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September 25, 2009

Public Utilities Commission of Ohio
PUCO Docketing
180 East Broad Street, 10th Floor
Columbus, OH 43215
Re: Case 09-778-EL-UNC, *In the Matter of the Proposal of FirstEnergy Service Company to Modify Its RTO Participation*

Dear Sir/Madam:

Please find enclosed an original and 12 copies of the Comments of Citizen Power in the above referenced case. A copy of this was also sent via facsimile to PUCO Docketing. Thank you for your assistance.

Sincerely,

Theodore S. Robinson, Esquire
Staff Attorney
Citizen Power
2121 Murray Avenue
Pittsburgh, PA 15217

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BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Proposal of FirstEnergy Service Company to Modify Its RTO Participation	)))	Case 09-778-EL-UNC

COMMENTS BY CITIZEN POWER

Theodore S Robinson
Staff Attorney
Citizen Power

Citizen Power
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412-421-7029

Citizen Power is a regional nonprofit, energy advocacy organization. Since 1996, Citizen Power has been involved in the process to deregulate the pricing of electricity generation in Ohio and Pennsylvania. From the beginning, Citizen Power expressed concern that deregulation would not work. In our opinion, the proposal of FirstEnergy Service Company to change its RTO participation from MISO[1] to PJM may have negative consequences for the consumers of Ohio because it will expose them to PJM's capacity market based upon the Reliability Pricing Model ("RPM"). This is a significant change from MISO's method for providing for long-term resource adequacy through creating reserve margin requirements that must be met by each load serving entity.

PJM's RPM has resulted in unnecessarily high capacity prices, which are ultimately borne by the consumers within PJM's territory. First, most of the cost of the RPM program is from the transfer of money to existing generation that would exist even without this incentive.[2] From the consumer's standpoint, it is not efficient to incentivize the existence of all capacity when a relatively few units should be the target of such incentives. Second, the capacity prices are determined separately for different zones within PJM. This creates an incentive for companies that own a large amount of capacity within a zone to not build new capacity because it will lower the RPM price. In addition, some capacity owners may also have an incentive not to offer their full capacity into the auction in order to raise prices.[3] Third, the Variable Resource Requirement demand curve ("demand curve") is designed by PJM to meet the Reliability Requirements for each Locational Deliverability Area by setting a price equal to the cost of new entry net of net

[1] Midwest Independent System Operator, Inc.
[2] Wilson, James F., "Raising the Stakes on Capacity Incentives: PJM's Reliability Pricing Model (RPM)", 5/14/08. Pg. 83. (http://www.appanet.org/files/PDFs/RPMreport2008.pdf)
[3] Id at 60.

market revenues ("net CONE") when capacity is one percentage above the Reliability Requirement. The demand curve sets the price lower when there is excess capacity and higher when there is a shortage. However, if the net CONE is set at a point that does not accurately reflect the cost of new entry, then the resulting capacity prices will also be skewed. PJM's use of a new gas-fired peaking unit as the exclusive basis for the cost of new entry may result in an unrealistically high net CONE.[4]

In our view, the Public Utilities Commission of Ohio should oppose the proposal of FirstEnergy Service Company to modify its RTO participation because it may negatively impact the rates that consumers will pay. In the alternative, before making a decision on FE's application, the Commission should conduct a thorough investigation to determine the impact FE's moving from MISO to PJM will have on retail prices.

Respectfully submitted,

Theodore S Robinson

Staff Attorney
Citizen Power

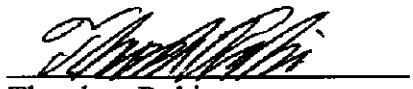
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September 25, 2009

[4] *Reply Comments by The Office of the Ohio Consumers' Counsel*, PUCO Case No. 09-90-EL-COI (July 24, 2009) at 11.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the Citizen Power comments In the Matter of the Proposal of FirstEnergy Service Company to Modify Its RTO Participation has been served upon the following parties via regular U.S. Mail, postage prepaid, this 25th day of September, 2009.



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Citizen Power

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