

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Ohio)	
Power Company to Initiate Phase 2 of its)	Case No. 13-1939-EL-RDR
gridSMART Project and to Establish the)	
gridSMART Phase 2 Rider.)	

**INITIAL COMMENTS OF
THE RETAIL ENERGY SUPPLY ASSOCIATION**

November 1, 2013

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I. Introduction

On September 13, 2013, the Ohio Power Company (“AEP”) filed an application proposing to commence gridSMART Phase 2 in January 2014. The Phase 2 program includes deployment of (a) Advanced Metering Infrastructure for approximately 894,000 customers and (b) Distribution Automation Circuit Reconfiguration (“DACR”) and Volt/VAR Optimization (“VVO”) for an additional 250 and 80 circuits, respectively.

The Public Utilities Commission of Ohio (“Commission”) established a comment schedule for this proceeding, with Initial comments due November 1, 2013, and Reply comments due November 18, 2013.

The Retail Energy Supply Association (“RESA”)¹ is a broad and diverse group of 21 retail energy suppliers who share the common vision that competitive retail energy markets deliver a more efficient, customer-oriented outcome than a regulated utility structure. Several of RESA’s members are certified as competitive retail electric service (“CRES”) providers, and have been active in Ohio’s retail electric and natural gas markets for many years. RESA

¹ RESA’s membership include: AEP Energy LLC, Champion Energy Services, LLC; ConEdison *Solutions*; Constellation NewEnergy, Inc.; Direct Energy Services, LLC; GDF SUEZ Energy Resources NA, Inc.; Hess Corporation; Homefield Energy; IDT Energy, Inc.; Integrys Energy Services, Inc.; Just Energy; Liberty Power; MC Squared Energy Services, LLC; Mint Energy, LLC; NextEra Energy Services; Noble Americas Energy Solutions, LLC; NRG, Inc.; PPL EnergyPlus, LLC; Stream Energy; TransCanada Power Marketing Ltd.; and TriEagle Energy, L.P. The comments expressed in this filing represent the position of RESA as an organization, but may not represent the views of any particular member of RESA.

members provide competitive service to residential, commercial, industrial, and governmental customers in Ohio. In particular, some of RESA's members currently provide CRES to retail customers in AEP's service territory. Also, some of RESA's members have experience in offering advanced technology services and products that will be provided when AMI is in place.

RESA supports the deployment of the AMI, DACR and VVO in AEP's service territory. RESA believes that the CRES market can expand and grow in positive, healthy ways with the deployment of this advanced equipment. However, installation of advanced equipment is not all that needs to be accomplished. RESA members are convinced that coordination, minimum requirements, other system upgrades, and education are additional areas that must be addressed for success. RESA hereby submits these Initial Comments to address the need to:

- Make the customer data available to CRES providers;
- Establish a detailed timeline for the deployment of the AMI, DACR and VVO that is coordinated with accompanying upgrades to AEP's other information systems (EDI and billing);
- Include an AMI indicator in AEP's upcoming web portal;
- Establish several minimum requirements for AEP's gridSMART expansion;
- Present details and a timeline for customer education and outreach; and
- Address any future standard service offering by AEP.

II. AEP's Phase 2 Proposal

AEP rolled out gridSMART in its service territory after receiving Commission approval in 2009.² AEP stated in the instant application that, thus far, it has converted 132,000 meters to

² *In the Matter of the Application of Columbus Southern Power Company for Approval of its Electric Security Plan, an Amendment to its Corporate Separation Plan, and the Sale or Transfer of Certain Generating Assets and In the Matter of the Application of Ohio Power Company for Approval of its Electric Security Plan and an Amendment to its Corporate Separation Plan*, Case Nos. 08-917-EL-SSO and 08-918-EL-SSO, Opinion and Order at 37-38 (March

