Energy Choice Matters

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ARM, TXU Blast CenterPoint AMIN Program as Discriminatory by Favoring Reliant;

Reliant Reveals AMIN Product Offerings

CenterPoint Energy's preferential treatment of Reliant Energy when drafting its advanced metering information network (AMIN) agreement would give the former affiliated REP and largest REP serving the CenterPoint service territory a, "distinct and significant competitive advantage," in the roll-out of Smart Energy retail offerings in that area, if the PUCT adopts CenterPoint's AMIN proposal without changes, the Alliance for Retail Markets and TXU Energy cautioned in statements of position (35620).

Reliant argued that if AMIN is not approved by the Commission, "innovation and choice will be thwarted," since smart energy products and their benefits wouldn't be available until after the peak season of 2009. Reliant called AMIN a "creative solution engendered by the retail competitive market," that gives every REP the opportunity to take part, or decide that AMIN is not right for them.

But ARM and TXU blasted the preferential treatment given to Reliant, revealed during a technical conference, at which CenterPoint disclosed that Reliant approached CenterPoint earlier this year about creating an AMIN plan, with no other REPs involved in crafting the agreement. The Texas Energy Marketers Association expressed similar concerns.

Reliant signed the AMIN agreement in early May, the only REP thus far to do so, but actually placed orders with CenterPoint for equipment related to advanced meters on four different occasions outside of the AMIN agreement. The earliest was March 21, a little less than a month before CenterPoint provided other REPs with a copy of the AMIN Agreement (Matters, 6/10/08).

Reliant's early actions would allow it to install smart meters under AMIN as early as August 2008, and make it the only REP able to do so, ARM noted.

Under CenterPoint's proposal, REPs would have to request advanced meters some 90 days before installation, which left ARM puzzled how CenterPoint could represent that it could install meters

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Delmarva Signs Deal with Bluewater and Would Charge Shoppers for Costs

Delmarva Power inked a deal for 200 MW of offshore wind from Bluewater Wind for its Delaware customers, with the costs intended to be spread over all Delmarva distribution customers in a non-bypassable charge.

The non-bypassable charge is one of the many changes from earlier proposals from Bluewater which were harshly rejected by Delmarva as too costly. Previous contracts would have only been charged to mass market customers. Now, if legislative changes are approved, large industrials and shoppers would have to pay for the wind power as well, which would add about $3.50 to the average residential SOS customer's monthly bill, according to Delmarva.

Delmarva also agreed, subject to regulatory approval, to create an optional program that would let customers buy additional offshore wind power. It's unclear at this time what form the program would take or how risks would be allocated between bundled and shopping customers.

The contract includes energy, capacity and renewable energy credits. The deal is contingent upon legislation that would credit offshore wind RECs at a rate of 350% per REC.

Bluewater intends to build a 600-MW farm to supply Delmarva and is looking for other customers for the balance of the project. The contract contains an out, with penalties, if Bluewater does not find additional offtakers and drops the project. Delivery for the 25-year PPA could start in 2012.

Maryland OPC Suggests Investigation into Supplier, Broker Licensing

A supplemental investigation may be needed to ensure that Maryland electric suppliers who engaged in business with NCG Energy Solutions did not contribute to NCG's violation of licensing provisions of the Annotated Code of Maryland Public Utility Companies Article, the Office of People's Counsel suggested to the PSC yesterday (9142).

NCG, which has also used the trade names Wind Street and Northeast Communications Group, has admitted to brokering without a license in Maryland for nearly two years (Matters, 6/18/08).

"It should be incumbent upon entities licensed by the Public Service Commission to be diligent in dealing only with other licensed and properly-registered businesses in Maryland," OPC reasoned in suggesting the PSC examine suppliers dealing with NCG.

OPC also suggested that a review of the current electricity suppliers and brokers in Maryland should be instituted to establish their compliance with PUC § 7-507 of the Annotated Code of Maryland, and Corporations and Associations Article § 1-102, pertaining to licensing and registration.

OPC noted the Commission could impose a civil penalty up to $10,000 per violation for each violation of PUC codes, and favors an "appropriate" penalty for the, "clear and extended violation of PUC law."

"Imposition of a civil penalty is the only way to make clear that failure to obtain the appropriate license is a serious matter, and cannot be ignored with impunity," OPC argued.

DPUC Says Lawmakers Should Require Dual Fuel for New Generation

Connecticut lawmakers should modify legislation to allow the Connecticut Siting Council to require dual fuel capability for any new gas-fired generators, the DPUC suggested in its Report to the Connecticut General Assembly on Electric Reliability (07-06-62).

Among other issues, the report examined the strain that extreme winter cold places on gas-fired generator's fuel supplies.

The DPUC is already requiring all new gas-fired generators built under long-term contacts or cost-of-service ratemaking to have dual fuel capability.

