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BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Commission's
Investigation of Ohio's Retail Electric
Service Market

Case No. 12-3151-EL-COI

COMMENTS OF AARP

Submitted by:
William Sundermeyer
Associate State Director, Advocacy
AARP Ohio
17 S. High Street., #800
Columbus, OH 43215
Tel: 614-222-1523

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I. INTRODUCTION

AARP welcomes the opportunity to provide Comments on the Commission's request for Comments on certain issues associated with the implementation of retail electric restructuring in Ohio. AARP is a nonpartisan, nonprofit social welfare organization with a membership that helps people 50+ have independence, choice, and control in ways that are beneficial and affordable to them and society as a whole. AARP is an advocate for the rights of people 50 and older. A substantial percentage of AARP's members live on fixed or limited income. A major priority for AARP is to protect consumers from essential energy expenses that may endanger their health and financial security.

AARP's comments were prepared with the assistance of Barbara R. Alexander, Consumer Affairs Consultant. Ms. Alexander's expertise in this area is a reflection of over 30 years of professional experience in consumer protection policies and programs, both with respect to consumer credit transactions, public utility regulatory policies, and regulation of retail competitive markets. From 1978-1983 she was the Superintendent of the Maine Bureau of Consumer Credit Protection, responsible for the supervision and enforcement of the Truth in Lending, Debt Collection, and Fair Credit Reporting Acts over Maine licensed financial and commercial lenders. From 1986-1996 she was the Director of the Consumer Assistance Division of the Maine Public Utilities Commission, responsible for handling customer complaints and participating in formal regulatory proceedings on consumer protection policies, customer service, and low income assistance programs applicable to regulated telecommunications, electric, and natural gas utilities. Since 1996, Ms. Alexander has appeared in over 15 state jurisdictions in the U.S. and Canada on consumer protection, customer service, and low income policies and

programs related to the development of retail competitive markets. At the onset of the development of the retail energy markets she prepared a guide to the development of consumer protection programs and policies applicable to retail energy suppliers that was published by the U. S. Department of Energy.[1] Ms. Alexander has represented national consumer organizations, including AARP, and state public advocates in the development of retail market regulations, including licensing, customer disclosures, contract term regulation, and enforcement policies applicable to retail natural gas and electric suppliers. Pertinent to this proceeding, she has appeared as an expert witness on behalf of advocates and regulatory commission staff in the development of default or standard service for residential customers in Maine, Pennsylvania, Maryland, and Ohio.[2] In addition, Ms. Alexander has published reports and made presentations at many national conferences on this topic.

The Commission's Entry initiating this proceeding issued on December 12, 2013 seeks to "evaluate the vitality of the competitive retail electric service markets." Ohio most recently adopted amendments to its energy restructuring policies in 2008 in SB 221. The Commission's Entry raises issues relating to the ownership of generation supply and the potential for supply constraints, asking for comments "regarding the extent to which barriers may exist to a consumer's means to choose a retail electric service that meets their needs." The Commission then seeks responses to questions and issues relating to Market Design and Corporate Separation. AARP's comments will address the questions and issues with respect to Market Design and will focus on the implications of these questions and issues on residential customers.

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[1] Alexander, Barbara, Retail Electric Competition: A Blueprint for Consumer Protection, U.S. Department of Energy, Office of Energy and Renewable Energy, Washington, D.C., October, 1998.

[2] Ms. Alexander appeared on behalf of Ohio Partners for Affordable Energy in the implementation of the default service plans pursuant to the SB 211 policies and assisted AARP in the development of comments on the Commission's regulations to implement SB 211 and its default service policies in Case No. 08-777-EL-ORD.

As a preliminary matter, AARP is concerned that the Commission's Entry does not set forth or acknowledge the current statutory directives with respect to standard service offer (SSO) or the current Commission's rules with respect to the implementation of SB 221. AARP understands that the current SSO procurement plans have been implemented by relying primarily on passing through wholesale market prices pursuant to a mix of contracts, all of which are obtained through competitive bids. Any change to this approach should focus on preserving the customer benefits from a balanced portfolio and avoid any changes that would harm residential consumers by imposing volatile prices or changing the nature of SSO from a wholesale to a retail service.

