Energy Choice Matters

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Suez Partners with Two Demand Response Firms to Grab Bigger Share of Market

Banking on winning a bigger share of large C&I customers looking to manage their energy usage, Suez Energy Resources NA (SERNA) has dramatically expanded its demand response offerings by entering strategic partnerships with Microfield's EnergyConnect and Comverge's Enerwise.

Large customers simply expect more flexibility today, as retailers compete to offer a suite of energy management products, explained Randy Lennan, Director, Sales Development for SERNA.

It's a "really, really big market," Lennan reminded, with cost-effective demand response able to reach about 5% of the U.S.'s peak demand. That's 37,000 MW, and current demand response enrollments (at 15,000 MW) are only half that target.

In other words, there's a lot of room for growth, Lennan told us.

And with advancements in technologies that lower demand response costs, load reductions could account for even more megawatts, perhaps up to 20% of the nation's peak, he added.

Suez had been providing demand response and other energy management services on a customized basis when customers asked for it, he noted.

But now demand response is "getting to be a big deal" and more customers are seeking energy management to lower prices paid for forward capacity and transmission congestion, Lennan added.

Suez spent six months evaluating how it could expand its demand response products and integrate them with its sustainability product offerings such as renewable power and carbon offsets.

Suez will partner with EnergyConnect in PJM while working with Enerwise on back-office and technology support for demand response products in New York, New England and Texas.

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PPL, Generators Predict Harm if Rate Cap Extended

Utilities and generators warned Pennsylvania lawmakers that extending remaining rate caps at five utilities would threaten reliability while leading to higher prices.

Special Session House Bill 54 would extend rate caps at six utilities until January 2013. Caps are due to come off Dec. 31, 2009 at PPL and Dec. 31, 2010 at Met-Ed/Penelec (First Energy), PECO (Exelon) and West Penn Power (Allegheny). Caps have already expired at Duquesne Light, Penn Power (First Energy), Pike County (Orange & Rockland/ConEd), UGI Utilities, Citizens Electric and Wellsboro Electric.

"The absence of any meaningful check on the prices for power in Pennsylvania means that, after rate caps expire, prices will continue to rise to the point that residents and businesses will no longer be able to pay their electric bills," said PUC Commissioner Tyrone Christy. "The competitive wholesale market is broken and needs to be fixed," he added.

But passage of the bill, "would result in financial instability for Pennsylvania's electricity delivery companies, threatening reliability for customers," PPL Electric Utilities President David DeCampli told the House Environmental Resources and Energy Committee.

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MISO Defends Placing Forecast Onus on LSEs

Load serving entities, including competitive retailers, are best able to conduct load forecasts, the Midwest ISO told FERC in answering comments on its Resource Adequacy Requirements (RAR) proposal (ER08-394).

Competitive retailers such as Integrys Energy Services and Reliant Energy had complained that requirements for LSEs to develop load forecasts weren't specific enough, and opened the door for widely different approaches and assumptions.

The ISO recognizes that load forecasts by LSEs are "just estimates" and noted most forecasts are made on a 50/50 probability basis.

Thus MISO intends to be "flexible" in implementing forecast requirements but stressed it won't permit gaming or "intentional under forecasts" by LSEs.

The system operator clarified, at retailers' request, that a "statistically significant" deficiency in forecasting means rejection of the null hypothesis that the "actual load falls within the expected load" plus or minus 2 standard deviations.

MISO rejected calls from retailers including Dominion Retail and Strategic Energy that local balancing authorities or distribution utilities should develop load forecasts, since competitive retailers do not develop their own forecasts because of customer churn and the short-term nature of customer contracts. Reliant favored using forecasts from local balancing authorities since they can better coordinate metrics, such as historical loads, used in developing forecasts.

But the ISO believes that LSEs themselves "are in the best position to evaluate and determine such information," needed for forecasts.

