Energy Choice Matters

April 28, 2008

Nine of 10 New Yorkers Want Choice in Electricity Provider

Over 92% of New Yorkers think consumers should have a choice of who supplies their electricity.

"There has never been a stronger expression of support for competitive energy markets," said Jay Kooper, Vice President and New York State Chair of the Retail Energy Supply Association (RESA).

The results should also guide policymakers toward implementing initiatives that will help educate consumers about how to make the right energy choices, Kooper added.

Only 14% of New Yorkers attributed higher power prices to not enough regulation, while 31% blamed not enough competition among energy suppliers and another 15% blamed too much regulation.

Support for public policies that promote competition were rated highly as well, with little opposition. Some 80% of New Yorkers are more likely to support pro-competition policies while 8% are not.

When asked if they have ever switched suppliers, only 19% of respondents had. Of those not switching, 20% said the reason was that switching was too complicated while 35% said they don't have enough information and another 37% didn't think switching would be worth it.

The results bolster retailers' claims that the job of educating customers about the market isn't through.

Even though some 70% of New Yorkers are aware of choice, the results show there's still a role for the PSC in making the switching process easier and more understood, noted Chris Kallaher, Director of Government & Regulatory Affairs for Direct Energy. Some stakeholders had claimed that New York had completed its transition to a fully competitive market and, in cases before the PSC, had sought to scale back Commission efforts to break remaining barriers to choice.

"The largest existing barrier that consumers perceive to participation in retail competition is not

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Competitive Retailers Want Changes to DPUC Back Billing Order

Constellation NewEnergy urged the Connecticut DPUC to reconsider its interim decision (08-02-06) ordering Connecticut Light & Power and affected suppliers to back bill customers impacted by CL&P's time of use billing problems over a period of 12 months.

NewEnergy argued that Conn. Gen. Stat. 16-259a directs back billing to occur over a period that is no shorter than the period for which customers are being held liable. In this case, that's about three months, and thus extending back billing payment plans to a year would force suppliers to offer a payment plan four times the length contemplated by statute.

That would place suppliers at a greater risk, since the risk of default increases as the period over which customers are allowed to repay is lengthened, NewEnergy cautioned. NewEnergy claimed the problem is worse given the instability of current financial markets and the downward adjustments many C&I customers have made to earnings forecasts.

Competitive suppliers may face hurdles in collecting back payments where customers switch

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Hess Points to Past OFOs on NSTAR System

Any variance from NSTAR Gas's terms and conditions provided preferentially to a single market participant could impede other marketers' ability to make deliveries into the system or mitigate their cashouts and imbalances, and thus clearly will have a significant impact on business, Hess told the Massachusetts DPU in opposing NSTAR's claims an added 5% imbalance tolerance for a Mirant power plant won't impact other stakeholders (Matters, 4/25/08, 08-GC-1).

If system constraints occur, the additional swing tolerance provided to Mirant by its agreement with NSTAR could restrict the capacity available to other market participants, thus resulting in an increase in Operational Flow Orders (OFOs), Hess again argued.

Hess attacked NSTAR's assertion that, "Over the past five years or more, Mirant has experienced daily imbalances relatively frequently and NSTAR Gas has never implemented an OFO under the Distribution Terms and Conditions."

Hess reported that from January 16, 2003 through January 26, 2004 NSTAR issued 35 days of OFOs in the Algonquin Pools of which Mirant and Hess are a part. Hess also pointed out that the Mirant deal has a length of ten years, and it is easy to envision changes in circumstances during that lengthy period that could tighten the capacity available for imbalances over time.

The agreement also gives Mirant more favorable cashout rates in addition to the added imbalance, and precludes Mirant from imbalance trading within the additional tolerance. Historically, Mirant has traded imbalances with competitive marketers on NSTAR's system, and a limit on that ability would have a direct impact on marketers' ability to manage their imbalances, Hess said.

Retail Suppliers Urge FERC to Rethink Load Forecasting Obligation in MISO

FERC erred when it allowed the Midwest ISO to compel load serving entities to create load forecasts to be used for its resource adequacy approach, retail marketers told FERC in rehearing requests (ER08-394).

