

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of)	
Ohio Edison Company, The Cleveland)	
Electric Illuminating Company and The)	
Toledo Edison Company for Authority to)	Case No. 23-301-EL-SSO
Provide for a Standard Service Offer)	
Pursuant to R.C. 4928.143 in the Form of)	
An Electric Security Plan.)	

**DIRECT TESTIMONY OF BECKY MEROLA
ON BEHALF OF
CALPINE RETAIL HOLDINGS LLC**

October 23, 2023

1 **DIRECT TESTIMONY OF BECKY MEROLA**

2 **INTRODUCTION AND PURPOSE OF TESTIMONY**

3 **Q. Please introduce yourself.**

4 A. My name is Becky Merola. I am employed by Calpine Energy Solutions, LLC (“Calpine
5 Solutions”) as its Director, Regulatory/Government Affairs. My business address is 19 Ridge Rd
6 Beaufort, South Carolina 29907.

7 **Q. Please summarize your relevant experience.**

8 A. I have worked in the energy field for more than 33 years and have held my current
9 position for over 15 years. Since 1994 I have actively participated in, collaborated, testified, and
10 worked on market restructuring proceedings and legislation, as well as negotiated settlements,
11 relating to unbundling natural gas and/or electricity in 20 states including Ohio. I have
12 represented and participated in proceedings regarding the formation of Regional Transmission
13 Organizations (RTOs) as well as actively participated in RTO stakeholder proceedings and
14 meetings on behalf of load-serving entity (LSE) members¹ of the ISO New England, PJM and
15 the New York ISO.

16 **Q. What are your current duties as Director of Government and Regulatory Affairs?**

17 A. I represent and advocate the regulatory and government affairs policies and positions of
18 Calpine Solutions and its parent Calpine Retail Holdings LLC (“Calpine Retail”). My territory
19 includes not only Ohio but also Pennsylvania, Virginia, Maryland, New Jersey, New York,

¹ LSEs are companies that provide electric energy to customers within the relevant geographic territory. The term encompasses any entity (including a load aggregator or power marketer) serving end-users with the PJM region. A Load Serving Entity can also include an end-user customer that qualifies under state rules or a utility retail tariff to manage directly its own supply of electric power and energy and use of transmission and ancillary services.

1 Connecticut, North Carolina, South Carolina and the District of Columbia. I am offering this
2 testimony on behalf of Calpine Retail and its retail subsidiaries, including Calpine Solutions.

3 **Q. Please describe Calpine Retail.**

4 A. Calpine Retail is an independent, national provider of retail electric service across 20
5 states. Through its subsidiaries it operates as a licensed provider of Competitive Retail Electric
6 Service (“CRES”) in Ohio. Like Ohio Edison Company (Ohio Edison, or OE), The Cleveland
7 Electric Illuminating Company (Cleveland Illuminating, or CE), and The Toledo Edison
8 Company (Toledo Edison, or TE) (collectively, the “Companies” or “FirstEnergy Ohio”),
9 Calpine Retail subsidiaries are also LSEs and members of PJM Interconnection LLC and have
10 signed the Reliability Assurance Agreement behind PJM that establishes obligations and
11 standards for maintaining the reliable operation of the electric grid as well as ensuring adequate
12 capacity resources and providing assistance during emergencies for future needs of the system.
13 Calpine Retail subsidiaries have also signed the PJM Operating Agreement as a member of PJM.
14 Calpine Retail subsidiaries currently offer a wide variety of demand-related and energy-related
15 products and services beyond very basic and simple energy procurement, including load and risk
16 management as well as state-of-the art renewable and sustainable energy solutions in the
17 majority of the PJM footprint. All of these products and services are designed to meet the
18 individualized needs and demands of Calpine Retail’s customers, capture the benefits of the
19 centrally dispatched competitive organized wholesale market², and bring those benefits forward
20 into competitive retail electric markets.

² State of the Market Report for PJM 1st Quarter 5.11.23 by Monitoring Analytics, LLC
Independent (emphasis added) Market Monitor for PJM also referred to as the Market
Monitoring Unit. The report, available at
https://www.monitoringanalytics.com/reports/PJM_State_of_the_Market/2023.shtml, assesses
the competitiveness of the markets managed by PJM in the first three months of 2023, including
market structure, participant behavior and market performance.

