Energy Choice Matters

March 21, 2008

National Grid Posts Latest Basic Service Rates

National Grid submitted to the Massachusetts DPU basic electric prices for the period beginning May 1 and lasting for three or six months, depending on customers' service class, in a filing made public yesterday (99-60). The prices reflect results from Grid's latest RFP for basic service supply.

National Grid Proposed Basic Service Rates (¢/kWh)

	R-1, R-2 R-4, E	G-1	G-2, G-3 SEMA	G-2, G-3 WCMA	G-2, G-3 NEMA	S-1, S-2 S-3, S-5, S-20
Fixed Price Option:	11.790	11.568	13.189	12.088	12.380	11.568
Variable Price Option:						
May 2008	10.953	10.626	12.178	11.201	11.592	10.626
June 2008	11.526	11.278	12.974	11.898	12.139	11.278
July 2008	12.351	12.225	14.320	13.081	13.332	12.225
August 2008	12.398	12.301	n/a	n/a	n/a	12.301
September 2008	11.537	11.307	n/a	n/a	n/a	11.307
October 2008	11.718	11.373	n/a	n/a	n/a	11.373

The Fixed Price Option for Residential and Commercial customer groups (R-1, R-2, R-4, E, G-1, S-1, S-2, S-3, S-5, S-20) is to be effective May 1, 2008 through October 31, 2008. The Fixed Price Option for the Industrial customer group (G-2, G-3) is to be effective May 1, 2008 through July 31, 2008.

New Aggregator Aims to Serve Conn. Mass Market

Connecticut residential and small business customers have not been able to leverage the full benefits of the state's competitive electric market, startup aggregator Collective Energy told the DPUC in its application for a license (08-03-15).

Collective Energy intends to focus its efforts on serving the, "under represented residential and small business markets," to offer customers clear and simple alternatives to standard service.

Initially, Collective intends to steer customers to competitive retailers offering a fixed, all-inclusive price for a fixed period of time. It told the DPUC it currently has a relationship with ConEdison Solutions.

The key to a successful mass market program is "simplicity, clarity and potential for savings," Collective told the DPUC. Collective is to work with retailers that can offer customers an easy to understand offer that includes simple enrollment and billing. The offer will need to be clearly compared with standard service rates so customers can make an informed decision, Collective said.

Collective won't impose any restrictions, costs or membership requirements on end users. Its compensation will be paid by suppliers via a volumetric fee.

James Warner, one of Collective's principals, has deep relationships with numerous local chambers of commerce, and currently sits on several boards. Warner previously co-founded a publishing company which operated 16 local papers that, before an asset sale, had grown into the second-largest weekly newspaper group in Connecticut.

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Surges and Circuits

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

Power Surges

N.Y. Retail Market: Proposed UBP changes bring more transparency to customer marketing.

Conn. Retailers: DPUC draft rejects long-term (4+ years) contracts for SOS.

Maryland: O'Malley-Constellation talks deserve recognition, and are a step in the right direction.

Short Circuits

PUCO: Ohio Supreme Court remands yet another electric restructuring case (this time AEP's IGCC plant) to the Commission for not following the state's choice law.

PUCT Staff Aims to Boost SESCO Choices

The PUCT staff have recommended a change which could boost choices to customers in the TXU SESCO (now part of Oncor) area by suggesting that REPs be allowed to use the standard Oncor load profile when creating prices for Electricity Facts Labels (EFLs) used in the smaller service territory (26793).

For prices listed on EFLs, the average price for electric service must be based on the applicable load profile approved by the Commission if pricing varies by season or time of day.

When the last load profiles for EFLs were developed in 2005, TXU SESCO customers received a different price to beat than customers in the wider TXU Electric Delivery footprint, since the old SESCO had in place PPAs to serve customers. SESCO serves about 42,000 customers in rural areas of central and east Texas including Whitehouse, Troup, Arp, Overton, and Bullard.

REPs have told the staff that a separate load profile for two subsets of the now-Oncor territory make it difficult for REPs to offer products throughout the entire service area and may discourage REPs from competing for SESCO customers.

With the price-to-beat mechanism gone, the staff does not see a distinct reason for requiring SESCO customers' EFLs to be based on a different load profile than the profile used in the wider Oncor delivery area.

For ease of transition, the staff recommended that the new SESCO load profile only be required for new EFLs developed or updated after a final order is signed, and that REPs not be required to update EFLs that are currently posted.

The staff stressed the load profiles used for creating EFLs are separate and distinct from load profiles used by ERCOT and subject to ERCOT Protocol Section 18, Load Profiling, and the Load Profiling Guide. Those ERCOT profiles would not be affected the by staff's recommended changes.

The staff also submitted draft updated load profiles for the other TDSPs (CenterPoint, AEP Texas Central, AEP Texas North and Texas New Mexico Power), indicating that the AEP Texas Central profile should be used for the Sharyland service territory.

