

Energy Choice Matters

April 10, 2008

Competitive Intensity Keeps Cirro Hard at Work on Enhancing Customer Service

REPs in the cutthroat ERCOT market can't rest on their laurels when it comes to customer service, which is why Cirro Energy enhanced its already broad offerings and robust service with a new voice recognition phone system and upgraded website.

The improvements are all designed to decrease churn and strengthen customer retention through better relationships. Even REPs which have invested in customer service, as Cirro had done, can't stand still. With some 30 REPs vying for residential customers, customers don't have to stand for subpar service or a lack of custom features.

The enhanced services help to de-commoditize electricity (something we always love to hear) and give customers a reason to "stick around" even if a competitor beats Cirro's price by a mill or two.

The best part for customers? Cirro's new Smart Pay phone system allows them to pay their bill in one phone call without paying an additional fee which accompanies many pay-by-phone features in the market.

In today's world, customers want to do business on their schedules, Cirro told us, which has conducted extensive focus groups in researching its convenience services. It already offers 24-7 customer service provided by Texans and an array of online features, including live chat.

Cirro Energy's new Smart Pay feature is a state-of-the-art telephonic system that uses advanced voice recognition software from Qwest to supplement traditional touch-tone options.

The Smart Pay phone system allows customers to make telephonic payments with no hold time. The fully automated self service tool will also reduce the need to speak to a live customer service rep, thus accelerating response times for customers needing additional assistance.

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PJM Proposal Would Align Excess Congestion Revenues with Risk

A proposed change in how PJM allocates surplus congestion revenues would, "correct an inequity that has existed in the PJM FTR market since its inception," DC Energy told FERC (ER08-691).

Under the current provisions of the Tariff and Operating Agreement, FTR holders bear the risk of under-collected Transmission Congestion Charge revenues, while Network Service Users and Transmission Customers benefit from excess Transmission Congestion Charge revenues.

"This creates an obvious imbalance of risk and reward in PJM's FTR market," DC explained, creating an, "asymmetry [that] is not just and reasonable."

PJM has proposed changing the allocation of excess revenues so that surplus congestion revenues are allocated to FTR holders -- the same entities that bear the risk of under-funded transmission rights.

Because FTR holders are now required to bear the cost of transmission rights revenue deficiencies, they should also be entitled to the benefits when there are excess congestion revenues remaining after all FTRs and Auction Revenue Rights are fully funded, PJM explained.

Exelon and Allegheny filed similar comments in support of the change as well.

Although the proposal received broad support from PJM members, one of three objecting to

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ERCOT Net Metering To Measure In-Flows, Out-Flows Separately, PUCT Rules

The PUCT affirmed that net metering in ERCOT means measuring in-flows and out-flows of electricity separately by approving, with minor modifications, staff's net metering proposal (34890).

The draft had been held over from the last open meeting after Commissioner Paul Hudson asked for a delay so solar advocates, who made a late push for net metering to be defined as allowing a single meter to turn backwards, could be fully heard (Matters, 3/26/08).

Chairman Barry Smitherman chastised the email campaign of the solar advocates at the last open meeting, and again offered some sage advice.

Smitherman compared the case to his former days as an investment banker where he would quickly rush from project to project, parachuting in, stirring up a bunch of dust and getting people excited. That made other stakeholders who had been working on things for years angry, and many times he didn't get what he wanted, which made him angry. He came to learn the value of a more focused and deliberate approach which encompasses being part of the solution from the beginning, and staying out of situations where he'd be joining the game late.

The Chairman also attacked as disingenuous assertions from solar advocates that they had an agreement on a re-write of staff's proposal that included all parties except the REPs. That's like saying you have an agreement on the state's Universal Service Fund with everyone but the phone companies, Smitherman mused.

The TDUs, Smitherman noted, were indifferent to the solar advocates' proposal, as Smitherman called the solar advocates' claims misleading.

The strength of the state's REP community is the "hallmark" of Texas's competitive market, Smitherman stressed.

