Energy Choice Matters

June 18, 2008

Marketers Condemn Columbia Gas Master List of Interconnections Changes as Harmful to Markets

A host of marketers protested Columbia Gas Transmission's application at FERC that would allow Columbia to make changes to its Master List of Interconnections at Columbia's "whim."

In doing so, Columbia seeks to abrogate scores and possibly hundreds of firm contracts, by forcing shippers to revise their primary delivery points and associated contract quantities, explained Columbia Shippers, a group of gas marketers (RP08-401).

The Master List of Interconnections revisions would increase the number of primary delivery points on Columbia's system to 371 from 255.

The changes, by requiring scheduling at a level far closer to, if not at, the physical delivery meter level would severely restrict the flexibility of shippers with obligations to serve customers in retail choice states, marketers reported.

Integrys Energy Services argued that the changes do not improve service to customers and accused Columbia of requesting the revision authority simply to enhance revenue without filing a rate case.

For example, under the proposed changes, to serve a customer where a marketer does not have a contractual Maximum Daily Delivery Obligation, a marketer would need to acquire that point capacity through a release, or, more likely, interruptible service from Columbia, Columbia Shippers explained.

The Master List of Interconnections changes would limit shippers' rights, increase shippers' costs, and increase shippers' exposure to penalties while re-packaging and selling, at a new cost, services

... Continued Page 6

D.C. Working Group Finds Little Interest in Supplier Consolidated Billing

A review of competitive billing in surrounding states shows that competitive suppliers have not requested to use supplier consolidated billing where it is available by law or regulation, the Retail Competition Working Group told the District of Columbia PSC (FC 945). The group also noted that there are no "major issues" involving utility consolidated billing or dual billing.

In Pennsylvania, some utilities offer supplier consolidated billing but it has not been requested by suppliers, the working group reported. While an EDI solution for supplier consolidated billing was explored, it hasn't been implemented. Virginia is similar with supplier consolidated billing included in rules, using a manual process outside of the standard EDI billing protocols. Again, no suppliers have requested supplier consolidated billing.

In New Jersey and Delaware, supplier consolidated billing was included in restructuring laws but never enacted. Suppliers haven't requested its use.

The one market that uses supplier consolidated billing extensively is Texas, the working group reported, but the group noted there are many fundamental differences between the Texas market and markets in the Mid-Atlantic.

The report did not address Illinois where interest in supplier consolidated billing (or single billing) has increased after years of disinterest, with suppliers such as BlueStar Energy Services, Reliant Energy and Spark Energy obtaining single billing authority.

Pepco development to support supplier consolidated billing protocols would be "very significant," the group reported.

Reliant Energy Md. Website Offers Pricing for Type II Class

Reliant Energy has enrolled about 500 Type II customers since it started serving that class in Maryland in May (Matters, 5/22/08). Currently available from Reliant's new Maryland website are the Type II offers listed below. The offers do not include a monthly fee but do carry a termination fee dependent on any loss Reliant takes when selling its hedged supply into the wholesale market when a customer leaves.

BGE

Plan	**Price (¢/kWh)**
Fixed 12-month	14.6
Fixed 24-month	14.0
Fixed 12-month, 15% Green	14.7
Fixed 24-month, 15% Green	14.1
Pepco	
Fixed 12-month	14.4
Fixed 24-month	13.9
Fixed 12-month, 15% Green	14.5
Fixed 24-month, 15% Green	14.0
Delmarva	
Fixed 12-month	13.1
Fixed 24-month	12.9
Fixed 12-month, 15% Green	13.2
Fixed 24-month, 15% Green	13.0
Allegheny	
Fixed 12-month	10.6
Fixed 24-month	10.8
Fixed 12-month, 15% Green	10.7
Fixed 24-month, 15% Green	10.9

Md. PSC Raps Vantage Consulting Budget

The Maryland PSC recommended that the state's IOUs agree to a $100,000 increase in Vantage Consulting's budget but refused to recommend the consultant's full request for $183,000 more until the costs are justified. Vantage reviews SOS bids and provides other services as directed.

The Commission cited its concern about excess billings compared to the initial budget proposed by Vantage in suggesting utilities hold back the increase.

The PSC also has some concerns about certain out-of-pocket expenses that Vantage has invoiced under the contracts, noting that the daily travel expenses that have been submitted far exceed the state's per diem amount.

