

**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.)	

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

November 18, 2013

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I. Introduction

On September 13, 2013, the Ohio Power Company (“AEP”) filed an application for a second phase of its gridSMART program commencing January 1, 2014. Specifically, AEP plans to deploy: (a) Advanced Metering Infrastructure (“AMI”) for approximately 894,000 customers, (b) Distribution Automation Circuit Reconfiguration (“DACR”) and (c) Volt/VAR Optimization (“VVO”). The DACR and VVO respectfully are planned for an additional 250 and 80 circuits each. In response to the application, the Public Utilities Commission of Ohio (“Commission”) established a comment schedule in this docket requesting Initial and Reply comments.

The Retail Energy Supply Association (“RESA”)¹ intervened and filed timely Initial Comments in this proceeding. The Commission Staff, Ohio Consumers’ Counsel, Environmental Advocates,² Interstate Gas Supply Inc. (“IGS”), Direct Energy Services LLC and Direct Energy Business LLC (jointly “Direct Energy”), FirstEnergy Solutions Corp. (“FES”), Ohio Partners for Affordable

¹ RESA 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 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. 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.

² Environmental Defense Fund, Ohio Environmental Council, and Environmental Law and Policy Center are jointly referred to as “Environmental Advocates.”

Energy, and the Ohio Hospital Association also filed Initial Comments. Upon review of the Initial Comments, RESA offers the following four reply comments. First, CRES providers will provide “time-related” energy services and products if they have commercially reasonable access to their retail customers’ interval data. Second, requiring AEP to provide a retail time-related default service is unnecessary and could actually deter the development of other related products. Third, establishing a collaborative to work out start-up issues, including providing interval data to the serving CRES providers to support time-related services and products would be productive. Finally, at this time, the Commission should not order AEP to bid the projected energy savings and peak demand reductions into the PJM capacity auctions and use such proceeds to offset VVO costs. Before ordering AEP to commit to such a PJM bid, it would first have to be determined that such is permitted by PJM rules and, if permitted, that such a mandatory commitment is prudent.

II. RESA Members and Other CRES Providers Want to Offer Advanced Services and Products

In its Initial Comments, RESA supported the deployment of the AMI, DACR and VVO in AEP’s service territory. The members of RESA believe that many CRES providers will utilize the deployment of such advanced equipment in AEP’s service territory to offer worthwhile time-related products and services to retail customers. Some of RESA’s members currently offer time-related services and products in other areas of the country in utility service areas with such advanced equipment, and are encouraged by the opportunity to offer similar products in AEP’s service area.

The installation of advanced equipment, however, is not all that needs to be accomplished in order for retail customers to become more efficient consumers of energy. There must be corresponding information system upgrades and customer education programs so that the discrete time-of-use data can be utilized to make the customer’s use of power more efficient. In its Initial Comments, RESA identified those related items as:

- Making customer data available to the customer’s CRES provider;

- Establishment of a detailed timeline for the deployment of the AMI, DACR and VVO that is coordinated with accompanying upgrades to AEP's other information systems (Electronic Data Interchange and billing);
- Include an AMI indicator in AEP's upcoming web portal;
- Establish several minimum requirements for AEP's gridSMART expansion; and
- Present details and a timeline for customer education and outreach.

It makes little sense for AEP to roll-out the advanced technology, but not have the capability in its other systems to allow retail customers and their CRES providers to access the interval or real-time usage data to adjust the consumption or cost of power. Similarly, it makes little sense for AEP to roll-out the advanced technology, but not have the capability in its billing system to create consolidated bills for CRES providers offering time-related services and products.

The Staff, in its Initial Comments, noted that AEP did not propose any specific customer offers that use the advanced meters it will be deploying.³ Staff expressed its opinion that the competitive market will *eventually* provide such options, but "there appears to be little interest by [CRES providers] in providing such rates in the near term."⁴ For that reason, Staff advocated that AEP offer at least one such rate to SSO customers.⁵

RESA respectfully disagrees with the Staff on this point – RESA's members are eager for deployment of this advanced equipment and want to offer advanced technology services and products in AEP's territory. While RESA pointed to important elements for a successful deployment,⁶ CRES providers do not plan to *eventually* offer advanced technology services and products; they will offer the products now as soon as arrangements for receipt of the data from AEP and the improvement in the back-office systems occur, both of which are needed to make offers to customers and provide the real-time products. Nothing in RESA's Initial Comments should be construed to mean that RESA has little interest in offering advanced technology services and products in AEP's service

³ Staff Initial Comments at 5.

⁴ *Id.*

⁵ *Id.*

⁶ Staff likewise noted that system improvements are need for managing the new data so that the data is useful and actionable. Staff stated that it was unclear from AEP's application whether such system improvements are part of its proposed plan and budget. Staff Initial Comments at 10.

territory. Also, nothing in RESA's Initial Comments should be construed to mean that RESA wants to delay complete deployment of the advanced equipment. RESA wants successful deployment that coincides with the accompanying system improvements. Further, at this time, the transmission of data via the AEP's new web portal and the advantages of bill-ready and enhanced rate-ready billing are active topics in the Commission's Investigation in Case No. 12-3151-EL-COI.

