

Energy Choice Matters

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Maine Utilities' Systems Can't Handle REC Billing, Check-Off Enrollment

Maine utilities' current backoffice systems don't permit separate REC billing or allow for a check-off enrollment process, and creating such processes would be comparable to the billing modifications needed when restructuring occurred, the utilities reported in the Maine PUC's investigation of promoting green energy through utility bills (Matters, 4/24/08).

Central Maine Power, Bangor Hydro-Electric and Maine Public Service all reported they expected significant changes to their EDI and billing systems to be required if they were directed to offer billing services for REC products other than generation supply (2008-178).

CMP compared the task to the proposed energy efficiency vendor billing program (2006-591), which CMP had estimated would cost \$500,000. The utilities expressed interest in making the modifications if cost recovery were permitted or REC suppliers paid for the changes.

Broker Competitive Energy Services and aggregator Interfaith Power & Light reported their interest in using utility billing services would be "much higher" if utilities assumed collection risks and purchased receivables at a defined discount.

"Experience has shown that this discount can be very small for green-related products, but small though it might be, it provides a certainty that can allow suppliers of such products access to bank financing and other means of capital to support efforts," the ABC channels argued.

Hess and Constellation Energy encouraged the PUC to permit a check-off enrollment process for green or REC products. Hess envisioned a form included in the utility bill which lists available green supply options, with the customer checking off their choice and sending it back to the utility. The utility would then initiate the corresponding EDI transaction based on the customer's selection.

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FirstEnergy, Exelon Cite Costs Shifted to Load Due to PJM Queue Retirement Policy

PJM's rules for restudying interconnection queue projects should not result in cost increases for PJM transmission customers under every scenario, FirstEnergy asserted in replying on PJM's petition for a declaratory order (EL08-55).

PJM had asked FERC for certainty regarding queue procedures for generation retirements and subsequent withdrawal of retirement notices (Matters, 4/24/08).

FirstEnergy notes that PJM argues that a generator un-retirement creates the need for re-study and reallocation of network upgrade costs, similar to the withdrawal of a higher positioned generator from the interconnection queue.

"Yet this does not explain why a generator retirement should not also trigger re-study and reallocation of costs," FirstEnergy questioned.

Under PJM's proposal, costs can be reallocated to PJM transmission customers under both scenarios, but never reallocated to a merchant transmission project, FirstEnergy cautioned.

"If merchant transmission projects are going to receive cost decreases as a result of generator un-retirements, then they also should receive cost increases resulting from generator retirements," FirstEnergy contended.

FirstEnergy urged that generators must have certain limits placed upon their ability to retire and un-retire from the PJM market because of the impacts their decisions have. Currently, no financial responsibility is placed upon generators for the operational or financial impacts associated with their

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Gas Marketers Press for FERC Order on AMAs

A coalition of gas marketers urged FERC to promptly issue final rules to provide regulatory certainty in the marketplace regarding the relationship between asset management arrangements (AMAs) and FERC's capacity release rules, and to make the full benefit of AMAs available to the market (RM08-1).

FERC's NOPR regarding capacity release and AMAs has the potential to enhance competition in capacity release markets, increase pipeline utilization, and provide many other benefits to market participants and consumers, the marketers observed.

Uncertainty regarding AMAs has caused some market participants to discontinue participation in AMAs, marketers reported, denying the marketplace significant benefits. Quick FERC action is needed to permit the full benefit of AMAs in time for the 2008-09 winter season, marketers urged.

The marketers included Coral Energy Resources, ConocoPhillips, Chevron, Constellation Energy Commodities Group, Tenaska Marketing Ventures, Merrill Lynch Commodities, Nexen Marketing, UBS Energy and Citigroup Energy.

Suez, Occidental Take Aim at Entergy TLRs

More aggressive action is "clearly" needed to address Transmission Loading Relief events in Entergy's system, Suez Energy North America told FERC in comments on the Independent Coordinator of Transmission's quarterly report (Matters, 2/15/08).

Despite a slight decrease in the number of TLRs called from December 2007 through February 2008 versus the year-ago period, the total MWhs curtailed grew 30%, Suez noted. Non-firm curtailments rose 27% while firm curtailments jumped 667% from 502 MWh to 3,853 MWh (ER05-1065).

TLRs are not a long-term solution to the fundamental problems that continue to plague the Entergy transmission system, Occidental Chemical Corporation argued.

If the ICT experiment is to succeed, the causes of the TLR problem must be determined, and a

plan of action for addressing the problem must be developed, Occidental contended.

"The continuing upward trend in curtailed megawatt-hours (nearly 700% for firm service) should prompt the Commission to take immediate action," Occidental urged, since, "habitual TLR events are indicative of fundamental problems in a transmission system."