1 **Q. Have you ever provided testimony before the Ohio Public Utility Commission**
2 **(“PUCO” or “Commission”) or other state regulatory commissions?**

3 A. Yes, I recently provided testimony in AEP Ohio’s electric security plan proceeding, Case
4 No. 23-23-EL-SSO. I have also testified in regulatory proceedings in Illinois, Virginia, and
5 Pennsylvania.

6 **Q. What is the purpose of your Testimony?**

7 A. My testimony addresses the Company’s proposal regarding Rider NMB, as discussed in
8 the Direct Testimony of Juliette Lawless. I will explain why the Company’s proposal should be
9 rejected and the Commission should adopt Recommendation #1 in the Exeter Associates, Inc.
10 July 2023 audit report filed in Case No. 22-391-EL-RDR, subject to specific clarification as
11 explained below.

12 **Q. What are your concerns about the proposed changes to Rider NMB?**

13 A. The Companies’ proposed Riders NMB1 and NMB2 would impose transmission charges
14 on end users using CRES providers based on the Companies’ loads, rather than giving end users
15 the opportunity to work with CRES providers such as Calpine to manage their loads and their
16 resulting transmission costs. This creates an unlevel playing field, picks winners and losers by
17 keeping products and services from the marketplace, subsidizing a subset of the marketplace that
18 wish to shift their wholesale risk and creating market power. It unfairly rewards certain market
19 participants’ business plans and limits other participants’ service offerings, as well as removing
20 customers’ choices. At a time when it is estimated that transmission spending from investor-
21 owned utilities is rapidly growing,³ there needs to be more competition in managing these costs,

³ See <https://www.virginiamercury.com/2022/12/05/as-utilities-spend-billions-on-transmission-support-builds-for-independent-monitoring/>. Per the US Energy Information Agency, electric utility spending on transmission costs surged from \$9.1 billion (2019 dollars) in 2000 to approximately \$40 billion in 2019. <https://www.eia.gov/todayinenergy/detail.php?id=47316>.

1 not less. Not only does the Companies' proposal limit the current competitive choices in the
2 market, it removes any incentive and opportunity to create customized products and services that
3 are, or potentially could be, formulated to assist Ohio residents and businesses in addressing
4 these ever changing transmission costs without burdening all non-participating customers with
5 needless additional costs to insulate the monopolist utility. Competitive discipline for
6 Transmission costs is removed and CRES providers are disincentivized to risk their own capital
7 to create innovative products and services and to meet the wholesale transmission needs of their
8 own customers.

9 The costs for Transmission should be directly billed to CRES providers by PJM, as
10 occurred in the past, prior to FirstEnergy's last SSO proceeding, when *all* CRES providers were
11 able to participate directly as an LSE and be billed by PJM, as is the case in other PJM states,
12 NYISO and ISO NE. In addition, the Companies' proposal removes competitive products and
13 services from the marketplace and allow the incumbent utilities, who are not similarly situated,
14 to interfere with the marketplace using cross subsidies.

15 Wholesale business risk and costs should be incurred by market participants based on
16 their individual business plans and management decisions and their own independent valuation
17 of financial and operational risk without using the monopolist distribution utilities as the
18 middleman for the wholesale market. The Companies' proposal would let certain CRES
19 providers use Ohio to shift the wholesale market risk for charges that can be managed as LSEs
20 behind PJM.

21 **Q. Are the Companies' proposals consistent with federal policy?**

The PJM total transmission investment by investor-owned utilities and transmission companies continues at high levels with little sign of slowing down and is driving earnings. See data available at <https://www.pjm.com/planning/project-construction>

1 A. No. FERC Orders 888 and 2000 mandate open and non-discriminatory access to
2 Transmission service. FERC Order 841 and Order 2222 further this policy by directing the RTOs
3 to remove barriers to the participation of energy storage resources and to allow Distributed
4 Energy Resources to fully participate in the wholesale electricity markets to enhance
5 competition. In contrast, CRES providers in Ohio have lost their ability to participate fully on
6 behalf of their loads. Unfortunately, this creates market power and re-monopolizes and rebundles
7 transmission products into a vertically integrated incumbent utility. It is a retrogressive return to
8 a bygone era, where transmission was managed primarily by one vertically integrated utility.

