Energy Choice Matters

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Integrys Pummels NERC Over LSE Subclass

NERC has "disregarded" FERC's direction for NERC to register competitive retail marketers as Purchasing-Selling Entities (PSEs), Integrys Energy Services told the Commission (RC07-4 et. al.).

FERC's December order, "rejected NERC's illogical arguments in defense of registering retail marketers as LSEs," and found PSEs to be the appropriate category, Integrys pointed out (Matters, 3/19/2008).

Yet NERC's recent compliance filing has, "further complicated the registration process," by proposing to create a sub-category of Non-Asset Owning LSEs for competitive retailers, Integrys protested.

Although registering competitive retailers as a subclass may make sense, Integrys noted, the subclass does not belong under the LSE category because competitive retailers, as FERC concluded, "do not own or operate physical assets that are directly connected to the Bulk-Power System."

Since the absence of asset ownership precludes competitive retailers from being categorized as LSEs, the NERC proposal of creating a non-asset owning subcategory does not make sense, Integrys said.

The LSE category should only be for entities owning distribution assets which are physically and directly connected to the bulk power system, stressed Integrys.

"Other than ReliabilityFirst and NERC, there is general market consensus as to this result," the marketer added.

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MISO Western Markets Plan Could Balkanize ISO, Constellation Warns

The Midwest ISO's Western Markets Proposal, "is a misguided attempt to increase membership in the Midwest ISO in numbers only, rather than in substance, and is likely to harm, rather than help, the development of a stable and reliable operating market," Constellation Energy affiliates told FERC (ER08-637).

The Western Markets Proposal (Matters, 3/7/2008) would "dramatically" alter the status quo by creating a form of membership in MISO which does not require the joining member to cede control of its grid operations to the ISO, Constellation pointed out.

The Western Markets plan would let entities choose *a la carte* from a selection of "Coordination Services," Constellation protested. The services include Reliability Coordination Service, Interconnected Operations and Congestion Management Service, and Market Coordination Service.

Constellation sees "real potential" for the Western Markets Proposal to actually decrease the breadth of the ISO's footprint, rather than expanding it as purported.

Any current Midwest ISO member could give up their "full" MISO membership, and instead elect to take certain services *a la carte*, Constellation warned.

Adding new members who retain control of their grids will create "significant" seams issues, reduce system reliability and fail to meet the four minimum characteristics of RTO formation identified under Order No. 2000 (independence; sufficient regional scope; operational authority for

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FERC Rejects Cross-Affiliate Obligations in PJM FTR Credit Rules

Although FERC accepted some reforms to PJM's Financial Transmission Rights (FTR) credit policies, it rejected the most controversial proposal which would have let the RTO collect collateral posted by affiliates of a defaulting company to cover the defaulting company's obligations.

PJM's proposal to link affiliates' collateral, "is too narrow to address the perceived flaw in its credit rules," FERC ruled in docket ER08-455 (Matters, 2/12/2008).

"PJM's filing treats affiliated companies participating in its FTR markets differently from companies without such affiliates," the Commission explained.

Although PJM justified such treatment on the basis that affiliates have unique motivations to create riskier investment strategies, "the proper focus should be on establishing adequate credit requirements for all participants, regardless of their motivations," FERC concluded.

"PJM has not established that its risks are limited to companies with affiliates," the Commission added.

FERC explained that a company without an affiliate trading in PJM's FTR markets can take as risky or more risky positions than a company with such an affiliate, and PJM's proposal would not apply in that case.

"Companies have legitimate, non-manipulative reasons to establish affiliates, and we do not find it just and reasonable for PJM as a generic matter to impose a tariff provision that automatically takes the profits of one affiliate to offset against the losses of another separate corporate entity," FERC found.

"For instance, different investors may have different risk tolerances, and affiliated companies may acquire portfolios with differing risk characteristics commensurate with the risk profiles of their respective investors. For PJM automatically to offset earnings from one affiliate to cover the default of another would preclude investors from taking positions that reflect their level of risk tolerance," FERC explained.

Rather, such cases should be analyzed on an individual basis, as the Commission is doing in the Tower Companies/Power Edge complaint docket.

FERC accepted, effective April 1, PJM's proposal in docket ER08-376 to calculate FTR credit requirements on a monthly rather than annual basis. That policy will better match collateral requirements with actual FTR risks and also removes the inequity that results from imposing a global average 30% discount on all concurrent flow Expected LMP Values, FERC noted.

The Commission also approved higher collateral requirements for undiversified FTR portfolio participants in docket ER08-520, such as parties holding net counterflow positions.

The proposal, "received overwhelming support from stakeholders, an indication of their desire for additional measures to protect members from exposure to defaults," FERC observed.

The new policy won't impact the credit requirements of LSEs that hedge purchases to serve load since they don't hold net counterflow positions.

