Energy Choice Matters
May 26, 2008

Mass. Utilities Report on Bad Debt Caused by Disconnect Moratoriums

Some Massachusetts customers are paying higher rates for power than available because distribution companies do not offer budget billing for the competitive supply portion of the electric bill when a single electric bill is issued, the Cape Light Compact told the DPU in its docket on low-income assistance (08-4, Matters, 4/2/08).

"As a result, low income customers, who may need budget billing to avoid falling behind in their monthly electric bill, have no choice but to stay on supply offered by the distribution company even if that supply is more expensive than competitive supply," the Compact noted.

The Compact requested that the DPU address the issue of requiring distribution companies to provide budget billing for both the regulated portion and the competitive supply portion of customers' electric bills.

The pool also urged the Department to ensure that arrearage management programs (AMPs) are available to customers on competitive supply, and argued better training of utility customer service staff regarding the availability of AMPs for low-income customers on competitive supply is needed.

Reply filings by the distribution companies gave a fresh look at the latest bad debt levels plaguing the Massachusetts market.

"Unfortunately, protections designed to assist those that cannot pay are also used to protect customers that choose not to pay," Berkshire Gas cautioned.

Only 27% of Berkshire Gas's low-income total receivable balance of $1.8 million is current due to moratoriums on disconnections, the LDC reported. More than 30% of low-income customers

... Continued Page 3

Several ESCOs Amenable to Residential Customer Schumer Box in New York

A Schumer Box including key elements of ESCO offers could be a valuable tool in ensuring that customers receive disclosures needed to make an informed choice, the Retail Energy Supply Association argued in reply comments in the New York PSC's review of ESCO marketing and the Uniform Business Practices (07-M-1514 et. al.).

For that reason, RESA supports, with some tweaks, the disclosure box proposed by the Consumer Protection Board (Matters, 5/23/08).

RESA suggested that ESCOs be allowed to place the box anywhere on the first page of an agreement, or on a separate sheet that comes after the first page, to allow for marketing flexibility. CPB envisioned the box at the top of the first page. ESCOs should have some discretion as to the size of the box as well, RESA said.

RESA also favors clarifying that ESCOs be required to list price, or an explanation of the means determining the price, and termination fee, or general methodology of determining the fee.

The Small Customer Marketer Coalition and Gateway Energy Services also conditionally supported a Schumer Box.

Gateway argued that the inclusion of a Schumer Box should remove the need for any proposed early termination fee restrictions, since customers would clearly be aware of the fees. Gateway also opposed burdensome requirements for customers to sign or initial a series of disclosure statements on their contracts, contending that a single signature if sufficient.

... Continued Page 4

REC Broker Asks for Rehearing on Nstar Green Billing

The Massachusetts Energy Consumers Alliance asked for a rehearing of the DPU's Nstar Green order, arguing that the Department erred when favoring an EDI billing solution for REC suppliers rather than providing a line item on customer bills for the billing of non-energy REC products by competitive suppliers (07-64).

The DPU cited the $910,000 cost estimate to provide line-item REC billing in favoring the EDI method, and was not convinced the transition charge was an appropriate mechanism to recover such costs (Matters, 5/2/08).

But, "the Department must look at the costs of the Billing Alternative in relation to the overarching goals of promoting retail competition and providing renewable energy choice," the alliance argued.

"[S]ince the costs of the Billing Alternative would be spread over a wide group of customers with public benefits over many years, the bill impacts on individual customers would be minimal," the REC broker pointed out.

The alliance characterized the line-item billing costs as "minimal" compared to costs from continued reliance on fossil fuels and global climate change.

ARM, TEAM Cite Concerns Over CenterPoint AMIN Plan

A prehearing conference on CenterPoint's Advanced Meter Information Network (AMIN) plan was scheduled for June 2 as more REPs voiced opposition to granting interim relief (35620).

The AMIN plan would allow REPs to direct and fund the additional deployment of smart meters outside of CenterPoint's Advanced Meter System Deployment plan (Matters, 5/23/08).

The Alliance for Retail Markets and Texas Energy Association for Marketers separately echoed competitive concerns raised by TXU Energy, and did not support extending the filing date to request interim relief. Aside from the concerns raised by TXU, ARM pointed to issues surrounding the financial obligations and risks that participating REPs would bear under the proposed tariff and any unintended consequences on the accuracy of wholesale settlement resulting from a REP-driven deployment of advanced meters as requiring additional time for evaluation of CenterPoint's plan.

Reliant Energy, however, supported interim approval of CenterPoint's tariff. AMIN would help provide innovative services to customers as soon as possible, Reliant explained, cautioning against delays that would hinder making those services available to an increasing number of customers.

Separately, an ALJ also scheduled a prehearing conference on CenterPoint's Advanced Meter System Deployment plan (35639) for June 6.

MEA Sees EmPOWER Maryland Goals Achievable Without Smart Meters

The Maryland Energy Administration believes EmPOWER Maryland targets can be achieved without smart meters or smart grid technologies, it told the PSC (PC12, Matters, 5/21/08).