9 **Q. Are you aware of any third-party review or analysis of Rider NMB?**

10 A. Yes. The Commission retained Exeter Associates, Inc. to review and audit Rider NMB in
11 Case No. 22-391-EL-RDR. Exeter prepared and filed a report dated July 2023 recommending
12 that the Commission “Eliminate Rider NMB for all customers. Assign PJM transmission charges
13 (and all other PJM billing line items currently included in Rider NMB) to the retail suppliers of
14 these customers.” (Exeter Report, p.50.)

15 **Q. Do you agree with this recommendation?**

16 A. Subject to clarification regarding the assignment of PJM charges, Calpine supports the
17 spirit of the recommendation, which is consistent with Calpine’s advocacy in Ohio and in
18 multiple open states where all suppliers take responsibility for their own wholesale costs and
19 risks directly, with no interference by the utility as the middleman between the supplier and the
20 RTO. Indeed, any other outcome would be a shift to Ohio ratepayers of demand-based costs and
21 associated risks that should be borne by competitive suppliers, as they are in other states
22 throughout the PJM footprint.

1 If anything, the Report understates the value of this recommendation. At a time when it is
2 estimated that transmission spending from investor-owned utilities is rapidly growing, there
3 needs to be more competition in managing these costs, not less. Not only does Rider NMB limit
4 the current competitive choices in the market by taking a one-size-fits-all approach, it also
5 eliminates the incentive and opportunity for CRES providers to provide customized and
6 innovative products and services that are, or potentially could be, formulated to assist Ohio
7 consumers in addressing their individual loads as they relate to ever changing transmission costs,
8 without burdening all non-participating customers with needless additional costs. Competitive
9 discipline for transmission costs incentivizes CRES providers to risk their own capital to meet
10 their own individual wholesale transmission needs as load serving entities on behalf of their
11 customers. The fact that the rates themselves are set by formula does not obviate the need for
12 competitive discipline, because the ability to manage loads and control transmission costs is an
13 important way for CRES providers to compete, rather than subsidizing these providers by
14 shifting these costs to the utility's one-size-fits-all approach.

15 The wholesale business risk and costs associated with the wholesale transmission
16 component of those chosen products and services should be incurred by market participants
17 based on their individual business plans and management decisions and their own independent
18 valuation of financial and operational risk. As in other states open to retail competition within
19 the PJM footprint, such as Pennsylvania and New Jersey, LSEs should be required to take full
20 responsibility for their PJM demand-based costs based on their own loads and contribution to the
21 zone's Net System Peak Load (NSPL), which loads can differ among LSEs. This is true as well
22 for Transmission Enhancement charges which again are settled on customer specific demand, as
23 are Reactive Supply and Generation Deactivation charges and other PJM Demand-based charges.

1 **Q. How does Rider NMB limit suppliers' ability to manage transmission costs?**

2 A. CRES providers are currently required to sign Principal Agent Declarations of Authority
3 or execute Bill Line Item transfers of their demand-based PJM charges to the utility, which
4 removes their ability as an LSE to manage and control and bill for their own PJM demand-based
5 costs as a LSE under PJM's Open Access Transmission Tariff in order to serve their load.⁴

6 Commercial and Industrial customers are even more engaged and sophisticated in their
7 ability to manage not only their generation load but also such products as energy efficiency, the
8 use of distributed energy and demand side management as well as wholesale transmission risk
9 management. Rider NMB confers a subsidy on participants at the expense of non-participants.
10 Ohio customers should not be effectively held captive to a monopoly utility. This removes
11 customer choice, creates a one size fits all utility model once again and removes competitive
12 discipline at a transitional time when it is needed most.

13 **Q. Would elimination of Rider NMB be consistent with federal and state energy policy?**

14 A. Yes. For decades in multiple states, thousands of customers have realized that having
15 customer choice and alternatives to a monopoly produces greater access to more products,
16 services and innovation and is superior to provision of a service via the vertically integrated
17 monopoly. Regulation is still required for distribution services but removing competitive services
18 to re-monopolize what has become unbundled removes competitive discipline, market reflective
19 price signals, transparency and services that match consumer preferences and choice, none of

⁴In a competitive market every business must measure their own individual risks. Not every business assigns the same value to those risks in the wholesale market. In Ohio, unlike the majority of PJM, LSEs/CRES licensed suppliers are precluded from effectively managing NITS costs based on their own unique customer load that is specific to each LSE's customer base, accounts and sub accounts and contribution to the zone's metered annual peak load. This is true as well for Transmission Enhancement charges which again are settled on customer specific demand, as are Reactive Supply and Generation Deactivation charges and other PJM Demand-based charges.