In doing so, MISO rejected a centralized, ISO-directed approach used in PJM and ISO New England. Those RTOs, MISO reminded, have forward capacity markets where, if the RTO incorrectly forecasts anticipated peak load, the costs are borne by all LSEs in the RTO.

The Midwest ISO thinks centralized planning for load forecasts isn't needed since it is not developing a capacity market.

"Particularly in retail choice states, the Midwest ISO does not have the capacity to develop Load forecasts as accurately as could be achieved by the affected LSEs," the ISO told FERC.

The ISO defended its plan to "shame" LSEs into providing accurate forecasts by posting routine offenders on its website. Similar shaming measures at the California ISO drastically reduced untimely submissions of schedules, MISO noted. The ISO stressed the shaming provisions won't replace financial settlement provisions to be filed with FERC by June 25.

ERCOT Glitch Divulged Protected Data

ERCOT has corrected a glitch that allowed a QSE to see another QSE's confidential resource plan, the ISO told the PUCT in a notice detailing the protocol violation (project 27706).

On Jan. 11 a market participant told ERCOT is received a "Not Accepted" (NAK) message from ERCOT that disclosed all of the information contained in another QSE's Resource Plan, including highly-sensitive protected information under ERCOT Protocol § 1.3.1.1 (3) and (11). Those protocols protect against disclosure of the status of resources (including outages), as well as resource specific costs, design and engineering data.

ERCOT determined the situation resulted from an application error when two Resource Plans were submitted at the exact same millisecond causing the misdirection of the Resource Plans. The problem, ERCOT found, has occurred "sporadically" in the past.

ERCOT began an interim fix around Jan. 16 by sending out NAK messages that only state that a Resource Plan has been rejected without including protected information. NAK messages are still occasionally being misdirected to the wrong QSEs, now without confidential material, and ERCOT is working on a permanent solution.

Constellation Opposes MBR for Dynegy Regulation Service

Dynegy Power Marketing's market-based rate (MBR) for regulation services is not lower than the cost-based rates of Ameren, Constellation Energy Commodities Group and Illinois municipals told FERC yesterday (ER08-356).

Dynegy has asked FERC for a waiver to let it sell 25 MW of regulation service to Ameren Illinois Utilities, as won in an RFP, at market-based rates. Constellation objected, arguing Dynegy did not show a need for a waiver and did not show that competitive conditions existed to permit prices above the cost-of-service rate set in an earlier Ameren settlement. Dynegy considered Constellation's arguments moot since it claimed an Ameren compliance filing would show its market-based rates would be lower than the Ameren regulated rate.

The Ameren utilities had issued an RFP for 75 MW of regulation that attracted three bidders: affiliate Ameren Energy Marketing (which must sell at a cost-based rate), Dynegy, and an undisclosed third bidder that was disqualified because it was not located in Ameren Services Balancing Authority. Ameren Energy Marketing bid 50 MW as did Dynegy, meaning the Ameren utilities had to accept the Dynegy bid to fill its 75-MW need.

Dynegy and Ameren Energy Marketing were the only two bidders in the prior year's auction for regulation as well, Constellation noted, arguing the lack of bidders and RFP results "strongly suggest that there is not a competitive market for Regulation within the Ameren Illinois Utilities Balancing Authorities."

Constellation sees "no basis to conclude that the winning bids in the 2008 RFP were disciplined sufficiently by competition to grant Dynegy's waiver request."

According to a compliance filing, Ameren Energy Marketing's bid is estimated to result in a charge of $316,163/MW-year and a total annual cost of $15,808,150 for 50 MW of Regulation ($7,904,075 per 25 MW of Regulation).

The Dynegy bid, Constellation pointed out, would result in a charge of $366,144/MW-year and a total annual cost of $9,153,600 for 25 MW of Regulation.

Thus Dynegy's position that its market-based rates for regulation would be lower than the regulated Ameren rate, "appears to be incorrect," Constellation claimed.