Stable and affordable electric rates and service are essential for older and low-income people's health and wellbeing. People living on low or fixed incomes are particularly vulnerable to high utility costs and are often forced to reduce expenditures on other basic needs, including food and medicine, or to reduce their levels of heating and cooling beyond safe levels if they cannot afford their utility bills. Older people are less able to maintain their internal body temperature and disproportionately suffer from certain medical conditions that make them especially sensitive to temperature extremes, such as diabetes, lung disease, and heart disease. High or unpredictable utility costs also threaten the ability of older people to continue to live independently, forcing some into nursing homes prematurely or even into homelessness.

These concerns are not merely theoretical in Ohio. According to the Ohio Department of Development, almost 460,000 residential customers received Home Energy Assistance Program benefits in 2012 for an average benefit of $177.55. Almost 50% of these households documented a total household income of below 75% of federal poverty guidelines. As of May

31, 2012, there were 410,783 active Percentage of Income Payment customers.[3] Clearly, there is evidence of widespread indicia of poverty and ability to pay for essential electric and other energy services needed for household health and safety.

Despite the suggestion in a number of the questions appearing in the Commission's Entry, there has been no evidence presented by the Commission or others suggesting that Competitive Electricity Service Providers (known as CRESs in Ohio) have not increasingly gained market share or that there are customers of any distribution utility who cannot obtain competitive electric supply if they choose to do so. Ohio retail restructuring law, as amended by SB 221, is not designed for the benefit of the retail supply community. Rather, it was a product of compromise designed to ensure that a competitive market could exist along side a stable default service.

II. MARKET DESIGN QUESTIONS

(a) Does the existing retail electric service market design present barriers that prevent customers from obtaining, and suppliers from offering, benefits of a fully functional competitive retail electric service market? To the extent barriers exist, do they vary by customer class?

RESPONSE: The Commission's question does not define a "fully functional competitive retail electric service market." However, there is no barrier that prevents or adversely impacts a residential customer's ability to select a Competitive Retail Electricity Supplier (CRES) to provide the generation portion of the customer's bill. The ability to shop and compare CRES offers is widely publicized by the Commission through its "Apples to Apples" price comparison charts that appear on the Commission's website. Licensed suppliers are free to market their products to customers in Ohio pursuant to basic consumer protection policies and requirements that are typical of those imposed on such marketers in other states and reflect basic consumer protections associated with any retail market for essential goods and services.[4] Furthermore, as a result of a mature municipal aggregation program in Ohio, there are widespread opportunities for

[3] Ohio Department of Development, "2013 Energy Assistance Public Hearings."
[4] AARP understands that the Commission is considering additional consumer protections that should be applicable to CRESs in Case No. 12-1924-EL-ORD.

CRES providers to obtain retail customers through these aggregation programs, thus avoiding significant marketing and acquisition costs.

Indeed, the Commission's own migration reports confirm the development of the retail electric market. According to the most recent residential switch rates, several Ohio distribution utilities have the highest level of sales served by a CRES in the United States. And, these switch rates have increased substantially since January 2011.[5] According to the September 2012 data, the percent of sales served by a CRES is over 60% for Cleveland Electric, Ohio Edison, and Toledo Edison. The switch rate for Duke Energy has increased from 31% as of March 2011 to 46% as of September 2012. The switch rate for residential customers served by AEP-Ohio have risen from 0% to 17.4% during this same time period and increased from 0% to 24.5% for Dayton Power and Light. Clearly, the electric retail market continues to develop.

Finally, the level of residential or other customer class migration is not the sole indicator of whether a functioning retail market exists. Customers can choose not to choose. Customers can experiment with a competitive provider and then move back to SSO. These are choices that customers should have and the Commission should retain these choices. The existence and availability of SSO as currently structured does not automatically mean customers are not shopping. Not all but a large number of default service customers read the literature, look at the Commission's website for the Apples to Apples Price to Compare, contact the default service provider or the Commission with questions, and generally consider his/her options before finally electing (i.e., choosing) to remain with the default service provider.[6] Consumers who remain on default service may be shoppers who did not find an offer attractive enough to entice them away from default service. Or they may be consumers who are too timid to dip their toes into the competitive waters. Or they may be consumers who are more concerned about the volatility and lack of stability in the pricing options available and make an affirmative decision to stay with default service.