AMI and upgraded 70 circuits with DACR.³

Now, AEP proposes a large expansion of advanced equipment to a substantial number of customers and circuits over four years. AEP explained the variety of benefits provided by the expansion of equipment and the services that can then be offered through the competitive market. Also, AEP presented cost estimates for the AMI, DACR, and VVO; it proposed annual true-ups and reconciliations as the deployment takes place; and it proposed rate caps too. AEP also proposed that a portion of this project satisfy its obligation to invest \$20 million for its ratepayers.⁴

III. RESA's Concerns

A. Coordination between AEP and CRES Providers

AEP acknowledges in its application that the Phase 2 expansion of its gridSMART project will provide, among other things, beneficial “[s]upport for a more robust customer choice market by enabling customer access to information, improved data for market settlement, and potential for time-differentiated rate design offerings.”⁵ Similarly, AEP stated that the AMI equipment will provide improved data for billing because it eliminates much of the need for estimated bills, allows for remote readings and allows for remote turn ons/shut offs.⁶ RESA does not disagree with these noted benefits of AMI. From that standpoint, basic service elements for customers can be significantly improved with AMI.

AEP further stated that AMI provides customers with more details of their energy consumption, which in turn allows such customers to participate in demand response programs,

18, 2009).

³ AEP Application at 2 and Attachment A at 4. The application was not clear as to how many circuits received VVO during the first phase. At a webinar on October 22, 2013, AEP indicated that 13 circuits received VVO during Phase 1.

⁴ AEP Application.

⁵ AEP Application Attachment A at 2.

⁶ *Id.* at 5.

time-differentiated programs, and home area network systems.⁷ AEP envisions that demand response providers and CRES providers will “take the lead role” in these customer offerings. RESA welcomes this expanded opportunity and concurs that CRES providers can lead the way in offering customers demand-response, time-differentiated, and home area network products. RESA members offer such products in other territories and can bring them to the AEP service territory.

However, AEP’s application omits important details about the gridSMART expansion. AEP should explain (a) the manner in which customer data will be coordinated/made available to CRES providers, (b) a timeline (in monthly or weekly increments) for the AMI deployment, (c) how the roll-out of the AMI, DACR and VVO will coordinate with AEP’s other information systems (EDI and billing), and (d) AEP’s need to deploy additional interfaces for the EDI or billing systems and a timeline for such, which should coordinate with the deployment of the AMI, DACR and VVO. This information-sharing and coordination between the electric distribution utility (“EDU”) and CRES providers is critical to the success of such product offerings and should not become large barriers to the competitive market. After all, it makes little sense for AEP to roll-out the advanced technology, but not have the capability in its other systems to allow CRES providers to access the usage data (for selling a product to a specific customer or for developing products to sell in AEP’s territory). Similarly, it makes little sense for AEP to roll-out the advanced technology, but not have the capability in its billing system that will create consolidated billing for the CRES service/products.

RESA recognizes that CRES providers regularly have secured communications with the EDUs, and routinely receive from the EDUs 12-24 months of customer usage data. Such data is necessary to develop conventional pricing. The difference between the majority of the usage

⁷ AEP Application Attachment A at 6.

information received today from AEP is not so much a matter of the type of information but the quantity.⁸ A year of data with conventional metering consists of 12 demand data points and 12 energy data points. With advanced metering, a year of data could mean 8,760 (hourly), 17,520 (half-hour) or 35,040 (quarter-hour) readings. Thus, the complexity and volume will grow significantly with implementation of more advanced meters, and now is the time to plan for the coordination.

This point takes on particular importance at this time also because AEP is developing and will launch by May 2014 a web portal through which AEP and CRES providers will coordinate and share information. AEP's new web portal should contain, right from the beginning, appropriate features that support the coordination and information sharing for advanced meters. One example is that AEP's web portal should contain an indicator that specifically reflects whether the customer's meter is AMI. During AEP's webinar, it indicated that it intends to provide an AMI flag in the enrollment file records; however, an AMI flag/indicator in the pre-enrollment data available via web portal is particularly important so that, among other things, CRES providers can appropriately craft customer-specific offers and launch products as AEP's roll-out is taking place.