Buyers Press FERC for RPM Technical Conference

The RPM Buyers coalition urged FERC to convene a technical conference "promptly" (no later than mid-May) to assess the capacity market's performance, cost to date, and customers' "proposals for significantly changing or completely replacing RPM" (ER05-1410, et. al.).

The Buyers include several state regulatory commissions, consumer counsels, and industrial representatives in the PJM footprint.

Buyers attached an LECG report (previously publicized by APPA, Matters, 3/20/2008) as justifying the need for review, to ensure that, "resource adequacy is achieved at reasonable cost."

Buyers claimed that capacity prices are "intolerable" and account for up to 20% of Maryland retail residential bills.

"More than simply RPM is at stake. Unless the Commission acts expeditiously, customers and their representatives will lose all confidence in the wholesale electricity markets," Buyers said.

Buyers want the conference to have a "substantially" different purpose from an already-scheduled FERC workshop on capacity markets in PJM and New England set for May 7 (Matters, 3/3/2008).

Topics for consideration suggested by Buyers include whether higher-than-expected prices can be justified by legitimate changes in conditions; whether RPM has been "instrumental" in stimulating new capacity and demand response or retention of resources; whether mitigation measures have been successful in preventing withholding; and whether locational premiums still serve any purpose.

RTOs to Report on Queue Reform

FERC ordered RTOs to report on their efforts to reform processing interconnection requests and to clean a backlog of projects jamming their queues (AD08-2).

"Interconnection delayed is competition denied," Commissioner Marc Spitzer declared in supporting FERC's action.

Recognizing regional variations, FERC rejected launching a rulemaking to deal with the problem, but within 30 days RTOs must report on the size of their queues, timeframes for processing those requests, the nature and extent of any problems that have led to any backlogs, the status of stakeholder talks on queue reform, and a schedule for implementing needed changes.

The Commission suggested studying a first-ready, first-served approach where customers demonstrating the greatest ability to move forward with project development are processed first.

FERC issued guidance that included remedies that could be adopted with or without tariff changes. Reforms not requiring a tariff change include:

• Increasing the staff available to work on interconnection studies;

• Adopting more efficient modeling for feasibility studies or system impact studies; or

• Performing a single system impact study for a cluster of interconnection requests.

FERC suggested increasing the requirements for getting and keeping queue positions and elimination of the feasibility study as a separate step in order to reduce processing time without harming interconnection customers.

Higher deposits for different stages of the process to more accurately reflect studies' costs is another potential reform. That would increase the likelihood that only commercially viable projects join the queue and may also reduce the number of multiple interconnection requests made by the same customer for the purpose of speculating on the cost impacts of different locations.

However, the Commission recognized multiple requests for a single project can result from a legitimate desire to evaluate the merits of different interconnection points without having to go to the back of the queue. Thus, more stringent deposit rules would need to be accompanied by more reliable information about grid capacity to help customers better locate their projects.

FERC Chairman Joseph Kelliher noted that interconnection requests are higher in RTO regions than in unorganized markets; thus queue reform is limited to the RTOs. New capacity is being driven for different reasons, from new renewable projects to projects responding to forward capacity markets.

Commissioner Suedeen Kelly added that FERC has heard, "about significant queue backlogs," in the west outside of RTOs and noted BPA's progress in reforming its interconnection procedures.

"The commission may need to consider a 'Phase II' to its queue management initiative in order to facilitate reforms for these non-independent transmission providers," Kelly said.

FERC to Hold Hearing on Reporting Violations During Calif. Crisis

FERC ordered a hearing into whether marketers' violations of reporting requirements for market-based rates led to unjust and unreasonable rates for California customers during 2000-2001 crisis (EL02-71-004).

The Ninth Circuit U. S. Court of Appeals, though upholding FERC's authority to grant market-based rates, had remanded the issue to the Commission, finding that the Commission erred when it said that it lacked authority to order remedies for violations of its reporting requirements.

FERC will now determine whether untimely filing of quarterly transaction reports masked an accumulation of market power for specific firms such that market rates were unjust and unreasonable.

Wholesale power purchasers that bought energy through the California ISO and the California Power Exchange (CalPX) under short-term market-based rates, and those making spot market purchases of energy through the California Energy Resources Scheduling Division of the California Department of Water Resources (CERS) from Jan. 1, 2000 to Oct. 1, 2000 may present evidence as to whether any seller that violated the quarterly reporting requirements caused market-based rates to be unjust and unreasonable.

FERC directed all marketers that made short-term sales at market-based rates to CERS or into the CalPX or CAISO markets to submit copies of all previously filed quarterly reports for Jan. 1, 2000 to Oct. 1, 2000 for the hearing record.