FERC Cites PJM Market Changes in Offer Cap Order

The PJM market has changed to such a degree since 2004, including the implementation of the RPM capacity market, that FERC's original concern regarding lowered revenues and valuation resulting from removing offer cap exemptions for certain generators has been addressed, the Commission explained in its order ending the exemptions (Matters, 5/16/08).

The full text of the FERC's order was released Friday, showing the Commission's reasoning in ending the offer cap exemptions (EL08-34).

With the adoption of the three-pivotal-supplier test, one of the conditions the Commission had established for imposing mitigation on the previously exempt units had been satisfied -- adoption of a test for market power within load pockets.

While under the old rules PJM could institute a section 205 proceeding to remove the offer cap exemption for generators with "significant" market power, FERC did not give specificity regarding how to determine whether market power was "significant." FERC determined that the uncertainty and difficulty inherent in the administration of the old "significant" market power standard could result in rates that are unjust and unreasonable.

"Rather than having PJM establish an entirely new market power standard for these 56 generators, we find that PJM should apply the same market power test to these generators as to all other generation," FERC explained.

The Commission's concerns regarding excessive mitigation and its impact on generators' financial health was eased because the mitigation scheme itself is now more targeted.

Generation dispatched during scarcity conditions is now exempt from mitigation and the mitigated bid caps have been increased for those generators that are frequently mitigated, FERC added.

The initiation of RPM provides all generators, including the previously construction-exempt generators, with a new, additional source of revenue that was not available at the time the exemption was first permitted, the Commission pointed out.

Commissioner Marc Spitzer, in a concurrence, noted that prior orders put exempt generators "on notice" that the exemption would not last forever.

"Today's Order is not a retreat from our commitments to new investment in generation and to regulatory certainty." Spitzer assured, but rather balances the interests of buyers and sellers given changing conditions.

FERC agreed with generators that the three-pivotal-supplier test may be unjust and unreasonable and instituted a section 206 proceeding to examine the issue.

If the three-pivotal-supplier test is a poor indicator of market power, using the test to determine whether to mitigate generators could result in imposing offer caps more often than is justified, FERC noted. But the Commission did not have evidence in the record to make a determination of the reasonableness of the test without further proceedings. FERC held hearing in abeyance pending the stakeholder process.

FERC found no violation by any generation resources of their tariffs, no nexus between the alleged tariff violations by PJM and the rates charged by the generators, and no violation by PJM of its tariff that would justify retroactive relief.

The tariff does not provide for a specific timeline by which PJM must post the analyses in question, FERC noted, finding that a time lag in posting a market monitoring report at the center of the proceeding was reasonable given the complexity of the report.

Briefly:

PUCT Staff Drafts Scope of Work for 15-Minute Settlement Study

The PUCT staff issued a draft scope of work for an ERCOT study to determine the best way for ERCOT to change its systems to accommodate full settlement using 15-minute interval data from advanced meters (34610). The study would also investigate the optimal way to synch the information from the market web portal and ERCOT's settlement processes in the long-term.

PUCT Investigating Changes to Quarterly Wholesale Reports Under Nodal Market

The PUCT has issued a series of questions regarding whether updates to its Quarterly Wholesale Electricity Transaction Report (Substantive Rule 25.93) are needed given changes in market transactions that will occur in the nodal market (35444). The reports are designed to deter market power abuses and anticompetitive behavior by increasing wholesale market transparency with respect to bilateral contracts and improve the Commission's ability to investigate allegations of market power abuse. The questions ask whether the reports' current data requirements are adequate for the nodal market. Comments are due June 6 and a workshop is set for June 16.

PUCT Staff Opposes CenterPoint Interim Advanced Meter Rates

The PUCT staff does not agree with CenterPoint Energy's petition for interim rates while the Commission reviews its request for its advance metering deployment and surcharge (35639), arguing CenterPoint has not established good cause (Matters, 5/6/2008). Separately, regarding CenterPoint's advanced metering information network (AMIN), a program where REPs could fund additional smart meters (35620), staff does not agree that the application should be processed as a tariff filing, since the issues involved in the application are sufficiently novel and significant so as to necessitate being sent to the Commission for final approval (Matters, 5/2/08). Staff's proposed schedule would have a final decision on the AMIN plan at the July 3 open meeting, while CenterPoint had urged a decision by the end of June.

Constellation Creates Smart Buildings Alliance

Constellation NewEnergy on Friday launched a group committed to driving innovation in the building automation industry that's to create smarter, more energy responsive buildings, dubbed the NewEnergy Alliance. The Alliance aims to forge a new electricity load response model that's surpass current utility-driven demand response offerings and provide customers with more control over their energy costs. Buildings are to integrate building automation systems with real-time energy market data and pricing signals

to permit buildings to react to changes in the energy marketplace at anytime by reducing and adjusting energy consumption. Members will drive innovation by sharing best practices, new technologies and advanced energy strategies. Constellation NewEnergy will participate through subsidiary Constellation Alliance. Other founding members include: Cimetrics, Clasma, Delta Controls Inc., Energy Control Inc., Gridlogix, LonMark International, Novar, Richards-Zeta, and Tridium.