Additionally, the Commission should establish several minimum requirements for AEP's gridSMART expansion. It is understandable that systems differ between Ohio's EDUs; however, implementing basic standard requirements on format and access now, rather than allowing each EDU to create its own model and fix issues later,⁹ will offer the most efficient use

⁸ RESA made this same argument and similar recommendations in its comments (at page 4-5) in *In the Matter of the Review of the Consumer Privacy Protection and Customer Data Access Issues Associated with Distribution Utility Advanced Metering and Smart Grid Programs*, Case No. 11-277-GE-UNC, in November 2011.

⁹ Duke Energy of Ohio, Inc., has deployed AMI throughout much of its service territory and anticipates completion in mid-2014. *In the Matter of the Application of Duke Energy Ohio, Inc. to Adjust Rider DR-IM and Rider AU for 2011 SmartGrid Costs*, Case No. 12-1811-GE-RDR, Opinion and Order at 3 (March 27, 2013). AEP is just about to launch a major expansion of its program through Phase 2. The FirstEnergy EDUs recently were authorized by the

of resources. RESA recommends the following:

- Utilize national standards prescribed by the North American Energy Standards Board implementing the Electronic Service Provider Interface.
- Make the data available in electronic form that is easily accessed without delays which allows a CRES provider to pull the data into the CRES providers' systems. 35,040 data points in hard copy cannot be utilized in a model until someone keys it in. The protocols, software and equipment are better left for a technical workshop. From a policy standpoint, the data must be transmitted without delay in a readily available common electronic format in order for the data to be useful.
- Provide the metering information no more than 24 hours after retrieval and the requisite validation, estimation and editing ("VEE") processes if the electronic meter is read once a day. If meter data is retrieved and processed via VEE protocols more frequently than daily, AEP should provide that data in the most expeditious frequency possible.
- Settle the customer's usage to the customer's hourly load profile, not the rate class load profile.
- Include the following categories of customer information with customer usage data:
 - Electronic Meter Information – manufacturer, meter number, model number, hardware version, meter multiplier, and meter firmware specifics.
 - Additional Customer Information – billing cycle, billing date, and 24-hour cumulative customer usage.
- If a customer provides a CRES provider with the authorization to receive the customer's AMI meter data, the EDU should provide to the CRES provider such data via EDI.

B. AEP's Future Standard Service Offering

AEP stated that it plans to evaluate whether to propose a "simple time-differentiated Standard Service Offering (SOO) rate option."¹⁰ RESA is opposed to any such change in the nature of default service in Ohio for several reasons.

Commission to develop a Phase 2 for their smart grid modernization program. *In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company for Approval of Ohio Site Deployment of the Smart Grid Modernization Initiative and Timely Recovery of Associated Costs*, Case Nos. 09-1821-EL-GRD, et al., Finding and Order (May 15, 2013). The Dayton Power and Light Company is required to file an application for implementation and deployment of smart grid technology and AMI by July 2014. *In the Matter of the Application of The Dayton Power and Light Company for Approval of its Electric Security Plan, etc.*, Case Nos. 12-426-EL-SSO et al, Opinion and Order at 28 (September 4, 2013).

¹⁰ AEP Application Attachment A at 6.

First, AEP's idea does not correspond with the statutory framework for electric competition. Section 4928.03, Revised Code, divides all electric services into competitive and non-competitive regulated services. Section 4928.141, Revised Code, permits the utility to provide the regulated services, such as generation, needed to assure electric service. While the EDU is the provider of last resort, that role does not authorize the EDU to create and sell competitive services. Allowing EDUs to provide other generation products, beyond that required to have electric service, entrenches the utility in the role as a generation services provider, which can create barriers depending on how the product is structured and if subsidies are required. Utility-offered time-of-use pricing options, and other similar utility offerings, can create barriers to retail competition. RESA recognizes that there are certain laudable public policy motivations for wanting customers to have access to those programs. However, these public policy goals can be met without perpetuating the competitive advantages for AEP's default generation service.¹¹

Second, the Commission should recognize the AEP has not proposed, in this application, any time-differentiated SSO rate option. Therefore, the Commission should neither endorse such an idea nor otherwise encourage an alternative SSO option.