Contributions from direct load control programs, interruptible/curtailable tariffs, and time-based rates can be conveyed to customers by methods other than advanced or smart meters, such as e-mail, text messaging, and/or telephone, MEA concluded.

MEA added, though, that advanced metering infrastructure (AMI) can enhance demand response offerings and improve customer awareness and participation in demand response, energy efficiency, and conservation programs, and stressed a thorough evaluation of the costs and benefits of smart meters.

But Pepco and Delmarva argued that, "it will be nearly impossible to achieve EmPOWER Maryland peak demand and energy reduction goals" if smart meters are not deployed in the near-term.

"Accurate pricing signals for consumers are expected to motivate significant and appropriate customer electricity savings activities," the Pepco utilities said.

The Office of People's Counsel noted that since not every residential customer will be a suitable subject for direct load control or for time -of -use pricing, voluntary participation is key.

"Companies should invest only in the functionality needed to serve those customers who voluntarily participate," OPC added.

OPC presented analyses that showed that insufficient load among low-income customers exists for smart meters to be cost-effective.

Low-income customers not only have a lower capacity to switch load in response to time-differentiated pricing, but they have a lower capacity to absorb bill increases resulting from unavoidable price increases during periods in which higher prices are imposed, OPC pointed out.

Washington Gas Energy Services stressed that any smart meter programs should not be limited to utilities. Since there is no process for curtailment service providers to access non-AMI data, they are locked out of the market until AMI is implemented, WGES noted.

FERC Approves Demand Response for New York Reserves, Regulation

FERC ordered several changes in the New York ISO's proposal to allow demand side resources to offer operating reserves and regulation service into New York ISO markets on terms comparable to generators (ER04-230-034, Matters, 4/15/08).

FERC agreed with Multiple Intervenors that NYISO's language regarding mitigation would treat demand resources "somewhat differently" from the way other market participants are treated. The NYISO instigates a section 205 proceeding at FERC to mitigate a market participant's behavior only when certain tests are met, but for demand resources, it did not propose specific tests regarding conduct that would prompt mitigation.

The ISO must make a compliance filing in which it either applies the tests applicable to other market participants to demand response; justifies applying different tests to demand response; or justifies why a specific test is not appropriate for demand response.

FERC also directed NYISO to accept modified language relating to Bid Production Cost Guarantees for demand response proposed by transmission owners to prevent overcompensation of demand resources.

The Commission found that NYISO did not present sufficient evidence to justify its credit proposal for demand resources, and rejected the plan without prejudice. The ISO had modeled the demand resource credit requirements after those used for virtual bidders.

FERC noted that New York State Reliability Council and Northeast Power Coordinating Council rules prevent batch loads from providing operating reserves if the loads cannot meet the reliability requirement of reducing load upon receipt of a dispatch instruction over the whole of the bid period, rejecting a request from Nucor Steel to allow batch load to provide reserves.

The Commission agreed with Nucor that batch loads have, "the potential to bestow a useful benefit on the system in the provision of ancillary services," and ordered the ISO to further consider the development of market rules permitting batch load to participate.

Briefly:

TDUs Cite New SPP Members as Degrading MISO Western Markets Plan

A memorandum of understanding by the Nebraska Public Power District, Omaha Public Power District, and Lincoln Electric System to join the Southwest Power Pool limits the scope of any potential benefits of the Midwest ISO's western markets plan, without limiting the potential detriments, Midwest TDUs told FERC (ER08-637, Matters, 3/26/08). The decision of the three Nebraska transmission owners, all currently MAPP members, to join SPP means there are three less MAPP members to potentially take Market Coordination Service from MISO under its western markets plan, decreasing potential benefits, the TDUs said.

FERC Revokes MBRs for Two Traders

FERC revoked the market based rate authority of Dunhill Power and Exel Power Sources for failure to file EQRs (ER02-2001-007 et. al.).

Mass. Bad Debt ... from 1

protected by the moratorium have not made a single payment (excluding payments from fuel assistance or similar funds) since November 15, 2007, the effective date of the winter moratorium.

Berkshire has over 800 customers with over-65, illness or child protection. Of those 800 protected customers, about 200 have not made a single payment in 2008. As of March 31, 2008 approximately 125 of those protected customers have an outstanding account balance of over $1,000, and the total accounts receivable balance of that small group has grown to nearly $400,000, Berkshire reported.

"This is particularly troubling because the over-65 protection has no correlation to the customer's ability to pay," Berkshire observed.

Berkshire favors modifying the over-65 protections to include an associated low-income requirement and age validation procedures.

Berkshire also suggested including a minimum payment requirement for disconnection protection, since that would assist utilities in reducing abuses of protections, reduce bad debt, and ultimately result in reduced costs to all customers.

Nstar made a similar recommendation.

