Energy Choice Matters

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Reliant Energy Taps Motorola Exec for Smart Energy Post

Reliant Energy tapped former telecom exec Jason Few to lead development of value-adding smart energy products -- offerings designed to give customers more control and better insight into how they use energy.

Few, who joins Reliant as senior vice president for Smart Energy, comes from Motorola where he served most recently as corporate vice president and general manager of its Companion Products division. Few previously led SBC Communications' activities in broadband marketing, eBusiness development and the SBC Yahoo integration, and business development activities.

Reliant has committed to smart energy products as a means of attracting new customers through innovation, and to build customer loyalty to reduce churn. It's the only REP thus far to sign an Advanced Meter Information Network (AMIN) agreement with CenterPoint Energy that, if approved by the PUCT, would allow Reliant to fund the installation of advanced meters at specific customer locations ahead of CenterPoint's generic rollout of smart meters.

Reliant disclosed last week that it had originally planned, subject to favorable customer response, to supply 100,000 to 200,000 customers with smart meters under AMIN, although the PUCT has now suggested that stakeholders agree to cap the total number of meters under AMIN at 125,000 (Matters, 7/10/08).

Reliant had originally told investors that it planned to roll-out a batch of mass market smart energy products during the summer, and while it does have a few offerings in both Texas and other jurisdictions such as Maryland for C&Is, consideration of the AMIN program at the PUCT has pushed back when some new plans could be offered. Initially CenterPoint had hoped to get AMIN approved before the end of June so that meters could be installed before the summer peak ended. However, because of competitive concerns raised by other REPs and PUCT Staff, the case remains pending.

OPUC Suggests Waiving Switching Fees for All Customers Departing POLRs

The Office of Public Utility Counsel not only supports Texas Legal Services Center and Texas Ratepayers Organization to Save Energy's petition to waive switching fees, including out-of-cycle meter reads, for low-income customers dropped to POLRs due to REP defaults, but also suggested to the PUCT that the waiver be extended to all customers (35868, Matters, 7/14/08).

OPUC also urged the Commission to direct ERCOT to reimburse customers recently transferred to POLRs that had to pay the switching fees, and suggested that ERCOT's favorable 2007 financial variance of approximately $2.5 million could be used to pay for the refunds. ERCOT's General Counsel has stated that such a proposal is "legally permissible," OPUC noted.

"Because the defaulting REPs did so, in part, because of ERCOT changes to the treatment of shadow price caps which contributed, again in part, to the excessive prices REPs pay for power, OPUC believes that ERCOT has as much 'flesh in the game' and accountability for assisting these customers as the Commission or any other market participant," OPUC argued.

OPUC noted that while some REPs voluntarily either lowered or waived switching and switching-related fees for POLR-transitioned customers attempting to switch away from the POLR, the majority of dropped customers have had to pay such switching fees, OPUC reported.

Conn. Draft Would Grant License to Supplier Focusing on Middle Market, Energy Management

A Connecticut DPUC draft decision would grant DBS Energy an electric supplier license to serve residential, commercial and industrial customers throughout the state (08-03-21).

DBS Energy, an energy management firm, intends to serve the middle C&I market (50 kW to 350 kW), which it sees as underserved and lacking the expertise to internalize energy management disciplines (Matters, 4/1/08).

DBS's energy management portfolio includes over 30 municipalities and 600 C&Is. Its energy management products have included lighting retrofits and other lighting controls, energy efficient motor installation, building management systems, wireless real-time metering of electricity and natural gas, cogeneration, fuel cell installation and ISO New England demand response programs.

The firm's expertise in the areas of energy management, load management, and real-time metering, "provide an excellent opportunity to marry these services with electric commodity services," to provide unique packaged and custom products to customers, DBS told the DPUC.

AReM Wants Changes to Utility DR Programs

Several of the demand response programs submitted for PUC approval by California utilities would hamper electric service provider operations, and also contain provisions and cost allocation mechanisms that will create competitive disadvantages for ESPs, the Alliance for Retail Energy Markets argued in comments (A. 0806001 et. al.).

While the current California model, which is based on utility contracts with aggregators, has been effective in jumpstarting the demand response market, AReM noted, the long-term objective for the medium to large customer classes should be to transition to more of an open subscription-based structure, where the values of the energy, capacity, and ancillary services are based on market prices that are transparent to ratepayers, retail suppliers, demand response providers, and the market as a whole, AReM urged.

One of the biggest advantages of moving to an open subscription-based system for larger customer classes is that it will facilitate the full integration of demand response programs into the wholesale markets and would thus eliminate the need for ratepayer-funded subsidies, AReM contended.

"By contrast, continuation of utility-based programs likely will require substantial ratepayer subsidies to support their costs, including marketing and administration," AReM claimed.

AReM urged the PUC to require uniform direct access requirements for similar demand response programs, just as the PUC required all utilities to implement a uniform direct access tariff when the retail market opened.

All direct access-related provisions of IOU demand response programs should be the same, unless a utility provides documented evidence to the Commission justifying a non-standardized approach, AReM said.

