

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Procurement of )	
Standard Service Offer Generation )	Case No. 17-2391-EL-UNC
for Customers of Ohio Power )	
Company )	

In the Matter of the Procurement of )	
Standard Service Offer Generation )	Case No. 17-0957-EL-UNC
for Customers of the Dayton Power )	
and Light Company )	

In the Matter of the Procurement of )	
Standard Service Offer Generation )	Case No. 18-6000-EL-UNC
for Customers of Duke Energy Ohio, )	
Inc. )	

In the Matter of the Procurement of )	
Standard Service Offer Generation as )	Case No. 16-776-EL-UNC
Part of the Fourth Electric Security )	
Plan for Customers of Ohio Edison )	
Company, The Cleveland Electric )	
Illuminating Company, and the )	
Toledo Edison Company )	

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**COMMENTS OF ENERGY HARBOR LLC**

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Pursuant to the Entry of April 6, 2020 (“Entry”) issued in these four matters, Energy Harbor LLC (“Energy Harbor”) submits these comments to address Staff’s proposal and recommendation to modify the Standard Service Offer (“SSO”) product to include capacity flow-through provisions. As noted in the Entry, Staff’s proposal was prompted by the continued delay of the capacity auction for the 2022/2023 Delivery Year (“DY”). Energy Harbor welcomes the Commission’s consideration of this issue for all four of Ohio’s electric distribution utilities, as it presents an excellent opportunity for all of Ohio’s retail electric consumers to lock in historically low energy and capacity prices for a four or five-year period. These steps will provide the visibility

and price stability to enhance the state's competitiveness which ultimately benefits all Ohio consumers.

While Staff's proposal of an energy-only product is a good start, Staff posits that a pass-through capacity charge is "the simplest and lowest risk option." It is neither. A proposal that requires the implementation of a new capacity charge and multiple modifications to SSO auction products, master supply agreements, and PIPP products is hardly simple. And a proposal that leaves fluctuating PJM capacity prices, which may not be determined for years, to be passed through to Ohio's consumers certainly is not lowest risk for them. Thus, the Commission should modify Staff's proposal so that it also includes a long-term capacity-only product that functions as a hedge against future capacity price increases and volatility.

In the alternative, the Commission should retain the existing full requirements product that is well-known to all participants in Ohio's SSO auctions, with extended delivery periods so that consumers can benefit by locking in capacity pricing over the long-term. From a product structure perspective, maintaining the status quo may be the simplest option available, and it would not present a significant risk for consumers given the existing excess of capacity in PJM. While suppliers bear capacity pricing risk under the existing full requirements product, that risk is shifted to Ohio's consumers under Staff's proposal. Contrary to the Staff's proposal, consumers are likely to benefit most from a capacity-only auction product, which should be the Commission's preferred approach.

**A. The Commission should approve a long-term capacity-only product to be included in all SSO auctions.**

Energy Harbor recommends that the Commission approve Staff's proposal of an energy-only product but substitute a capacity-only hedge product for the pass-through charge. Each EDU would modify its SSO auction to solicit bids for capacity for the 2022/2023 DY and the following

four delivery years (*i.e.*, through the 2026/2027 DY), as well as for any other tranches not previously procured as a result of PJM capacity market disfunction.<sup>1</sup> Suppliers would offer capacity at a fixed price for all years of the contract term, thereby guaranteeing the capacity price to be paid by consumers over the long-term. The winning bidder or bidders would assume the risk, and receive the concomitant benefit, that the PJM auction price in the applicable delivery years would be higher or lower than the SSO auction price. As such, this capacity-only auction product would function as a financial hedge that provides stability to Ohio consumers while locking in low prices.