In fact, Dynegy's bid will cost customers approximately $1.2 million more per year for the same quantity of regulation, Constellation calculated, although the rates are only to last until the June 1 start of the Midwest ISO Ancillary Services Market so the cost would only be $520,000. The Illinois Municipal Electric Agency came to the same conclusion.

But part Dynegy's price is a variable charge reflecting the higher of day-ahead or real-time MISO prices, so the costs could be higher, Constellation added.

Since Dynegy's rates "are not disciplined by any cost-based rates," Dynegy's rate should be capped at the Ameren rate, the Illinois munis argued.

Suit Prompts Swift Response from Energy Savings

CONTINUING COVERAGE

U.S. Energy Savings is taking immediate actions to address the allegations contained in a lawsuit from Illinois Attorney General Lisa Madigan (Matters, 2/12/08). As a result of recent complaints, Energy Savings told us it called immediate sessions with its independent sales trainers and agents to re-affirm the retailer's requirement for those individuals to adhere to a clearly defined code of conduct.

Energy Savings terminated the national distributor in charge of four Chicago offices and suspended a regional distributor and a crew manager pending completion of its review of the complaints. Energy Savings increased penalties for any member of the sales team that is found to have stepped outside its code of conduct and is locating one of its executives to Illinois for an indefinite period until it is satisfied that concerns being raised there have been addressed.

Briefly:

Exelon's Rowe Favors Auction for GHG Allowances

Exelon CEO John Rowe yesterday urged federal policymakers to implement a cap-and-trade system for greenhouse gas emissions and argued that any system should ensure allowances do not produce economic windfalls. Of course, Exelon has a large, low-carbon nuclear fleet and would need fewer allowances than competitors with many coal-fired plants. Free allowances to generators would diminish nuclear power's cost advantage in a carbon-regulated world. Rowe suggested auctioning allowances or assigning them to local distribution utilities based on customers served. Rowe stressed that the transition to a low-carbon economy requires a continuing commitment to competition that allows markets to choose the most cost effective solutions. "The competitive market system is the single most important weapon in the fight against climate change," Rowe said. "Ultimately, if policymakers abandon market principles it will cost consumers three times as much to reduce or displace carbon."

Penn. House OKs Smart Meters, Conservation

The Pennsylvania House of Representatives yesterday passed HB 2200, 152-45, which would require utilities to give all customers advanced meters within a decade. But making customers pay for the meters has raised some criticisms in the Senate where the bill now heads. The legislation would also make utilities cut energy use 2.5% by 2013 and reduce demand by 4% during 100 peaking hours. The measures will help customers save up to 20% on bills, said Citizens for Pennsylvania's Future CEO John Hanger.

Microfield Posts Loss Despite Big Revenue Jump

Microfield reported a loss from continuing operations of $4.3 million for 2007 compared with a $1.5 million profit in 2006, although the 2006 number included a one-time, non-cash gain of $8 million from warrant liability re-measurement. Demand response revenues from subsidiary EnergyConnect were up big, though. EnergyConnect collected $12.6 million from demand response service last year versus $3.2 million in 2006, a four-fold gain. EnergyConnect credited new customers, higher revenue from existing customers and new products for the $9 million gain. But sales, general and administrative costs for 2007 rose to $8.4 million from $6 million in 2006, attributed to higher overhead and expenses at EnergyConnect as the demand-response provider builds its revenue base.

Unistar Tells NRC of Potential NY Site

Although a final decision on location hasn't been made, Unistar, the Constellation Energy-EDF joint venture, notified the NRC it plans to submit a Combined License (COL) application late this year for a potential new reactor at Constellation's Nine Mile Point plant in upstate New York. Unistar had previously submitted a partial application for a new unit at Constellation's Calvert Cliffs Maryland facility and intends to complete that application in March. UniStar is also working with PPL, AmerenUE, Alternate Energy Holdings (AEHI) and Amarillo Power to develop potential nuclear plants in Pennsylvania, Missouri, Idaho and Texas.

