Energy Choice Matters

Texans' Power to Choose Strengthened

The PUCT's PowerToChoose.org retail power website is "better than ever," Chairman Barry Smitherman beamed yesterday in rolling out new features to the site now run by the PUCT.

The PUCT took over the site internally after it discovered late last year the previous vendor has side-arrangements with several REPs. Initially the site lost some functionality causing customer and REP complaints, but the PUCT worked diligently to bring back what made the old site great while adding new enhancements.

Customers again have the option to go directly to a price list specific to their TDSP territory via a single click of the mouse. Some customers had complained that the PUCT's interim site made it too hard to find the price comparison charts.

The PUCT's new tools also let customers manage a "problem" unthinkable in other restructured states – having too many residential offers for customers to cull through. Some 100 individual products are listed in the larger service territories.

The PUCT created tools to let customers narrow the products listed by contract structure (fixed or variable term), green power percentage, a customer-determined range of prices, and a customer-determined length of term. Customers can also choose to see only the offers from a specific REP they're interested in.

"Customers should be diligent shoppers," said Commissioner Paul Hudson. "If you are confused, ask questions. If the answers you get are unsatisfactory, shop elsewhere."

Gaming Forces ISO-NE to Change Demand Response Price Floor

A plan by ISO New England to curb what it sees as "phantom" demand response drew a sharp rebuke from industrials and demand response providers at FERC yesterday.

The ISO thinks the current fixed minimum offer level of $50/MWh in the Day-Ahead Load Response Program (DALRP) facilitates strategic behavior that has permitted participants to exaggerate load reductions.

The ISO wants to raise the minimum offer for DALRP load reductions to $121/MWh, which is based on the implicit heat rate in the original $50 floor but updated to include today's gas prices. The higher price would mean fewer DALRP offers would clear as cheaper generation would be used to meet demand.

"If left unchecked, customers could pay millions of dollars in energy and capacity payments for non-existent load reductions, which would undermine the integrity of the New England demand response programs," the ISO said.

The ISO asked FERC to accept the change on an expedited basis, waiving the usual 60-day comment period. The ISO started using the new minimum offer yesterday for today's operational day.

In doing so, the ISO told FERC it cannot re-run the operating days' results should FERC decide to reject the ISO's change and thus the ISO could not give refunds to affected DALRP participants.

The minimum price of $50/MWh was set in 2003 and has not been changed to reflect higher fuel costs, the ISO explained.

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Surges and Circuits

A weekly review of what's up and down in energy markets.

Power Surges

Tara Energy: We won't pretend to know what the ROI for their televised Superbowl ad in Houston, Dallas and Austin will be, but we're always going to reward innovation. More importantly, customers (for the most part) believe airline and telecomm deregulation have worked because they encounter new offerings and products from service providers every day on television, radio, billboards, in newspapers, or in other mass media. For customers to buy into the choices electric restructuring offers them, we think they have see or be touched by those choices just as often, and campaigns like Tara Energy's Superbowl ad need to become pedestrian, not innovative.

Connecticut, Illinois, Texas Retail Markets. All three saw applications or rulings which would bring new competitors into the markets, which is always good thing.

Short Circuits

Maryland: This year is making 2006 seem like a pretty reasoned and sane time. We don't know the end game for the state but are confident it won't please anyone. While no party is distinguishing themselves as right on the debate, the PSC's focus on a twice-upheld restructuring settlement appears desperate and more in-line with political cover than actually addressing the state's high rates. Remember when Gov. Martin O'Malley was asking stakeholders to come up with ideas to lower SOS prices. Now his PSC is engaged in what will likely be a fruitless exercise of trying to "fix" the 1999 settlement. If policymakers really wanted to "stick it" to BGE, they would do ratepayers a bigger favor by examining BGE policies that hinder switching to lower-cost providers and the entry of retail suppliers who may be able to offer lower prices. The sitting PSC doesn't deserve all the blame for inaction, but even the imperfect compromise solution to bad debt and enrollment challenges still awaits final approval (RM17). Meanwhile, residential customers in Illinois and Connecticut are seeing new products and offers and are getting choices to avoid high SOS prices.

Competitive Energy Efficiency: Competitive retailers still struggle to demonstrate their relevance in one of the hottest energy issues in the past year: energy efficiency. Retailers' mass market efficiency offerings are lean (HVAC bundling being one of the few products), while utilities continue to assert their dominance in the field, with two announcing new websites this week to give customers more information on efficiency and savings.

