

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Implementation of     )  
Sections 4928.54 and 4928.544 of the     )     Case No. 16-247-EL-UNC  
Revised Code.     )

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**OHIO PARTNERS FOR AFFORDABLE ENERGY’S  
COMMENTS ON THE STAFF’S SECOND RECOMMENDATION**

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**I.     Introduction**

Ohio Partners for Affordable Energy (“OPAE”) herein submits to the Public Utilities Commission of Ohio (“Commission”) these comments to the Staff’s Second Recommendation regarding the implementation of R.C. 4928.54 through 4928.544 as filed in this docket on February 23, 2016. (“2<sup>nd</sup> Recommendation”.) The 2<sup>nd</sup> Recommendation moves closer to the optimal approach for bidding the aggregated Percentage of Income Payment Plan Plus (“PIPP”) load, but retains some elements that fail to ensure customers receive the maximum value from the bidding process. OPAE proposes the following changes to the Staff proposal. Given the short timeframe to implement the bidding process – and OPAE supports moving forward immediately – OPAE’s recommendations include both short term and long term options.

**II.    Suggested Modifications**

**A.     RFP**

OPAE believes a declining clock auction is the preferable approach to bidding the PIPP load. The efficacy of a declining clock auction is proven, and commercial auction platforms are readily available. The declining clock auction tracks the recommendation in the statute that “the process may be designed based on any existing competitive procurement process for the establishment of the default generation supply price for electric distribution utilities. R.C.

4928.544(A). OPAE pointed to several justifications for use of the declining clock approach in its initial comments. An auction should be designed to determine the percentage off the Standard Service Offer (“SSO”) of each utility at which the PIPP load will be served. Even small increases in the discount will have a significant impact on the USF Riders. The declining clock auction will maximize the discount, and should be implemented in future auctions.

The auctions this Spring should be based on an RFP process, as proposed in the 2<sup>nd</sup> Recommendation. Credit requirements should be adjusted based on the size of the load. The statute requires that bidders must be Competitive Retail Electric Suppliers (“CRES”). R.C. 4928.54. It is reasonable for the bidding costs to be recovered in the same manner as SSO auction costs.

**B. The Entire PIPP Load Should be Bid in 2016.**

The 2<sup>nd</sup> Recommendation would bid the entire load annually, beginning with the start of each utility’s next Electric Security Plan. However, Staff sees the need to protect the load of current SSO suppliers by bidding only the portion of the load that is to be bid in the upcoming auction, thus requiring customers to continue to pay higher prices for the proportion of the PIPP load that will continue to be served through the SSO. This will reduce the savings for customers in two ways: 1) it diminishes the size of the pool, thus making it less attractive to CRES; and, 2) it requires the Universal Service Fund to continue to pay SSO prices for a portion of the load, which exceed competitive market prices. SSO providers know that they face the risk of governmental aggregations taking large numbers of customers outside of the SSO, and this risk should be factored into their bidding strategy. Since the PIPP aggregation is no different than any other governmental aggregation, there is no reason not to bid the entire load. There has never been a guarantee that the SSO will not lose customer load. There is no reason to require the PIPP aggregation to guarantee SSO provider profits by

preventing it from being shifted to lower cost providers. The authority to bid the pool has been in place since 1999. R.C. 4918.54. Marketers have been well aware of the load, and SSO providers in more recent years, presuming that these companies did their due diligence prior to bidding, and should also be aware that the PIPP load, like any other governmental aggregation, could be bid.

### **III. CONCLUSION**

OPAЕ supports immediate implementation of R.C. 4928.54 *et seq.* There is a need to aggressively control the costs of serving the PIPP pool. The model of a governmental aggregation with a price set through a declining clock auction should be the ultimate goal. However, because of the shortness of time before the upcoming auction, an RFP approach that will determine a percentage off the SSO is acceptable. In addition, the entire PIPP load should be bid. It would be a mistake to guarantee the profits of SSO suppliers at the expense of customers paying into the Universal Service Fund. Those suppliers should understand the risks of bidding on the SSO load.

OPAЕ urges Staff to investigate the opportunities to use demand response to shape the load and potentially generate revenues in regional wholesale markets. Staff should also review the opportunity to invest in a physical hedge against price increases through long-term purchases, particularly from wind projects, where prices are declining and can be guaranteed over the long-term. There is a need to plan for the future. The planning should begin now.

Respectfully submitted,

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### **CERTIFICATE OF SERVICE**

I hereby certify that a copy of these Comments was served on the persons stated below via electronic transmission this 29th day of February 2016.

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Summary: Comments Ohio Partners for Affordable Energy's Comments on the Staff's Second Recommendation. electronically filed by Mr. David C Rinebolt on behalf of Ohio Partners for Affordable Energy