The Department suggested that ISO New England study changes to the penalty structure in Appendix H to ISO-NE Market Rule No. 1, which outlines actions to be taken during extreme cold weather conditions. Currently, if a generator fails to be available during a cold weather event, the generator is penalized with a 5% reduction of the generator's annual capacity payment for each event that the unit is unavailable during cold weather periods.

But the DPUC thinks 5% may be too small a penalty for non-performance during a cold event, and suggested increasing the reduction to 15% or 20%, or indexing the capacity payment penalty percentage to the difference in costs between the local costs of natural gas and crude oil during the event.

The penalty should also be increased further when the grid cannot meet reliability requirements and has to initiate load shedding through rolling blackouts, the DPUC added.

The Department observed that another form of penalty could be for ISO-NE to allocate its conservation and demand response program payments made during an event to make up for insufficient reserve capacity to generating units that were required to operate during the event but chose to shut down.

The DPUC is to evaluate the cost of firm versus interruptible gas transportation service to determine whether gas-fired electric generators should obtain firm transportation service on interstate gas pipelines. If it is determined that firm gas transportation service would be beneficial to ratepayers, the Department could require such contracts for any generator built under long term agreements or cost of service regulation.

ISO-NE should consider requiring dual fuel capability or firm gas transportation contracts for new generators if market rules are not providing adequate incentives to encourage the desired level of reliability to the New England electric system, the Department added.

N.Y. PSC Sets Method for ESCOs to Participate in Fast-Track EEPS

Independent program administrators, such as ESCOs, wishing to participate in the New York PSC's fast-track (through 2011) energy efficiency portfolio standard programs must submit proposals to utilities or to NYSERDA for consideration within 45 days of a PSC order released yesterday (07-M-0548).

The EEPS order, voted on last week but issued Monday (Matters, 6/19/08), sets efficiency targets for jurisdictional service territories based upon sales. Minimum targets for utilities and NYSERDA, for the period from October 1, 2008 through 2011, are established as 50% of the "jurisdictional gap" in reaching the state's 15 x 15 goal for each service territory, after deduction of a set-aside for utility on-bill financing programs and NYSERDA fast-track programs.

Any proposal from an independent program administrator received by a utility or NYSERDA must be considered for inclusion in that entity's fast-track proposal to the Commission, and its inclusion or omission from the proposal to the Commission must be explained.

Utilities may propose fast-track proposals in two areas:

1. Small Business Direct Installation: Programs that deliver hardware retrofits for electric customers with monthly peak demand less than 100 kW; and
2. Residential HVAC: Programs that offer financial incentives for air conditioning equipment that reaches Energy Star performance levels.

The Commission expects program costs to be minimized by requiring that program administrators use a competitive procurement process for program delivery.

The PSC found an approach relying on NYSERDA and utilities as program administrators, with opportunities for independent administrators such as ESCOs as well, would ensure diversity, flexibility and competitive pricing that could take advantage of each entity's unique reach and attributes. Those benefits outweighed concerns about program duplication and administrative difficulties.

The Commission noted that while Central Hudson advocated for a competitive market in the provision of efficiency services, and decried NYSERDA as a government monopoly, Central Hudson did not propose that any other market participants be funded through the EEPS other than distribution utilities.

Briefly:

Pepco Transferring Panda PPA to Sempra

Pepco has executed an agreement to transfer the Panda PPA to Sempra Energy Trading, it reported to the Maryland PSC (8796). As a result, Pepco withdrew its request to place $320 million in a special purpose account to be used solely for the purpose of paying above-market costs of the PPA (Matters, 2/26/08). Pepco will use a portion of the funds its received from the Mirant settlement regarding the Panda PPA to effectuate a transfer of the PPA to Sempra. Pepco will continue to pay the above-market Panda PPA costs until the transfer closes, which is subject to FERC approval of an interconnection agreement between Panda and Pepco. For that reason, Pepco cannot state what the balance of the settlement funds remaining at closing will be at this time. Once the deal closes, Pepco will seek approval to distribute remaining funds in accordance with prior Commission orders.

Conn. Draft Recommends Liberty Residential License

The Connecticut DPUC would grant Liberty Power Holdings an expanded marketing license to serve residential customers, under a draft decision (06-12-07RE01). Currently, Liberty is licensed to sell to C&Is.

RBS Seeks Md. Electric License

The Royal Bank of Scotland applied for a Maryland electricity supplier license to serve C&Is in the four IOU territories (ML# 111301). RBS disclosed that it has recently been awarded a license in Massachusetts in addition to its licenses in Connecticut, Texas and Oregon. RBS has pending applications in California, Michigan, New Jersey, New York and Ohio (Matters, 6/17/08).

PUCT Staff Moves to Revoke National Power Certificate

The PUCT staff moved to revoke the REP certificate of National Power of Houston, stating that the REP no longer has the capability to provide continuous and reliable electric service to its customers (35802). National Power defaulted on its ERCOT obligation last month, prompting a mass transition.

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as quickly as August if PUCT approval does not come until July.

