



S.B. 134

125th General Assembly
(As Introduced)

Sen. Carnes

BILL SUMMARY

- Affirms December 31, 2005, as the general termination date for the market development period that relates to the transition of Ohio's incumbent electric utilities and their customers to a competitive generation market.
- Declares an emergency.

CONTENT AND OPERATION

Background and existing law

The Electric Restructuring Law that became effective January 1, 2001, (primarily R.C. Chapter 4928.) declares that certain retail electric services are competitive services on that date, and eliminates, as of that date, the exclusive territorial franchises that the incumbent electric utilities had been granted by statute for those services, so those markets are open to any supplier.¹ The competitive services include, most importantly, electric generation service (electricity as a commodity to be supplied), and also services related to the operation of a competitive generation market: power marketing, brokering, and aggregation.

In addition, the Electric Restructuring Law provides for a "market development period" for the incumbent utilities and their customers. Under the Law, the period begins on January 1, 2001, for all the incumbent electric utilities

¹*The Law did not affect the exclusive franchises of the incumbent utilities to provide noncompetitive retail services, such as electric transmission and distribution, in their statutory "certified territories."*

and generally ends for those utilities on December 31, 2005.² (The Law does, however, provide an express, statutory exception authorizing the Public Utilities Commission (PUCO) to approve an earlier termination date affecting one or more customer classes of a utility, if the utility files an application with the PUCO for that authorization and demonstrates either that there is a 20% switching rate for the utility of the electric load of the particular customer class or classes, or that effective competition exists in the utility's certified territory (R.C. 4928.40(B)(2)).

Basically, the market development period is a defined transition period for addressing specific issues germane to services that previously had been regulated and to companies that had provided those services on a monopoly basis. Those issues addressed by the market development period concept concern (1) the receipt of any requested revenues that are attributable to certain utility costs incurred during regulation and that are derived from transition charges to be paid by Ohio consumers during the period, (2) a general cap on rates for electric service chargeable by the incumbent utilities during the period, (3) a 5% reduction during the period in the generation rates chargeable to residential customers by the incumbents, (4) "shopping incentives" authorized by the PUCO during the period to encourage a competitive generation market, (5) education initiatives by incumbents during the period to familiarize consumers with the restructured generation market, (6) standard service offers available from utilities during and after their market development period, and (7) competitively bid service after the market development period. Those issues applicable during the market development period must be addressed in a PUCO-approved "transition plan" for each utility. (R.C. 4928.31 to 4928.42.)

The bill's provisions

The bill makes the general declaration that no market development period can end prior to December 31, 2005, unless authorization has been given for an earlier termination date pursuant to the express statutory exception noted above and notwithstanding any provision to the contrary in an electric utility transition plan in effect prior to the bill's effective date (see **COMMENT** below). According to the bill, this declaration affirms that, as established in various statutes of the Electric Restructuring Law, December 31, 2005, is the termination date for the market development periods of utilities required under the Law to file transition plans.

² Existing law, unchanged by the bill, also allows a specified portion (the regulatory asset portion) of a transition charge, not limited by the market development period concept, to continue until December 31, 2010 (R.C. 4928.40(A)).

The bill also provides that it is an emergency measure necessary for the public peace, health, and safety. The reason for such necessity is to provide ready price and supply stability for electric consumers during the statutory market development period initiated for the purpose of assisting Ohio's move to a fully effective competitive market for electric generation service.

COMMENT

Prior to January 1, 2001, the PUCO approved transition plans for all of Ohio's incumbent electric utilities. Generally, those transition plans consisted of stipulations (settlement agreements) between signatory parties. In the case of both the Dayton Power and Light Company (DPL) and Monongahela Power, the PUCO approved plans that provided an earlier termination date than December 31, 2005, for their market development periods. In September, 2003, the PUCO issued an order extending the market development period for DPL until December 31, 2005; it previously was scheduled to end on December 31, 2003. The market development period for Monongahela Power currently is scheduled to end, for industrial and large commercial customers only, on December 31, 2003, both as to the transition charges and the capped, frozen rates payable by those customers. For other customers of Monongahela Power, and for the other incumbent utilities and their customers, the market development periods approved in their transition plan end on December 31, 2005.

HISTORY

ACTION	DATE	JOURNAL ENTRY
Introduced	10-07-03	p. 1070

s0134-i-125.doc/kl