"The proposal properly assesses higher collateral requirements against those that present additional risks," FERC concluded, adding, "[t]he proposal also should not prevent a robust FTR market, but it will help ensure that only participants who can financially handle the results of settlement will participate in trading."

PJM is to file status reports on its progress of reviewing its credit policy every 90 days for a period of two years beginning on May 1, FERC ordered.

Gexa Tells of Need for Daily Reporting of 15-Minute Settlement Data

ERCOT's capability to perform wholesale settlement of 15-minute meter information from advanced meters is critical to the future of the competitive market and the ability of REPs to offer innovative products that will benefit consumers and increase energy efficiency, Gexa told the PUCT (34610).

In response to specific staff questions

(Matters, 3/10/2008), Gexa reported that it expects all its ESI IDs, across all customer classes, will be settled on a 15-minute basis at the full deployment of advanced meters.

Gexa expects to receive 15-minute settlement quality data daily, but noted weekly submissions would be acceptable in the early stages of the process.

Gexa, "is making the assumption that the existing market process concerning 867/810 transactions and SCR 727 extracts will not significantly change and that some additional processes will need to be created to support the bulk loading of the 15 minute settlement data for those REPs that choose to access it."

The REP expects that its internal upgrades to receive 15-mintue data would take 12-18 months, depending on the final technology and system configuration chosen by ERCOT.

Gexa supports keeping the methods of providing and transporting usage data as close to the current standards as possible.

TDSPs, Gexa suggested, should load the 15-minute settlement data into a database owned and controlled by ERCOT on a daily basis.

REPs should have full access to their data stored on the ERCOT database for download into their systems.

WGES Faults Administrative Price for Level 1 Solar RECs

The Maryland PSC should allow the market to determine the value of Level 1 solar RECs, rather than an 80% price point as contemplated in proposed COMAR 20.61.01.05, Washington Gas Energy Services told the Commission (RM32).

Under the proposed rules, a supplier buying solar RECs directly from a Level 1 solar facility (10 kW and under) must sign a contract lasting at least 15 years and pay a single initial amount calculated as the net present value of the solar RECs multiplied by 80% of the corresponding compliance fee.

Such pricing could actually inhibit development of small-scale, Level 1 solar facilities, WGES noted, if the administrative price is above the market price for solar RECs. Electricity suppliers will simply buy RECs from other, cheaper sources in the market.

Level 1 facilities would also be under-compensated if the market value of RECs turned out to be higher than the administrative price.

Briefly:

DPUC OKs UI LRS Rates

The Connecticut DPUC approved without modification United Illuminating's last resort service generation rates for the next quarter (Matters, 3/14/2008). The rates are:

Rate Classes: GST, LPT, NUS

	On-Peak	Off-Peak
	¢/kWh	
April	11.5872	11.5872
May	11.1143	11.1143
June	11.8064	11.8064

Delaware Market Picks Up Suez

Suez Energy Resources NA announced that it has entered the Delaware electricity market, its 11th U.S. market. SERNA will leverage existing Mid-Atlantic sales efforts to win Delaware customers; the retailer currently serves load in Pennsylvania, New Jersey, Maryland and Washington, D.C. SERNA's "full suite" of products for Delaware consumers will include demand response, Green-E certified RECs, fixed price plans, index products and other custom solutions.

Maine PUC Awards Broker License to Engineering Firm

The Maine PUC approved an electric aggregator/broker license for I.C. Thomasson Associates, a firm offering facility management and engineering consulting services. The license is for the medium and large C&I customer classes in Central Maine Power, Bangor-Hydro Electric, Maine Public Service and Eastern Maine Electric Cooperative. ICT already had a gas supply license in Maine and is a gas retail agent in Massachusetts as well. It's also an energy agent and private aggregator in New Jersey. ICT has brokered electricity in six states (including Texas) and natural gas in 20 states, either by itself or through its acquisition of energy consultant ECOM-ENERGY in 2006.

CMP Warns of "Cascading" Impacts from Problems in Deregulated Markets

A London Economics report, "paints too rosy a picture regarding the current generation capacity situation in Maine," Central Maine Power told the PUC (2008-104). The report (Matters, 3/24/2008), in observing that historical LMP trends show beneficial congestion has helped limit Maine's exposure to rising energy costs, took "relatively short-term data and characterized it as being indicative of a long-term 'historical' pattern," CMP argued. The LMP data used by London Economics covered only the January 2005 - September 2007 time period. While the report concludes Maine has "much more" generation than needed to meet its load, CMP pointed out that 44% of the installed capacity in Maine is fueled by natural gas. "Recent events have shown that a disruption in the availability of natural gas or a financial downturn for a simple company (such as Calpine, which owned multiple plants in Maine) can very quickly eliminate any perceived surplus of generating capacity," CMP asserted. CMP also pointed to the, "significant financial and operational disruption," experienced by Enron, NRG, Calpine and Mirant. "Financial and operational problems faced by major participants in deregulated energy markets can have cascading effects, creating significant disruptions in wholesale and retail markets," CPM argued.

