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Bill Analysis

Version: As Introduced

Primary Sponsor: Rep. Klopfenstein

Reid J. Fleeson, Attorney

SUMMARY

- Allows the Public Utilities Commission (PUCO) to approve nondiscriminatory demand reduction programs for residential customers and small commercial customers, including competitive retail electric service (CRES) customers, in a rate increase application.
- Allows an electric distribution utility (EDU) to create a voluntary demand response program (DRP) to lower demand at peak times for residential customers and small commercial customers, subject to PUCO approval.
- Permits an EDU to enter into an agreement with a residential customer or small commercial customer for the customer to participate in a DRP.
- Allows an EDU to take actions to reduce a participating customer's load at peak times, subject to an override by the customer.
- Requires an EDU to pay a fee on an annual or per event basis approved by PUCO.
- Allows an EDU or CRES provider to bid demand response reductions from the DRPs into the capacity market, but requires an EDU that does so to use revenue earned from such bidding to offset its DRP costs.
- Allows PUCO to approve a performance incentive for an EDU with a DRP based on savings generated.
- Requires PUCO to evaluate the success of, and make recommendations regarding, DRPs to the legislature not more than three years after the bill's effective date.

DETAILED ANALYSIS

Summary

The bill allows the Public Utilities Commission (PUCO) to approve nondiscriminatory programs for residential customers and small commercial customers that reduce demand at peak times in a rate increase application, and which must allow competitive retail electric service (CRES) providers to offer program access to their customers. Further, an electric distribution utility (EDU) is permitted by the bill, subject to PUCO approval, to create a voluntary demand response program (DRP) to lower peak demand. Several requirements are imposed on the DRP, as discussed below.

Peak demand reduction programs in rate increase applications

Current law allows PUCO, when considering an application for a rate increase, to approve certain programs, such as, for example, nondiscriminatory programs available for all energy-intensive customers to implement economic development, job growth, job retention, or interruptible rates that enhance distribution and transmission grid reliability and promote economic development.

The bill adds that PUCO may also approve, in a rate increase application, nondiscriminatory programs available for residential customers and small commercial customers that reduce demand at peak times for purposes of grid reliability or to help lower customer rates, including peak demand reduction programs created by the bill. Any programs to reduce demand proposed in an application to increase rates must include terms permitting certified CRES providers to offer their customers access to these programs.

While the bill states that the nondiscriminatory programs that reduce load at peak times includes "peak demand reduction programs" that are created by the bill, this likely means to refer to demand *response* programs (which is the term used in the remainder of the bill, as described below). If so, a corrective amendment may be needed to conform the terms.

Continuing law defines "small commercial customer" as any customer that receives electric service pursuant to a nonresidential tariff if the customer's demand for electricity does not exceed 25 kilowatts (kw) within the last 12 months. "Small commercial customer" excludes any customer that does one or both of the following: (1) manages multiple electric meters and, within the last 12 months, the demand for at least one of the meters is 25 kw or more, and (2) has, at the customer's discretion, aggregated the demand for the customer-managed meters.[1]

Demand response programs

The bill allows an EDU to create a voluntary DRP to lower demand at peak times for residential customers and small commercial customers. Each DRP must be evaluated by PUCO to determine if it is cost-effective for customers considering all of the following: (1) the need for demand reduction based on capacity prices, (2) the long-term savings to the grid, and (3) any other factors that PUCO deems appropriate. An EDU cannot offer a DRP unless it is approved by PUCO.

An EDU may enter into an agreement with a residential customer or small commercial customer for the customer to participate in the utility's DRP. The EDU can take actions to reduce a participating customer's load at peak times, such as increasing the temperature on the customer's air conditioner, reducing the temperature on the customer's hot water heater, or

[1] R.C. 4909.192 and 4928.106(A); R.C. 4928.101, not in the bill.

cycling other appliances. The customer may override the EDU's action to reduce the customer's load for any individual event, but an EDU can set rules that restrict a customer's future participation in the DRP if the customer overrides the EDU's action.

A customer participating in a DRP must be paid a fee by the EDU on an annual or per event basis approved by PUCO.[2]

Demand response reductions bidding into capacity market

An EDU or CRES provider may bid the demand response reductions from the utility's DRP into the capacity market of the regional transmission organization approved by the Federal Energy Regulatory Commission and having the responsibility for maintaining reliability in all or part of Ohio (currently PJM Interconnection LLC). An EDU that bids demand response reductions into the capacity market must use revenue earned from the bidding to offset its DRP costs. There is no similar requirement for a CRES provider that bid into the capacity market to use revenue earned to offset DRP costs.[3]

DRP performance incentive

The bill allows PUCO to approve a performance incentive for an EDU with a DRP based on savings the DRP generates.[4]

PUCO recommendations

PUCO is required, not more than three years after the bill's effective date, to evaluate the success of the DRPs and make recommendations to the legislature regarding bidding demand response into the capacity market and any other modifications to the DRPs that will enhance customer benefits.[5]

HISTORY

Action	Date
Introduced	08-28-25

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[2] R.C. 4928.106(B) to (H).

[3] R.C. 4928.106(I) and (J).

[4] R.C. 4928.106(K).

[5] R.C. 4928.106(L).