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OHIO RETAIL MARKET



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State Jurisdiction - Retail

- Local Distribution monopoly
- Cost of service rate making for Distribution services
- Market tests
- Standard Service Offer
- Retail Auction Oversight
- Competitive Retail Service Supplier Certification
- Retail Market Monitoring Reports - Quarterly

We also Perform:

- Wholesale market monitoring (Neural-network based monitoring tool)
- Generation Siting
- Transmission Siting



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Retail Markets

- Two Offerings:
 - Standard Service Offer (SSO) -- is the default option
 - Competitive Retail Electric Suppliers (CRES) are the competitive alternatives to the SSO
- Both retail constructs are derived from the wholesale market



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CRES

- **Competitive Retail Electric Supplier (CRES)**
 - CRES suppliers are certified by the PUCO
 - Must have the technical, managerial, and financial capabilities to conduct business in Ohio
 - Compete to attract customers from SSO
 - Flat-price offers for mass-market customers
 - Specific offers to larger commercial and industrial customers based on their unique energy needs (load profile) and cost of service
 - May own generation (or be affiliated)
 - May source energy from wholesale market



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SSO

- **Standard Service Offer (SSO)**
 - Default service for non-shopping customers
 - The price based upon the results of a competitive procurement auction
 - Declining clock auction



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SSO

- **SSO Auctions**

- Suppliers compete for right to serve default load
- Master Supply Agreement, approved by the PUCO, governs bidder requirements and product definition
- Independent auction administrator
- Bidders may own generation or obtain energy and capacity through wholesale market



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SSO

- **SSO Load** is divided into identical units called “tranches”
 - Each tranche represents one percent (1%) of the actual hourly energy required for SSO load for the applicable delivery period as well as one percent (1%) of the PJM capacity requirement
 - No bidder may win more tranches than the load cap
 - The PUCO has a load cap of 80%



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SSO Definition

- Full Requirements Service
 - Suppliers bid to provide energy, capacity, transmission service, and ancillary services
- Retail rates will be developed directly from the final auction clearing price
- Reconciliation mechanism ensures the distribution utility neither makes nor loses money related to the provision of SSO Generation Service



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SSO Auction Process

- If there are more tranches bid than the number of tranches needed at the current round price, the price for a product ticks down for the next round
- After each round a bidder may be able to:
 - Withdraw some tranches
 - Switch bids between products
 - Both withdraw and switch
- Auction ends when number of bids = tranche target
 - Sealed Bid Round for final true-up



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Example of a Declining Clock Auction

Illustrative Bidding in the Clock Phase							
Round	Tranche Target	Announced Price (\$/MWh)	Number of Tranches Bid				
			BidderA	BidderB	BidderC	BidderD	Total
1	100	\$75.00	34	55	21	72	182
2	100	\$70.00	30	55	15	50	150
3	100	\$66.00	20	52	10	45	127
4	100	\$62.00	15	48	0	44	107
5	100	\$59.50	0	48	—	42	90

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Where are we today

- Wholesale Markets – Regulated by FERC
 - Regional Transmission Operators
 - Capacity, Energy, and Ancillary Services Markets
 - Corporate Separation
- Retail Markets – Regulated by the PUCO
 - Corporate Separation
 - Competitive Electric Retail Suppliers
 - Default SSO Auctions



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Things that have not changed

- Same safe & reliable service
- Local utility still delivers the electricity
- Local utility still maintains the poles and wires
- Still call your local utility in case of a power outage
- Still get service even if customer chooses not to shop
- Low income programs continue





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An example of a quarterly market report

**Summary of Switch Rates from EDUs to CRES Providers in Terms of Sales
For the Month Ending September 30, 2013
(MWh)**

Provider Name	EDU Service Area	Quarter Ending	Year	Residential Sales	Commercial Sales	Industrial Sales	Total Sales
Cleveland Electric Illuminating Company	CEI	30-Sep	2013	111898	47911	50745	222189
CRES Providers	CEI	30-Sep	2013	358218	523740	474952	1357224
Total Sales	CEI	30-Sep	2013	470116	571651	525697	1579413
EDU Share	CEI	30-Sep	2013	23.80%	8.38%	9.65%	14.07%
Electric Choice Sales Switch Rates	CEI	30-Sep	2013	76.20%	91.62%	90.35%	85.93%