Single Megawatt a Big Deal to Wholesale Marketer

Transmission service providers offering service on the Phase I/II HVDC Transmission Facilities have got the process to award "residual" megawatts backwards, H.Q. Energy Services (Hydro Quebec's US marketer) told FERC (docket ER08-54-001).

At stake are just a few megawatts of transmission that arise when a service provider on the Phase I/II line (the largest tie between Quebec and New England) has an amount of transmission capacity that can't be evenly divided among those requesting service.

In November during the initial use of the five-minute window for reserving transmission service on Phase I/II, service providers ran into trouble when they were left with service requests that could not be equally divided, yet had no tariff provision to deal with the residual megawatts, HQ noted.

NSTAR, for example, had 179 MW to award between two parties. One party received 89 MW, while the other received 90 MW, HQ reported.

Since then, service providers have proposed to FERC awarding such residual megawatts to the last customer requesting service.

FERC Orders 890 and 890A don't address residual megawatts and the service providers did not provide justification for their proposal, HQ argued.

HQ thinks awarding the residual megawatts to the party first requesting service in the window would be a "much more equitable solution." Awarding residual megawatts to those coming last would create an incentive for parties to submit service requests at the last possible moment, HQ noted.

Awarding residual megawatts to the first party requesting service is "much more in line with the spirit of Order 890 and general Commission policy to award transmission on a first-come, first-serve basis," HQ wrote.

"While this could seem like a trivial matter, for a multi-year transmission request with rollover rights, a single megawatt of transmission capacity can be worth millions of dollars," HQ explained.

South Jersey Energy Close to Conn. License

The Connecticut DPUC staff recommended approving South Jersey Energy's application for an electric supplier license yesterday. South Jersey applied to serve C&I customers to the entire state, marketing as Halifax American Operating Company. It expects to serve four industrial customers with 4 MW of load using 20,000 MWhs its first year of operation in Connecticut. South Jersey intends to supply customers by buying shaped products from Emera Energy and spot purchases from ISO New England.

As of December 31, 2006, South Jersey marketed natural gas and electricity to approximately 15,500 customers, which consist of approximately 85% residential gas customers and 15% commercial and industrial customers, the DPUC reported. The retailer serves 100 MW of load in New Jersey, 10 MW in Maine and 2 MW in New Hampshire; all of the load being commercial and industrial South Jersey is licensed in Maine (electric), Maryland (electric), Massachusetts (electric), New Jersey (electric and gas), Pennsylvania (electric), New Hampshire (electric) and Rhode Island (electric). South Jersey employs 35 full time employees with up to five to be dedicated to Connecticut operations. A final DPUC decision is due Feb. 27.

Md. PSC Sees Higher Value for Solar RECs

The Maryland PSC thinks this year's new requirement for a solar component to RPS will boost the value of solar RECs and lead to the development of increased solar generation, it revealed in a report to state lawmakers.

Given the established compliance payment alternatives, the PSC anticipates that the market value of the Tier 1 solar RECs will be significantly higher than the value of standard RPS Tier 1 and Tier 2 RECs, thus encouraging solar development.

Larger commercial solar installations are expected to have an advantage in terms of solar REC production over their smaller commercial and residential counterparts, the PSC added. Economies of scale will make large projects more affordable on a per kW basis. In addition, their RECs may be more attractive for sale as electric companies and suppliers will be more apt to purchase larger blocks of RECs from a single seller. An aggregator of solar RECs may aid smaller installations in meeting this REC sourcing preference, the PSC suggested.

About half of RECs used to meet Maryland's RPS in 2006 came from hydropower, the PSC reported.

The vast majority of that total (42%) came from Tier 2 hydropower resources. About 20% of RECs came from municipal solid waste facilities.

Most RECs (35%) came from Pennsylvania generation, including 54% of Tier 1 RECs. Maryland power plants were the second-most used source for RECs overall at 20%.

Maryland retail load serving entities filed 1,874,943 RECs with the PSC while the PSC calculated only 1,855,000 RECs were needed to meet RPS.

A total of 552,874 Tier 1 RECs were used to meet Tier 1 RPS obligations and 1,322,069 Tier 1 and Tier 2 RECs were used to meet Tier 2 obligations for all retailer suppliers, brokers and utilities. The total for all compliance fees paid was $38,209.45.

