

**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)	Case No. 16-776-EL-UNC
Plan for Customers of Ohio Edison)	
Company, the Cleveland Electric)	
Illuminating Company, and the Toledo)	
Edison Company.)	

In the Matter of the Procurement of)	
Standard Service Offer Generation for)	Case No. 17-957-EL-UNC
Customers of the Dayton Power and)	
Light Company.)	

In the Matter of the Procurement of)	
Standard Service Offer Generation for)	Case No. 17-2391-EL-UNC
Customers of Ohio Power Company.)	

In the Matter of the Procurement of)	
Standard Service Offer Generation for)	Case No. 18-6000-EL-UNC
Customers of Duke Energy Ohio, Inc.)	

**REPLY COMMENTS ON PROPOSED MODIFICATIONS TO STANDARD
SERVICE AUCTIONS
BY
OFFICE OF THE OHIO CONSUMERS' COUNSEL**

I. INTRODUCTION

On January 3, 2023, the PUCO requested comments on two modifications to standard service offer auctions:¹ 1) include six-month products in the mix of products for each auction and 2) revise credit requirements for companies seeking to bid at the auctions in order to promote participation without unduly increasing risk.² The reason for the modifications, according to the PUCO, is to determine whether they “would help

¹ Entry (January 3, 2023) at ¶ 5.

² *Id.* at ¶ 4.

significantly reduce prices resulting from SSO auctions.”³ The problem, the PUCO noted, is that “[o]ver the past year, SSO prices resulting from the EDUs’ SSO procurement auctions have significantly increased.”⁴

The SSO auction process must be modified to protect consumers from prices that are high and volatile. However, the PUCO should initiate a separate, Commission-Ordered Investigation (“COI”) into fixing the SSO auction procedure. This will allow a more wholistic, deliberate review of all solutions, not just the two modifications the PUCO proposed.

II. REPLY COMMENTS

A. The PUCO should modify the SSO auction process to protect consumers from unprecedented prices and volatility.

Ohio’s SSO auction process is not working for consumers. Even the utilities acknowledge that SSO rates are extraordinarily high and volatile.⁵ In the words of AEP, “[t]he auction clearing price of \$119.98/MWH from the November 2022 auction is a dramatic increase from the auction clearing prices of \$69.27 from March 2022 and \$55.14 from November 2021...”⁶ Ohioans subscribing to standard service offer will be burdened in upcoming months with significant increases to the standard service offer.

³ *Id.*

⁴ *Id.* at ¶ 3.

⁵ Initial Comments of Duke Energy Ohio, Inc. (“Duke Comments”) (January 24, 2023) at 1. (“Duke Energy Ohio agrees with the Commission that retail prices for generation products are rising.”) Initial Comments of Ohio Power Company (“AEP Comments”) (January 24, 2023) at 3. (“Standard Service Offer prices resulting from competitive auctions to procure SSO supply have significantly increased over the past year.”)

⁶ AEP Comments at 3.

One of the culprits in creating high risk (and high prices) for consumers is the frequent switching typically by non-residential consumers. Per Vitol Inc., over 2,000 MW of load have switched to SSO service in FirstEnergy and AEP's service territories already this year.⁷ Large industrial and commercial consumers create the majority of migration volume.⁸ Frequent switching can make suppliers' load obligations uncertain. This has caused wholesale bidders to add risk premiums of as much as \$20 per MWh.⁹ In Ohio under the slice of system approach, all consumers, including residential consumers, pay for the risk premium primarily caused by non-residential consumers.

The SSO auction process is not working for consumers or suppliers. The PUCO should protect residential consumers from high and volatile prices caused by non-residential consumer migration freely to and from the standard service offer. The PUCO should initiate a separate investigation looking at other solutions to mitigate the risk and high prices these auctions have taken on in the recent past.

B. The PUCO should order a separate investigation (ideally, a COI) of the SSO auction process to evaluate modifications beyond those it proposed in its January 3, 2023 Entry.

The PUCO's limited request for comments excluded issues that the PUCO should evaluate. The PUCO requested input on just two modifications to the SSO process. The PUCO proposed, first, offering six-month products and, second, revising credit requirements for companies seeking to bid.¹⁰ These proposals while worthy of

⁷ Initial Comments of Vitol, Inc. ("Vitol Comments") (January 24, 2023) at 3.

⁸ *Id.* citing the Public Utilities Commission of Ohio's Electric Choice Activity dashboard at <https://app.powerbigov.us/view?r=eyJrIjoizTliZDEzNGEtZjIhYi00YWEzLTljZjktMGZmNDg4OWE4ZDFkIiwidCI6IjUwZjhmY2M0LTk0ZDgtNGYwNy04NGViLTM2ZWQ1N2M3YzhhMiJ9>.

⁹ Duke Comments at 2.

