



**Public Utilities
Commission**

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May 30, 2019

Docketing Division
Public Utilities Commission of Ohio
180 East Broad Street
Columbus, OH 43215

RE: *In the Matter of the Application of Ohio Power Company to Amend its Tariffs in Case No. 17-1234-EL-ATA.*

Dear Docketing Division:

Enclosed please find the Staff's Review and Recommendations regarding the application filed by Ohio Power Company to amend its Tariff in Case No. 17-1234-EL-ATA.

A handwritten signature in black ink, appearing to read 'K. Schaefer', with a stylized flourish at the end.

Krystina Schaefer
Division Chief, Grid Modernization & Security
Public Utilities Commission of Ohio



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Commission**

**A report by the staff of the
Public Utilities Commission of Ohio**

In the Matter of the Application of Ohio Power Company to
Amend its Tariffs

Case Number 17-1234-EL-ATA

May 30, 2019

This staff report provides a status update on the Ohio Power Company's Time-of-Use Transition Plan and recommends modifications to the Company's pending application to amend its tariffs in Case No. 17-1234-EL-ATA.

A. Time-of-Use Transition Plan

On March 18, 2009, the commissioners of the Public Utilities Commission of Ohio (Commission) issued its Opinion & Order in Case Nos. 08-917-EL-SSO and 08-918-EL-SSO, approving the first phase of Ohio Power Company's (d/b/a AEP Ohio, subsequently referred to as AEP Ohio or the Company) gridSMART project. In support of the project, the Commission later approved the Company's application to establish experimental time-of-use (TOU) rates for residential and small general service customers as well as a direct load control (DLC) rate for residential customers.¹ The rates are called SMART Shift (2-tier TOU), SMART Shift Plus (3-tier TOU plus Critical Peak Pricing), and SMART Cooling (Thermostat). These rates were available on a voluntary basis and participation was limited to non-shopping customers served by circuits within a designated pilot program area of the phase one gridSMART project. The rates provided customers in the pilot area with an opportunity to better manage their energy usage and costs by reducing consumption or shifting consumption to off-peak periods.

On August 8, 2012, the Commission issued its Opinion & Order in Case No. 11-346-EL-SSO, *et al.*, directing the Company to continue phase one of the gridSMART project and to initiate phase two of the project. On September 13, 2013, the Company submitted an application for the proposed expansion of the gridSMART project in Case No. 13-1939-EL-RDR. On the same date, the Company also submitted an application to expire the experimental TOU rates for residential and small general service customers and the DLC rate for residential customers in Case No. 13-1937-EL-ATA.

While the Company was developing phase two of the gridSMART project, the Public Utilities Commission of Ohio (PUCO) was exploring the topics of advanced metering infrastructure (AMI) and TOU rates through the PUCO's investigation of Ohio's retail electric service market in Case No. 12-3151-EL-COI. As a result of that investigation, the Commission made a number of findings on the topics of AMI and TOU rates, including the following:

(39) Staff recommends that EDUs with significant AMI deployed and certified should offer time-differentiated rates. Staff avers that once sufficient time-differentiated rates are offered in the competitive market, the pilot programs could be terminated.

¹ *In the Matter of the Application of Columbus Southern Power Company to Establish New Experimental Rate Schedule Classifications for Residential and Small General Service Time of Day Rates and Residential Experimental Direct Load Control Rider*, Case No. 10-0424-EL-ATA, Finding & Order at 10-11 (Dec. 1, 2010).

(40) The Commission finds that Staff's recommendation should be adopted, in part. The Commission finds that the EDUs should offer time-differentiated rates through their AMI/Smartgrid programs, and should recover the costs through the AMI/Smartgrid riders...The Commission believes that the EDUs' time-differentiated rate pilot programs should be made available to SSO customers until the market sufficiently develops for CRES providers to begin offering this service. The Commission believes that time-differentiated rates are a generation service that should be offered by generation service providers, which in this instance is the SSO provider. However, the EDUs should offer pilot time-differentiated rates only for so long as it takes for the market to develop and for a reasonable number of CRES providers to begin offering this service in each service territory.²

On February 1, 2017, the Commission issued its Opinion & Order in Case No. 13-1939-EL-RDR, approving a stipulation to implement phase two of AEP Ohio's gridSMART project. As part of the approved Stipulation, the Company agreed to work with PUCO staff and competitive retail electric service ("CRES") providers to administer a TOU transition plan. This plan was intended to enable CRES providers to offer TOU rates similar in structure to the Company's experimental TOU programs developed as part of the phase one gridSMART project to customers who had participated in those programs. If the TOU transition plan successfully enabled CRES providers to develop competitive TOU offerings in the pilot area, then the Commission would grant the Company's pending application to expire the experimental TOU and DLC rates in Case No. 13-1937-EL-ATA. However, if the market for competitive TOU offerings in the pilot area *did not* sufficiently develop, the Commission would grant the Company's pending application to expire the experimental TOU and DLC rates, but the Company would then be required to file and maintain a new TOU rate for all customers with AMI meters until the market developed, pursuant to the directives from the retail competition COI in Case No. 12-3151-EL-COI.

