

Energy Choice

Matters

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MXenergy Favors Tighter Financial Standards for REP Certification

The PUCT should strengthen its financial standards for REPs, MXenergy urged Friday.

"Electricity customers need to be protected from undercapitalized energy suppliers in the same way sub-prime credit borrowers need to be protected from predatory lenders," explained MXenergy CEO Jeffrey Mayer.

Mayer pointed to three recent POLR drops in the market, which have impacted over 30,000 customers.

"[U]nless we toughen the minimum standards that marketers must meet, more customers are going to wake up to sudden spikes in their electricity bills," Mayer added.

MXenergy urged that the PUCT follow the best practices of other states, though it declined to name specifics in a news release, and Mayer was unavailable to speak with us. MXenergy suggested the PUCT examine higher minimum financial standards, tests for competency in energy risk management, and minimum numbers of customer service representatives.

PUCT Chairman Barry Smitherman has indicated he is open to taking a look at the certification standards, believing that the market is now mature to the point where new entry does not need to be encouraged as it did six years ago (Matters, 5/30/08). REPs can currently obtain a certificate by showing \$100,000 in unused cash resources, a standard that has come under attack by consumer advocates including Texas Legal Services Center.

Aggregated Units Not Eligible for CAISO Spinning Reserve Market, FERC Rules

FERC denied the central protest of MMC Energy in its complaint against the California ISO regarding the definition of spinning reserves, though the Commission did direct the ISO to make certain payments to MMC (EL08-46).

MMC operates three "aggregated units" in CAISO that are comprised of two generators, a small unit which is synchronized to the transmission grid and spinning, and another larger unit that remains off-line until needed (Matters, 3/14/08). Although the CAISO for a time was accepting the units into the spinning reserve market, it later determined that the unsynchronized unit does not fit its tariff's definition of spinning reserve.

MMC called the CAISO's actions discriminatory, and also argued that the ISO could not change its policy absent a FERC order.

FERC disagreed.

The MMC plants do not provide spinning reserve as defined by the CAISO tariff, FERC ruled, because the combustion turbine units are off-line and unsynchronized. That tariff's definition of spinning reserve is "unambiguous," the Commission concluded, and requires spinning reserves to be synchronized.

MMC's interpretation of spinning reserve would make the definition of non-spinning reserve "meaningless," FERC added.

FERC did agree that MMC should receive any funds, with interest, not paid as a result of the No Pay charges imposed by the CAISO, for the time period up to and including September 18, 2006, when the CAISO issued a market notice regarding the tariff definition of spinning reserve. During that

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Record Re-Opened Regarding Tradable RECs in California

A California ALJ is giving stakeholders an additional period to comment on the definition and attributes of tradable RECs to be used for compliance with the state's RPS, granting a motion from the Center for Resource Solutions to re-open the record (R. 06-02-012).

The Center for Resource Solutions urged that the definition of a REC for RPS compliance must include all environmental attributes, including avoided emissions caused by the displacement of conventional energy generation, such as avoided greenhouse gas emissions. Disaggregating environmental and avoided emission attributes from RECs would destroy the intended environmental benefit of the RPS, the center added.

Several parties, including retail marketers, argued the case's record was ample, and that stakeholders had indeed studied RECs in light of carbon regulation and greenhouse gas attributes. Carbon regulation and RECs were reviewed at a September 2007 workshop, and stakeholders were specifically asked to address in comments whether carbon emissions should be bundled with RECs. The Center for Resource Solutions filed its comments some six months after final comments in the case, retail marketers noted.

Nevertheless, the ALJ determined that the Commission, "could benefit from any further analysis the parties may be able to provide."

Because a short comment period would not seriously delay the Commission's review of issues related to tradable RECs, the ALJ is permitting the Center for Resource Solutions to file additional comments, and set a reply comment date for June 11.

Constellation Recommends Maine Keep Current Net Billing Cutoff to Prevent Subsidization

Maine shouldn't raise the current 100 kW cutoff for net energy billing because raising the limit would require utility ratepayers to subsidize larger power plants, Constellation Energy told the state's PUC (2008-196).