Third, requiring the EDUs to be the default service provider and then also requiring or allowing them to provide other generation-related products diverts time and resources away from the EDUs' ability to focus on their core business function as the distribution company for consumers. Without needing to devote time and resources to generation products, EDUs would have more time and resources to focus on their infrastructure and reliability, and the competitive market could work to ensure that consumers are receiving competitive offers and a variety of products. Such a result would be a win-win for all concerned.

¹¹ For instance, economic development discounts can be made available whether the customer buys competitive or default power. Similarly, low-income subsidies can be made portable so customers can retain the financial benefit of such options and still shop for retail generation service from a CRES provider.

Fourth, this special SSO rate can lead to unintended anticompetitive pricing. Pricing in commodity markets, such as the electricity market, presents certain trade-offs between price certainty and cost. Retail pricing options for electricity service can fall anywhere on a continuum between fully variable and fully fixed. A customer who is willing to accept price variability can take service under a product that fully passes through the volatility inherent in the wholesale energy market. Pricing for such fully variable products carries very little premium because the CRES provider assumes little risk in providing the service. Conversely, a customer that values price stability can obtain a fixed-price electricity product from a CRES provider. That CRES provider will procure energy in the wholesale market at fixed prices and will reflect the costs of these hedges (e.g., the cost of locking in fixed prices) in the derivation of its retail price offered to that customer. In such a situation, the customer is essentially paying the retail supplier for “price insurance.” Allowing AEP to offer a time-of use default service undercuts the CRES providers and will not be conducive to the development of a fully functional competitive market. In sum, the existing market problems will only expand and new problems will be created if AEP is also allowed or encouraged to offer another generation supply product beyond “plain vanilla” default service.

RESA notes that, in conjunction with the gridSMART Phase 2 application, AEP has proposed in a separate docket¹² to terminate its current experimental time-of-day services, which were only available to those residential and GS-1 customers served by certain circuits within AEP’s gridSMART program. RESA concurs and supports the elimination of these services. Consistent with the above arguments, it is appropriate for AEP to eliminate the time-of-day services. The CRES market participants, including RESA members, should make such

¹² *In the Matter of the Application Not for an Increase in Rates Pursuant to Section 4909.18, Revised Code, of Ohio Power Company to Establish an Expiration for its gridSMART Experimental Tariffs*, Case No. 13-1937-EL-ATA.

competitive offerings, not the EDU. To the extent that the Commission is concerned that market participants will not take the opportunity to offer these advanced services in AEP's territory when the equipment is deployed, the Commission can simply look to the events in Pennsylvania and Texas after AMI was deployed successfully in those states. Particularly in Texas, market participants have offered several time-of-use products. RESA members look forward to being able to offer similar products in AEP's territory.

C. Public Outreach and Education Plan

Although AEP plans a multi-pronged, public outreach and education campaign, AEP stated only that it would employ a strategy similar to that used for Phase 1.¹³ RESA agrees that outreach and education are appropriate actions to take so that customers understand the changes and options that will be available to them. However, no details were provided by AEP yet. Further details and a timeline should be presented for consideration and input, including the benefits of time-of-use rates. Moreover, AEP's education and outreach should coincide with the customers' ability to enroll in advanced products from CRES providers.

IV. Conclusion

RESA supports the deployment of the AMI, DACR and VVO in AEP's service territory. RESA believes that the CRES market can expand and grow in positive, healthy ways with the deployment of this advanced equipment. However, installation of advanced equipment is not all that needs to be accomplished. AEP's proposal needs to also allow for the successful launching of competitive services that rely on the advanced equipment. To that end, AEP should be required to: (1) make the customer usage data available to CRES providers; (2) establish a detailed timeline for the deployment of the AMI, DACR and VVO that is coordinated with accompanying upgrades to AEP's other information systems (EDI and billing); (3) include an

¹³ AEP Application Attachment A at 11-12.