The questions and tone of the Entry appear to ignore the consumer protection policies and implications associated with any radical change in the current default service policy on Ohio's residential customers, particularly those who are low-income or relying on fixed income and to manage their essential needs for housing, energy, and food. In addition to the lack of attention to the adverse impacts associated with suggesting the potential for a volatile default service policy, the Entry does not recognize the potential difficulties, if not impossibilities, of moving to a more volatile default service and ensuring that distribution utilities continue to offer level or budget payment plans and deferred payment plans for customers who are need level payments and extended payments to retain essential electricity service.

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[5] See the Quarterly Reports available at http://www.puco.ohio.gov/puco/index.cfm/industry-information/statistical-reports/electric-customer-choice-switch-rates/

[6] AARP has conducted statistically valid surveys of residential customers aged 50+ in Connecticut and Pennsylvania which confirm the view that these customers want a stable utility-provided default service and that many of them have considered or experimented with alternative providers. In the Connecticut survey, two-thirds of those age 50 or older support the need for a stable default service provided by the utility as key to their ability to shop and compare offers to alternative providers. These surveys are available at http://assets.aarp.org/rgcenter/econ/electric-utilities-ct-11.pdf (Connecticut) and http://www.aarp.org/content/dam/aarp/politics/government-and-elections/2012-05/2012-aarp-survey-of-pa-residents.pdf (Pennsylvania).

(b) Does default service provide an unfair advantage to the incumbent provider and/or its generation affiliate(s)?

RESPONSE: This question conflates two separate issues. While it may be fair to ask whether a distribution utility's default service portfolio reflects any unfair advantage to its generation affiliate, that issue is a function of the procurement plan and the procurement method used by the distribution utility to procure default service. AARP supports competitive bidding and transparent acquisition methodologies for SSO and understands that SSO is primarily procured in this manner by Ohio's electric utilities.

However, the suggestion that the "incumbent provider" has any "unfair advantage" raises separate concerns. Pursuant to Ohio law, the incumbent distribution utility has an obligation to provide default service to any customer not served by a CRES. AARP strongly supports this obligation and policy. Pursuant to division (A) of section 4928.141 of the Ohio Revised Code, beginning January 1, 2009, each electric utility in this state "shall provide consumers, on a comparable and nondiscriminatory basis within its certified territory, a standard service offer (SSO) of all competitive retail electric services necessary to maintain essential electric service to consumers, including a firm supply of electric generation service." The Legislature adopted this directive at the same time that it reaffirmed the development of the retail electricity market. There is no "unfair advantage" when a utility and this Commission is obligated to develop and provide this "essential" service.

Furthermore, Ohio law has established the following policies that must govern the Commission's implementation of SB 221 and should be identified and considered by the Commission in this proceeding:

> Sec. 4928.02. It is the policy of this state to do the following throughout this state beginning on the starting date of competitive retail electric service:
> (A) Ensure the availability to consumers of adequate, reliable, safe, efficient, nondiscriminatory, and reasonably priced retail electric service;
> (B) Ensure the availability of unbundled and comparable retail electric service that provides consumers with the supplier, price, terms, conditions, and quality options they elect to meet their respective needs;
> (C) Ensure diversity of electricity supplies and suppliers, by giving consumers effective choices over the selection of those supplies and suppliers and by encouraging the development of distributed and small generation facilities;
> (D) Encourage innovation and market access for cost-effective supply and demand-side retail electric service including, but not limited to, demand-side management, time-differentiated pricing, and implementation of advanced metering infrastructure;
> (E) Encourage cost-effective and efficient access to information regarding the operation of the transmission and distribution systems of electric utilities in order to promote both effective customer choice of retail electric service and the development of performance standards and targets for service quality for all consumers, including annual achievement reports written in plain language;