Net billing customers, in essence, receive the full value of the retail price of electricity (retail power, transmission, distribution and stranded

costs) for a wholesale power product. Thus net billing is a subsidy to promote small renewable systems, the PUC has noted.

Constellation thinks RPS incentives provide sufficient support for larger renewable projects, and that the 100 kW limit is sufficient to offset the customer's own electricity needs.

Standard offer providers and other competitive suppliers should not be required to buy distributed generation or generation credits on terms in which there is a risk of financial loss, Constellation added, because such risk would simply be imputed into the bids for standard offer service, raising retail prices.

However, consultant Stratex Energy, which is developing a number of distributed generation proposals, urged the PUC to raise the net billing cutoff to 2 MW.

The current 100 kW limit is a disincentive to distributed generation since the limit is far too small to accommodate projects of sufficient size and scale to be economic, Stratex claimed.

Because many costs of generation development are not proportional to capacity (zoning, environmental permitting, etc.) the net billing benefit from smaller projects is often outweighed by these costs, Stratex argued.

Stratex also proposed that the type of technologies approved for use of net energy billing be expanded to include landfill gas (including methane from municipal solid waste), anaerobic digesters of waste materials, and generators using fuels created from biomass.

NYISO Not Pricing TCCs Correctly, Munis Claim

Contrary to FERC order, the New York ISO has failed to accurately reflect historic congestion costs in its pricing formula for fixed price transmission congestion charges (TCCs), the New York Municipal Power Agency (NYMPA) charged (ER07-521).

The NYISO's methodology has resulted in prices for Fixed Price TCCs that are in some cases 500% greater than the actual historical value of congestion costs, munis claimed.

Such prices render the Fixed Price TCCs "worthless" as a tool for hedging long-term congestion costs, munis argued, thwarting the purpose of the Commission's April order on long-term transmission rights in the ISO (Matters,

4/17/08).

Munis complained that NYISO is using "inflated" congestion costs from the most recent four Capability Periods, which the munis consider, "anything but reflective of historic upstate New York congestion costs." Munis contend the inflated prices were caused by a, "unique coincidence of transmission facility outages."

The TCC pricing formula also improperly contains an inflation adjustment, contrary to FERC's April order, munis added.

NYISO has also failed to comply with FERC's "clear directive" to provide LSEs with the option of Fixed Price TCCs with 10-year terms, the New York Association of Public Power (NYAPP) argued. Instead, the proposed revisions establish that Fixed Price TCCs will have an initial duration of five years and that LSEs eligible to obtain them will have an option to renew them for one additional five year term at a newly calculated price, the public agencies pointed out.

The munis urged FERC to consider the matter expeditiously since they must make their TCC election by June 20.

CAISO Defends Queue Reform Proposal

The California ISO's temporary suspension of study responsibilities for early stage and new interconnection requests, which is part of its queue reform, is "by no means a stand down of resources," the ISO assured FERC in responding to comments on its proposal (ER08-960).

The CAISO dismissed criticisms that a temporary suspension may add significant and costly delays to interconnection requests as "unsubstantiated and speculative," particularly given the purpose of the transition is to clear the queue and utilize a more efficient process (Matters, 5/30/08).

The suspension will allow CAISO to move the most advanced interconnection requests out of the way quickly and efficiently so that attention can then be shifted to other requests, the ISO reported.

By temporarily suspending interconnection requests that are not advanced, the ISO also

avoids study procedures and associated study costs that are likely to become unnecessary under the reformed queue.

While developers made cases for including their individual projects in the advanced serial study group, whose connections will still be studied, the ISO explained that reviewing projects on a case-by-case basis defeats the purpose of an expedited process to clean the queue. That's why the ISO picked a non-discriminatory criteria to select those projects whose interconnection requests would not be suspended.

The argument that smaller projects or expansion of existing power plants should be included in the advanced serial study group, as suggested by Wellhead Electric, is flawed, the CAISO explained.

Small size does not guarantee quick interconnection, the ISO noted, and it is incorrect to assume that smaller projects have little impact on the grid. The impact of each project is unique and dependent on a number of variables, the ISO stressed. Thus small projects should not receive a special exemption into the serial study group, CAISO concluded.