The TOU transition plan included the following steps:³

1. Develop the systems and processes: The Company was required to develop the internal systems and processes needed to enable CRES TOU programs within six months of an Opinion & Order approving the Stipulation, or by August 1, 2017. As part of this commitment, the Company was required to modify its wholesale settlement process to calculate the total hourly energy obligation (THEO) and peak load contribution (PLC) of customers previously enrolled on the

² *In the Matter of the Commission's Investigation of Ohio's Retail Electric Service Market*, Case No. 12-3151-EL-COI, Finding & Order at 37-38 (Mar. 26, 2014).

³ *In the Matter of the Application of Ohio Power Company to Initiate Phase 2 of its gridSMART Project and to Establish the gridSMART Phase 2 Rider*, Case No. 13-1939-EL-RDR, Stipulation & Recommendation at 6-7 (Apr. 7, 2016).

experimental TOU and DLC rates on an individual basis, instead of using a generic load profile. The Company was also required to enable rate-ready and bill-ready billing options for CRES providers interested in participating in the TOU transition. During the same period, the CRES providers were required to develop programs similar to the Company's SMART Shift, SMART Shift Plus, and SMART Cooling programs.

2. Provide customer communications: Within six months of the completion of the internal systems and processes, the Company would provide communication to inform its customers of the CRES providers offering TOU programs under the TOU transition plan. The Company agreed to solicit feedback from interested parties in the AEP gridSMART Collaborative as it developed the communication plan and associated messaging.
3. Coordinate a TOU competitive review: Finally, within three months of the first two steps, the Company and PUCO staff would coordinate to provide a report that would enable the PUCO to perform a review of the competitiveness of the CRES offerings available through the TOU transition plan.

B. Default TOU Rate

As noted above, the Stipulation in Case No. 13-1939-EL-RDR required the Company to propose a "simple two-tier, non technology TOU tariff rate reflecting default load auction prices" for customers with AMI meters within 90 days of an Opinion & Order approving the Stipulation, or by May 2, 2017.⁴ The purpose was to propose an updated Standard Service Offer TOU rate to be utilized if the Commission deemed the CRES TOU offerings in the pilot/transition plan area not sufficiently competitive.

C. Status

On April 19, 2018, the Company filed its *TOU Transition Report* in Case No. 18-0203-EL-RDR, in compliance with Commission directives. In summary:

1. Develop the systems and processes: The Company placed into production all of the systems and processes needed to enable the TOU transition plan on July 28, 2017. In support of the TOU transition plan, the Company developed a report, *System and Processes for Competitive Retail Energy Suppliers Participation during Transition Period*, which is available on the Company's website.⁵ The Company notified CRES providers of the changes on August 3, 2017. In support of the transition, the Company supported "testing of the new EDI transactions and Business Partner Portal" changes. At the time of the report, one CRES provider and one EDI vendor (which provides services for a number of CRES providers) had participated in testing.⁶

⁴ *Id.* at 8.

⁵ AEP Ohio, *Time of Use (TOU) Rates Transition Plan*, <https://www.aepohio.com/account/service/choice/cres/tou.aspx> (accessed May 28, 2019).

⁶ *In the Matter of the Implementation of the gridSMART Phase 2 Rider of Ohio Power Company*, Case No. 18-0203-EL-RDR, TOU Transition Report at 4 (Apr. 19, 2018).

2. Provide customer communications: The Company discussed the customer communications with interested parties in the AEP gridSMART Collaborative meetings. Through the discussion, the AEP gridSMART Collaborative group proposed that *at least three* CRES providers should be offering TOU rates as part of the transition plan before any messaging was provided by the Company.⁷
3. Coordinate a TOU competitive review: Finally, the Company proposed a “simple two-tier, non technology TOU tariff rate reflecting default load auction prices” on May 3, 2017, which remains pending in Case No. 17-1234-EL-ATA.