Provider Name	EDU Service Area	Quarter Ending	Year	Residential Sales	Commercial Sales	Industrial Sales	Total Sales
Duke Energy Ohio	DUKE	30-Sep	2013	329319	91944	11014	440894
CRES Providers	DUKE	30-Sep	2013	345453	496710	436008	1400139
Total Sales	DUKE	30-Sep	2013	674772	588654	447022	1840833
EDU Share	DUKE	30-Sep	2013	48.80%	15.62%	2.46%	23.94%
Electric Choice Sales Switch Rates	DUKE	30-Sep	2013	51.20%	84.38%	97.54%	76.06%

Provider Name	EDU Service Area	Quarter Ending	Year	Residential Sales	Commercial Sales	Industrial Sales	Total Sales
AEP - Ohio	AEP	30-Sep	2013	874661	275607	345055	1500235
CRES Providers	AEP	30-Sep	2013	325115	1022450	955226	2308353
Total Sales	AEP	30-Sep	2013	1199776	1298057	1300281	3808588
EDU Share	AEP	30-Sep	2013	72.902%	21.232%	26.537%	39.391%
Electric Choice Sales Switch Rates	AEP	30-Sep	2013	27.098%	78.768%	73.463%	60.609%

Provider Name	EDU Service Area	Quarter Ending	Year	Residential Sales	Commercial Sales	Industrial Sales	Total Sales
The Dayton Power and Light Company	DPL	30-Sep	2013	254084	57535	6656	364050
CRES Providers	DPL	30-Sep	2013	177866	279354	309108	845241
Total Sales	DPL	30-Sep	2013	431950	336889	315764	1209291
EDU Share	DPL	30-Sep	2013	58.82%	17.08%	2.11%	30.10%
Electric Choice Sales Switch Rates	DPL	30-Sep	2013	41.18%	82.92%	97.89%	69.90%

Source: PUCO, Energy & Environment

Note1: Total sales includes residential, commercial, industrial and other sales.

Note2: The switch rate calculation is intended to present the broadest possible picture of the state of retail electric competition in Ohio.

Appropriate calculations made for other purposes may be based on different data, and may yield different results.

Note3: "Total Sales" include "Other Sales" (e.g. street lighting).

Note4: CSP and OP have merged into AEP-Ohio

**Summary of Switch Rates from EDUs to CRES Providers in Terms of Sales
For the Month Ending September 30, 2013
(MWh)**

Provider Name	EDU Service Area	Quarter Ending	Year	Residential Sales	Commercial Sales	Industrial Sales	Total Sales
Ohio Edison Company	OEC	30-Sep	2013	219097	53694	140288	423767
CRES Providers	OEC	30-Sep	2013	548204	541379	576174	1665528
Total Sales	OEC	30-Sep	2013	767301	595073	716462	2090295
EDU Share	OEC	30-Sep	2013	28.55%	9.02%	19.58%	20.27%
Electric Choice Sales Switch Rates	OEC	30-Sep	2013	71.45%	90.98%	80.42%	79.73%

Provider Name	EDU Service Area	Quarter Ending	Year	Residential Sales	Commercial Sales	Industrial Sales	Total Sales
Toledo Edison Company	TE	30-Sep	2013	62029	17576	119115	202940
CRES Providers	TE	30-Sep	2013	156872	161823	407940	726681
Total Sales	TE	30-Sep	2013	218901	179399	527055	929621
EDU Share	TE	30-Sep	2013	28.34%	9.80%	22.60%	21.83%
Electric Choice Sales Switch Rates	TE	30-Sep	2013	71.66%	90.20%	77.40%	78.17%

Source: PUCO, Energy & Environment

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THANK YOU!