Settlement Reached on Astoria 2006 ICAP Supplier Qualification

Astoria Energy, KeySpan-Ravenswood and the New York ISO have filed a settlement at FERC regarding Astoria's 2006 submission of nameplate capacity to qualify as an ICAP Supplier and relating deficiency charges. Astoria is to pay \$1.5 million to KeySpan under the pact, which resolves all issues that could be raised in docket EL07-18. The parties are to support NYISO seeking modifications to its tariff to provide that new units must perform a Dependable Maximum Net Capability test to qualify as an ICAP supplier.

End of Long-Term Contract Raising Rates at UniSource

Expiration of a long-term PPA is leading to sizable rate increases at UniSource Energy, under a commodity and distribution rate plan approved by the Arizona Corporation Commission. Mohave County residents will pay about 14% more for the electric commodity beginning June 1, or \$11 per month. Santa Cruz County residents are to pay 13% more for the commodity. Not all of the higher purchased power costs are being immediately charged to customers, as the ACC imposed a cap on the Purchased Power and Fuel Adjustment Clause. UniSource reported the cap will create additional expenses that will increase future rates since it must incur nearly \$20 million in debt during the next 12 months to cover purchased power costs that exceed the cap. Beginning June 1, UniSource will also charge \$2.15 per month for various renewable energy and energy efficiency programs. UniSource's rates also charge less for lower levels of usage, providing customers with an incentive to conserve energy.

Maine Green Billing ... from 1

But none of the three IOUs could accommodate such a process, and suggested that they could instead provide materials which could then be sent to the chosen green supplier, who would initiate enrollment via the current EDI process for competitive switches.

Utilities also conditioned their willingness to offer bill inserts to green suppliers upon review of the advertisements, with CMP taking the strongest stance.

"CMP's willingness to cooperate with the Commission in potentially making its billing envelope available to green suppliers is based upon the fact that the products and services being advertised will fit well with CMP's environmental philosophy. Neither the Commission nor any other party should view CMP's position in this matter as indicative of CMP's willingness to otherwise make its billing envelope available for use by other parties. As noted by CMP on numerous occasions, under the First Amendment to the United States Constitution, a public utility cannot be compelled by the government to use its billing envelope to propagate speech with which it does not agree."

Hess, though, noted the ability of retailers to maintain editorial control over the inserts as it pertains to messages regarding their products was one of the key drivers of retailers' willingness to participate in a bill insert program. Other major factors cited by Hess include ease of use of the bill inserts for both retailers and customers, customer acceptance, and cost effectiveness.

Constellation stressed that suppliers should be able to design the content of the inserts, which should not be subject to formal PUC approval

All three utilities explained logistics needed for timely review and for materials to be printed and processed with the bills, and reported on postage costs and, in the case of MPS, limitations on targeting specific customer classes.

CMP was the lone stakeholder suggesting a certification process for green suppliers above normal PUC retailer licenses, arguing legislative language appears to, "envision a process that goes beyond the Commission's existing licensure standards for competitive electricity providers." CMP proposed that green suppliers exceed the current financial and technical standards in the PUC competitive retailer license process.

Hess suggested a working group as the best means to arrive at a consensus on the issues.

PJM Un-Retirements ... from 1

decisions to retire and reactivate, FirstEnergy explained.

Further, a generator has no obligation to remain activated for any period of time, meaning it could retire again at any time even though it maintains its injection rights on an ongoing basis.

"These rules are inequitable because the costs associated with the generator's reactivation and reconnection to the transmission system will be borne by PJM transmission customers, even though these customers have no means by which to mitigate the generator's actions," FirstEnergy claimed.

FirstEnergy suggested that generators returning to service be made responsible for the upgrade costs associated with their reactivation, and treated and studied as an interconnection queue project.

"Additionally, the generator should be required to remain in service and available to the PJM market for a specified period of time after reconnecting, so that PJM market participants can recoup the costs incurred in connection with the generator's reactivation," FirstEnergy urged.

Exelon is concerned that PJM's proposed treatment of cost allocation upon the reversal of a deactivation notice appears to be inconsistent with PJM's stated policy for planning the PJM system following such an event.

PJM Manual 14B states PJM will continue to plan the system to accommodate retirement of a generator even if the generator withdraws its retirement request.

"If PJM follows the Manual 14B process by planning the system as if the generator retires notwithstanding the reversal of that decision, while assuming the generator does not retire for interconnection planning purposes, load could end up paying costs of upgrades that otherwise would be allocated to generators," Exelon cautioned.