Mich. PSC OKs More Mills for Detroit Ed

The Michigan PSC OKd Detroit Edison's proposed true-ups of securitization charges (Case U-12478). Detroit Edison will bump the bond principal and interest securitization surcharge from 3.66 mills/kwh to 3.71 mills for the year March 1, 2008 through February 28, 2009. The PSC approved a slight boost in bond tax surcharge as well, from 1.21 mills/kwh to 1.31 mills for the same period. The PSC also closed a docket investigating Detroit Ed's and Michigan Consolidated Gas's (collectively DTE) estimated meter readings. The PSC had opened a review of DTE's meter reading practices in 2003 after a high number of complaints, but complaints have subsided as DTE addressed the issues. Over the past five years, DTE's monthly meter read rate has ranged from 88% to 97%, exceeding the mandated average of 85%, abrogating the need for the docket (Case U-13699).

Suez Demand Response *... From 1*

Suez gives Enerwise and EnergyConnect access to its 25,000 customers and Lennan said the Suez branding and bundling will make customers more comfortable in testing out a load response solution. Customers may be hesitant to try start-up demand response providers, he noted, but are more apt to try new, money-saving offerings from a retailer they already have a relationship with.

Lennan expects demand response to make a big leap in ERCOT once nodal pricing starts in 2009 since demand will be able to bid into the market as generation does, similar to PJM. The current Emergency Interruptible Load Service (EILS) program is a barrier for all but the most sophisticated customers to participate, he explained, because it mandates a 10-minute response time. That prevents middle-size customers who don't have a large staff of facility managers from participating because they don't have employees that can respond to the EILS curtailment call if the primary EILS contact is busy or out sick.

Penn. Rate Caps *... From 1*

While extending price caps may seem, "politically expedient," it will simply postpone inevitable price increases, "while threatening a California-type electricity crisis in the commonwealth," DeCampli added.

Worse, extending rate caps would actually mean higher rates, DeCampli explained in a view shared by the Electric Power Generation Association.

Extending price caps would force utilities to sell electricity at a loss, EPGA President Doug Biden noted, boosting risks in generation investment and other electric infrastructure. The resulting uncertainty would discourage needed new power plants.

Power suppliers would likely add premiums to their prices to cover the risk that utilities might not be able to pay for the electricity, he explained.

DeCampli agreed, noting generators will view Pennsylvania as more risky and add a premium to prices. Thus "the legislature already has harmed the very consumers it is attempting to help," he said.

PPL supports a "reasonable" approach to phase-in higher rates, and has proposed a five-year phase-in program at the PUC.

"Wholesale electricity prices have been rising due primarily to higher fuel costs, not because of electricity competition," Biden added.

Natural gas and unleaded gasoline prices have risen 140% since 1997, Biden noted by citing PUC data. Fuel oil prices have risen 108% while coal prices have risen nearly 50%, he added.

"The longer electricity prices are capped, the more difficult it will be to help consumers make the inevitable adjustment to market-based prices," Biden argued.

"Passage of this legislation would mean the state is reneging on an agreement it made with PPL Electric Utilities more than a decade ago," cautioned DeCampli, noting such action, "sends the signal that Pennsylvania cannot be trusted to live up to its commitments to the state's businesses. The message sent by legislators supporting this bill clearly is at odds with the state's desire to attract new businesses and the jobs that they provide."

Extending price caps would be especially "punitive," DeCampli argued, because six utilities have already lifted the controls. Prohibiting price caps' expiration for the five utilities which rewarded customers with longer rate freezes would be "unjust," he added.

The debilitating financial impacts of extended price caps would "severely limit" utilities' ability to deploy demand reduction programs, including smart meters, DeCampli cautioned. The House approved a smart metering bill yesterday (see story in Briefs).

PPL would lose $100 million per month if price caps were extended which would force PPL to cut maintenance efforts and lay off employees. "In a relatively short period, it would result in bankruptcy for PPL Electric Utilities," DeCampli warned.