More recently, the Company provided an update on the TOU transition plan to PUCO staff. As of March 27, 2019, there was one CRES provider offering a TOU rate in the pilot/transition plan area. Further, of the 1,420 customers enrolled in the pilot TOU programs, less than one percent were taking services from the participating CRES provider.⁸

D. Competitiveness of CRES TOU Offerings

In determining whether there is effective competition, the Ohio Revised Code provides a number of factors for consideration.⁹ However, with the CRES limitation of only being able to market to those customers who *participated in* the Company’s pilot program and the resulting one CRES provider who participated in the pilot/TOU transition plan, staff believes it is difficult to evaluate the competitiveness of the CRES market for TOU rates. Further, it has become evident to staff that without updating the wholesale settlement process to calculate individual THEO and PLC values for all customers with AMI meters, instead of just those customers who participated in the pilot, it is unlikely that CRES providers will be able to develop TOU products and services for the mass market. Staff anticipates that these issues will be resolved, in part, by the tasks currently assigned to the Data and Modern Grid Workgroup. Staff also encourages the Company to include a proposal to update its settlement processes for all customers with AMI meters in any future gridSMART application before the Commission.

E. Staff Recommendation:

In Case No. 17-1234-EL-ATA, the Company filed an application to establish a “simple two-tier, non technology TOU tariff rate reflecting default load auction prices,” as detailed below:

⁷ *Id.* at 4-5.

⁸ *In the Matter of the Implementation of the gridSMART Phase 2 Rider of Ohio Power Company*, Case No. 18-0203-EL-RDR, Responses to Staff-4-002, Staff-4-003, and Staff-4-005.

⁹ Ohio Revised Code 4928.06: (D) *In determining, for purposes of division (B) or (C) of this section, whether there is effective competition in the provision of a retail electric service or reasonably available alternatives for that service, the commission shall consider factors including, but not limited to, all of the following: (1) The number and size of alternative providers of that service; (2) The extent to which the service is available from alternative suppliers in the relevant market; (3) The ability of alternative suppliers to make functionally equivalent or substitute services readily available at competitive prices, terms, and conditions; (4) Other indicators of market power, which may include market share, growth in market share, ease of entry, and the affiliation of suppliers of services. The burden of proof shall be on any entity requesting, under division (B) or (C) of this section, a determination by the commission of the existence of or a lack of effective competition or reasonably available alternatives.*

The Company's proposed Residential and General Service 1 TOU rates will be an optional, by-passable offering presented under the GENC rider. This optional rate will only be available to those customers who have AMI meters. For this rate, the on-peak period is defined as 6:00 AM to 10:00 PM weekdays, including holidays, and excluding weekends. This period was selected because it matches the on-peak delivery period of the PJM Capacity Performance market for delivery year 2018/2019, the first year of full implementation. The proposed RS TOU and GS1 TOU are calculated on average of 2016 load shapes for the CSP and OPco rate zones for RS and GS1 customer classes. This average is multiplied by the non-TOU GENC rate for Residential and GS1 customer classes. This average is multiplied by the non-TOU GENC rate for Residential and GS1 customers, and then divided by the number of hours falling in the On-Peak period. Any under or over recovered capacity costs would be trued-up in the Actual Cost Recovery Rider, similar to other rates offered in the GENC rider.

Given the current lack of TOU offerings by CRES providers, staff believes that the Company should maintain a TOU rate in accordance with the commitments detailed above. However, staff recommends that the Company file an amended application to incorporate the recommended changes below before the Commission makes a decision on the matter.

Staff recommends that the duration of the on-peak period be significantly reduced from the proposed 16-hour (6:00 AM to 10:00 PM) weekday window, so that customers can more reasonably engage in the offering. As noted above, the Company designed the on-peak period to align with the on-peak delivery period used for Capacity Performance within the PJM market. However, the load reductions produced by customers participating in this TOU rate will not be bid into the wholesale market or dispatched as a Capacity Performance resource; therefore, there is no need to design the tariff to meet the eligibility requirements associated with Capacity Performance. Instead, the Company should propose an on-peak period that aligns with the seasonal (summer and winter) peak demand periods for the distribution system and that is consistent with the duration of the on-peak periods developed through the gridSMART pilot program offerings, i.e., six hours or less. Using a shorter on-peak period and the same proposed calculation method will result in a higher on-peak to off-peak ratio, which may improve the incentive to reduce consumption during the on-peak period.

Staff also recommends that the input data used to calculate the proposed rates be updated to reflect more current data inputs, i.e., most recent annual load profiles for the RS (Residential Service) and GS1 (General Service – Not Demand Metered) customer classes and the current GENC (Generation Capacity Rider) rates.

Finally, once an amended application is approved by the Commission in Case No. 17-1234-EL-ATA, then staff recommends that the pending application to expire the experimental TOU and DLC rates in Case No. 13-1937-EL-ATA be approved, as well.

The Public Utilities Commission of Ohio
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Summary: Staff Review and Recommendation Staff's Review and Recommendations regarding the application filed by Ohio Power Company to amend its Tariff in Case No. 17-1234-EL-ATA. electronically filed by Ms. Krystina M Schaefer on behalf of PUCO Staff