Generators Suggest PUCT Adopt FERC Reporting Software

ERCOT's transition to a nodal market is the perfect time for the PUCT to adopt FERC's wholesale transaction reporting requirements and software, Texas Competitive Power Advocates suggested in project 35444, in which staff had asked about what updates, if any, were needed to the quarterly reports because of the nodal switch (Matters, 5/17/08).

The efficiency of the marketplace would be served by the PUCT adopting FERC's EQR software, TCPA suggested, since virtually every filer in Texas uses the EQR software. In no other market are wholesale market participants required to use a reporting system different than that required by FERC, TCPA reported.

Austin Energy suggested that the Commission reconsider its need for the reports to be filed on a regular basis, and instead exercise its discretion to request information from individual entities in the course of an investigation, should there be an indication such

an inquiry is necessary.

In the alternative, since the Commission collects the data to review market power, Austin Energy urged that the reports be eliminated for small entities, noting that the PUCT, in its market power and resource adequacy joint rulemaking, recognized that the ability of smaller entities, that control less than 5% of the generation market, to exert control over prices is remote. Thus, the reports should not be required for entities too small to commit market power abuses, Austin Energy reasoned.

Briefly:

ERCOT Board Approves Congestion Fix

ERCOT's board unanimously approved PRR 764 which will allow the grid operator to make greater use of local congestion management in an attempt to lessen price spikes which have caused turmoil in the wholesale and retail markets (Matters, 6/6/08). The rule change is to take effect today.

ERCOT Details Short Amounts for June 5 Invoices

Due to recent defaults in the ERCOT market, ERCOT was short \$290,665.83 in paying out invoices to QSEs due on June 5. QSE Pre Buy Electric was short \$169,349.77 while QSE Sure Electric (Riverway Power) was short \$121,316.06. ERCOT will follow the "short payment" procedure stated in Protocol Section 9.4.4, Partial Payments, for payments being made to QSEs. Per the ERCOT Protocols, ERCOT will deduct ERCOT Administrative fees, and payments for Reliability-must-run (RMR) services from the amount received, and then reduce payments to all invoice recipients that are owed monies, except for monies owed for RMR services. The reductions will be made based on a pro rata basis of monies owed to each ERCOT creditor to the extent necessary to clear ERCOT's accounts on the payment date to insure revenue neutrality for ERCOT.

Calif. PUC Sets Workshop on GHG Assessment in IOU Procurement Plans

The California PUC set for July 10 a workshop to investigate requiring IOUs to include a greenhouse gas uncertainty assessment in their long-term procurement plans. An ALJ issued a

list of questions concerning GHG assessments, to be answered by June 30, as well (R.08-02-007).

Md. PSC Looking for IRP Expert

The Maryland PSC has an opening for Director of Integrated Resource Planning. The director monitors and conducts analysis on long-term planning to ensure reliable energy service in Maryland.

Dynegy, LS Power Sell Stake in Sandy Creek Plant

Dynegy and LS Power are selling a portion of their indirect interest in the 900-MW Sandy Creek Power Generation Facility to the Lower Colorado River Authority (LCRA). LCRA gets an 11% non-controlling ownership stake in the project (equaling about 100 MW) and also entered into a 30-year power purchase agreement for 100 MW of capacity commencing with commercial operations. The PPA provides for a pass-through of fixed and variable operating costs. Dynegy and LS Power will retain 64% ownership of the coal-fired plant, expected to go online in 2012.

MMC-CAISO ... from 1

time MMC was able to provide service to the CAISO when dispatched, FERC explained, and should be paid. FERC set the matter for hearing and settlement procedures as the ISO and MMC differ slightly on the exact amount of those charges, but each believes it's just above \$240,000.

FERC also set for hearing and settlement talks the matter of payment of charges after the Sept. 18 market notice, because there is insufficient evidence in the record to determine whether MMC was providing any ancillary services to the CAISO during the summer of 2007, and, if so, what payments should or should not have been made.