

In a five-part *Market Monitor Blog series* titled, “Electricity Pricing Breakdown,” we have highlighted the various cost components that drive the total price large commercial and industrial customers pay for electricity.

The series is designed to apply more broadly to the ERCOT, NYISO, NEPOOL, and PJM markets; however, the posting on transmission cost components (available [here](#)) covers a PJM-specific, non-energy pricing component included in the delivery portion of the energy bill: Network Integrated Transmission Service (NITS). In the article, we note that NITS is collected from load-serving entities and paid to transmission owners as compensation for the expense of owning and maintaining the grid.

In Ohio, NITS is currently handled differently in certain electric utility delivery areas than the rest of PJM. Over the past several weeks, we have received many inquiries from our customers in the state on how NITS charges are treated. In the interest of bringing clarity to one of the more confusing aspects of the Ohio market, we believe that it is worth looking more closely at NITS and the other transmission-related pricing components.

NITS fees cover the cost of PJM’s integration, planning, economic dispatching, and regulation of network resources to serve its network load – essentially, allowing for the delivery of non-firm energy purchases from generators over the grid to end-use customers. NITS accounts for roughly 5 percent of the total electricity price.

In addition to NITS, there are other transmission-related cost components collected by PJM, including:

- Generation Deactivation (aka Reliability Must Run)
- Transmission Enhancement Charges (TEC)
- Transmission Owner Scheduling, System Control, and Dispatch Service
- Reactive Supply and Voltage Control from Generation and Other Sources Service

In Ohio, PJM only bills NITS and the four other charges listed above to Competitive Retail Electric Suppliers (CRES) in the AEP Ohio utilities (Columbus Southern Power and Ohio Power).

Elsewhere in Ohio, PJM collects these charges directly from the utility in the First Energy Ohio (Toledo Edison, Ohio Edison, and Cleveland Electric Illuminating), Duke Energy Ohio (Cincinnati Gas & Electric), and Dayton Power & Light territories. Those utilities in turn collect from end-users through a non-bypassable rider that is applicable to both shopping and non-shopping customers.

### ***Why are NITS and the other transmission-related charges treated differently in AEP Ohio from the rest of the Ohio utilities?***

Each utility in Ohio has a separate Electricity Security Plan (ESP) that was filed with the Public Utility Commission of Ohio (PUCO) to allow for the transition from a regulated to a deregulated electricity market. ESP applications are filed largely independently from utility to utility and account for the different timelines along which these utilities expect to recover stranded asset costs.

PUCO has posted summaries of the various utilities’ ESPs [here](#).

AEP Ohio’s current effective ESP expires on May 31, 2015. Until that time, there is a Transmission Cost Recovery Rider (TCRR) that the utility uses to recover all PJM-assessed transmission costs from its non-shopping Standard Service Offer customers only. During this same period, CRES are responsible for collecting all PJM-assessed transmission costs from shopping customers in the AEP Ohio territory.

As part of AEP’s recent filing covering the time period beginning June 1, 2015, through May 31, 2018, AEP has proposed to the PUCO to eliminate the TCRR and replace it with a non-bypassable Basic Transmission Cost Rider for PJM-assessed, non-market based transmission costs for both shopping and non-shopping customers. Under this proposal, any market-based transmission costs would be incorporated into the Standard Service Offer auction product and CRES would be responsible for collecting them from shopping customers only.

According to testimony submitted by AEP in PUCO docket 13-2385-EL-SSO (available [here](#)), the Basic Transmission Cost Rider would include NITS, TEC, Reactive Supply and Voltage Control, Transmission Owner Scheduling, System Control and Dispatch Service, and Point-to-Point Revenues. The collection of these charges would become the financial responsibility of AEP for all customers. Under this proposal, any remaining transmission costs not listed above, such as Black Start and Expansion Cost Recovery, would be incorporated into the Standard Service Offer auction product for non-shopping customers and CRES would be financially responsible for collecting them for shopping customers only. *It is important to note that this proposal has not yet been approved and that the schedule for PUCO review extends through this summer.*

***Why should this distinction be important to you?***

If you are a customer in any of the First Energy Ohio, Duke Energy Ohio, or Dayton Power & Light service territories, you are neutral to this as either a shopping or non-shopping customer. Whether you receive electricity supply service as a SSO customer or through a CRES, your local utility collects the charges for NITS and other PJM-assessed transmission costs directly from you through the delivery portion of your bill.

However, in the AEP Ohio territory, since these charges are collected from CRES, it's important to know how those suppliers are treating this particular cost component – whether charges are included in the pricing or passed through at cost. If you are evaluating potential bids from different CRES, please be sure to ask how they handle NITS and these other transmission-related charges.