Briefly:

Centrica Working on Mass Market Fuel Cells

Direct Energy's parent Centrica intends to sell home fuel cell units that can produce heat and electricity in two-to-three years. Initially the fuel cells will be offered in the UK but Centrica is working with developer Ceres Power Holdings to sell the units in North America. The solid-oxide fuel cell technology, "could enable North American homes to become mini -power stations which generate their own electricity," Centrica said.

APX Comes to NY

APX opened a New York office to expand its geographic reach and solidify its position in the creation and tracking of carbon certificates. The locale will give APX a physical presence in the Regional Greenhouse Gas Initiative states and closer proximity to the capital markets.

New Filer Due at FERC

FERC intends to release a new version of its electronic filing system on Feb. 29. The new version will greatly expand the documents eligible for e-filing and will eliminate the need for most of the special filing procedures currently posted on the Commission's web site, the agency said. The new version will also include the new prefix "NP" for dockets established for Notices of Penalty by NERC.

ISO-NE DALRP .... *From 1*

The ISO thinks the price is too low and allows DALRP bids to clear well below the market's clearing price.

When the $50 minimum was first proposed, wholesale energy prices exceeded $50 less than 12% of the time, the ISO explained. Now day-ahead LMPs exceed $50 84% of the time.

That has allowed a DALRP participant offering load reductions at $50/MWh to clear every eligible day since Jan 1, 2007 -- a "clearly unintended result," the ISO argued. The ISO reminded FERC the DALRP was designed so offers only cleared when LMPs were exceptionally high.

The low minimum price is allowing customers to game the program, the ISO accused. The ISO measures load reductions by comparing a DALRP customer's load to a 10-day baseline established by the ISO. The baseline excludes days the customer is called to shed load in order to determine their true energy use.

The problem, the ISO noted, is that the low $50 minimum price is producing static baselines that have not been updated for months, as customers keep being called to shed load based on the $50 price and high LMPs. With customers knowing they will have a static baseline, they can leave the program for 10 days, establish an artificially high baseline, then re-enter the program and use their normal, lower amount of power while being paid for using less than their baselines — even though the customer is not taking any action to reduce load, the ISO warned.

For the last four months, almost 60% of assets clearing in the DALRP had a static baseline, the ISO revealed, representing nearly 75% of the cleared megawatts in the program.

The ISO found "clear evidence" that some customers intentionally inflated their baselines to reap payment for phantom reductions.

For example, the ISO identified a customer that had a consistently flat consumption and a baseline of approximately 12 MW for the period June 2006 through early July 2007. The customer then entered the DALRP in July 2007 and established a new baseline with a distinctly different profile than the customer's behavior immediately prior to enrolling. The new baseline showed an increased load during the hours 7:00 a.m. to 6:00 p.m., which are also the DALRP eligible program hours. After establishing the new baseline, the customer entered an offer in the DALRP for the August 1, 2007 operating day of 3 MW at $50/MWh and began clearing every weekday.

The customer's load pattern then returned to the same flat pattern exhibited before joining DALRP, allowing, the ISO accused, the customer to collect inflated energy and capacity payments every day for over six months apparently without taking any action to actually reduce load below normal levels.

Total DALRP payments have grown almost tenfold in one year, the ISO added, from $1.74 million in 2006 to $16.8 million in 2007. Over half of those payments ($8.7 million) went to customers with static baselines.

But static baselines don't necessarily mean customers are gaming the DALRP, the Maine-based Industrial Energy Consumer Group told FERC. Static baselines can result from permanent load shifting, the industrials pointed out, explaining that several members have invested significantly to move operations to off-peak hours. While such demand reduction is not observable on an hour-to-hour basis when DALRP clears in the market, the demand reduction is no less real, industrials said.

The ISO failed to justify the need for "emergency" action, industrials added, noting the alleged behavior does not manipulate Day Ahead clearing prices, does not involve the exercise of market power, and does not threaten reliability. Therefore, expedited review at FERC isn't warranted, they said.

Demand response provider EnerNOC also objected to the ISO's rush to change the rule. While the ISO admitted knowing about the potential gaming since the fall of 2007, it waited until this week to seek a change at FERC but now is trying to rush the change through, EnerNOC argued.

Since the ISO would not be able to reconstruct market outcomes after making the change, if FERC ultimately finds the ISO's change to be unjust and unreasonable, "the protections afforded market participants in the [Federal Power Act] would be eviscerated," EnerNOC added.