1 which is consistent with the state energy policy expressed in R.C. 4928.02. Certain CRES
2 providers including utility affiliates need to take responsibility for their own business decisions,
3 level of risk management expertise, build out of operations including billing and IT development
4 and valuation of risk, and to develop products they choose to offer. They should not be allowed
5 to shed or shift market risk associated with their own demand-driven costs and business
6 decisions. Rather, they should use their expertise to manage their costs as a market participant
7 and its associated risks based on individual business plans and management decisions. One of the
8 principal benefits of moving to retail competition is to rely on competitive discipline for a
9 specific LSE to control its demand-based costs in the wholesale marketplace.

10 Ohio created a marketplace to produce more efficient and cost-effective allocation of
11 resources than what could be obtained by relying on a regulated monopoly. Transmission is
12 clearly becoming the largest part of an Ohio customer's bill. Customers should be allowed to
13 have their full customer choice back without strapping them with non-bypassable charges that
14 create a barrier to entry to create cross subsidies to re-monopolize. Customers should have more,
15 not less, access to products and services that are subject to an open free market that bears the
16 capital costs and operational, billing and systems costs to provide market services. Relying on
17 competition avoids needless cross-subsidies and inefficiencies. Ohio should decline going
18 backwards to anti-competitive rent-seeking behavior from utilities that were granted franchise
19 service territories decades ago and instead should allow customers choices in light of the changes
20 that have recently occurred and are occurring, which encourage customers to take control of their
21 total energy costs. The Companies should not be the gatekeeper nor a monopolist for what will
22 be new service opportunities that result from the rapidly changing wholesale electricity market.

23 **Q. Does this conclude your Testimony?**

- 1 A. Yes. I would, however, specifically reserve the right to offer additional testimony or
- 2 supplement my testimony to address other matters or proposals which might arise.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was filed this 23rd day of October 2023. Parties of record will receive notice of this filing through DIS. Copies are also being e-mailed this date to the persons listed below.

/s/ Mark A. Whitt

Mark A. Whitt

cwatchorn@firstenergycorp.com
talexander@beneschlaw.com
mkeaney@beneschlaw.com
bknipe@firstenergycorp.com
khehmeyer@beneschlaw.com
Thomas.lindgren@ohioago.gov
Amy.botschnerobrien@ohioago.gov
Rhiannon.plant@ohioago.gov
John.finnigan@occ.ohio.gov
Connor.semple@occ.ohio.gov
mkurtz@bkllawfirm.com
kboehm@bkllawfirm.com
jkylercohn@bkllawfirm.com
trhayslaw@gmail.com
leslie.kovacik@toledo.oh.gov
emcconell@elpc.org
knordstrom@theOEC.org
ctavenor@theOEC.org
bojko@carpenterlipps.com
dborchers@brickergraydon.com
kherNSTein@brickergraydon.com
Cynthia.brady@constellation.com
Jesse.rodriguez@constellation.com
Mark.hayden@constellation.com
Brian.gibbs@nationwideenergypartners.com
dstinson@brickergraydon.com
gkrassen@nopec.com

todd.schafer@outlook.com
little@litohio.com
hogan@litohio.com
ktreadway@oneenergyllyc.com
jdunn@oneenergyllyc.com
trent@hubaydougherty.com
dwilliamson@spilmanlaw.com
cgrundman@spilmanlaw.com
slee@spilmanlaw.com
mpritchard@mcneeslaw.com
awalke@mcneeslaw.com
paul@carpenterlipps.com
Stacie.cathcart@igs.com
Evan.betterton@igs.com
Michael.nugent@igs.com
dproano@bakerlaw.com
ahaque@bakerlaw.com
eprouthy@bakerlaw.com
dromig@nationwidenergypartners.com
josephmeissner@yahoo.com
mjsettineri@vorys.com
glpetrucci@vorys.com
aasanyal@vorys.com
paul@carpenterlipps.com
mkl@smxblaw.com
jrb@smxblaw.com

**This foregoing document was electronically filed with the Public Utilities
Commission of Ohio Docketing Information System on**

10/23/2023 4:19:30 PM

in

Case No(s). 23-0301-EL-SSO

Summary: Testimony Direct testimony of Becky Merola on behalf of Calpine Retail Holdings LLC electronically filed by Mr. David Weru on behalf of Calpine Retail Holdings, LLC.