(F) Ensure that an electric utility's transmission and distribution systems are available to a customer-generator or owner of distributed generation, so that the customer-generator or owner can market and deliver the electricity it produces;
(G) Recognize the continuing emergence of competitive electricity markets through the development and implementation of flexible regulatory treatment;
(H) Ensure effective competition in the provision of retail electric service by avoiding anticompetitive subsidies flowing from a noncompetitive retail electric service to a competitive retail electric service or to a product or service other than retail electric service, and vice versa, including by prohibiting the recovery of any generation-related costs through distribution or transmission rates;
(I) Ensure retail electric service consumers protection against unreasonable sales practices, market deficiencies, and market power;
(J) Provide coherent, transparent means of giving appropriate incentives to technologies that can adapt successfully to potential environmental mandates;
(K) Encourage implementation of distributed generation across customer classes through regular review and updating of administrative rules governing critical issues such as, but not limited to, interconnection standards, standby charges, and net metering;
(L) Protect at-risk populations, including, but not limited to, when considering the implementation of any new advanced energy or renewable energy resource;
(M) Encourage the education of small business owners in this state regarding the use of, and encourage the use of, energy efficiency programs and alternative energy resources in their businesses;
(N) Facilitate the state's effectiveness in the global economy.

[Emphasis added]

These important statutory policies support AARP's recommendation that the Commission continue to implement a policy to ensure that reasonable and affordable SSO is available to residential customers who choose not to be served by a CRES or who are unable to obtain competitive supply at reasonable terms and conditions that meet their needs. The statutory imperative to "protect at-risk populations" is a directive that the Commission must take into account when considering changes to default service policies and programs.

This policy is particularly important because of the potential negative implications of relying entirely on retail suppliers to provide essential electricity service. For example, under the Texas retail competition market model, the distribution utility has been eliminated from providing any retail electric bills or service to customers and customers must obtain electric service from Retail Electricity Providers (REPs) who bill and collect for the entire electric bill, passing through costs of distribution services and required surcharges.[7] REPs have no obligation to serve any customer. As a result, some customers, including low income and payment troubled customers, unable to obtain or retain electric service at an affordable price have no choice but to consider prepay electric service or other higher cost forms of essential electricity service. AARP opposes any suggestion that the Ohio Commission should move toward or view favorably

[7] However, even the Texas market model does not rely on REPs to fund and deliver energy efficiency and a modest low-income programs. Those mandated programs are reflected in surcharges associated with distribution service that are passed through on bills issued by REPs.

the Texas market model which would eliminate SSO or require SSO to be offered by electric suppliers.

(c) Should default service continue in its current form?

RESPONSE: If this question is asking whether SSO should be eliminated or become based on volatilely priced, short-term energy purchases, the response is yes, default service should continue in its current form. SSO must be provided pursuant to the statutory directives set forth in SB 221 and to the extent that this question suggests that any radical change in the nature of or obligation to provide default service, AARP objects to such changes. Specifically, SSO should be provided pursuant to a procurement plan that is designed to provide stable and least cost generation supply service over a reasonable period of time. SSO for residential customers should not reflect volatile wholesale market prices or change so frequently that customers are subject to price swings that would contribute to unaffordable essential electricity service.

(d) Does Ohio's current default service model impede competition, raise barriers, or otherwise prevent customers from choosing electricity products and services tailored to their individual needs?

RESPONSE: No. There is no evidence to support any such conclusions. Indeed, since the Ohio Legislature has mandated default service and has created policies to ensure reasonably priced essential electricity service, there is no basis for concluding that the implementation of this statutory directive impedes competition. Furthermore, even a casual review of the Apples to Apples price comparison charts for Ohio's electric utilities confirms that CRESs can and do offer a wide range of generation supply products and options to residential customers, including renewable or "green" energy, generation supply coupled with other services, variable rates, fixed rates, short term and long term contracts. To the extent that such products and services are successful in that customers chose them and a CRES gains market share, the competitive market has been successfully implemented. However, if a CRES offers products and services that customers do not want or experience higher prices than promised, or poor customer service, those CRESs will also experience the impact of a competitive market. It is not reasonable or even accurate for CRESs to point to the existence of the default service provider as the basis for their failure or inability to garner sufficient customer support for their products or services.

