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June 5, 2020

Ms. Tanowa M. Troupe, Secretary
Public Utilities Commission of Ohio
180 East Broad Street, 11th Floor
Columbia, Ohio 43215-3793

Re: Capacity Pass-Through
PUCO Case Nos. 16-776-EL-UNC, 17-957-EL-UNC, 17-2391-EL-UNC
and 18-6000-EL-UNC

Dear Ms. Troupe:

We are submitting this correspondence on behalf of Exelon Generation Company, L.L.C. to respond to the proposals and reply comments filed in these proceedings regarding the capacity issue identified by the Public Utilities Commission of Ohio.

Exelon commends the Commission for identifying and addressing the need to modify Ohio's upcoming standard service offer (SSO) auction products due to the unknown wholesale rate for capacity. Exelon appreciates the Staff's consideration of the impact of this issue to competitive wholesale providers, and Staff's recommendation to adopt a zero price for capacity. Although a zero price for capacity is a workable framework, in the absence of an approved wholesale rate for capacity, Exelon suggests that the Commission establish a non-zero proxy price for capacity for the SSO auctions.

A non-zero proxy price for capacity more closely resembles the full requirements supply procured through Ohio's past SSO auctions than other approaches proposed in these proceedings. This is because a non-zero proxy price for capacity continues to allocate peak load contribution (PLC) risk to SSO suppliers, a risk they have traditionally managed and should be willing to continue to manage, and does not shift the PLC forecasting risk to customers. At the same time, a non-zero proxy price for capacity insulates the SSO suppliers from capacity price uncertainty.

A non-zero proxy price for capacity will also avoid market distortions. Removing capacity costs from the SSO auctions will inevitably alter the methodology to determine the

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price-to-compare. This may have the unfortunate effect of distributing costs and risks differently to retail and SSO customers and different than history. A non-zero proxy price for capacity will result in a price-to-compare that is more akin to other products in the market – allowing customers to make truer apples-to-apples comparisons between the SSO and competitive retail supplier offerings.

Notably, both Maryland and New Jersey have adopted a non-zero proxy price for capacity based on historical clearing prices from the two prior auction years.¹ Adopting that same approach in Ohio will maintain consistency with the Commission's past approach in the SSO auctions and minimize the amount of future true-ups.

Exelon encourages the Commission to adopt a consistent, uniform approach to capacity across all utility dockets. Previous bidders in Ohio's SSO auctions are undoubtedly aware that some differences exist between the various utility auctions, such as auction processes and various terms in the master supply agreements. However, the treatment of capacity in the upcoming auctions will necessarily be a material departure from all previous auctions. Addressing capacity in different ways potentially in each auction places a greater burden on prospective suppliers, as they have to adjust their bids for each capacity pricing construct. Adopting a consistent, uniform approach to capacity for utilities throughout the State will enable prospective suppliers to most easily adapt to the change and to properly price capacity into their bids, encouraging bidder participation and ultimately leading to more competitive auctions.

In closing, Exelon encourages the Commission to adopt a consistent, uniform capacity approach for all utilities that provides transparency for prospective wholesale suppliers and customers alike. Exelon appreciates the Commission's consideration of these comments.

Very truly yours,

/s/ Gretchen L. Petrucci

Gretchen L. Petrucci

Vorys, Sater, Seymour and Pease LLP

Counsel for Exelon Generation Company

cc: Parties of Record

¹ Staff noted in its proposal that New Jersey's modified base generation service auction used a proxy rate and it was successful in attracting competitive offers. (Staff's March 13, 2020 Proposal at 4-5)

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Summary: Correspondence responding to capacity pass-through issue electronically filed by Mrs. Gretchen L. Petrucci on behalf of Exelon Generation Company LLC