"[T]he accuracy of the Forecast LSE Requirement is the lynchpin to the Midwest ISO's Resource Adequacy Plan because it determines whether the Capacity Resources provided by LSEs, in the aggregate, are adequate and inherently sets the compliance level for LSEs," Reliant Energy pointed out.

"Thus, allowing an LSE to unilaterally develop its forecast requirement enables the LSE to voluntarily set its own compliance level and its exposure to non-compliance measures and/or penalties that will be ultimately developed by the Midwest ISO," Reliant explained.

Reliant cautioned that an LSE could simply lower its forecast to in turn lower its obligations to avoid non-compliance, thereby undermining any compliance mechanism developed by MISO.

"Ironically, a more stringent Midwest ISO compliance regime could result in lower system-wide reliability as higher penalties for failing to meet Midwest ISO requirements may provide increased incentive for LSEs to under forecast its [sic] load to avoid such non-compliance penalties," Reliant cautioned.

Despite recognizing the integral nature of the load forecasts, FERC approved a load forecasting model that does not require a uniform or consistent approach to calculating those forecasts, which undercuts the accuracy and effectiveness of the Midwest ISO's resource adequacy approach, Reliant observed.

Just because, as FERC reasoned, "LSEs are the predominant servers of load in the Midwest ISO," does not mean they will also have the ability and the incentive to develop proper forecasts, Reliant noted, as LSEs retain the opportunity and incentive to minimize their resource adequacy obligations and free ride on procurement by other LSEs.

The Midwest ISO's direct involvement in forecast preparation is necessary to ensure that the forecasts are prepared in a standardized, non-discriminatory manner, Reliant argued.

Without accurate forecasts, the costs of incorrect load forecasting are borne by other

LSEs in the form of scarcity pricing for resources, reduced system reliability, and the obligation of resources provided by other LSEs to cover resource gaps, Reliant explained.

Strategic Energy also asked for rehearing, suggesting that the ISO should rely on distribution utilities to provide load forecast requirements, given the churn experienced by retail suppliers.

Dynegy Power Marketing argued that FERC's order moves the Midwest ISO and PJM markets further apart from a joint and common market, since MISO uses a one-year view while PJM has a more forward looking three year planning requirement.

FERC hasn't addressed seams issues created by the different approaches, Dynegy cautioned, noting that generation may be attracted to one type of market structure while load prefers another.

"The potential for 'RTO shopping' has increased as divergent market characteristics have motivated certain market participants to look elsewhere and may lead to additional planning concerns for both markets," Dynegy added, noting Duquesne has already switched RTOs based on their respective resource adequacy approaches.

The Coalition of Midwest Transmission Customers argued FERC's order discriminates against Load Modifying Resources (demand response) by subjecting them to financial penalties effective March 27, 2008, even though initial resource plans will not be submitted until March 2009 and even though similar non-performance penalties for generation resources have not been proposed or approved.

Although MISO's testimony conveys its intent not to enforce penalties applicable to Load Modifying Resources at least until June 1, 2009, that intent is not conveyed anywhere in the actual tariff language the Commission has approved, the customers cautioned.

Imposing penalties on demand response prior to the implementation of similar penalties for generation would place Load Modifying Resources at a disadvantage and encourage LSEs to choose generation over demand response, the customers argued.

Briefly:

MISO Still Holding Back Data for RSG Cost Study, Marketers Say

The Midwest ISO still has not made the data used for its cost study supporting its proposal to make virtual transactions subject to Revenue Sufficiency Guarantee charges public in either the relevant FERC docket or stakeholder process, Epic Merchant Energy and SESCO Enterprises told FERC (EL07-86 et. al.). "A legally supportable rate cannot be developed in the absence of empirical evidence or when it is based on a preordained result," the two financial marketers argued. MISO's latest answer in the docket also acknowledges that the study merely provides cost correlation, not cost causation, and was performed after staff had already decided upon a method of assigning RSG costs, the financial marketers claimed.