"Additionally, the Commission notes that reimbursement for personal expenses may have been sought that are seldom, if ever, deemed business expenses; for example, alcoholic beverages purchased at dinner."

Since the IOUs recover the cost of the consulting contract through the SOS administrative charge, the Commission believes that the underlying costs of the contract are subject to the "just and reasonable" standard as set forth in § 4-101 of the Public Utility Companies Article.

"The Commission is uncomfortable recommending an additional increase in the budget amount when the support for the additional charges does not provide an adequate description of the work done on the time sheets. For example, on the April 2008 invoice, one time sheet reflects the word 'PAT' for several days with a total of 57 hours devoted to this activity. The Commission, however, is unable to determine what specific activities were done during this time," the PSC noted.

The Commission also cited a charge of $48,000 on a February 2008 invoice for the continued preparation of a database of all solicitations as seemingly excessive, "especially when the project has not been completed to the Commission's satisfaction."

FERC Approves NYISO Wind Changes

FERC accepted the New York ISO's tariff changes to better integrate the increased presence of wind generation into the day-ahead and real-time energy markets (ER08-850).

The revisions will benefit, and encourage, wind and other intermittent generators by extending special payment provisions and penalty exemptions to 3,300 MW of intermittent resources, an increase from the current 1,000 MW cap. Aside from not having to pay persistent under-generation charges, intermittent resources accepted for special payment rules would be paid for all energy delivered to the wholesale Locational Based Marginal Price market.

The 3,300 MW cap was chosen because that is the level of wind resources NYISO has previously calculated the grid can handle without compromising reliability. That amount of intermittent resources isn't expected to be reached until 2010.

NYISO will also implement a centralized wind forecasting mechanism to more accurately predict the availability of wind resources which should reduce overall system operating costs, FERC noted.

NYISO is to impose daily financial sanctions on wind resources that fail to provide required meteorological data and those that do not cure that failure after a reasonable notice period. The daily sanctions would be equal to the greater of $500 or $20/MW of nameplate capacity per day until the failure is corrected.

MISO Fails to Address LSE Forecasting Alternatives, Marketers Say

A Midwest ISO compliance filing regarding its resource adequacy plan fails to meet FERC's directive for MISO to address alternative proposals for load forecasting as it relates to LSEs, particularly in choice states, several competitive retailers told FERC (ER08-394-002).

FERC accepted MISO's plan to require LSEs to individually forecast load to determine their share of the system peak and accompanying resource adequacy obligations (Matters, 3/27/08).

However, FERC also ordered MISO to review load forecasting processes in other RTOs with retail choice states as well as the alternative proposals from stakeholders to determine if alternative processes are appropriate.

But MISO's compliance filing is absent of any meaningful assessment of reasonable alternatives and does not propose any accommodations for small LSEs, Dominion Retail argued.

The MISO filing tacitly acknowledges that no other RTO relies on retail providers for load forecasting and other data and calculations typically provided by incumbent utilities and/or the RTO, Dominion observed.

MISO explains this difference by noting Eastern RTOs that perform central forecasting have centralized forward capacity markets.

But Reliant Energy urged FERC to reject MISO's "cavalier" dismissal of the load forecasting procedures used by other RTOs based on the differences between their forward procurement capacity constructs and the monthly requirement adopted by MISO.

Reliant reminded FERC that both the New York Independent System Operator and California Independent System Operator have monthly resource adequacy requirements, and the NYISO model fully accommodates a retail choice environment. Eastern RTOs also performed central forecasting before implementing forward capacity markets, when they had monthly capacity obligations for LSEs similar to those in MISO, Reliant added.

"The determination of the Forecast LSE Requirement is far too important a component of the [Resource Adequacy Requirements] to have the Commission's and intervenors' concerns dismissed so casually in the Compliance Filing," Reliant argued.

Dominion again suggested that MISO perform centralized load forecasting or rely on the distribution utilities or Balancing Authorities for forecasts.

Retailers argued that not using a centralized forecast would harm reliability since each LSE will use it own methods and assumptions; will be speculating due to customer churn; and may even underestimate their obligations to avoid resource adequacy obligations.

Dynegy, Exelon and Constellation want MISO to implement an LSE Planning Reserve Margin procurement approach that appropriately values the effect of delivery constraints on capacity and thus provides more accurate price signals to the market.

