

March Madness: Ohio's competitive retail electric market, the freeze of Ohio's renewable and energy efficiency mandates and PUCO Chairman's last week

April 8, 2014

March proved to be an eventful month at the Public Utilities Commission of Ohio (PUCO) and state legislature. At the PUCO, an order was issued concluding its investigation into the health, strength, and vitality of Ohio's competitive retail electric service (CRES) market. This order was the last major order by PUCO Chairman Todd Snitchler, who leaves the position on April 10, 2014. March was also an important month at the statehouse, with new legislation proposing to freeze Ohio's renewable energy and energy efficiency mandates.

The PUCO's Investigation of Ohio's Retail Electric Service Market

The PUCO's investigation into the health, strength and vitality of Ohio's CRES market began in December 2012. At that time, the PUCO issued an entry presenting a series of questions to stakeholders regarding market design and corporate separation as they impact the health, strength, and vitality of the market. Over the next year, stakeholders, ranging from the electric distribution utilities, competitive retail electric suppliers, consumer advocates, industrial trade associations, and environmental groups, provided comments in response to the PUCO's inquiries.

On March 26, the PUCO issued an order with its findings, which included the following:

- As part of an effort to standardize the practices, processes and market rules of the Ohio electric distribution utilities, the PUCO determined that working group meetings should be scheduled to address agency market concerns in the newly-created Market Development Working Group.
- The PUCO adopted a definition of "effective competition" and a series of measurements as indicators of the health of the CRES market.
- The PUCO determined that, at this time, no further action that requires generation and competitive suppliers to be completely divested from transmission and distribution entities and to maintain their own shareholders is necessary. However, the PUCO did adopt additional compliance reporting requirements for any electric distribution utility that does not maintain separate shareholders with any affiliate generation or competitive supplier. Further, the PUCO found that each utility's policies and procedures relating to the code-of-conduct rules between affiliates should be audited every four years, with costs to be recovered by the utility as a normal operating expense.
- The PUCO did not alter the existing distribution utility-provided standard service offer as the default service for customers. However, the PUCO emphasized that, as customer awareness and participation increase, the reevaluation of the default service mechanism may be warranted.
- The PUCO ordered the electric distribution utilities that have deployed advanced metering infrastructure to file amendments to their tariffs to specify the terms, conditions and charges associated with providing interval customer usage data.

S.B. 310 Proposes to Freeze Ohio's Renewable Energy and Energy Efficiency Requirements

On March 28, 2014, Senator Troy Balderson (R – Zanesville) released a draft of Senate Bill 310 (S.B. 310) intended to significantly modify Ohio's renewable and energy efficiency standards, and to establish a study commission to further evaluate whether or not additional modifications are necessary, among other things. Eliminated are the benchmarks requiring annual increases of renewable energy provided by electric utilities and electric services companies to 12.5 percent of total electricity supplied to retail customers by 2025. Instead, S.B. 310 proposes a fixed requirement that 2.5 percent of the electricity that electric utilities and electric services companies supply to retail consumers must be from renewable resources. This is equivalent to the current 2014 level. No further increases would be required under S.B. 310.

Similarly, S.B. 310 also proposes to reduce the annual increases in energy savings that electric utilities must achieve. Instead of 1 percent annual reductions from 2014 to 2018 and 2 percent annual reductions each year thereafter, beginning in 2015, the new requirement would be for electric utilities to achieve an annual energy savings of 4.2 percent. S.B. 310 would no longer require the current benchmarks dating to 2025.

S.B. 310 proposes the creation of the Energy Mandates Study Committee to study Ohio's renewable energy, energy efficiency, and peak demand reduction mandates. The panel would consist of five members from the Ohio House of Representatives and five members from the Ohio Senate (with no more than three of five members from the same political party), as well as various appointed members of the committee, including representatives from utilities, an environmental organization, manufacturing and industrial customers, the Ohio Consumers Counsel, the small business community, the large business community and residential consumers.

Under S.B. 310, the proposed Energy Mandates Study Committee must produce a report no later than December 15, 2015, that includes, at a minimum, a cost-benefit analysis of the mandates, the impact to electric customers if the mandates were to return to their original levels, a recommended evidence-based standard for reviewing the mandates in the future, and a comparison of an opt-in system for the mandates in contrast to an opt-out system for the mandates. S.B. 310 contains no requirement that the renewable energy and energy efficiency requirements restart after the study.

PUCO Chairman Todd Snitchler Completes Term

PUCO Chairman Snitchler's last day at the PUCO is April 10, 2014, after he announced last January that he would not seek reappointment. On March 3, 2014, Ohio Gov. John Kasich named Thomas W. Johnson of Upper Arlington, Franklin County, to fill Chairman Snitchler's vacated seat and serve a five-year term on the PUCO to begin on April 11. During his 22 years of service in the Ohio House of Representatives, Johnson represented all or parts of Athens, Guernsey, Morgan, Muskingum and Washington counties. He is currently president of the consulting firm Ohio Strategic Advocacy Partners.

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