Exelon Says Duquesne Must Pay RTEP Costs Even if Tariff Not Explicit

Exelon urged FERC to make an, "independent finding," that Duquesne is still responsible for Regional Transmission Expansion Plan (RTEP) costs assigned to it even after Duquesne leaves PJM (ER08-194-002). Exelon thinks PJM's tariff and Operating Agreement provide that Duquesne must pay RTEP costs, but Duquesne countered that PJM's OATT does not provide "a mechanism for imposing liability for RTEP on [entities] departing PJM after they cease to serve load in a PJM Zone." But the Commission, Exelon argued, "must take into account and address the inequitable impact on other RTO members of being burdened with costs that were allocated to Duquesne prior to its withdrawal from PJM," and find Duquesne is responsible for the costs independently of the OATT.

Md. PSC OKs SOS RFP

The Maryland PSC approved the April 21 procurement process for Type II and Type I SOS supplies by the state's four IOUs. Vantage Consulting noted the bidding was "robust" with 304 total bids submitted for the 59 blocks of energy, all of which were filled. Eight suppliers won load in the RFPs. The

utilities will now finalize the contracts from the solicitation.

DTE Ready to Sell in Two Biggest ERCOT Markets

DTE Energy Trading completed the ERCOT Retail Qualification Testing Process for the Oncor and CenterPoint areas.

Young Energy Wants Two New Names

Young Energy, a REP founded by former CLEC and wireless telecomm entrepreneurs back in 2005, has applied to add two new names to its REP certificate: New Electricity and Green Fields Electricity. Although receiving its REP certificate from the PUCT in 2005, Young Energy did not complete ERCOT retail market testing until late last year.

Entergy Picks Names for Spin-off Unit

Entergy's new independent nuclear power company that's to be spun off later this year has been named Enexus Energy, with EquaGen picked as the name of the new joint venture Entergy and Enexus will co-own and which will operate the six nuclear reactors to be spun off. Entergy Nuclear earned $221.7 million for the first quarter of 2008, compared to $128.2 million in the year-ago quarter, on higher power prices and additional production from the Palisades plant and fewer outage days. The competitive unit's success buoyed parent Entergy's quarterly earnings to $308.7 million from $212.2 million a year ago.

N.Y. Poll *... From 1*

a lack of interest but rather a lack of sufficient information. This in turn feeds a perception that switching to a competitive supplier is too hard," Kooper said.

"To that end, all stakeholders - competitive suppliers, utilities, consumer advocates and the PSC - need to do a better job educating customers about the opportunity for choice and the benefits that retail competition provides. There is room for improvement from all of us in this area," Kooper added.

Retailers have renewed calls to implement a system that will allow customers to access their account numbers (needed to switch suppliers) at remote locations, such as malls, as one way to facilitate the switching process.

Stephen Wemple, Vice President of Regulatory Affairs for ConEdison Solutions, added that the results show that the Commission should consider competitive services in other policies and programs, such as energy efficiency, as well. Wemple argued a greater role for competition in providing efficiency services was a, "logical extension," of the public's expectation to receive a choice in their energy solutions.

Those who have switched are generally satisfied, with 67% still receiving service from their original competitive supplier, with 65% reporting satisfaction with the supplier.

About half of respondents are willing to pay more for green power, while 19% are not willing to pay more and 31% were unsure. Some 28% would pay 1-5% more, with 14% willing to pay 6-10% more.

The poll, commissioned by RESA, was conducted by pollster Jeff Stonecash of Syracuse University.

Conn. Back Billing *... From 1*

to another supplier or return to default service, the Retail Energy Supply Association added.

A mandatory one-year payment plan may be seen as a nuisance by many sophisticated C&I customers, RESA pointed out.

For C&Is that use generally accepted accounting principles (GAAP), the bill would need to be recognized as a liability in the actual month it was incurred, and an extended payment plan would only serve to create additional accounting complexity, RESA noted.

RESA asked the DPUC to clarify that the back billing rules don't apply to customers who have already voluntarily paid their sums in full. Offering an extended payment plan to those customers would serve no purpose other than to create customer confusion, RESA observed.

NewEnergy argued that competitive suppliers have suffered damage to their business reputations from CL&P's errors, as customers do not necessarily understand that the billing problems and the associated inconvenience are the result of a CL&P glitch.