But because Reliant got a head start on ordering equipment and gaining a working knowledge of the AMIN agreement, it was able to request equipment even before other REPs were aware of the AMIN program, ARM explained. Thus, CenterPoint could install meters for Reliant, and Reliant only, by August of this summer, ARM noted.

CenterPoint's acceptance of Reliant's order of and funding for advanced metering-related equipment for deployment under the AMIN agreement long before other REPs had an inkling of the program leaves no question that Reliant was afforded preferential and discriminatory treatment in violation of PURA, ARM alleged.

"This preferential and discriminatory treatment will give Reliant a distinct leg up in the roll-out of Smart Energy retail products and services in the [CenterPoint] service territory, to the detriment of other REPs and competition in the retail market," ARM argued.

Reliant offered to make the meters it has already purchased available for other AMIN REPs to purchase, up to their ESI ID ratio share. Such purchases would have to be completed by July 22 and all equipment purchases under the existing tariff would have to be treated as reimbursable under the terms of the AMIN agreement, Reliant added.

ARM recommended a host of changes to mitigate Reliant's competitive advantage.

REPs participating in AMIN should not be allowed to fund "unique capabilities," or features above the Commission requirements for advanced meters, ARM argued. "There are still too many questions about what is encompassed within the scope of the unique capabilities," ARM explained, noting that a REP would have to sign the AMIN agreement to access such capabilities. It's not clear if, or how, REPs could add such capabilities to non-AMIN advanced meters (those installed under CenterPoint's deployment plan).

Thus, the implementation of a unique capability could work to the detriment of other REPs that have no knowledge of it, ARM cautioned, especially if the same functionality is not otherwise available to other REPs through a separate CenterPoint tariff outside of the AMIN agreement.

The retail alliance strongly opposed giving the REP installing the smart meter the ability to remove it, since removal, "constitutes a clear barrier to switching."

Obligating CenterPoint to remove the advanced meter at the funding REP's sole discretion is also antithetical to the stated objective of the AMIN agreement, which is to deploy advanced meters, ARM observed.

ARM also questioned how the funding REP can legally direct removal since CenterPoint retains the title to the meter under the agreement at all times. There are no provisions in PURA or the Commission's rules supporting a REP request to remove an advanced meter from a premise when the meter is CenterPoint's sole property, ARM noted.

ARM favors geographic deployment of AMIN meters in areas that are sufficiently sized, but noted the difficulty in harmonizing such a policy in a REP-driven program. ARM suggested that a REP installing AMIN meters should be required to install advanced meters at all of the ESI IDs it serves within the area, or at least be required to install a minimum percentage (perhaps 50%) of advanced meters at those ESI IDs. That installation requirement would ensure a certain level of deployment of advanced meters in the prescribed area and may encourage other REPs to request deployment in the area as well in competition with the original funding REP, ARM explained.

The AMIN agreement should not obligate a REP to pay an allocated portion of the cost of any communications or other infrastructure originally funded by another REP in the event that the latter REP experiences a reimbursement shortfall related to what costs are recovered by CenterPoint at the PUCT, ARM added.

ARM and TXU both favor a cap on meters deployed under AMIN, so that it does not become a substitute for the broader advanced meter system deployment which would be funded by a surcharge. ARM suggested a 25,000 meter cap (10% of the larger, surcharge-driven deployment) while TXU favors a 10,000 meter cap per participating REP. ARM noted that some type of allocation methodology (such as market share) could be used to determine the number of meters allocated on a per REP basis.

Reliant objected to any cap, arguing that there is no good policy reason to limit or delay the benefits to customers who wish to participate. A REP's ability to provide smart energy products to its customers as soon as possible should not be limited just because some REPs do not wish to participate in AMIN, Reliant argued. Such limitations would be bad for competition and customers, Reliant added.

ARM also recommended that AMIN terminate with the commencement of smart meter deployment under a Commission-approved advanced metering system plan in docket 35639.

TXU succinctly told the Commission that the AMIN tariff as proposed, "is a bad way to do a good thing."

Reliant Product Offerings

Reliant disclosed that it plans to offer three smart energy products under AMIN. Each of the products will require that the customer have an advanced meter and will feature an in-home display for the customer to monitor consumption, a customer web portal display of usage with online analysis and peer comparisons, and remote budget and usage alerts. The three products are a commodity plan with smart energy features, a time of use (TOU) product, and prepaid electric service.

Under the commodity plan, the smart energy features such as the in home display and web portal are added to existing monthly or term offers. Reliant expects that customer insight into consumption will result in 5% bill savings for customers, simply by increasing customer awareness of consumption.

The Time-of-Use plan would create bill savings of 7% for customers, Reliant estimated, by letting customers save money by shifting usage to lower-priced periods. The prepaid plan, which would fit the definition under P.U.C. SUBST. R. §25.498 relating to service with a prepayment device, would result in bill savings of 14%, Reliant calculated.