MISO's failure to require LSEs to recognize and account for transmission constraints will likely have a direct impact on rates and reliability because, "such a fiction does not reflect the reality that the value of capacity in constrained areas is greater than that of capacity in non-constrained areas," the three power marketers noted.

Such "failure" prevents proper operation of the market and mutes necessary scarcity pricing signals because the MISO's current methodology does not require localized generation solutions for local deficiencies, the marketers added.

CAISO Assures FERC It Won't Rush MRTU Start

Dates used for planning purposes in the California ISO's Market Redesign and Technology Upgrade testing will not force a launch before the systems are fully ready, CAISO assured FERC (ER06-615).

The Northern California Power Agency (NCPA) had claimed that CAISO was advancing to later stages of testing even though prior stages contained failures, due to pressure to meet a specific Go Live date (Matters, 6/3/08). The agency also requested a technical conference on MRTU readiness.

CAISO urged FERC not to depart from its, "well defined and pre-established readiness process," at this late juncture, because to do so would divert scarce and crucial resources away from actual MRTU preparation. Reforming CAISO's monthly status reports or convening a technical conference would only delay the readiness process, CAISO added.

The ISO's October 1 target Go-Live date remains precisely that -- a target, the ISO stressed. CAISO management has not yet, based on the course of market simulations, recommended to the CAISO Board that it approve filing the MRTU readiness certification in time for an October 1 start, CAISO noted, adding that, "nothing is being sacrificed for the sake of the October 1 date." In response to NCPA's characterization that the ISO is deadline driven, CAISO reminded FERC it has delayed MRTU implementation twice in the last year after stakeholder consultations.

CAISO also assured FERC it is adhering to a pre-established ranking criteria for variances during testing. The ISO called NCPA's expectations regarding market simulation unrealistic and reported that the simulation guidebook was not meant to be predictive in nature.

But the Cities of Anaheim, Azusa, Banning, Colton, Pasadena and Riverside claimed that CAISO staff have indicated an intention to override previous assurances that Market Participants would have three months to test their internal systems following final specification of all MRTU systems prior to MRTU launch.

According to the Six Cities, CAISO staff, during a June 11 stakeholder meeting, expressed the view that Market Participants should begin testing their internal systems prior to final specification of MRTU systems, and that such participant testing based on non-final or incomplete MRTU system specifications should be considered part of the promised three month test period. The cities claimed that CAISO staff asserted that the simulation process was not intended to demonstrate full bid to bill functionality of the MRTU systems, contrary to the description of the simulation processes set forth in the guidebook.

Washington Gas Worries About Fuel Switching From Electricity

Washington Gas cautioned the Maryland PSC that improperly designed electric energy efficiency programs can prompt fuel switching and actually increase electricity consumption.

Washington Gas was responding to a series of questions issued by the PSC to Baltimore Gas & Electric regarding BGE's efficiency programs. The questions, in Washington Gas's view, suggested that the Commission is concerned that BGE's incentives for efficiency were too low.

The incentive payment does not need to be significant to cause fuel switching, Washington Gas noted.

Referencing testimony from Pepco and Delmarva, Washington Gas reminded the Commission that the cost difference between a central air conditioning system and heat pump ranges from just $600 to $1,000. If electric efficiency incentives make more efficient heat pumps more attractive than central air, consumers could end up using more electricity since heat pumps provide them with an opportunity to consume electricity for heating needs rather than natural gas. Washington Gas urged the Commission not to permit incentive payments for heat pumps installed in place of air conditioning units to protect against these "negative consequences."

Briefly:

ERCOT Accepts IMM Price Cap Proposal

The ERCOT board accepted the Independent Market Monitor's suggested changes to impose a $2,250/MWh MCPE price cap, create a negative $1,000/MWh price floor, and lower the Shadow Price Cap for Commercially Significant

Constraints (CSCs) from $5,600/MW to $5,000/MW. When the MCPE is capped or limited, any non-zero Shadow Price for CSCs will be recalculated based on the capped or limited MCPE (Matters, 6/16/08).