The Commission should direct the utilities to revise their tariffs and schedules to require the utility to notify the applicable ESP within five business days of the date its direct access customer enrolls in any of the utility's demand response programs either directly or through a third-party aggregator, AReM added.

Some utility programs include ESP notification, although not on a standard timeline, while others are silent as to notification. Some utility programs and tariffs are also unclear as to whether they are open to participation by direct access customers, AReM observed, and should be revised to identify whether shoppers can participate.

Several of the utility demand response programs require very specific and time-sensitive operational actions by ESPs, AReM explained, with such programs falling into the general category of dispatchable demand response (DDR).

Some DDR programs require an ESP to effect what is referred to as a Scheduling Coordinator-to-Scheduling Coordinator (SC-to-SC) trade when the program operates and load is shed. The ESP is required to take this action, which transfers the power the ESP had originally procured for its customer to the utility at the time of curtailment, upon notification by the utility's DDR program coordinator.

AReM explained that when the DDR program coordinator notifies the ESP that the SC-to-SC transfer is required, it's often the first time that the ESP becomes aware that its customer has enrolled in the program and is expected to curtail load the next day or the next hour. At times, the utility's program coordinator has also been unable to identify for the ESP the exact customer affected by the curtailment, AReM said. "Obviously, this creates significant operational issues for the ESP at times when systems can be stressed and the price of power in the market [is] frequently high," AReM reported.

The power transfer to the utility occurs at zero price, AReM noted, while it appears that the value of the power transferred to the utilities is not used to offset demand response program costs, but instead flows through the utilities' Energy Resource Recovery Account (ERRA). "So, the [direct access] customers pay for the program though distribution rates, and the energy benefits derived under the program from [direct access] customer participation accrue solely to bundled customers through generation rates," AReM protested.

"AReM is unaware of any valid justification that has been provided for the onerous SC-to-SC transfer requirement in certain DDR programs and the inequitable cost/benefit sharing that results," the marketers coalition told the PUC.

AReM reported that similar DDR programs in PJM allow the ESP to sell the power made available by curtailing its customer load. By eliminating the SC-to-SC transfer provisions, ESPs would be free to make best use of the power in their portfolios, which AReM believes would be a more equitable arrangement that would mitigate the anticompetitive aspects of the current programs.

AReM also recommended adding a notice provision to each DDR program that would obligate the utility's DDR program coordinator to notify the ESP within 30 minutes of a call from the utility or CAISO that the DDR program has been or will be triggered. The notification to the ESP would include the specific ESP customers affected and the expected period of operation, allowing (1) the ESP to make the necessary operational arrangements in preparation of a possible curtailment event, and (2) the ESP and its customer to make beneficial use of the energy.

AReM also wants utility demand response program costs to be fairly allocated, arguing that direct access customers should not have to pay for those utility programs for which they are not eligible. However, AReM noted that only Southern California Edison splits cost recovery among distribution rates for those programs open to all customers, and generation rates for those programs only open to bundled customers. Pacific Gas and Electric and San Diego Gas and Electric recover all programs costs from distribution rates, AReM pointed out.

For its part, TURN expressed worries about the administrative costs of the utility programs.

"Unfortunately, the utility applications appear designed to pad utility A&G expenses and promote goodwill with large customers rather than to provide cost-effective demand response," TURN said.

TURN suggested that spending massive amounts of money on marketing, outreach and education is "simply a waste," when there is "incontrovertible evidence" that real economic barriers, not just lack of information, are preventing greater participation in price-responsive demand response programs.

Boralex Wants Conn. Long-Term REC Procurement Proviso Applicable to Existing Resources

Boralex urged the DPUC to revise a draft decision allowing electric distribution companies to procure RECs on long-term contracts from new Class I resources to permit EDCs to procure RECs on long-term contracts from existing resources as well (Matters, 7/11/08).

"Competition between existing and new Class I resources for long-term REC contracts will ensure the lowest cost of renewable energy for Connecticut ratepayers," Boralex argued (07-06-61).

The draft limits long-term REC procurement to new resources, although the relevant statute makes no distinction between the procurement of RECs from existing or new renewable energy sources, Boralex noted.

"Nonetheless, based on the support of one advocate for long-term contracts that also happens to be a developer of new Class I resources, the Draft Decision proposes to allow EDCs to procure RECs through long-term contracts from only new Class I resources," Boralex said.

That limitation, Boralex cautioned, would send inefficient price signals that will harm Connecticut ratepayers and place existing Class I resources at a "serious" competitive disadvantage.

As a result, non-economic new Class I resources may be developed and existing Class I resources may exit the market.

"Thus, Connecticut ratepayers could end up paying more for EDCs to procure RECs from potentially non-economic new Class I resources," Boralex observed.

The creation of inefficient price signals could seriously distort the Connecticut REC market and lead to stranded costs as well, Boralex added.