Briefly:

DPUC Sets Conference on Utility Labels

The Connecticut DPUC set a technical conference for April 23 to discuss how utilities can implement new disclosure labels (Matters, 3/14/2008). The workshop will not be an opportunity for utilities to argue the inapplicability of the disclosure rules to utilities, or for modifications to the content of utility labels, the DPUC stressed. The Department has already made clear it expects utilities to follow the disclosure label rules as set in its Feb. 27 final order (07-05-33). Utilities had asked for a technical conference because they feel many of the provisions are specific to competitive retailers.

PUCT Staff May Probe Governor Response

The PUCT staff has received a control number (35481) for an RFP for expert services concerning performance capabilities of generating units and their compliance with ERCOT rules and operating guides relating to governor response.

ALJs Move N. Y. EEPS Forward

Two New York ALJs are ready to put energy efficiency "bridging" programs before the Commission for a vote upon receipt of staff's final proposals and final stakeholder comments (07-M-0548). The bridging programs are to be proven, cost-effective programs that can be scaled and implemented quickly (perhaps extensions of currently over-subscribed programs) to start New York on its path to reduce usage 15% by 2015. Staff is to submit an updated analysis by March 25 and parties will have until April 8 to comment under a procedural ruling issued yesterday. The ALJs also intend to recommend a policy determination regarding utility participation in the broader energy efficiency portfolio standard initiative, and urged stakeholders to comment on straw proposal (Matters, 2/12/2008) recommendations concerning target and funding allocations between NYSERDA and utilities.

Settlement Talks For Milford RMR

FERC set the issue of whether Milford Power's 555-MW combined cycle plant in Southwest Connecticut should still be eligible for a reliability must run (RMR) agreement for hearing and settlement talks (EL08-17). The Connecticut Municipal Electric Energy Cooperative and Attorney General Richard Blumenthal had argued that the plant's transition payments under the Forward Capacity Market settlement make an RMR pact unnecessary, as the payments allow Milford to recover its costs. Milford had responded that the original RMR settlement contemplated that it would still be eligible for RMR payments even under the FCM transition. Absent the RMR agreement, Milford would not have a reasonable opportunity to recover its total costs, the generator claimed, due to market flaws and the non-locational nature of transition payments.

FERC Affirms ISO New England Grid Incentives

FERC affirmed that ISO New England transmission owners may earn an ROE of 12.4 percent, which includes a 100 basis point adder, for new projects that are in service by Dec. 31, 2008 (ER04-157-014). Projects entering service after that date will be evaluated individually consistent with Order 679 as to whether they should get the incentives, which were part of the 2005 Energy Policy Act

Employee Focus to Return to FERC Conduct Rules

FERC proposed changes in its Standards of Conduct for transmission providers that are to simplify and strengthen the rules (RM07-1). FERC's old approach to the standards has confused stakeholders, Commissioners noted, and were overly broad and complex. Rather than focusing on companies, FERC's new approach focuses on employees to boost precision, and the rules would require transmission function employees to function independently of marketing function employees with certain exceptions (such as communication necessary to maintain or restore operation of the transmission system). Transmission provider employees would not be allowed to disclose information concerning the transmission system to marketing or energy affiliates, either directly or through a conduit. Marketing function employees would be prohibited from receiving transmission function information. Information could be shared by contemporaneously posting it on the company's OASIS or website.

FERC Cautious on RTO Reliability Penalty Pass-throughs

Granting RTOs blanket authority to automatically pass through monetary penalties from reliability violations will not give RTOs, "the appropriate incentives to proactively comply with reliability standards," FERC found in directing RTOs to file potential proposals to recover penalty costs on a case-by-case basis (AD07-12). FERC would consider internal compliance programs and factors that contributed to the reliability violation when determining whether to allow a pass-through of the penalty to customers. FERC would only allow an RTO to directly assign penalty costs to an entity the RTO feels is responsible where the entity had been previously notified the RTO deems it responsible, thus giving the entity a chance to rebut that claim during NERC investigations.

New Pipeline Reporting Rules to Aid Shippers

FERC issued a final rule to revise financial forms, statements and reports required of interstate natural gas companies to better reflect the current market and cost information needed for regulatory oversight of their rates and terms of service (RM07-9). The rule is to enhance the ability of shippers to assess the justness and reasonableness of pipeline rates, the Commission said, by requiring companies to submit additional revenue information related to the disposition of shipper-supplied gas, affiliate transactions, rate treatment for new facilities, discounted and negotiated rate services, deferred income tax and state tax issues, and regulatory assets and liabilities.

Collective ... *From 1*

Collective intends to use that experience. One of its major marketing efforts will be to hold information seminars with local chambers, educating them about the benefits of competition and options available to customers. Its "comprehensive" media campaign will also include ads in local papers.

Thomas LaTorre, another principal, founded Paragon Advisors, a registered aggregator in Connecticut and Massachusetts. LaTorre previously held management positions at AOL (including its Moviefone division) and AT&T.