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Via E-FILE

April 5, 2013

Public Utilities Commission of Ohio
PUCO Docketing
180 E. Broad Street, 10th Floor
Columbus, Ohio 43215

In re: Case No. 12-3151-EL-COI

Dear Sir/Madam:

Please find attached the REPLY COMMENTS OF THE OHIO ENERGY GROUP e-filed today in the above-referenced matter.

Copies have been served on all parties on the attached certificate of service. Please place this document of file.

Respectfully yours,



David F. Boehm, Esq.
Michael L. Kurtz, Esq.
Jody Kyler Cohn, Esq.

BOEHM, KURTZ & LOWRY

JMKkew
Encl.

Cc: Certificate of Service

**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**
:

**REPLY COMMENTS OF THE
THE OHIO ENERGY GROUP**

The Ohio Energy Group ("OEG") submits these reply comments in order to address the responses of various parties to two of the "market design" questions raised by the Public Utilities Commission of Ohio's ("Commission") December 12, 2012 Entry in this proceeding: 1) whether default service should continue in its current form; and 2) whether third party providers of demand response have adequate market access.

Regarding the first question, many of the commenters express support for continuing default service in its current form in Ohio.¹ OEG agrees. The current model provides sufficient opportunity for customers to enjoy

¹ Comments of AARP at 9 ("If this question is asking whether SSO should be eliminated or become based on volatilyly 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."); Comments of Ohio Poverty Law Center et al. at 6 ("Ending default/SSO service—whether established through a regulated rate or an auction—would, ironically, limit rather than expand consumer choice. Many customers served through SSO service are clearly willing buyers; they have other options available and have chosen to receive SSO service."); Comments of Ohio Power Company at 14 ("the SSO obligation should continue in its current form for at least as long as the term of each EDU's current rate plan."); Comments of Duke Energy Ohio, Inc. at 4 ("Should default service continue in its current form? Yes. Customers should continue to have default service provided by the EDU as a safety-net and as an additional competitive choice."); Comments of Dayton Power & Light at 4 ("The recent rate plans approved by the Commission (or those currently pending) address modifications to default service such that a generic, statewide change to default service is unnecessary."); Initial Comments of the Northeast Ohio Public Utility Counsel at 6. ("The form of default service currently existing in Ohio that is a result of a market auction price in the utility's ESP should continue in Ohio."); Comments of the FirstEnergy operating companies at 9 ("SSO service or default service should continue in its current form in the FE EDUs' service territories. This form has worked well for the FE EDUs within which to conduct competitive bid processes that have resulted in competitive SSO pricing for customers that choose not to switch to a CRES provider."); Comments of Nucor Steel Marion, Inc. at 8 ("...SSO service as currently configured is very important to customers, provides a crucial safety net, and works well. Absent a compelling reason to change, the status quo should be maintained."); Comments of the Office of the Ohio Consumers' Counsel ("OCC") at 8-9 ("...the current form of standard offer has not inhibited the development and operation of a competitive electric services market in Ohio. There is also no evidence to suggest that any other form of standard offer or eliminating the standard offer will enhance competition from the perspective of residential customers. More importantly, no one has presented any evidence to suggest or demonstrate that eliminating the standard offer will ensure reasonably priced electric service to consumers in the state of Ohio.");

benefits associated with retail competition while also providing retail customers with a “safe harbor” from the risks associated with a completely unregulated market. Accordingly, the Commission should continue the current default service model.

Regarding the second question, the Commission should reject outright the suggestions by EnerNOC, Inc. (“EnerNOC”) and the Office of the Ohio Consumers’ Counsel (“OCC”) that third party providers of demand response may not have adequate market access because of the interruptible rates currently offered by Ohio utilities.² That Ohio utilities may offer interruptible rates above current PJM capacity rates does not prohibit third party demand response providers from offering competitive terms to potential customers. And customers are not restricted from choosing to contract with a third party demand response provider instead of participating in a utility’s interruptible program. Further, EnerNOC and OCC fail to account for the fact that utility interruptible programs may include more restrictive terms for customers than those found in third party provider contracts.³ These commenters also ignore the fact that interruptible customers must accept a lower quality of service than other SSO customers in order to participate in a utility’s interruptible program.

Moreover, EnerNOC and OCC’s concerns about subsidization ignore the significant value of utility interruptible programs to non-interruptible customers. OCC itself has acknowledged that interruptible programs can provide economic and reliability benefits to all customers by lowering generation prices and helping to avoid a capacity shortfall.⁴ In addition, interruptible programs can provide benefits to non-interruptible customers by reducing the costs associated with the energy efficiency and peak demand reduction benchmarks set forth in R.C. 4928.66. And interruptible programs can provide economic development benefits to the state, facilitating Ohio’s effectiveness in the global economy consistent with the dictates of R.C. 4928.02(N).

² Comments of EnerNOC, Inc. at 1-4; OCC Comments at 20-21.

³ For example, Ohio Power Company (“AEP Ohio”) interruptible customers must be able to reduce or “interrupt” their usage to a predetermined firm level with only 10 minutes notice during emergencies. And AEP-Ohio can interrupt customers participating in the program on any economic (non-emergency) basis for any reason. This increased flexibility to AEP Ohio increases reliability on the AEP-Ohio system.

⁴ *In The Matter Of The Application Of The Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company For Authority To Establish A Standard Service Offer Pursuant To R.C. § 4928.143 In The Form Of An Electric Security Plan*, Case No. 12-1230-EL-SSO, Tr. Vol. III (June 6, 2012) at 99:17-21 and 100:1-9.

The Commission has repeatedly recognized the value of utility interruptible programs to all customers.⁵

OEG urges the Commission to continue to do so when developing the retail electric service market in Ohio.

Respectfully submitted,



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April 5, 2013

COUNSEL FOR THE OHIO ENERGY GROUP

⁵ Opinion & Order, Case No. 11-346-EL-SSO (Aug. 8, 2012) at 26 (“In light of the fact that customers receiving interruptible service must be prepared to curtail their electric usage on short notice, we believe Staff’s proposal to lower the credit amount to \$3.34/kW-month understates the value interruptible service provides both AEP-Ohio and its customers. In addition, the IRP-D credit is beneficial in that it provides flexible options for energy intensive customers to choose their quality of service, and is also consistent with state policy under Section 4928.02(N), Revised Code, as it furthers Ohio’s effectiveness in the global economy. In addition, since AEP-Ohio may utilize interruptible service as an additional demand response resource to meet its capacity obligations, we direct AEP-Ohio to bid its additional capacity resources into PJM’s base residual auctions held during the ESP.”); Opinion & Order, Case No. 12-1230-EL-SSO (July 18, 2012) at 37 (“The Commission agrees with FirstEnergy and Nucor that OCC/CP have failed to support their recommendations that the costs related to Riders ELR and OLR should not be collected from all customers, and no reason is apparent in light of the fact that all customer classes benefit from the rates related to ELR and OLR.”)

CERTIFICATE OF SERVICE

I hereby certify that true copy of the foregoing was served by electronic mail (when available) or ordinary mail, unless otherwise noted, this 5th day of April, 2013 to the following:



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Summary: Comments Reply Comments of the Ohio Energy Group (OEG) electronically filed by Mr. David F. Boehm on behalf of Ohio Energy Group