(e) Should Ohio continue a hybrid model that includes an ESP and MRO option?

RESPONSE: While Ohio law allows the distribution utilities to elect either an ESP or MRO model to provide default service, AARP's concern is focused on the design of the procurement plan and the policies reflected in the procurement plan for either methodology. Under either plan, the resulting default service procurement plan and policies governing the procurement plan should be transparent and reflect the statutory policies to provide this "essential" service. Since most Ohio utilities provide SSO based on approved ESPs that rely primarily on the purchase of wholesale market contracts pursuant to competitive bids, the value of "market" prices is already reflected in SSO prices. These portfolios and approved Plans are designed to provide benefits to affected customers in the form of rate stability due to the diversity of the contract terms or laddered contracts reflected in these Plans. There is no evidence to support the suggestion that

residential customers would benefit from any radical change in these procurement plans and that is the perspective that AARP urges this Commission to consider in its consideration of comments in this proceeding.

(f) How can Ohio's electric default service model be improved to remove barriers to achieve a properly functioning and robust competitive retail electric service electricity market?

RESPONSE: AARP disagrees that there are any "barriers to achieve a properly functioning and robust competitive retail electric service market, " and no evidence has been presented to support this assertion. As stated elsewhere in these comments, there are numerous providers and offerings in the Ohio market. Consumers, including residential customers, are switching. The purpose of retail market restructuring was not to force consumers to shop, but to give then the opportunity to shop for lower prices or innovative offerings. Default service is the option that some customers have chosen. AARP supports the statutory obligation to provide default service and the over arching policies set forth in Sec. 4928.02 of the Ohio Revised Code, identified above.

(g) Are there additional market design changes that should be implemented to eliminate any status quo bias benefit for default service?

RESPONSE: The current statutory directive requires this Commission to rely on electric utilities to provide default service and labels such service as "essential." AARP agrees. There has been no documented "status quo bias" associated with default service. If by this question the Commission suggests that default service could or should be eliminated or provided pursuant to short term or volatile pricing, AARP would object.

(h) What modifications are needed to the existing default service model to remove any inherent procurement (or other cost) advantages for the utility?

RESPONSE: There is no "inherent procurement (or other cost) advantages for the utility" in the existing default service model and none have been shown. AARP objects to the assumption in the question that the current model is flawed. Default service should be acquired through competitive and transparent procedures. Passing through wholesale market contract prices that reflect a prudent mix of contract terms and contract types according to an approved procurement plan does not provide any "cost advantage" to the utility. Rather, it is up to the suppliers to offer the "bells and whistles" associated with alternative generation supply and other energy-related products that incite customers to choose their products. The utility should not make a profit on default service, but rather pass through the costs associated with providing this service as called for under Ohio law.

(i) What changes can the Commission implement on its own under the existing default service model to improve the current state of retail electric service competition in Ohio?

RESPONSE: AARP respectfully suggests that the Commission should not focus on changes to the existing default service model to "improve" retail electric service competition in Ohio. Rather, the Commission should continue to focus on the goal of current Ohio law to provide

default service that is reasonably priced and takes into account the statutory policies identified above. In particular, AARP objects to any changes to the procurement of default service that would make this service more volatile and threaten affordability of this essential service to at-risk populations. Any changes to the current SSO procurement model should provide documented benefits to customers and not retail suppliers.

(j) What legislative changes, if any, including changes to the current default service model, are necessary to better support a fully workable and competitive retail electric service market?

RESPONSE: The question presumes the purpose of default service is to support the competitive retail suppliers. This is not why the Legislature adopted default service as a stable, reasonably priced option. Rather, the current law reflects a policy that ensures that residential customers will receive an "essential" service pursuant to a procurement plan for default service that is market-based and reviewed and approved by the Commission. The Commission's process and regulations requires the utility to take into account and demonstrate why the proposed plan will comply with the statutory policies identified above. It is then up to the retail suppliers to offer products and services that customers may choose as an alternative to the standard service offer.