RESA notes that the comments filed by IGS, Direct Energy, and FES⁷ likewise express support for the Phase 2 program. Direct Energy even expressed excitement for the opportunity to successfully offer advanced technology services and products. Nothing in those comments supports the Staff's view that there is "little interest * * * in providing such rates in the near term."

On the subject of whether competitive suppliers are eager to provide time-related products and services, the experience in other states where appropriate access to interval use data and billing exists shows that, if a competitive supplier has access to interval data, then time-related products and service offers are forthcoming. The need for access to the interval data in order to offer time-related products and services is self-evident. Even a simple program of lower residential rates for power used at night and on weekends is dependent on the CRES provider knowing when during the month the power was used. In AEP's distribution utility service territory in Texas, competitive suppliers receive via ERCOT the AEP interval data for their customers. As a result, the Texas Commission-sponsored website entitled *Power to Choose*, which is organized by zip code, shows that, for the AEP distribution affiliated zip codes currently there are multiple different time-of-use offers.⁸ Additionally, usage data in Texas is also made available to retail customers who can track and review their electric usage (in various intervals) via the Smart Meter Texas website (www.smartmetertexas.com). AEP Ohio should build upon the AEP Texas experience and provide to CRES providers and customers in Ohio the same information that suppliers and customers get in

⁷ IGS Initial Comments at 1-2; Direct Energy Initial Comments at 2, 5; and FES Initial Comments at 2.

⁸ See, <http://www.powertochoose.org/en-us/Plan/Results#> (accessed November 16, 2013). In one zip code alone where AEP service customers (78401), there are six time-of-use offers, including offers by RESA members.

AEP Texas. The result will be multiple offering in AEP Ohio similar to what exists in AEP Texas. One of the goals of this proceeding should be to explore whether the software and computer system AEP has in Texas can provide similar data for Ohio.

The experience in Pennsylvania also demonstrates that the barrier to competitive suppliers offering time related products is not the lack of interest, but the lack of interval information and billing mechanisms. In 2011 PECO Energy Company (“PECO”) offered interval data to a competitive supplier who would partner with the utility and arrange a time-of-use program on its own. PECO put out a request for proposal to see if a competitive supplier would be interested. The response from competitive suppliers to offer a time-of-day product when the data is provided was enthusiastic. Several competitive suppliers provided offers to implement and manage a comprehensive Dynamic Pricing Program for PECO, which included the commodity pricing offering, associated administrative functions, and overall project management functions.⁹

Bottom line, RESA understands the Staff’s concern that AEP will deploy thousands of AMI meters and there will be no time-related products to make use of them. However, before the Commission orders AEP to provide a “default” time-related competitive energy service under Section 4928.143, Revised Code, on the grounds that the market will not provide one, two steps should be taken. First, determine whether AEP Ohio can offer CRES providers the same type of interval information competitive suppliers receive from AEP Texas’ utilities. Second, the Commission should also at least provide for an enrollment period during which CRES providers can indicate whether they intend to offer time-related products and services. If such offers are forthcoming, then

⁹ In 2011, the Pennsylvania Public Utilities Commission strongly recommended that EDUs meet their obligation to offer time-of-use rates required under Pennsylvania law through a competitive supplier. *Investigation of Pennsylvania’s Retail Electricity Market: Recommended Directives on Upcoming Default Service Plans*, Case No. I-2011-2237952, Tentative Order (October 14, 2011). Thereafter, PECO issued a Request for Proposal and multiple CRES providers participated in the 2012 process. A selection was made and, rather than a utility, a competitive supplier will be providing time-related products in the PECO service area. Additionally, the Pennsylvania Public Utilities Commission reiterated more recently that electric distribution companies in Pennsylvania are still required to meet the directives for competitive suppliers and third party access to customer AMI and/or smart meter data as outlined in previous Pennsylvania Orders. *Investigation of Pennsylvania’s Retail Electricity Market: End State of Default Service*, Case No. I-2011-2237952, Final Order at 76 (February 14, 2013).

the Commission will not have to order AEP to offer a time-of-use product. This suggestion goes beyond just the simple, common sense observation that, before declaring no CRES time-related products exist, an inquiry be made. It goes to the heart of development of useful time-related products. In order for time-related products to be more efficient, the interval data has to get to the those who design and implement the programs. The gist of the RESA's Initial Comments is that, at the moment, the backroom mechanics of getting the data from the AMI to the CRES providers' scheduling and billing operations is not fully worked out. AEP has a web portal and, within the confines of the collaborative, these items could be worked out.

In sharp contrast, if the practical problems for use of the time-related data and billing are not worked out and just "papered over" by ordering AEP to provide a default time-related service, then no additional offerings will ever be made by the CRES providers. The correct course of action is to address the issues, and bring all the time-related products available in the open-access states today to the AEP service area.