REPs have been given flexibility to innovate, the Chairman noted, and that's why they are able to respond to consumer

demands, such as desires for more green products. Most REPs now offer a green product, many more than when the ERCOT market started, and it's not because of regulatory mandates, Smitherman noted.

Smitherman is confident that, left to their own devices, REPs will come up with appropriate compensation for distributed generation owners. REPs will want to be the "solar REP" to attract those customers, the Chairman observed.

At the end of the day, the dispute in the docket centered on the definition of net metering, and Smitherman found the statute to be clear in requiring separate measurements of in-flows and out-flows. Just because other jurisdictions have a different view doesn't mean the staff's proposal is incorrect, Smitherman argued.

The statute could have explicitly required meters to run backwards to let customers "bank" electricity, but lawmakers took great pains to mandate separate in-flow and out-flow measurements, and negotiation between REPs and distributed generation owners on the value of out-flows, Smitherman added.

The Commission accepted Commissioner Hudson's suggestion that the rule should provide REPs maximum flexibility. While the statute may not mandate electricity banking as required under net metering, nothing should preclude a REP from offering a product which values net metering in that manner, Hudson argued. Thus the rule's language was changed to state the relevant statute does not "mandate" banking, rather than saying it did not include banking.

AReM Protests PG&E Inclusion of ESPs in CCA Docket

The Alliance for Retail Energy Markets opposed a stealth move by Pacific Gas & Electric to shoehorn issues regarding ESP creditworthiness into a docket (A.07-12-032) concerning Community Choice Aggregation (CCA).

PG&E had asked for hearings on the creditworthiness and liability issues relating to CCA programs raised by San Joaquin Valley Power Authority's petition in the docket.

AReM doesn't take a position on the basic request contained in the PG&E Motion insofar as it relates to the issue of the joint and several liabilities of members participating in a CCA program through a joint powers agency, but it protested PG&E's attempt to inappropriately, "pull electric service providers ("ESPs") and direct access matters into this proceeding."

PG&E had stated, "we note that at least one of these issues, the amount of the bond required for CCAs, is also applicable to Direct Access (DA) providers and thus could be considered and resolved as well through these hearings. Thus, holding public hearings and providing for legal argument on these issues will efficiently consolidate and resolve these issues in a timely manner for all potential CCA programs, as well as for DA programs if and when the current suspension of DA is lifted."

PG&E's request should be rejected, AReM explained, because the Commission has an existing proceeding in which those issues are being reviewed, and ESP-related matters are clearly outside the scope of the issues raised in the SJVPA petition.

Phase III of the Commission's direct access rulemaking will examine consumer protections and technical and operational standards for ESPs, AReM noted. Thus, that's the "logical" place for the bonding requirements suggested by PG&E.

NSTAR Backpedaling Doesn't Justify Wind Pacts, RESA Says

NSTAR's supplemental brief in NSTAR green (Matters, 4/7/08) doesn't even mention the market price test required under Massachusetts' restructuring law, RESA argued in its latest reply brief (07-64).

Since the two wind contracts would provide power for basic service customers, NSTAR must prove that the contracts were procured competitively and will not exceed the average market price of power, RESA reminded. NSTAR hasn't satisfied these legal thresholds, RESA asserted.

NSTAR has been forced to admit its wind contracts are not comparable to NYMEX-type contracts, even though a comparison of the wind contracts to NYMEX prices was originally

used to pass the market-price test, RESA observed.

NSTAR now attempts to shift gears, RESA pointed out, by claiming the NYMEX analysis was secondary and the first method to judge the contract is by comparing it to the next best alternative wind contract.

The fact that NSTAR intended the NYMEX price comparison to only be a secondary measure of the wind contracts' favorable pricing isn't supported by the record, RESA noted, as such a distinction isn't made in earlier testimony.

Furthermore, comparing the contracts to the next best alternative fails to meet the market-price test required by law, and is also invalid because a competitive solicitation wasn't used to get the contracts, RESA claimed. Thus the DPU does not have a basis to compare the contracts to other alternatives in the market.