In fact, our recommendations and our interpretation of current Ohio policy with regard to default service is typical of other restructuring states, where retail markets have developed and are successful, such as Maryland[8], Delaware[9], Maine[10], Delaware[11], New Jersey[12], and

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[8] Maryland law requires default service to be procured by utilities pursuant to a procurement plan that is required to "obtain the best price for residential and small commercial customers in light of market conditions at the time of procurement and the need to protect these customers from excessive price increases." The contracts may include those acquired through a competitive process, as well as one or more bilateral contacts, all of which must be approved by the Commission. The contracts must result in a "portfolio of blended wholesale supply contracts of short, medium or long terms, and other appropriate electricity products and strategies, as needed to meet demand in a cost effective manner." In addition, the procurement may include "cost effective energy efficiency and conservation measures and services."

[9] Delmarva Power is required to provide default service pursuant to a long-term integrated procurement plan. The currently approved plan requires Delmarva Power to acquire laddered three-year full requirements contracts in the wholesale market pursuant to competitive bids.

[10] 35-A M.R.S.A. §3212 (-C): "For the purpose of providing over a reasonable time period the lowest price for standard-offer service to residential and small commercial customers, the commission, with respect to residential and small commercial standard-offer service, may, in addition to incorporating cost-effective demand response and energy efficiency pursuant to subsection 4-B and to the extent authorized in section 3210-C, incorporating the energy portion of any contracts entered into pursuant to section 3210-C, establish various standard-offer service contract lengths and terms." The Maine PUC purchases one third of the SOS obligation for residential and small commercial customers annually; price changes are annual.

[11] The residential class is served with multiple suppliers that bid on tranches for a 36-month contract term annually to serve one-third of the load. http://depsc.delaware.gov/orders/7846.pdf

[12] Pursuant to a descending clock auction supervised by the New Jersey Board of Public Utilities, one-third of the default service requirements for residential and small commercial customers is procured annually.

Massachusetts.[13] Although regulators in Pennsylvania[14] have recently supported a change in that state's standard offer service, their view does not comport with state law.

(k) What potential barriers, if any, are being created by the implementation of a provider's smart meter plans? Should CRES suppliers be permitted to deploy smart meters to customers? Should the Commission consider standardizing installations to promote data availability and access?

RESPONSE: It is not practical to deploy "smart meters" on a customer-by-customer basis. Smart meters require a system-wide two-way communication system and a meter data management system to integrate the interval meter reading data into the provider's billing systems. Furthermore, the cyber-security implications of allowing multiple metering and communication systems to be installed raise serious concerns for the safety, security, and reliability of the distribution and transmission grid. In most U.S. jurisdictions, smart meters are being deployed pursuant to an approved distribution utility business plan that impose the costs on distribution or regulated ratepayers. This is true even in restructuring states, such as Maryland, Pennsylvania, Maine, the District of Columbia, and Texas. AARP understands that some level of smart meter deployment is underway in Ohio and that distribution utilities have or will seek cost recovery through distribution or regulated rates.

This approach has obvious implications in restructured states because one of the key alleged attributes or benefits associated with smart meters is the use of pricing plans and programs to reduce peak load demand and offer voluntary time-varying rates to customers. In most restructued states, therefore, the regulatory commission has approved smart meter deployment that include demand response programs designed by and offered by the distribution utility. The alternative is that distribution customers pay for smart meter deployment but there is no regulatory method by which the alleged benefits in the form of peak load reduction and time varying rate options can be provided to customers to potentially offset the costs of the smart meter deployment. For example, the Maryland utilities will be providing a Peak Time Rebate program to all residential customers starting in 2013 that will allow customers to reduce usage during peak event days and earn a credit on their bill equal to $1.25 per kWh. The distribution utilities in Maryland have bid this program into PJM's capacity markets and will return the wholesale market payments from this capacity auction to all customers to offset the costs of the smart meter deployment. Those who pay for smart meter deployment, assuming such