III. AEP Should not be Forced to Offer at Least One Advanced Technology Service or Product to SSO Customers

AEP stated that it plans to evaluate whether to propose a "simple time-differentiated Standard Service Offering (SSO) rate option."¹⁰ Staff stated that, until offers are available in the competitive marketplace, AEP should offer at least one such rate to SSO customers.¹¹ RESA is opposed to any such change in the nature of default service in Ohio for several reasons that RESA explained in its Initial Comments. Moreover, RESA notes that most other commenters¹² stated that the competitive marketplace will be able to provide the advanced technology services and products in AEP's territory. There is no need for AEP to offer a time-differentiated SSO option, at least until there is either a demonstrated failure by the market to supply such offerings or a demonstrated failure

¹⁰ AEP Application Attachment A at 6.

¹¹ Staff Initial Comments at 5.

¹² Environmental Advocates Initial Comments at 11; IGS Initial Comments at 1-2; Direct Energy Initial Comments at 2, 5; FES Initial Comments at 1-2; and RESA Initial Comments at 6-9.

to provide the real-time data in a commercially usable format, with consolidated billing options for real-time pricing.

Instead, the deployment of the gridSMART equipment should be done appropriately so that the competitive market can roll out its products as the gridSMART deployment takes place. The Commission should not require AEP to offer a service that will be scaled back or eliminated in short order during the deployment, particularly when many participants acknowledge that the competitive market should make those offers. Moreover, Staff's suggestion would have the effect of thwarting market development as there would be a utility offering before CRES providers could offer such products. The Commission should not force AEP, the incumbent electric distribution company, to offer a time-differentiated SSO rate option before the market participants have a realistic opportunity to offer such a product.

IV. A Phase 2 gridSMART Collaborative is Appropriate for Successful Deployment and Coordination with CRES Providers

The Environmental Advocates and IGS both suggested that a collaborative be used for AEP's Phase 2 expansion.¹³ Both contend that a collaborative can enable better services, as well as establish a forum for discussions and solutions to aid in the success of the roll-out.¹⁴ RESA concurs with this recommendation. The collaborative is the right vehicle, for instance, to work out how the interval data will be transmitted to the CRES providers and how consolidated billing can be handled.

V. Projected Savings and Peak Demand Reduction from VVO Equipment Should Not be Bid into PJM's Auctions

The Environmental Advocates recommended that, for the VVO equipment, AEP should recover its investment through an energy efficiency rider.¹⁵ However, the advocates do not agree that the savings from the VVO equipment should qualify for distribution lost revenues and shared savings. Instead, they argue AEP should bid the projected energy savings and peak demand

¹³ Environmental Advocates Initial Comments at 2, 3-4; IGS Initial Comments at 3.

¹⁴ *Id.*

¹⁵ Environmental Advocates Initial Comments at 8-9.

reductions into the PJM capacity auctions and use those proceeds to offset VVO costs.¹⁶ The advocates acknowledged that, currently, AEP may not be able to make such a bid; if that is the case, they recommended that AEP work with PJM and other stakeholders to allow such bidding.¹⁷

RESA does not agree with the suggestion made by the Environmental Advocates. First, the suggestion has not been shown to even be feasible and, thus, the Commission should not impose a requirement on AEP that may not be feasible. Second, it is not clear that this recommendation is an economically reasonable approach to handling the projected savings and peak demand reduction. Third, the Commission need not decide today how projected savings and peak demand reduction from the VVO equipment shall be addressed. As a result, the Commission should reject this proposal from the Environmental Advocates as at best premature.

VI. Conclusion

RESA supports the deployment of the AMI, DACR and VVO in AEP's service territory. RESA believes that the CRES market can offer energy efficient products and services based upon the deployment of this advanced equipment. RESA members are eager for the Phase 2 deployment (along with coordinated upgrades with AEP's back-office systems), so that installation of the advanced equipment is properly accomplished and the competitive market participants can offer advanced technology services and products, as has occurred in other states. During this deployment, AEP should not be required to implement a time-differentiated rate option for its SSO customers, but the creation of a Phase 2 collaborative is an appropriate option. Finally, AEP should not be required to bid the projected energy savings and peak demand reductions from its VVO equipment into the PJM capacity auctions and use those proceeds to offset VVO costs, or explore such an auction product with PJM.

¹⁶ *Id.* at 9.

¹⁷ *Id.*

For the foregoing reasons, the Commission should adopt RESA's recommendations as contained in its Initial Comments and reject those comments to which RESA opposes in these Reply Comments.

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and accurate copy of the foregoing document was served this 18th day of November 2013 by electronic mail upon the persons listed below.



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This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

11/18/2013 4:35:37 PM

in

Case No(s). 13-1939-EL-RDR

Summary: Comments Reply Comments electronically filed by M HOWARD PETRICOFF on behalf of Retail Energy Supply Association