Briefly:

PUCT Opens Formal Probe into Luminant Resource Plan

The PUCT opened a formal investigation into an inaccurate resource plan submitted by Luminant that was self-reported in 2006 (34996). Staff and Luminant had been unable to reach an agreement on documents Luminant has claimed are privileged (Matters, 4/3/2008), and opening a formal case is the only avenue to move the case forward and get a legal ruling on whether the data is privileged.

SWEPSCO Turk Hearing Set for May 29-30

A PUCT hearing on AEP SWEPSCO's petition to ratebase a new coal-fired power plant to be built in Arkansas is slated for May 29-30, under a new procedural schedule issued yesterday which includes discovery and supplemental testimony (33891). Commissioners want an opportunity to engage parties in questioning, and supplemental information is needed to answer Commissioners' questions, update relevant data, and accommodate new intervenors (Matters, 3/27/08).

Next Step on CREZ Lines is Commissioners' Hearing

The PUCT is to hold an evidentiary-type hearing, with an opportunity for cross-examination, on ERCOT's Competitive Renewable Energy Zones transmission optimization study (Matters, 4/3/08) as soon as practicable (33672). Commissioner Paul Hudson would like final decisions on the CREZ lines in June.

Penn. PUC Postpones Vote on PPL Phase-In

The Pennsylvania PUC delayed acting on PPL's phase-in plan to ease its move to market-based rates Jan. 1, 2010. An ALJ has endorsed an all-parties settlement that is competitively neutral (Matters, 3/11/08).

Liberty Gets Two Licenses in Penn.

The Pennsylvania PUC approved electric generation supplier licenses for two Liberty Power subsidiaries yesterday. Combined, Liberty intends to serve residential, commercial, industrial and governmental customers in all service territories.

Axess Gets Preliminary Conn. Nod

The DPUC would grant Axess Energy Group an aggregator license to pool commercial, industrial, municipal and governmental customers under a draft decision (08-02-09, Matters, 2/25/08).

EPSA Points to Good and Bad Procurement

EPSA submitted to the FERC-NARUC state competitive procurement task force a round-up of case studies on state competitive procurement of electricity highlighting successes and failures in different jurisdictions. EPSA cited Arizona, California and Maryland as success stories while stressing lessons need to be learned from shortcomings in utility procurement in Georgia, Colorado, Oklahoma, North Carolina and Louisiana. The Arizona Corporation Commission's "vigilant" enforcement of competitive procurement rules has saved customers at Arizona Public Service \$70 million, EPSA noted. Utility self-build

proposals, such as that by Duke in North Carolina, have witnessed, "dramatic increases in projected construction costs to be passed through to ratepayers," EPSA argued.

Dominion to Build Wind in Illinois

Dominion plans to build a 300-MW wind farm in central Illinois, about 25 miles east of Springfield. The Prairie Fork Wind Farm would boost Dominion's total renewable capacity to nearly 1,300 MW, with commercial operations expected to begin in 2011.

World Energy Used by N.J. County

World Energy Solutions and its channel partner PMK Group, a consultant focused on engineering, energy and sustainable development, helped the County of Monmouth, New Jersey, conduct an auction to procure 24 months of natural gas service. Monmouth said the World Energy process ensured a high level of bidder participation and was more transparent than its previous paper RFP.

Cirro ... From 1

The "My Cirro" website has undergone significant upgrades by adding more self-service features.

The site now gives customers a simple interface to renew service, manage their usage, and update their profile.

In particular, the site speeds requests for specific needs such as relocation (move-out/move-in) requests, which can be the bane of backoffices.

Access to online automatic bill payment options have been improved as well.

PJM Congestion ... From 1

the plan at the Jan. 24 Members Committee meeting was Pepco Holdings.

Pepco voted against PJM's proposal, "because it continues to believe that excess congestion revenues should be distributed to the entities that paid for the transmission system - that is, the transmission customers that serve load," it told FERC.