

September 5, 2007 2007 SEP -5 PM 4:08

PUCO

BY HAND DELIVERY

Docketing Division
Public Utilities Commission of Ohio
180 East Broad Street, 13th Floor
Columbus, OH 43215-3793

**Re: In the Matter of the Application of the Ohio Edison Company,
The Cleveland Illuminating Company, and the Toledo Edison
Company, for Approval of a Competitive Bidding Process for
Standard Service Offer Electric Generation Supply, Accounting
Modifications Associated with Reconciliation Mechanisms and
Phase In, and Tariffs for Generation Service.
Case Nos. 07-796-EL-ATA and 07-797-EL-AAM**

To Whom It May Concern:

In accordance with the procedures established in the above-docketed proceeding, I am submitting for the record this letter on behalf of the PJM Power Providers Group ("P3"), in response to the competitive bidding process ("Auction Proposal") for Standard Service Offer Electric Generation Supply ("SSO") proposed by the Ohio Edison Company, The Cleveland Illuminating Company and the Toledo Edison Company (collectively, the "FE-Ohio Utilities").

P3 is a non-profit 501(c)(6) business association dedicated to supporting the development of properly designed and well functioning markets in the PJM Interconnection, L.L.C. ("PJM") and related regions. P3 members own generation, transmission and distribution systems throughout the PJM region.¹ Members of P3 have submitted bids in prior auctions and other such procurements for service akin to SSO throughout PJM and the Midwest ISO, and are likely participants in future auctions such as those proposed by the FE-Ohio Utilities in this proceeding.

P3 understands that the FE-Ohio Utilities' Auction Proposal is based largely on a descending clock auction process administered by an independent auction manager – NERA Economic Consulting. P3 generally supports the proposal and encourages the Public Utilities Commission of Ohio ("Commission") to approve use of such processes and procedures in order to meet the FE-Ohio Utilities' SSO requirements beginning January 1, 2009. P3 notes that the New Jersey Basic Generation Service Auctions (the "NJ BGS Auctions") have utilized a similar procedure to secure Basic Generation Service ("BGS") supply, to consistently provide to New Jersey consumers competitively priced wholesale full requirements services since 2002. The NJ BGS Auctions have been efficient, market responsive and non-discriminatory.

¹ The views expressed in this letter are those of P3 and do not necessarily represent the views of any individual P3 member. For more information on P3 see: www.p3powergroup.com.

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The New Jersey Board of Public Utilities' ("NJ BPU") independent advisory overseer on the NJ BGS Auctions, Boston Pacific, Inc., concluded that: "(a) the [NJ BGS] Auctions were fair and transparent; (b) the [NJ BGS] Auctions were robustly competitive; and (c) the winning prices were consistent with market conditions."² These conclusions were based on the standardized nature of the products and services and the number of participants, including new winning participants and the amount of supply needed in comparison to the amount of supply available.

Additionally, the Federal Energy Regulatory Commission ("FERC") has found that utilizing a descending clock auction process for securing supply such as SSO meets the EDGAR standards, allowing affiliates of electric distribution companies to participate in the auctions as well, ensuring a large number of participants to guarantee competitive results.³ FERC has concluded that the process satisfies the following criteria:

- a. Transparency: The competitive solicitation process should be open and fair.
- b. Definition: The product or products sought through the competitive solicitation should be precisely defined.
- c. Evaluation: Evaluation criteria should be standardized and applied equally to all bids and bidders.
- d. Oversight: An independent third-party should design the solicitation, administer bidding and evaluate bids prior to the Company's selection.

The NJ BPU's commitment to ensuring the efficient market responsive and non-discriminatory nature of the NJ BGS Auctions has given suppliers great confidence in the NJ BGS Auction process. This confidence has reduced concerns associated with the risk of participating in the process. This reduction in perceived risk is inherently reflected in supplier offers as consumers reap the benefits of competitive prices.

The FE-Ohio Utilities' proposal includes additional auction features designed to *further* reduce price risks for their customers. These features include:

- A staggered, multi-year auction process that incorporates multiple auctions, spread across time that are designed to reduce the event risk associated with holding a single auction for large portions of the load.
- Flexibility to the Ohio Commission for retail rate design options.

² Final Report on the 2007 BGS FP and CIEP Auctions and the RECO Swap RFP under NJ BPU Docket No. EO06020119, prepared by Boston Pacific Company, Inc.

³ In *Allegheny Energy's Supply Company*, 108 FERC ¶ 61,082 (2004), *inter alia*, the Commission provided guidance as to the standards it will employ to review market-based rate sales to affiliates resulting from a "Request For Proposals" acquisition process. The standards enunciated in *Allegheny Energy* are based the principles announced earlier in *Boston Edison Co., Re: Edgar Electric Energy Co.*, 55 FERC ¶61,382 (1999) ("*Edgar*").

In a letter earlier this year, P3 commended the NJ BPU for its oversight, and, because the NJ BGS Auction process has been so consistently successful, encouraged the NJ BPU to continue the NJ BGS Auction process for BGS service after June 1, 2008.⁴ For all of the above reasons, P3 similarly encourages the Commission to approve the use of a competitive procurement process as proposed by the FE-Ohio Utilities.

Very truly yours,

A handwritten signature in cursive script that reads "Glen Thomas".

Glen Thomas
PJM Power Providers Group

⁴ *The PJM Power Providers Group, Inc. Re: In the Matter of Basic Generation Service for the Period Beginning June 1, 2008*, NJ BPU Docket No. ER07060379 (filed Jul. 2, 2007).