs