Energy Choice Background and History

1978 – Natural Gas Policy Act

From 1938 to 1978, the Federal government regulated only the interstate natural gas market. The Natural Gas Policy Act of 1978 (NGPA) granted the Federal Energy Regulatory Commission (FERC) authority over intrastate as well as interstate natural gas production. After market-distorting price ceilings for natural gas were eliminated, increased natural gas production resulted in a continuation of a downward price trend.

1985 – FERC Order 436

This order enabled interstate pipeline companies to offer transportation services separately from the sale of the natural gas commodity, a process known as "unbundling." This meant that gas utilities and end use customers could for the first time buy gas directly from producers or other parties.

1989 – Natural Gas Wellhead Decontrol Act

This act required all remaining price ceilings to expire by 1993 rather than the year 2000, as initially set by the NGPA in 1978. Congress expected this act would make wellhead prices for natural gas more accurately reflect market conditions and remove unintended price distortions left over from the NGPA.

1992 – FERC Order 636

This order required interstate pipeline companies to separate sales and transportation services completely to ensure that transportation services were equal in quality, whether the gas was purchased from the pipeline company itself, a marketer, or a producer. This gave all natural gas sellers equal footing in moving natural gas from the wellhead to the end user and increased competition under a more flexible market.

1997 – Energy Choice Pilot Begins

After years of offering transportation service to large industrial and commercial customers, The East Ohio Gas Company became one of the first gas utilities in the nation to allow residential and small commercial customers to purchase their natural gas directly from a marketer. Under its 10-county pilot program, East Ohio allowed those customers to purchase natural gas directly from suppliers at a rate other than the regulated Gas Cost Recovery (GCR) rate overseen by the Public Utilities Commission of Ohio (PUCO). About 33,000 customers eventually participated in the pilot Energy Choice program.

2000 – System-Wide Energy Choice Arrives

In October 2000, The East Ohio Gas Company expanded its Energy Choice pilot program to all eligible customers throughout its entire service territory. In each of the first three months, about 100,000 out of East Ohio's 1.2 million customers elected to purchase their natural gas from a marketer, making it one of the largest such programs in the country at the time.

2002 – Governmental Aggregation Begins

The signing of House Bill 9 introduced two major impacts to the natural gas market. The first was that all retail natural gas suppliers would need to be certified by the PUCO to conduct business in Ohio and the second was authorization of governmental aggregation for competitive retail natural gas service. This meant that consumers could shop with confidence and even assemble as a community or larger buying group to solicit a price lower than what they might receive as individuals.

2005 – East Ohio Gas Files to Restructure its Commodity Service

In order to better recognize East Ohio's role as a distribution company and to help foster a more competitive market by expanding retail choice options, East Ohio filed a transitional plan in which the non-market-responsive Gas Cost Recovery Rate would be phased out and a new Standard Service Offer (SSO) rate would be implemented. This not only encouraged suppliers to devote greater effort to compete in the market, but also helped to maximize the pool of customers receiving the commodity service from natural gas suppliers.

2006 – The Introduction of SSO

After approval from the PUCO, East Ohio replaced its GCR rate with the Standard Service Offer (SSO) rate effective October 12, 2006. Under the new SSO structure, East Ohio conducted an annual auction designed to establish a competitive rate for natural gas sold to those customers who did not participate in the Energy Choice program and was the first natural gas distribution company in the nation to introduce such a program. East Ohio continues to sell gas purchased in this manner to residential customers who are not eligible to participate in the Energy Choice program. The SSO rate changes every month and is based on the month-end closing price of natural gas on the New York Mercantile Exchange (NYMEX), plus the Retail Price Adjustment established in the auction.

2009 – The Introduction of SCO and MVR

As part of its continuing progression toward more competitive natural gas commodity service and once again being the first natural gas distribution company in the nation to do so, East Ohio introduced the auction-based variable rate option behind its Standard Service Offer to include choice-eligible customers. East Ohio gained PUCO approval to introduce Standard Choice Offer (SCO) and Monthly Variable Rate (MVR) commodity service. Under the SCO program, Dominion Energy Ohio conducts an annual auction overseen by the PUCO to determine a Retail Price Adjustment that is added to the NYMEX price in the same manner as SSO service. Customers who are eligible to participate in the Energy Choice program but have not chosen a supplier are assigned to a supplier providing SCO service to help them become accustomed to participating in the program. MVR service was available to those customers who previously participated in the Energy Choice program and whose supplier agreement was terminated without their selection of a new supplier. The MVR rates charged by participating supplier was not regulated by the PUCO but was capped by a supplier's lowest competitive monthly variable rate posted on the PUCO's Apples to Apples chart. East Ohio randomly assigned those customers to a new supplier at that supplier's MVR rate, unless the customer specifically requests an SCO rate.

2013 – SCO Exit for Large Volume and Nonresidential Accounts

In its effort to establish an even more competitive market, East Ohio became the first natural gas distribution company in the state of Ohio to request and receive PUCO approval to cease offering commodity service to Large Volume and Nonresidential customers. (DEO will continue to deliver the gas purchased by customers from retail suppliers.) While still able to participate in the Energy Choice program by selecting from available rate offers of certified suppliers, those customers were no longer eligible for SCO service. If the customers did not choose a supplier, East Ohio assigned them at random to an MVR supplier at that supplier's prevailing MVR. East Ohio agreed to evaluate the success of this "exit" before deciding whether to seek PUCO approval to expand it to residential customers.

2020 – Monthly Variable Rate Ends for Residential Customers

The MVR was a default rate that former Energy Choice customers, including those in an opt-in governmental aggregation program, were assigned if their contract expired and they did not reenroll with a new aggregation program or establish a new Energy Choice agreement. The MVR rate charge for gas usage was set by individual suppliers participating in the MVR option. Under a settlement agreement approved by the Public Utilities Commission of Ohio (PUCO) in Case No. 18-1419-GA-EXM, the MVR was phased out. The MVR option was eliminated in April 2020 for all residential and small nonresidential customers. Small nonresidential customers are defined as those using less than or equal to 200 Mcf per year.

2020 – Monthly Retail Rate Replaces the Monthly Variable Rate for Nonresidential Customers

The MVR option was replaced by the Monthly Retail Rate (MRR) commodity service in July 2020 for medium and large nonresidential customers. The settlement defines medium nonresidential customers as those consuming more than 200 Mcf per year and up to 500 Mcf of gas per year. Large nonresidential customers are those consuming more than 500 Mcf of gas per year.