During the recent heating season, 16% of Nstar's protected electric customers and 29% of its protected gas customers failed to make payments of any kind, with those arrears totaling over $20 million.

Nstar reiterated its view that the ability to terminate the service of customers for non-payment is an "essential" tool for utilities to minimize arrearages.

"However, even given the importance of this option, service terminations are rare and are generally limited to those customers that 'won't pay' rather than those customers that cannot pay their electric and gas bills," Nstar pointed out.

Only about 5% of Nstar's customers that receive shut-off notices are actually terminated, it reported.

Nstar also proposed that service restoration could be conditioned on payment by the former customer of at least 25% of the customer's arrearages, in an effort to mitigate the bad debt relating to that customer that would be possibly borne by other customers.

The Attorney General attacked a suggestion by National Grid in its original comments regarding dollar-for-dollar recovery of commodity-related bad debt.

The AG found such a review would be inappropriate in the context of a generic investigation into low-income programs, and because National Grid operates under a Department approved rate settlement that does not provide for the requested rate treatment for bad debt.

N.Y. UBPs ... *from 1*

In response to ESCO concerns about having to offer negative statements at the start of solicitations stating that the ESCO is not the distribution utility, CPB offered that if the Schumer Box includes a statement that the ESCO is not the distribution utility, it would be satisfied that the ESCO has identified its place in the market.

CPB reiterated that any marketing standards should apply to small commercial customers, pointing out that the voluntary statement of principles being used as a guide in discussions applies to both residential and small commercial customers.

RESA, however, explained that defining small commercial customers is "surprisingly complex" and even the most appealing thresholds of rate class or peak demand would not be immediately known by ESCOs during marketing, making compliance difficult. RESA also noted that extending additional rules governing marketing to small commercial customers may decrease the competitive options available to those customers as ESCOs may try to avoid the uncertainty and complexity in identifying those customers.

CPB responded by suggesting two alternatives that would avoid the need for a customer definition. CPB's first preference is that all unsolicited sales contracts must abide by any adopted marketing standards, noting that large C&I customers are very unlikely to receive unsolicited offers. Alternatively, CPB suggested that any customers not currently served by an ESCO must be extended the marketing protections, again observing that most large C&Is would not be covered since they are on competitive supply.

CPB also accepted ESCOs' explanation that variable contracts often have costs which require a termination fee to recover (due to hedging strategies, or non-energy costs which are fixed), and withdrew its contention that only fixed-price contracts be allowed to carry exit fees.

ESCOs also drew CPB's support for review of distribution utilities' practice of dropping a customer onto bundled service from competitive supply when a new account number is issued, due to a name change or other data modification.

"The thwarting of customer choice, whether deliberate or inadvertent, is no more acceptable when caused by a utility than it is when it results from ESCO action," CPB asserted.

New York State Electric and Gas and Rochester Gas and Electric vigorously opposed ESCOs' characterization of such drops, arguing that they only occur when a "material change" to the account occurs such as when the party responsible for an account changes, which raises credit concerns.

NYSEG additionally offered support for Consolidated Edison's contention that customers be allowed to return to utility service without contacting their ESCO because of allegations some ESCOs have refused to initiate the drop back to bundled service.

"The customer should not be held hostage by an ESCO who does not process a drop when a customer requests it. Such a seemingly passive-aggressive stance creates extreme customer frustration and negatively affects customers' attitudes toward retail access," NYSEG and RG&E said.

Gateway Energy, however, raised concerns that utility customer service representatives have encouraged customers to cancel their ESCO contracts, citing "anecdotal reports" from customers.

"The utility should field customer inquiries and help customers to resolve problems. The utility should not display bias against ESCOs. Many times the customer simply has a question about rates or is confused about the invoice. Many of the utilities' customer service representatives display a very negative bias when speaking about ESCOs and often try to convince the customer they would be better off returning to default supply service," Gateway told the PSC.

Gateway also opposed the elimination of random customer assignments under the ESCO Referral Programs, as suggested by CPB. "Customers should not be denied the savings guaranteed as part of these programs," Gateway argued. Gateway is concerned that customers likely won't participate if they are not allowed to be randomly assigned and instead are sent materials on suppliers participating and directed to call back with a specific choice.

ConEdison Solutions opposed Reliant Energy's call for a review of affiliate codes of conduct, noting that they were systematically developed and implemented.

However, if the PSC were to review the rules, ConEd Solutions suggested that, "market power concerns may warrant a review of marketers that own generation which can be sold into the New York market."

"For example, the New Jersey Board of Public Utilities imposed a market share limitation on a specific supplier to ensure that its generation positions did not distort or adversely impact the competitive electric markets. As the Federal Energy Regulatory Commission has recognized, these market power concerns could arise both from generation within New York and also from generation located in adjacent regions if it can be sold into the New York Market. Therefore, [ConEdison Solutions] would recommend that any review of affiliate rules also consider rules for all ESCOs that either own or have affiliates that own generating assets located in, or whose output can be sold into, New York."