[13] In June 2002, the Department revised default service pricing and procurement policies. For residential and small commercial and industrial customers, the Department directed each distribution company to procure 50 percent of its default service supply semi-annually, for 12-month terms. As a result, default service prices for these smaller customers are now based on an average of the results of two separate procurements. D.T.E. 02-40-B

[14] Pennsylvania law requires that default service be procured by utilities pursuant to a procurement plan that reflects a "prudent mix" of wholesale market contracts with the goal of service that is "least cost over time." Default service prices change quarterly. It should be noted that the Pennsylvania Public Utility Commission is considering the adoption of more volatile pricing policies but acknowledges that any such radical change would require statutory amendment that has not occurred. See, Act 129 adopted in 2008, and 52 Pa Code §54.181-189, the Pennsylvania PUC's regulations to implement these requirements. Every representative of residential consumers in the Pennsylvania proceeding has opposed the Commission's intent to seek changes to implement its proposed changes.

deployment is determined to be cost effective, should have access to programs to reduce the bill impacts associated with paying for these new systems. In these states, competitive electric suppliers are then free to offer additional programs that make use of the interval metering data, thus enhancing the options available to customers.

(l) Should the Commission consider standardized billing for electric utilities?

RESPONSE: AARP supports the presentation of important billing information in a standardized manner. Customers should be presented with their Price to Compare in a uniform manner so that the customer can shop and compare offers with CRESs. However, the costs of making such changes, if significant, may need to be considered carefully.

(m) Do third party providers of energy efficiency products, renewables, demand response or other alternative energy products have adequate market access? If not, how could this be enhanced?

RESPONSE: To the extent that a supplier seeks to offer services to customers that relate to the generation supply portion of the customer's bill, these suppliers need to be licensed pursuant to the Commission's regulations. To the extent that third party providers offer these optional services to residential customers, the optional products should be disclosed separately on the customer's bill (whether from the distribution utility or by the CRES directly) and should not be included in any amount overdue that may lead to termination of service.

(n) Does an electric utility have an obligation to control the size and shape of its native load so as to improve energy prices and reduce capacity costs?

RESPONSE: AARP interprets this question as asking whether distribution utilities should offer demand response or peak load reduction programs. Under Ohio law, distribution utilities already are required to offer efficiency programs that are intended to reduce overall consumption and lower overall electricity prices, including generation supply or default service prices. There is no reason to not consider the same approach for demand response or peak load reduction programs.

In several restructured states, distribution utilities are required to offer demand response or peak load reduction programs to default service customers. While some of these programs are offered or designed in association with approved smart meter programs and time-varying price options (See, e.g., our response to Question (k)), other states have authorized the continued operation of pre-restructuring programs and even new demand response programs for distribution utilities in restructured states in order to reduce the overall price of electricity. For example, Baltimore Gas & Electric offers a "peak rewards" program to residential customers that installs a smart thermostat in the participating customer's home and offers credits to participating customers for allowing BGE to change the settings on the thermostat on critical peak event days (based on the customer's agreement about this level of change). This program is also bid into PJM's capacity market and the resulting payments are used to offset the costs of the program.[15]

[15] See, e.g., http://www.bge.com/waystosave/residential/ressuccessstories/pages/peakrewards.aspx

If the Commission does not allow distribution utilities to develop and implement cost effective demand response programs, it must rely on the retail market and competitive suppliers to offer these programs, a result that has not occurred at a substantial level in any retail market to date. While retail suppliers may find value in offering such programs, they are typically unable to garner sufficient market share to make a significant impact on the overall load shape of the utility. Furthermore, while suppliers may come and go in the retail market, the need for such programs and their potential value to all customers remains untapped unless the distribution utility is allowed to aggregate the default service load and implement such programs.

III. CONCLUSION

AARP appreciates the opportunity to offer Comments on these important issues. AARP urges this Commission to support and implement a stable and reasonably priced default service for residential customers and opposes any policy that might rely on volatile and frequent price changes for this "essential" service.

Respectfully submitted,

William Sundermeyer
Associate State Director, Advocacy
AARP Ohio
17 S. High Street, #800
Columbus, OH 43215
Tel: 614-222-1523