¹⁰ Entry (January 3, 2023) at ¶ 5.

consideration, leave out other problems with the SSO auction process that the PUCO should consider seeking solutions.

For example, in a separate proceeding, the PUCO is considering proposed tariffs for a “minimum stay” for residential consumers being served by governmental aggregators.”¹¹ A minimum stay would limit how soon government aggregators can re-enroll consumers in an aggregation program after returning them to the utilities’ standard service. However, minimum stays should also be evaluated for non-residential consumers. A number of commenters proposed minimum stay rules in this proceeding.¹² The PUCO should evaluate these modifications, which would impact SSO auction price and volatility, together with the proposals it made in its January 3 Entry.

OCC also requested that the PUCO consider separating SSO auctions by consumer class to ensure that residential consumers are protected from paying increased auction costs caused by non-residential consumers.¹³ Commenters in this proceeding supported similar modifications.¹⁴

Further, OCC requested that the PUCO consider implementing stand-by charges.¹⁵ These charges would allow utilities to recover the costs of standing ready to serve consumers, rather than allowing them to revert to standard service cost-free. Vitol

¹¹ *In the Matter of the Certification of Northeast Ohio Public Energy Council as a Governmental Aggregator*, Case No. 00-2317-EL-GAG, Entry (September 7, 2022) at ¶ 14.

¹² Duke Comments at 3. (“Limit the ability to switch, particularly for nonresidential parties.”) Vitol Comments at 24. (“...implementing stricter switching rules, particularly for large commercial and industrial customers and municipal aggregators, to mitigate price increases in future auctions resulting from high migration risk premiums...”.) Initial Comments of Enel Trading North America, L.L.C. (“Enel Comments”) (January 24, 2023) at 16. (“Customers who return to default service should be required to remain there for a minimum amount of time before returning to competitive retail supply.”)

¹³ Initial Comments of OCC (“OCC Comments”) (January 24, 2023) at 3.

¹⁴ Vitol Comments at 16.

¹⁵ OCC Comments at 3.

Inc. made a similar proposal.¹⁶ Stand-by charges may reduce the risk to suppliers that frequent non-residential consumer switching causes, potentially reducing SSO auction prices and volatility. The PUCO should expand its review of SSO auction prices to include these solutions.

Finally, a number of commenters suggested new solutions to high prices and volatility. Duke Energy Ohio, Inc. alone proposed seven different modifications to the SSO auction process, including adjusting load and credit-based tranche caps, allowing for bilateral supply purchases, having PJM serve any load above a reserve price, or requiring the PUCO to determine the maximum allowable premium.¹⁷ Other parties suggested solutions, such:

- using an auction manager to modify the auction schedule during periods of high volatility¹⁸;
- providing more information to SSO suppliers that could help them gauge risk more accurately¹⁹;
- putting a MWh cap on each tranche sold at auction to protect suppliers against increased load demand caused by unanticipated migration.²⁰

This variety of proposals offered make it clear that the PUCO should consider more solutions than it proposed in its January 3 Entry. A Commission-ordered investigation would allow the PUCO to more thoroughly review the SSO auction process.

¹⁶ Vitol Comments at 24. (“...bifurcating the SSO auction product into separate customer classes for future auctions to limit cross-subsidization issues due to the higher migration/switching risk premium associated with customer classes that pose the highest migration risks...”); Constellation Comments at 5. (“...adopt a form of the Pennsylvania SSO auction model which uses a customer class grouping structure where generation service for residential, commercial, and industrial customers are procured via separate products.”); Enel Comments at 12. (“...the Commission should organize customer loads into groups...so that SSO customers are charged a rate that reflects the costs of serving them and not a risk premium attributable to higher migration rates among other customer classes.”)

¹⁷ Duke Comments at 3.

¹⁸ AEP Comments at 8.

¹⁹ Enel Comments at 14.

²⁰ *Id.*

It would also permit parties more time to prepare and address the broad variety of proposals. In particular, government offices would have time to utilize the state hiring process for consultants. To protect consumers from the high risk and volatility being experienced in the SSO auction—which results in high energy prices to consumers—the PUCO should comprehensively review ways to reduce risks (and thereby reduce the price) associated with the standard service auction.

III. CONCLUSION

Rising prices and unprecedented volatility merit consideration of changes to the SSO auction procedure. The PUCO should not limit its review to the modifications it proposed in its January 3 Entry. The PUCO should order a separate investigation of the SSO auction process to evaluate all possible solutions. This would allow the PUCO adequate time to thoroughly review all methods of protecting consumers from high, volatile SSO prices.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a copy of these Reply Comments on Proposed Modifications to Standard Service Auctions was served on the persons stated below via electronic transmission this 16th day of March 2023.

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The PUCO's e-filing system will electronically serve notice of the filing of this document on the following parties:

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