Instead of promoting renewable development and lowering energy prices, the draft would encourage existing Class I resources to exit the market, potentially resulting in a reduced availability of Class I RECs. That in turn would lead to higher REC prices and continued reliance on fossil fuels, Boralex claimed.

California PUC Releases Draft Efficiency Plan

The California PUC issued a draft California Strategic Plan for Energy Efficiency (Matters, 7/9/08) in R. 08-07-011 that includes scant mention of electric service providers.

The draft sets the goal of new residential construction in California being zero net energy by 2020, and all new commercial construction in California being zero net energy by 2030.

The plan admits that the targets are "bold," but we think they're even bolder given that under a draft decision, AB 1X residential price protections would last until 2022 (Matters, 6/25/08). Zero net energy homes are to employ a combination of energy efficiency design features, efficient appliances, managed plug loads and clean onsite distributed generation to result in no net purchases of energy from the grid.

Energy service providers are mentioned once in the 93-page draft, as one of the possible providers of integrated demand-side management (DSM) packages, such as air conditioner rebates with duct sealing, weather-stripping, programmable thermostats, and advanced meters.

The current narrow focus on providing a single DSM product offering (such as only efficient air conditioners) does not maximize energy savings, while efficiencies in program delivery are minimized, the draft notes.

A narrow single-product approach also maximizes customer confusion by requiring the customer to seek out information on a wide array of programs with multiple points of contact with providers in order to conduct a rational cost-benefit analysis of the DSM options available.

"Customers in all sectors do not have the time or expertise to seek this information and many opportunities to work with willing customers are lost," the draft observes.

The development of new technologies that enable active, real-time energy management in homes and businesses has made it clear that DSM programs are not simply delivery of specific products and services, but also the delivery of information and the tools with which to use the information to maximize product and systems performance, the plan adds.

The goal of the plan is to build on "successes" from current programs such as Pacific Gas and Electric's Market Integrated DSM Initiative and the Southern California Edison and Sempra Sustainable Communities Initiative to offer integrated DSM solutions to maximize energy savings.

Key participants in this integration effort include the utilities, the Energy Commission, energy service providers, contractors, research institutions, and the business community, the draft notes.

Further action is needed to facilitate the existence of knowledgeable energy management service providers that can conveniently arrange comprehensive improvements in buildings, the draft states elsewhere. "This may require experimentation with incentives or new business model incubation to attract and reward those businesses willing to offer and arrange one-stop comprehensive energy management solutions that achieve deeper levels of savings than more typically obtained from the more specialized businesses primarily operating in energy service markets today."

"While the Utilities will play an important role to jump-start a financing strategy, they cannot be a 'default' source of [energy efficiency] funding," the draft suggests.

Rather, utility programs must leverage and build upon financing options available from private markets and other government initiatives. To achieve that goal, the PUC would establish a Zero/Low-Energy Finance Task Force for the commercial and residential sectors made up of members of the building and financial/investment industries, developers, and trade groups to identify existing or needed tools, instruments, and information necessary to attract greater participation of capital markets in funding efficiency transactions.

A prehearing conference on the plan is set for July 18 while initial comments on the draft are due July 31.

Briefly:

ERCOT Reports July 11 Short Pay

QSEs owed monies from ERCOT on invoices due on July 11 were short paid about $1,560.56 in aggregate due to recent defaults in the market. The amount ERCOT was short paid by QSE is:

QSE	Amount Short Paid
Sure Electric LLC (Post Petition)	$873.84
Sure Electric DBA Riverway Power	$635.51
Leach Energy Trading	$51.21

FERC Sets Date for Columbia MLI Conference

FERC has set a technical conference on Columbia Gas Transmission's proposal to modify its Master List of Interconnections (MLI) for August 5-6 in Washington, D.C. (RP08-401, RP08-403; Matters, 7/8/08). The technical conference is to address protests raised by marketers and other shippers regarding the MLI changes which shippers claim would abrogate scores of firm contracts by forcing shippers to revise their primary delivery points and associated contract quantities. At the conference, FERC told Columbia to be prepared to explain (1) what process Columbia would use to carry out changes in a shipper's service agreement and (2) whether and how the change in the shipper's service agreement will affect the shipper's existing ability to schedule service on a primary firm basis at the physical points covered by the replaced MLI.

PUCT Staff Withdraws Appeal of Luminant Discovery Ruling

After reaching an agreement with Luminant, PUCT Staff have asked to withdraw their appeal of a discovery-related order in docket 34996, which involves an investigation into an inaccurate resource plan submitted by Luminant to ERCOT in 2006 (Matters, 7/8/08). An ALJ had ruled that certain documents sought by Staff were protected by attorney-client privilege.

Texas Wind Advocates Press for Largest CREZ Option Ahead of Open Meeting

Public Citizen, wind trade groups and several state lawmakers urged the PUCT to adopt the 24-GW Competitive Renewable Energy Zone Scenario 3 and have customers pay $6.4 billion to fund transmission construction to access wind power. The coalition issued a paper which contended that additional wind power would help lower the amount Texans spend on energy.