AMI indicator in AEP's upcoming web portal; (4) explain its need to deploy additional interfaces for the EDI or billing systems and present a timeline for such, which should coordinate with the deployment of the AMI, DACR and VVO and (5) present details and a timeline for customer education and outreach, which includes the benefits of time-of-use rates. Moreover, the Commission should establish several minimum requirements pursuant to which AEP's gridSMART expansion should take place. Finally, for multiple reasons set forth above, the Commission should not endorse/approve/evaluate a time-differentiated SSO rate option in this proceeding.

Respectfully submitted,



M. Howard Petricoff (0008287), Counsel of Record
Gretchen L. Petrucci (0046608)
Vorys, Sater, Seymour and Pease LLP
52 E. Gay Street
Columbus, Ohio 43215
614-464-5414
mhpetricoff@vorys.com
glpetrucci@vorys.com

Attorneys for the Retail Energy Supply Association

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and accurate copy of the foregoing document was served this 1st day of November 2013 by electronic mail upon the persons listed below.



M. Howard Petricoff

Entities	Counsel Names and Addresses	Email Addresses
Ohio Power Company	Steven T. Nourse Matthew J. Satterwhite Yazen Alami American Electric Power Service Corporation 1 Riverside Plaza, 29th Floor Columbus, Ohio 43215	stnourse@aep.com mjsatterwhite@aep.com yalami@aep.com
Ohio Consumers' Counsel	Terry L. Etter Michael J. Schuler Assistant Consumers' Counsel Office of the Ohio Consumers' Counsel 10 West Broad Street, Suite 1800 Columbus, Ohio 43215-3485	terry.etter@occ.ohio.gov michael.schuler@occ.ohio.gov
Ohio Partners for Affordable Energy	Colleen L. Mooney Ohio Partners for Affordable Energy 231 West Lima Street Findlay, Ohio 45839-1793	cmooney@ohiopartners.org
Direct Energy Services, LLC and Direct Energy Business, LLC.	Jennifer L. Lause Joseph M. Clark 21 E. State St. Suite 1950 Columbus, OH 43215	jennifer.lause@directenergy.com joseph.clark@directenergy.com
Staff of the Public Utilities Commission of Ohio	Devin D. Parram Assistant Attorney General Public Utilities Section 180 East Broad Street, 6th Floor Columbus, OH 43215-3793	devin.parram@puc.state.oh.us

Industrial Energy Users – Ohio	Samuel C. Randazzo Frank P. Darr Joseph E. Olikier Matthew R. Pritchard MCNEES WALLACE & NURICK LLC 21 East State Street, 17TH Floor Columbus, OH 43215	sam@mwncmh.com fdarr@mwncmh.com joliker@mwncmh.com mpritchard@mwncmh.com
Environmental Defense Fund	John Finnigan Environmental Defense Fund 128 Winding Brook Lane Terrace Park, Ohio 45174	jfinnigan@edf.org
Interstate Gas Supply, Inc.	Vincent Parisi Matthew White Interstate Gas Supply, Inc. 6100 Emerald Parkway Dublin, Ohio 43016 Mark A. Whitt (0067996) Andrew J. Campbell (0081485) Gregory L. Williams (0088758) WHITT STURTEVANT LLP The KeyBank Building, Suite 1590 88 East Broad Street Columbus, Ohio 43215	vparisi@igsenergy.com mswhite@igsenergy.com whitt@whitt-sturtevant.com campbell@whitt-sturtevant.com williams@whitt-sturtevant.com
Ohio Environmental Council	Trent A. Dougherty 1207 Grandview Avenue, Suite 201 Columbus, Ohio 43212-3449	TDougherty@theOEC.org
Environmental Law & Policy Center	Nicholas McDaniel 1207 Grandview Avenue, Suite 201 Columbus, OH 43212	NMcDaniel@elpc.org
FirstEnergy Solutions Corp.	Mark A. Hayden Scott J. Casto FirstEnergy Service Company 76 South Main Street Akron OH 44308	hayden@firstenergycorp.com scasto@firstenergycorp.com

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