

THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE PROCUREMENT
OF STANDARD SERVICE OFFER
GENERATION FOR CUSTOMERS OF DUKE
ENERGY OHIO, INC.

CASE NO. 18-6000-EL-UNC

ENTRY

Entered in the Journal on April 6, 2020

{¶ 1} Duke Energy Ohio, Inc. (Duke) is an electric utility as defined by R.C. 4928.01(A)(11) and an electric distribution utility as defined by R.C. 4928.01(A)(6).

{¶ 2} R.C. 4928.141 provides that electric utilities shall provide consumers a standard service offer (SSO) of all competitive retail electric services in accordance with R.C. 4928.142 or 4928.143.

{¶ 3} In Case No. 17-1263-EL-SSO, et al. (*ESP Case*), the Commission approved, pursuant to R.C. 4928.143, Duke's application for an electric security plan (ESP), including a competitive auction-based SSO format, as well as a competitive bid procurement (CBP) process for Duke's auctions, for the period of June 1, 2018, through May 31, 2024. Under the CBP process, Duke will obtain all generation necessary to serve its SSO load through a series of auctions. With respect to the original auction schedule, the Commission determined that Duke's sixth auction should occur in February 2020 and offer a 36-month product (for the period from June 2020 to May 2023) that accounts for 17 percent of the SSO load. *ESP Case*, Opinion and Order (Dec. 19, 2018). However, on July 25, 2019, the Federal Energy Regulatory Commission (FERC) issued an order directing PJM Interconnection, LLC (PJM) to not conduct its base residual auction (BRA) regarding the 2022-2023 delivery year, previously scheduled for August 2019. *Order on Motion for Supplemental Clarification*, Case No. EL16-49-00, at ¶ 2 (July 25, 2019).

{¶ 4} On July 31, 2019, in response to FERC's July 25, 2019 Order, the Commission modified Duke's September 2019 SSO auction. Specifically, instead of a 36-month product, Duke was directed to offer a 24-month product covering the period of June 2020 to May

2022. Thereafter, the remaining product, for the period of June 2022 to May 2023, would be adjusted appropriately once a final PJM rate is established.

{¶ 5} Thereafter, on December 19, 2019, FERC ordered that PJM must submit a new schedule regarding the BRA within 90 days. *Order Establishing Just and Reasonable Rate*, Case No. EL16-49-000, at ¶ 4 (Dec. 19, 2019).

{¶ 6} Duke filed a notice regarding FERC's December 19, 2019 order on January 23, 2020. Duke averred that PJM's BRA will likely not be scheduled before Duke's auction in February 2020 and, as with Duke's previous auction, the applicable PJM rate for the 2022-2023 delivery year will be unknown at the time of the auction.

{¶ 7} Subsequently, on February 13, 2020, the Commission modified Duke's February 2020 SSO auction. Specifically, instead of a 36-month product, Duke was directed to offer a 24-month product covering the period of June 2020 to May 2022. Thereafter, the remaining product, for the period of June 2022 to May 2023, would be adjusted appropriately once a final PJM rate is established.

{¶ 8} On February 13, 2020, since the uncertainty caused by FERC's order precludes the use of a three-year auction product to lock in historically low energy prices, the Commission also directed Staff to file a proposal for a modified product which contains capacity flow-through provisions.

{¶ 9} On March 13, 2020, Staff filed its proposal and recommendation, as directed by the Commission in its February 13, 2020 Entry. Staff recommends that the Commission direct utilities and their auction administrators, in consultation with the Commission consultant Bates White, LLC, to modify the SSO auction products such that the capacity obligation is priced at \$0/MW-day and suppliers are made whole for all Reliability Pricing Model capacity costs incurred through a "pass-through" charge. According to Staff, this charge shall be recovered within each utility's existing auction cost recovery mechanism for delivery year 2022/2023 through the end of each utility's current ESP. All of Ohio utilities'

ESPs are set to expire by the end of the 2023/2024 delivery year, at which time Staff is cautiously optimistic a FERC approved capacity construct will be in effect. Staff considers the pass-through option to be the simplest and lowest risk option available to address the uncertainty surrounding PJM's capacity construct. Furthermore, Staff recommends that each utility be required to submit a modified auction timeline that clearly identifies which products include capacity as a "pass-through" and catches up on tranches not procured in previous auctions that had been modified by the Commission to exclude the 2022/2023 delivery year. Staff notes that Revised Master Supply Agreements and associated documents should also be submitted that reflect the modified auction product. Staff states that it recognizes that allowing a true-up for the capacity portion of the product will result in an artificially lower auction price where capacity is not known, so it recommends that subsequent procurements separate products where the capacity price is known from products where the capacity cost will be trued-up. Staff also believes that CRA International Inc. d/b/a Charles River Associates and National Economic Research Associates, Inc. d/b/a NERA Economic Consulting possess the requisite skill to implement the recommended auction structure without undue harm on bidder interest or participation. As a final note, Staff points out that, if the Percentage of Income Payment Plan (PIPP) benchmark price does not include capacity, the PIPP product may need to be modified to include a capacity pass-through clause, so it can be compared on an apples-to-apples basis with the PIPP benchmark price.

{¶ 10} In order to accomplish the review of Staff's proposal and recommendation to modify the SSO auction products such that the capacity obligation is priced at \$0/MW-day and suppliers are made whole for all Reliability Pricing Model capacity costs incurred through a "pass-through" charge, the attorney examiner opens this case for comment.

{¶ 11} Interested stakeholders are invited to file public comments discussing Staff's proposal and recommendation.

{¶ 12} All comments should be filed in this docket on or before April 16, 2020. No reply comments will be accepted.

{¶ 13} It is, therefore,

{¶ 14} ORDERED, That this case be opened to solicit public comment from interested stakeholders in accordance with Paragraphs 10-12. It is, further,

{¶ 15} ORDERED, That these comments be filed in this docket on or before April 16, 2020. It is, further,

{¶ 16} ORDERED, That a copy of this Entry be served upon all parties of record, including all parties of record in Duke's *ESP Case*, 17-1263-EL-SSO, et al.

THE PUBLIC UTILITIES COMMISSION OF OHIO

/s/ Matthew J. Sandor

By: Matthew J. Sandor
Attorney Examiner

JRJ/kck

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

4/6/2020 3:39:58 PM

in

Case No(s). 18-6000-EL-UNC

Summary: Attorney Examiner Entry this case should be opened to solicit public comment from interested stakeholders and filed by 4.16.20. electronically filed by Mrs. Kelli C King on behalf of Matthew Sandor, Attorney Examiner, Public Utilities Commission of Ohio