The state's capacity procurement would extend beyond the term of existing electric security plans ("ESPs"), but the Commission should view this as an added benefit of Energy Harbor's proposal. The Entry attributes to Staff the statement that all of the Ohio EDUs' ESPs are set to expire by the end of the 2023/2024 DY (*i.e.*, by May 31, 2024). Entry ¶ 6. This is true for the FirstEnergy EDUs and Ohio Power, but Duke Energy Ohio's ESP runs through the 2024/2025 DY and DP&L's ESP is indeterminate. Regardless, extending the capacity procurement to include four or five delivery years will provide needed stability to customers while having no negative impact on existing and future SSOs. Whether provided in the future under R.C. 4928.142 or R.C. 4928.143, future SSOs will necessarily include market-based capacity as is proposed here.

It is important to note that while this proposal provides a valuable hedge to Ohio customers, it would not have any impact on the PJM process whatsoever. This capacity hedge product is not dependent on any specific unit(s) clearing in the PJM auction or the outcome of any FERC or PJM process. It is merely a financially settled hedge product within Ohio's control for the benefit of

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<sup>1</sup> The energy-only product could continue to employ the traditional staggering and laddering.

Ohio customers. Accordingly, Ohio can lock in fair and attractive capacity prices without impacting the PJM market.

As compared to Staff's proposal to shift all risk of capacity pricing increases and volatility onto the shoulders of Ohio's consumers, a long-term capacity-only product is the superior choice. Thus, the Commission should adopt Staff's proposed energy-only product and combine it with a new long-term capacity product.

**B. Retaining the full requirements product is a better alternative to Staff's capacity pass-through charge.**

A second viable alternative to Staff's capacity pass-through charge is to retain the existing full requirements product for SSO supply. Ohio has always done full requirements contracts. The Commission should not change the status quo process, which all parties are familiar with and the Commission has approved multiple times in multiple proceedings, without first identifying a concrete benefit to be achieved. Staff is responding to a problem in the PJM "market" by proposing to put a temporary patch on a wound. The Commission, in contrast, should view PJM's ongoing problem as an opportunity to obtain better and more stable capacity pricing for Ohio's electric consumers. A full requirements product, with capacity as one of several cost components of the bid price, provides that benefit to consumers.

Energy Harbor agrees with Staff that the current PJM situation creates uncertainty that needs to be addressed. What should be recognized, however, is that PJM currently is experiencing a surplus of capacity that should result in low capacity pricing. As such, consumers would benefit from locking in existing pricing today instead of remaining subject to the vagaries of the PJM base residual auction rollercoaster over the next four to five years. Instead of placing that risk on retail consumers as Staff's proposed capacity pass-through charge does, the Commission should direct all EDUs to conduct auctions for a full requirements product that includes capacity for multiple

future delivery years. As has always been the case, this approach appropriately places capacity pricing risk on the supplier or suppliers most willing to bear it.

Energy Harbor recommends a full requirements product for all or a portion of SSO load with delivery periods from two to five years. Winning bidders would assume the risk of inaccuracy in their capacity pricing projections. For example, if the supplier assumes a PJM clearing price of \$130/MW-day in its bid but the PJM clearing price is actually \$140/MW-day, the supplier is responsible for this expense. On the other hand, if the clearing price is lower than the supplier's projection, it receives that benefit. This allocation of risk already exists under the existing SSO design. For example, under the current 36-month product, the SSO supplier already must account for the risk of changes in the clearing price through incremental auctions.

The Staff's proposal correctly identifies the need to modify the current SSO product to allow these procurements to occur, but fails to provide a method to leverage current market conditions to provide long term benefit and price stability to consumers. Allowing suppliers the ability to offer a capacity only or full requirements offer for an extended term would be superior to Staff's proposed solution.

### **C. Conclusion**

For the foregoing reasons, Energy Harbor recommends that the Commission adopt one of the two approaches to SSO auction design proposed above.

Respectfully submitted,

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**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing was filed electronically through the Docketing Information System of the Public Utilities Commission of Ohio on this 16th day of April, 2020. The PUCO's e-filing system will electronically serve notice of the filing of this document on counsel for all parties.

/s/ N. Trevor Alexander

One of the Attorneys for Energy Harbor,  
LLC

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Summary: Comments Regarding Staff Proposal electronically filed by Mr. Trevor Alexander  
on behalf of Energy Harbor LLC