BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Procurement of Standard Service Offer Generation as Part of the Fourth Electric Security Plan for Customers of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company	)))))))	Case No. 16-0776-EL-UNC

COMMENTS OF OHIO EDISON COMPANY, THE CLEVELAND ELECTRIC ILLUMINATING COMPANY, AND THE TOLEDO EDISON COMPANY REGARDING THE PROPOSED IMPLEMENTATION OF CERTAIN SSO AUCTION MODIFICATIONS

I. INTRODUCTION

In response to the increased standard service offer ("SSO") prices that have resulted from Ohio EDUs' SSO procurement auctions, the Commission sought stakeholder input regarding the potential effectiveness of two proposed modifications to the SSO procurement process: (1) the inclusion "of six-month products in the mix of products for each auction" and (2) revising "credit requirements for companies seeking to bid at the auctions in order to promote participation without unduly increasing risk." Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company ("Companies") thank the Commission for this opportunity and, in consultation with their auction manager, CRA International, Inc., provide the following comments.

II. COMMENTS

A. Including Six-Month Products[1]

The Companies have concerns that adding six-month products to procurement auctions may only provide *de minimus* benefits – if any – to the Companies' non-shopping customers, while increasing administrative costs, and increasing volatility of the SSO price.

Certainly, there are potential benefits to including six-month products. Six-month contracts will most likely require an additional auction for each supply year, which could add more opportunity for price diversity, potentially benefitting non-shopping customers. Adding six-month products may increase supplier interest by providing suppliers an additional product option on which to bid. Further, the procurement of six-month products would, in theory, make the SSO price, or Price-to-Compare, more representative of current market conditions. In addition, due to their shorter contract period, six-month products do have the inherent potential to reduce the risk to customers of supplier default, and they also present a reduced risk of an unexpected change in load migration pattern.

However, there are disadvantages to six-month contracts, which call into question whether they will have net benefits to non-shopping customers. The additional auctions needed to procure six-month contracts will result in increased administrative and procurement costs for EDUs and suppliers, which are ultimately borne by customers.[2] Further, the Companies cannot say with certainty that these products would be attractive to bidders, causing doubt as to whether six-month contracts would increase bidder participation, particularly during extreme weather such as summer

[1] In considering this proposal, the Companies presumed that all auctioned products for a given procurement event would have the same contract term start date, such that the Companies would not be splitting a 12-month product into consecutive six-month products and procuring them at the same event.
[2] Because the Companies' current SSO, ESP IV, has only one more auction scheduled for March 2023, it would be impractical to incorporate six-month contracts into ESP IV.

peaks and deep winter freeze events. In addition, more frequent updates to SSO rates could expose non-shopping customers to market volatility.

Finally, it is worth noting, and the Commission should consider, that if the annual PJM auction revenue rights ("ARR") allocation process were to occur before the Companies place a six-month contract, the Companies would have to participate in the ARR auction on suppliers' behalf and nominate ARRs on behalf of the unplaced load. Additionally, for load that is placed, the initial supplier will take on this responsibility, but the subsequent supplier for the mid-year term will have no input to the process. In either case, loss of control of selecting paths for congestion hedges has the potential to create perceived risk for suppliers, which may manifest in the form of increased risk premium in the procurement process.

B. Revising Credit Requirements

In the Companies' view, current credit requirements are not hindering bidder participation. The Companies' credit requirements have remained the same for the past approximately seven years (during the term of their ESP IV), and participation rates in their SSO procurement auctions have been relatively consistent until fall 2022. Lower credit requirements enable the participation of lower-credit suppliers, thereby increasing the probability of a supplier default, which would expose customers to uncertainty, including the risk of procurement at spot market prices. The risks presented by lower-credit suppliers would be exacerbated during a period of market instability and/or at a time when there is increased likelihood of customers switching to SSO service. Rather than relax credit requirements, the Companies recommend that the current credit requirements be tightened to better protect against risks caused by suppliers with high-risk credit profiles.

III. CONCLUSION

The Companies appreciate the opportunity to comment on the proposed modifications to the SSO procurement process.

Respectfully submitted,

*/s/Christine E. Watchorn*_________________

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CERTIFICATE OF SERVICE

I certify that a copy of the foregoing was filed electronically through the Docketing Information System of the Public Utilities Commission of Ohio ("PUCO") on this 24th day of January 2023. The PUCO's e-filing system will electronically serve notice of the filing of this document on counsel for all parties.

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