



**Office of the Ohio
Consumers' Counsel**
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**Before
The Ohio House Energy Committee
Testimony on House Bill 427
(Authorize voluntary demand response program for certain customers)**

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On Behalf of the Office of the Ohio Consumers' Counsel

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Hello Chairman Holmes, Vice Chair Mathews, Ranking Member Rader, and Committee members. I hope you and your colleagues are well. Thank you for this opportunity to provide testimony. I am testifying as an interested party on House Bill 427.

My name is Angela O'Brien. I am the Deputy Director of OCC. OCC is the state agency that has been the voice for Ohio residential utility consumers for almost fifty years. I am testifying on behalf of Ohio's 4.5 million residential consumers.

H.B. 427 aims to enable electric distribution utilities to implement voluntary programs that reduce peak demand, potentially enhancing grid reliability and lowering costs for participants. While the OCC supports initiatives that promote cost-effective grid management and consumer benefits, we have concerns about the bill as drafted. These include vagueness in program definitions, potential cost shifting to non-participants, the role of competitive retail electric service (CRES) providers, and the Consumer Choice Billing Program. We urge the Committee to adopt amendments to address these issues and protect Ohio consumers from unintended consequences which could be rate increases and market distortions.

First, the definition of a "voluntary demand response program" in section 4928.106(B) needs tightening. As currently worded, it could allow utilities to propose a wide array of programs—such as weatherization, rooftop solar, community solar, batteries, or on-site generation—under the guise of demand response through a distribution rate proceeding. The legislation's intent appears focused on peak demand reduction through targeted actions like smart thermostats or appliance cycling, as outlined in section 4928.106(E). However, without clear limits, utilities could exploit this framework to engage in many programs that may impose additional uncapped charges on residential and small commercial customers. When consumers are facing an affordability crisis, it's important to minimize add on utility charges.

To remedy this, we propose an amendment to section 4928.106(B) that explicitly defines a voluntary demand response program as limited to the utility's actions in reducing peak demand, such as increasing the temperature on the customer's air conditioner, reducing the temperature on the customer's hot water heater, or cycling other appliances. No other demand response programs would be applicable under this section. This change would synchronize the definition with the utility actions specified in section 4928.106(E) and prevent unintended program expansions that could create additional costs for residential and commercial consumers.

Second, regarding funding and cost recovery, H.B. 427 requires utilities to use capacity market revenues from bidding demand response reductions (under section 4928.106(I)) to offset program costs (section 4928.106(J)). We support that concept. However, it fails to specify how costs exceeding those revenues would be handled. Since these programs are proposed in rate increase applications under section 4909.18, any shortfall could be collected through base rates from non-participating consumers.

Our proposed amendment would strengthen consumer protections by requiring that all program costs—including participant fees under section 4928.106(H), administrative costs, and any performance incentives under section 4928.106(K)—be recovered solely from capacity market revenues. No costs should be passed on to non-participating customers. Additionally, performance incentives should be based only on "net" savings after all costs are fully offset by market revenues. This approach incentivizes utilities to design efficient programs, ensuring true cost-effectiveness as evaluated by the Public Utilities Commission of Ohio (PUCO) under section 4928.106(C).

Third, the bill allows third parties (marketers) to bid demand response reductions from these programs into the capacity market (section 4928.106(I)). These providers do not fund or operate the programs, so they should not collect additional revenues from bidding reductions or collecting capacity revenues. This could distort the competitive market and undermine the program's focus on grid reliability. We recommend amending section 4928.106(I) to remove references to "CRES providers." This helps minimize the costs of the utility program, with the revenues offsetting the program costs, thus aligning with consumer interests in minimizing additional utility charges.

Finally, we strongly oppose the Consumer Choice Billing Program most recently introduced in the amended version of H.B. 427. The Consumer Choice Billing Program should be entirely removed from H.B. 427.

This program would be administered by the PUCO and funded by non-shopping utility consumers. It would allow marketers and third parties to bill for non-competitive electric distribution and transmission services—services currently handled exclusively by utilities.

This expands marketer interactions with consumers, increasing risks of manipulative or deceptive practices. Costs for this duplicative system would be passed onto non-shoppers through distribution rates, artificially inflating the standard service offer and pushing consumers toward potentially higher-priced marketer offers. This harms the standard service offer safety net that Ohio families and businesses rely on. Marketers should bear their own billing costs, not shift them to consumers who choose not to obtain service from them.

H.B. 427 has the potential to encourage voluntary, cost-effective demand response which can help reduce the need for power. Adopting the OCC's proposed amendments would make the bill better for the consumers (residential and commercial) who will pay for these efforts.

We are happy to work with the sponsor and Committee to refine the bill and answer any questions.