NRG Bullish on Nukes

NRG Energy created a new company, Nuclear Innovation North America, to market, site, develop, finance and invest in new advanced design nuclear projects in select markets across North America, including the planned South Texas Project (STP) units 3 and 4 that NRG is developing with CPS Energy. Vendor Toshiba is investing $300 million in the new venture for a 12% stake. Steve Winn, NRG's executive vice president for strategy and nuclear development, will lead Nuclear Innovation, which is to let NRG spread the risk of its nuclear investments. NRG plans on developing two additional nuclear projects in the U.S.

Marketers' Late Intervention Denied in Maine Grid Case

Several power marketers have been denied late intervention in a case reviewing Maine Electric Power's switch to a pool facility in NEPOOL (FERC docket ER07-1289). The retailers did not show good cause for their neglect to file timely motions, an ALJ ruled (ER07-1289), noting that allowing new parties to enter advanced settlements talks would chill negotiations. Constellation Energy Commodities Group, Constellation NewEnergy, Conectiv Energy Supply, Direct Energy Services, Energy America, Strategic Energy, Pepco Energy Services, Suez Energy Resources NA (all jointly) and Integrys Energy Services had sought to join settlement talks because it appeared the negotiations over the grandfathering of Casco Bay Energy's grid rights could have broader market implications and costs (Matters, 3/17/2008).

Comverge Annual Loss Flat

Though annual revenues rose to $55 million in 2007 from $34 million in 2006, Comverge's 2007 annual loss of $6.6 million was relatively flat versus a $6.2 million loss in 2006. Comverge expects revenue to hit $95-105 million for 2008, driven by its acquisitions of Enerwise and Public Energy Solutions. Comverge currently has 771 MW under long-term contract.

NERC Registry ... *From 1*

Competitive retailers are categorized as PSEs in other regions, and if NERC needs more information from retailers for its reliability oversight it could simply add more reporting requirements for certain PSEs, Integrys suggested.

FERC needs to make registering competitive retailers as PSEs the "starting point" for discussions on NERC's long-term solution to potential reliability gaps, Integrys urged.

NERC had proposed obtaining "input" from stakeholders on appropriate changes to the reliability rules regarding retail marketers, but NERC in the past has ignored stakeholder "input" showing that competitive retailers are properly classified at PSEs, Integrys chided.

Although competitive retailers should report information needed for reliability, they should not be the source of specific information where better sources exist for certain data -- such as for load forecasts, since distribution utilities are better suited to report that data, Integrys added.

Information not impacting power flows, such as Financial Schedules in ISO markets, financial contracts for differences, and other market-oriented data should be governed by applicable RTO tariff provisions, not NERC, Integrys stressed.

Integrys suggested that NERC insists on classifying competitive retailers as LSEs because ReliabilityFirst's funding comes mostly from LSEs, and making competitive retailers LSEs would allow ReliabilityFirst to collect funding from them.

FERC needs to ensure that NERC specifically develops a process for identifying reliability gaps, EPSA added.

"The bulk of the compliance registry appeals, regardless of how an entity is being registered, involve entities finding that they have been registered to perform reliability tasks that are not relevant to their operations and thus they cannot and are not equipped to do," EPSA reported.

"NERC is often reaching a conclusion and proposing solutions without demonstrating that there is a problem that needs to be solved," observed EPSA.

In creating an LSE subclass, "NERC seems to be selecting patches without knowing whether there's a hole, and if so, what size it is," EPSA argued.

"NERC does not provide any evidence of existing reliability gaps that a particular entity can shore up," EPSA said.

MISO West Markets ... *From 1*

all transmission facilities under its control; and exclusive authority for maintaining the short-term reliability of the transmission grid under its control).

In fact, the Western Markets design will create seams internal to the MISO where none currently exist, Constellation pointed out,

"This configuration could very well lead to gaming, as utilities select or deselect from the 'menu' as their business interests change," Constellation added.

"Moreover, the Midwest ISO would no longer have full control over generation dispatch within its footprint, and would therefore be hindered in its ability to effectively and efficiently alleviate transmission constraints on the seams," Constellation added.

Constellation noted the Western Markets plan would drive MISO towards a multiple Balancing Authority regime, "which is precisely the inefficiency that the Midwest ISO was attempting to eliminate through the creation of its new Ancillary Services Markets."

Constellation also asked whether MISO will bifurcate the "a la carte members" from the "full members" when it comes to voting rights or other participation.

Ultimately, the Western Markets Proposal would make MISO, "Balkanized, less efficient, and result in seams that Order No. 2000 was meant to address," Constellation claimed.