BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Procurement of Standard Service Offer Generation for Customers of Ohio Power Company	)))	Case No. 17-2391-EL-UNC
In the Matter of the Procurement of Standard Service Offer Generation for Customers of the Dayton Power and Light Company	))))	Case No. 17-0957-EL-UNC
In the Matter of the Procurement of Standard Service Offer Generation for Customers of Duke Energy Ohio, Inc.	)))	Case No. 18-6000-EL-UNC
In the Matter of the Procurement of Standard Service Offer Generation as Part of the Fourth Electric Security Plan for Customers of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company	))))))))	Case No. 16-0776-EL-UNC

JOINT SUR-REPLY COMMENTS OF INTERSTATE GAS SUPPLY, INC. AND DIRECT ENERGY BUSINESS, LLC AND DIRECT ENERGY SERVICES, LLC

I. The Commission Should Maintain the Current SSO Auction Structure.

Despite a second round of comments, many intervenors still have not warmed to Staff's proposal to modify the electric distribution utilities' ("EDUs") SSO auction product to enable auction winners to "pass through" capacity costs to default service customers.[1] Indeed, only the Ohio Consumers' Counsel ("OCC") and Duke Energy Ohio, Inc. ("Duke") – one of Ohio's smallest EDUs - fully endorsed Staff's recommendation. The other five

[1] Staff Proposal and Recommendation at 5 (Mar. 13, 2020).

intervenors[2] to this proceeding took different positions that appear to oppose, or question the merits of, Staff's recommendation of a capacity "pass through" charge. A summary of the wide-ranging criticisms that the EDU's and other intervenors raised in response to Staff's proposal is provided below:

- Staff's $0/MW-day capacity proposal shifts all risk of fluctuating capacity prices away from SSO bidders and onto Ohio consumers.[3]
- The proposal will increase administrative costs, requiring the implementation of a new capacity charge and multiple modifications to SSO action products, master supply agreements, and PIPP products.[4]
- A zero-cost capacity "pass through" would "create a false price signal indicating that the EDU's generation cost is significantly less than CRES providers' offers [,]" and the reconciliation of that charge will result in higher customer bills.[5]
- Staff's proposal would arbitrarily and unreasonably provide preferential treatment to the SSO product by insulating SSO auction bidders from the risk associated with unknown capacity prices.[6]
- The proposal is unnecessary and does not reflect each EDUs position in relation to making provisions for SSO customers.[7]

Notably, the alternative solutions that many intervenors offered in response to Staff's recommendation were also varied. No two intervenors presented identical alternatives for an appropriate pathway forward; however, it does appear that Ohio Power

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[2] Other Intervenors include: Interstate Gas Supply, Inc. ("IGS"); Direct Energy Business, LLC and Direct Energy Services, LLC ("Direct"); Ohio Power Company ("AEP"); Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company ("FirstEnergy"); and Energy Harbor LLC ("Energy Harbor").

[3] Comments of Energy Harbor LLC at 2.

[4] *Id*.

[5] Comments of Ohio Edison Company, The Cleveland Electric Illuminating Company, and the Toledo Edison Company at 4.

[6] Joint Comments of Interstate Gas Supply, Inc. and Direct Energy Business LLC and Direct Energy Services LLC at 3 (hereinafter "IGS/Direct Comments").

[7] Comments of Ohio Power Company at 2, 6 (hereinafter "AEP Comments").

Company ("AEP"), Interstate Gas Supply, Inc. ("IGS"), and Direct Energy Business, LLC and Direct Energy Services, LLC ("Direct") are most closely aligned in their stated preference to maintain the current auction structure.[8] AEP, IGS, and Direct also appear to agree that *if* the Public Utilities Commission of Ohio ("Commission" or "PUCO") takes action to modify the current SSO auction process, then the auction schedule should be adjusted to the timeframe in which capacity prices are known.[9] Given that PJM is in the process of implementing FERC's directives[10] and could soon return to a conventional auction schedule, a compressed SSO product auction based upon known capacity prices offers an appropriate stopgap to address any perceived pricing uncertainty.

As IGS and Direct previously mentioned, EDUs may also address this issue via the secondary market by contracting with generation resources to lock in capacity prices just as CRES providers have always done. In doing so, EDUs can provide default service customers with fixed rate certainty during years when capacity prices are unknown.

Suffice to say, the mostly tepid response to Staff's recommendation – as well as the range of alternatives presented to address its proposal - underscores the need for the Commission to preserve the current SSO auction structure. Without a formal hearing in this proceeding, the record simply does not contain enough evidence to justify an overhaul of EDU auction processes and procedures that were previously established through formal rate proceedings. As another intervenor acknowledged: "[f]rom a product

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[8] *See* AEP Comments at 8; IGS/Direct Comments at 3.

[9] *See* AEP Comments at 7; IGS/Direct Comments at 3.

[10] *See PJM Interconnection, L.L.C.*, 169 FERC ¶ 61,239, Order Establishing Just and Reasonable Rates (Dec. 19. 2019).

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 at PJM."[11] IGS and Direct agree and, therefore, respectfully request that the Commission preserve the SSO auction status quo.

II. Energy Harbor's Proposal Should Not Be Adopted.

While intervenors may have offered different perspectives and solutions to address Staff's capacity proposal, every party to this proceeding agrees that Energy Harbor's recommendation for EDUs to procure energy and capacity products through separate auctions should not be adopted. Energy Harbor's opponents argue that its long-term capacity proposal is devoid of detail regarding its structure and design[12], unnecessary and would likely increase electricity prices for Ohio default service customers over the long term.[13] The proposal is also alleged to present credit and exposure risk to EDUs.[14] Intervenors further argue that the proposed 5-year capacity product could not only reduce the number of auction bidders, but also increase uncertainty for generation suppliers who lack visibility into capacity prices over that same period.[15]

For those reasons and more, intervenors unanimously agree that Energy's Harbor's proposal should not be adopted. IGS and Direct join the other intervenors to this proceeding in their rejection of Energy Harbor's proposal.

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[11] Comments of Energy Harbor LLC at 2.

[12] Reply Comments of Ohio Edison Company, The Cleveland Electric Illuminating Company, and the Toledo Edison Company at 2.

[13] Reply Comments of the Ohio Consumers' Counsel at 2.

[14] AEP Comments at 6.

[15] *Id*. at 5.

III. Conclusion

IGS and Direct recommend that the Commission reject the capacity proposals submitted by Staff and Energy Harbor in favor of maintaining the current SSO auction process. In the event the Commission feels compelled to make changes to the current SSO auction product format, the Commission should temporarily truncate the duration of the SSO product to the period that capacity prices are known.

IGS and Direct appreciate the opportunity to submit sur-reply comments in this proceeding.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I certify that the *Sur-Reply Comments of Interstate Gas Supply, Inc. and Direct Energy Business, LLC and Direct Energy Services, LLC* was filed electronically through the Docketing Information System of the Public Utilities Commission of Ohio on June 5, 2020. The Commission's e-filing system will electronically serve notice of the filing of this document on the parties subscribed to these proceedings.

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Summary: Comments Joint Sur-Reply Comments of Interstate Gas Supply, Inc. and Direct Energy Business, LLC and Direct Energy Services, LLC electronically filed by Regan Donoughe on behalf of Interstate Gas Supply, Inc. and Direct Energy