

**BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Procurement of	:	
Standard Generation for Customers of	:	Case No. 17-957-EL-UNC
The Dayton Power and Light Company.	:	

**APPLICATION OF
THE DAYTON POWER AND LIGHT COMPANY**

The Dayton Power and Light Company (“DP&L” or the “Company”), submits this Application requesting that the Public Utilities Commission of Ohio (“PUCO” or “Commission”) issue an order authorizing DP&L to conduct a competitive auction for a 12-month supply for its standard service offer (“SSO”) customers, without, at this time, seeking proposals for a 24-month or 36-month supply. In this regard, DP&L’s request is consistent with the proposals that the Commission approved last year for other Ohio electric utilities.¹ This “2020 SSO Order” was issued with respect to the Ohio utilities affiliated with FirstEnergy and to Ohio Power Company, Duke Energy Ohio, Inc., and The Dayton Power and Light Company. At that time, however, DP&L had not specifically requested to hold a future SSO auction soliciting only a 12-month supply. DP&L now seeks to have the logic and findings of that 2020 SSO Order applied to its upcoming SSO auction.

As background and support for its Application, DP&L states as follows:

On October 20, 2017, the Public Utilities Commission of Ohio issued an order approving the Dayton Power and Light Company’s (“DP&L” or “the Company”) Amended Stipulation and Recommendation in Case No. 16-395-EL-SSO (“ESP III”) that required DP&L to conduct

¹ In the Matter of the Procurement of Standard Service Offer Generation, Case Nos. 16-776, et al, Finding and Order (Aug. 26, 2020).

annual competitive bid auctions in order to procure load for its standard service offer (“SSO”) customers. Using a standard blending technique, these competitive auctions offer multiple products with varying lengths in order to secure load at low and stable prices for customers. More recently, in a December 18, 2019 Finding and Order, the Commission approved DP&L’s proposed revised tariffs subject to modifications, which, among other things approved DP&L’s request to maintain the integrity of DP&L’s current process for procuring SSO generation through competitive bid auctions.² In addition, the Commission stated: “We expect DP&L to continue to request appropriate CBP auction schedules as necessary to continue to serve SSO customers until DP&L’s next SSO is approved.”³

DP&L respectfully submits and explains in more detail below that because there is currently a great deal of uncertainty in capacity markets for periods beyond a 12-month period, the public interest would be served by limiting this year’s SSO auction to a 12-month product. Soliciting bids for a longer term products would likely result in higher prices.

Much of this uncertainty has been created by rulings of the Federal Energy Regulatory Commission (“FERC”) that, even today, are under court review. In particular, the FERC has been reviewing and modifying what is referred to as the Minimum Offer Price Rule (“MOPR”) within the PJM Interconnection, L.L.C. (“PJM”) tariff on file with FERC. As part of this review process, FERC issued an order in July 2019 instructing PJM to not conduct its Base Residual Action (“BRA”) that would ordinarily have been run in 2019 for the prospective 2022-23 delivery year.⁴ BRA auctions historically are run to establish capacity prices three years forward. Thus, for purposes of the Ohio SSO auctions, it is significant that the prospective

² Case No. 08-1049-EL-SSO, Second Finding and Order at ¶28 (Dec. 18, 2019).

³ Id.

⁴ PJM Interconnection, L.L.C. Docket Nos. EL-49-000, et al., 168 FERC 61,051 at P 2 (July 25, 2019). BRA auctions historically are run to establish capacity prices three years forward.

bidders to provide a 24-month or 36-month supply have good information about the costs of capacity that they will incur because forward capacity prices within PJM have been established three years forward. But that element is missing today for periods beginning June 2022.

On December 19, 2019, FERC issued an order in Docket Nos. EL 16-49-000 and EL 18-178-000 (Consolidated) that, among other things, approved substantial changes to the PJM Interconnection, L.L.C., (“PJM”) Minimum Offer Price Rule, which affected the eligibility of resources to participate in the Base Residual Auctions (“BRA”) for capacity. FERC also directed PJM to establish a new BRA schedule. The PUCO, in its 2020 SSO Order found that:

“the uncertainty caused by FERC’s [December 19, 2019] order precludes the use of a more traditional three-year auction product at a time with market fundamentals were signaling opportunities to us a forward looking competitive bidding process to lock in historically low energy prices for the benefit of Ohio retail electric consumers.”⁵

That uncertainty found by the PUCO continues to this day. In October 2020, FERC generally approved a PJM compliance filing, but required further delays in when the pre-auction process would start.⁶ It was only last month that FERC appears to have made the last needed approvals to PJM’s proposed revisions to its tariff.⁷ It is now expected that the 2022-23 BRA Auction will take place in May 2021, with results posted on June 2, 2021.

The significance of this in relation to DP&L’s SSO Auction process in Ohio is that prospective bidders currently do not know what their capacity costs will be for 2022-23. While some degree of uncertainty about future capacity costs has always existed, having PJM capacity prices established three years forward significantly improves the ability of a prospective SSO

⁵ In the Matter of the Procurement of Standard Service Offer Generation, Case Nos. 16-776, et al, Finding and Order, *supra*, at ¶ 6.

⁶ PJM Interconnection, L.L.C., Docket Nos. EL-49-000, et al., 173 FERC ¶ 61,061 at 60 (Oct. 15, 2020).

⁷ PJM Interconnection, L.L.C., Docket Nos. EL-49-000, et al., 174 FERC ¶ 61,036 (Jan. 19, 2021).

supplier to propose to supply a two- or three-year product. But not only are capacity prices not yet determined for the 2022-23 or beyond periods, but market participants have no experience yet with the “new” capacity auction process as affected by all the other MOPR changes that the FERC has required. Until some experience is obtained by a PJM BRA being run with the MOPR changes, potential SSO bidders in Ohio will likely incorporate a substantial risk factor into the capacity costs that they incorporate into their SSO bids.

In past years, DP&L’s SSO auction typically included 12, 24, and 36-month products. The uncertainties created by FERC’s series of orders regarding PJM’s tariff have caused complications for prospective SSO bidders and electric distribution utilities when conducting their SSO competitive bid auctions. Therefore, including a 24 or 36-month product in DP&L’s competitive bid will inevitably increase the amount of inherited risk for all parties involved and may cause prices to be unusually high in years two or three of a 24-month or 36-month product. In the interest of maintaining beneficial and stable rates for its customers, DP&L proposes to eliminate the 24 and 36-month product and only offer the 12-month products in its upcoming March 2021 auction.

Based on the uncertainty of the PJM applicable rate for the 2022-23 delivery year and the previous finding by the Commission in its 2020 SSO Order, DP&L respectfully requests that the Commission approve its request to conduct auctions to obtain a 12-month product, temporarily eliminating the 24 and 36-month product, consistent with the public interest, the benefit of customers, and the auction processes approved for the other Ohio utilities that conduct SSO auctions.

Respectfully Submitted,

Randall V. Griffin

Randall V. Griffin (Ohio Bar No. 0080499)
Attorney for The Dayton Power and Light Company

1065 Woodman Drive
Dayton, OH 45432
Telephone: (937) 479-8983
Email: Randall.Griffin@aes.com

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

2/3/2021 4:28:10 PM

in

Case No(s). 17-0957-EL-UNC

Summary: Application of the Dayton Power and Light Company To Conduct a Competitive Auction for 12-Month SSO Supply electronically filed by Mr. Randall V Griffin on behalf of The Dayton Power and Light Company