

## Ohio Senate Energy Committee

### Proponent Testimony on Substitute Senate Bill 2

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*Chairman Chavez, Vice Chair Landis, Ranking Member Smith, and Members of the Senate Energy Committee:*

I am Austin Mitchell, Co-founder & CEO of Synota Inc., a software company headquartered in Worthington, Ohio, focused on energy finance solutions. I support Substitute Senate Bill 2, specifically Sections 4928.104, 4928.105, and 4928.106. These amendments address critical inefficiencies in Ohio's competitive retail electric service (CRES) framework. These amendments improve risk management in Ohio's energy market and increase choice for mercantile customers. My testimony outlines the current system's limitations, the amendments' targeted solutions, and the amendments' benefits to all market participants.

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#### The Current System: Constraints and Risk Allocation

Under Ohio's existing regulatory structure, as governed by the Ohio Administrative Code (OAC) and utility tariffs, CRES providers face significant operational and financial challenges when serving mercantile customers—large commercial and industrial users with high energy demands. These challenges stem from rules that limit billing flexibility and risk management options:

- **Billing and Payments Constraints:** OAC Rule 4901:1-21-14 requires suppliers to issue invoices with a minimum 14-day payment term. This rule forces suppliers into extended credit cycles, especially when combined with utility billing cycles and processing delays. Suppliers cannot adjust these credit cycles through customer-specific agreements even when it would be in their customers' best interest.
- **No Disconnection Authority:** OAC Rule 4901:1-21-15 prohibits CRES providers from requesting disconnection for non-payment by mercantile customers. If a customer fails to pay, suppliers' only recourse is to terminate the contract, returning the customer to the utility's standard offer service. The supplier remains responsible for energy procured on the customer's behalf, with no mechanism to enforce payment short of legal action.

These rules burden suppliers with excessive risk, compelling them to impose high collateral on mercantile customers, which increases costs and restricts competitiveness.

## The Amendments: Targeted Solutions

Sections 4928.104, 4928.105, and 4928.106, which ONLY apply to mercantile customers in dual-billing and supplier consolidated billing, introduce precise changes to address these issues:

- **Section 4928.104 – Flexible Billing and Payment:** Permits suppliers to negotiate the billing process and payment schedules directly with mercantile customers, empowering both parties to optimize credit and manage cash flow.
- **Section 4928.105 – Disconnection Authority:** Permits suppliers and mercantile customers to negotiate disconnection timeline for non-payment and authorizes suppliers to request utility disconnection. This authorization is essential to enforcement of contract terms and protects utilities from liability.
- **Section 4928.106 – Usage Data Access:** Mandates utilities provide timely interval usage data for mercantile customers, enabling shorter billing cycles and proactive risk management.

These provisions enhance the market by giving suppliers the tools to manage their risk and relationships with mercantile customers directly. The goal is alignment—ensuring risk is managed by the party best positioned to address it.

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## Benefits to Stakeholders

The amendments deliver concrete benefits:

- **Suppliers:** Reduced credit risk and faster cash flow allow suppliers to cut collateral requirements, freeing capital and enabling more competitive rates.
  - **Mercantile Customers:** Lower collateral—potentially millions per customer—releases working capital for operational or strategic use, as well as improved pricing.
  - **Utilities:** By empowering suppliers with data and authority to enforce contracts, utilities reduce the volume of uncollectible accounts they must recover through rates.
  - **Ohio’s Energy Market:** Enhanced supplier efficiency strengthens competition, benefiting the state’s industrial and commercial sectors, a cornerstone of our economy.
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## Daily Payments in Texas

Synota works with the leading energy suppliers and serves dozens of large energy consumers in Texas, where both suppliers and large consumers have the freedom to choose billing, payment and disconnection terms that align with their business objectives. Today, many large energy consumers are choosing to pay daily. Why?

- Post 80-90% less collateral, preserving potentially millions of dollars in working capital for operational and strategic uses.
- Pricing can improve 10-20% due to lower supplier risk premiums and carrying costs.

Ohio's mercantile customers—vital to our industrial and economic base—deserve these same efficiencies. Sections 4928.104, 4928.105, and 4928.106 provide these benefits while also reducing the risk and costs for utilities, suppliers and rate payers.

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## Conclusion

Sections 4928.104, 4928.105, and 4928.106 of SB 2 offer a practical solution: they allow energy suppliers to lower collateral for mercantile customers in dual billing and supplier consolidated billing arrangements. This reduces costs, improves flexibility, and bolsters Ohio's competitive energy market. Synota stands ready to support this transition with innovative financial tools, however, the core value lies in the market-wide efficiency these amendments unlock.

I urge the Committee to pass SB 2 with these sections intact. I appreciate your time and would be happy to answer any questions from the committee.

Sincerely,

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