Freedom Appeals PUCT Fines on Disconnects, Complaints

Freedom Power of Texas filed an appeal in Travis County District Court of the PUCT's finding that Freedom violated weather-related disconnect prohibitions and was late in responding to customer complaints in 2006 (33138). The Commission fined Freedom $21,050 for the violations, the most serious of which was the Commission's finding that Freedom used Move-Out transactions to improperly disconnect two customers. Freedom, as it had before the Commission and in an unsuccessful rehearing request, claimed that the two Move-Out transactions in dispute were accidental and caused by a computer glitch. With respect to the 18 (19 as cited by the PUCT) customer complaints it was tardy responding to, Freedom claimed that it did not receive the complaints due to a hardware system failure and actions by a rogue employee. Freedom alleged that an ALJ in the case, "improperly admitted evidence," and "failed to make findings of fact on material, relevant and unchallenged evidence," thus creating an, "absurd process devoid of even basic fairness."

NCG Withdraws Broker Application, Hearing Set on PSC Investigation

Although NCG Energy Solutions withdrew its Maryland electric broker application at last week's administrative meeting, the PSC's investigation into NCG's compliance with PUC Article § 7-507 and COMAR 20.51.02.01, pertaining to licensing of electricity suppliers and brokers, continues (Case 9142, Matters, 5/20/08). The Commission granted staff's request for extended time to review various documents produced by NCG (including lists of officers, affiliates and complaints, if any, as well as supplier and customer contracts) and set a hearing on the case for June 25.

ERCOT Submits Higher Fee Request, Details Division of Time

ERCOT submitted its request for a higher system administration fee of $0.5698/MWh to the PUCT (35785). Although ERCOT left to the Commission any policy decision of changing the allocation of the fee from load only to load and generation, ERCOT reported 55% of its time is spent on activities related to buyers of wholesale electricity (load), and 45% is spent on activities related to sellers of wholesale electricity (generation). The current administrative fee is $0.4171/MWh. ERCOT also requested an increase in the Security Screening Study fee that is part of ERCOT's Generation Interconnection or Change Request procedure which would charge $10,000 to $15,000 for each study based on the megawatts of generation capacity proposed, with additional charges for larger projects. ERCOT also proposed elimination of the Texas Non-ERCOT Load Serving Entity Fee since all but one LSE have been granted waivers from the fee, and hardware funded by the fee has been fully depreciated.

Public Power Agencies Protest ISO-NE Long-Term Transmission Rights Filing

The New England Public Systems protested an ISO New England compliance filing on long-term transmission rights because ISO-NE's design, "expose LSEs that enter power supply arrangements of more than five years' duration to virtually unlimited transmission congestion price risk after five years," the public power agencies claimed (ER07-476-002). ISO-NE's filing also adopts a pricing mechanism that is not flexible enough to accommodate the lead time inherent in developing new generating resources to be covered by a long-term transmission right, the public systems added. But DC Energy supports the adopted methodology under which the firm price for the initial five-year term of Allocated Long-term Financial Transmission Rights will be based on the results of the most recent Long-term Transmission Rights auction. Such a design will produce efficient market results and will avoid cross-subsidization, a problem which undermined other proposed remedies, DC Energy argued. Using recent auction prices will be more "forward-looking" and transparent than basing Allocated Long-term Financial Transmission Rights on historical congestion, DC Energy added.

EnerNOC Signs 110+ MW Deal with TVA

EnerNOC signed a contract with the Tennessee Valley Authority to provide a minimum of 110 MW of demand response capacity, and will target C&Is at Memphis Light, Gas and Water; Nashville Electric Service; Knoxville Utilities Board; and Huntsville Utilities.

Pepco Energy Services Using Excelergy Product

Pepco Energy Services selected Excelergy's HedgeDirect software for pricing, execution, and management of its retail C&I customers.

Study Touts Falling Costs of Solar Power

A study by Clean Edge and Co-op America claimed solar power is "likely" to reach cost parity with retail-electricity rates in most regions of the U.S. in less than a decade. The study projects installed solar PV prices will decline from an average 15-32¢/kWh today to 8-18¢/kWh in 2015 and 4-8¢/kWh by 2025. Such prices, if realized, could support solar reaching 10% of U.S. generation by 2025, the study claimed.

Columbia MLI ... *from 1*

currently provided, Integrys Energy Services told FERC.

Columbia is not merely making changes to its scheduling procedures but is proposing to change services received by firm shippers who have signed firm transportation service agreements, with consequences that will materially and adversely affect shippers' firm contract rights to the detriment of wholesale and retail competitive markets, Integrys Energy Services claimed.