Energy Choice Matters
July 31, 2008

Accent Launches Conservation Product in N.Y.

Accent Energy yesterday rolled out a new electric conservation plan for New York customers that pays customers for using less power.

The "Conserve|Earn" plan, which is open to new customers on either a fixed or variable product, will pay residential customers up to a $250 refund for reducing usage, while commercial customers could earn up to a $1,000 refund. There is no demand size or service class restriction on participation.

Refunds are based on the percentage a customer reduces usage over a 12-month period compared with the year-ago period. Both the current and year-ago usage are weather-normalized to permit an apples-to-apples comparison, Accent said.

A customer must maintain active status for 12 consecutive months to be eligible for the reward (which, among other things, could reduce customer churn), and the customer's service address must be the primary service address for entire term of the program. Usage across multiple accounts cannot be combined.

After 12 months, customers will be paid for the following reductions:

Residential Customers		Business Customers	
Reduction	**Reward**	**Reduction**	**Reward**
0.1% - 4.99%	Surprise Gift	0.1% - 4.99%	Surprise Gift
5.0% - 14.99%	$50	5.0% - 14.99%	$250
15.0% - 24.99%	$100	15.0% - 24.99%	$250
25.0% or more	$250	25.0% or more	$1,000

In addition to sending energy savings tips to customers and providing them online, Accent offers customers an online store to shop for energy efficient products (www.GreenScenebyAccent.com).

Accent told us it would initially market Conserve|Earn to the ConEd area, though it has plans to expand the program to other markets. While the ESCO does not have anything similar currently in the works on the gas side of the business, it is always evaluating product innovation.

Retailers Push for POR in SCE Rate Case

The California PUC should direct Southern California Edison and the other IOUs to implement a Purchase of Receivables program, with appropriate discount, for mass market customers within 90 days of an order in SCE's rate case, the Alliance for Retail Energy Markets urged in a brief (A. 07-11-011).

AReM cited POR as a "simple and proven" means to remove barriers preventing Electric Service Providers from serving mass market customers. POR would also support Community Choice Aggregation, promote market entry, and would promote the state's renewable energy and demand side management goals by enabling greater mass market product innovation and allowing customers to choose renewable and energy efficiency products aside from the utilities' "limited" offerings.

AReM stressed that POR can be designed to be revenue neutral to utilities and would not result in the reallocation of costs from one group of customers or rate class to another.

Instituting POR now, when there is relatively little direct access load, would give the PUC and IOUs an opportunity to gain experience with POR ahead of the return of direct access, AReM noted.

AReM suggested that the Commission order the IOUs to initiate a collaborative process with other stakeholders within 30 days and establish POR programs within 90 days of the effective date of its final decision in the case.

Current California law, AReM noted, generally prohibits termination of a residential customer's service for nonpayment of any delinquent account or other indebtedness the customer owes to a

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Pipelines Must Provide Shippers With New Capacity Release Features Now, FERC Orders

FERC granted two pipelines limited waivers from offering new capacity release provisions electronically, but only under the condition that the pipelines, "permit shippers on [their] system to make releases pursuant to the new rules by other means during the interim period."

FERC's revised capacity release rules are meant to increase flexibility and thus competition, and, among other things, exempt releases associated with asset management arrangements (AMAs) from Commission prohibitions on tying and bidding requirements for capacity releases (Matters, 6/20/08).

The Commission granted the conditional compliance extension in separate orders to Southern Star Central Gas Pipeline and Iroquois Gas Transmission System (Matters, 7/29/08). It also approved a two-day compliance exemption for NiSource Gas Transmission and Storage, to allow NiSource to institute the new capacity release provisions in conjunction with the August 1 start of its new electronic bulletin board.

FERC was not persuaded that Southern Star and Iroquois could not use manual or other work-arounds to offer shippers the benefit of the new capacity release rules even though computer system upgrades would prevent electronic transactions. FERC criticized Southern Star's "bare assertion" that manual compliance would be impractical, particularly since almost all other interstate pipelines are able to permit shippers to make releases pursuant to the new rules as of the July 30, 2008, effective date.

In an answer to several protests, Iroquois Gas Transmission reported it is amenable to the use of manual or e-mail bid submissions, but noted its General Terms and Conditions presume an automated bid and award process. "Given that the manual process during this interim time frame may be time consuming," Iroquois asked that the timeline provisions in its General Terms and Conditions be waived for those limited transactions requiring manual processing.

Meanwhile, a handful of additional pipelines asked for limited compliance waivers of meeting the new rules' requirement via an electronic bulletin board, while proposing to offer manual or e-mail work-arounds for shippers (RM08-1).

Applying for such extensions were several Enbridge affiliates (AlaTenn, Stingray Pipeline Company, and Mississippi Canyon Gas Pipeline) and two Boardwalk Pipeline Partners subsidiaries (Texas Gas Transmission and Gulf South Pipeline Company).

The Enbridge pipelines' current electronic capacity release bidding system is not designed to handle bids that can exceed the maximum recourse rate, and cannot accommodate FERC's order which removes the price ceiling on short-term capacity releases. The pipelines proposed a manual work-around that provides shippers with all the same bidding transparency that they will have once the electronic system is fully operational. The Enbridge pipelines expect implementing electronic upgrades required for compliance with the rule to be complete by the end of the first quarter of next year.

Texas Gas Transmission asked for an extension for meeting the new requirements electronically until Sept. 1 while Gulf South Pipeline asked for an extension until Oct. 31. Both would offer all the new features related to capacity release manually in the interim.

OCC Attacks Columbus Southern Special Contract as Harmful to Competitive Curtailment Services

A special, discounted contract between AEP subsidiary Columbus Southern Power and customer Solsil would impede competitive curtailment services in Ohio, the Ohio Consumers' Counsel protested in a filing at PUCO (08-883-EL-AEC).

Columbus Southern had filed for approval of a 10-year contract to provide Solsil with a 60% discount off a market price for generation service, provided that PUCO allows Columbus Southern to fully recover the discount.

The contract states, "Under no circumstances will the customer be allowed to participate in PJM demand response programs unless it is at the direction of AEP Ohio."

OCC first blasted that AEP is not even a party to the contract between Columbus Southern and Solsil, arguing that it is "implausible" that Columbus Southern would propose contract terms that can be determined at the sole discretion of a non-party to the contract.

In fact, the demand response proviso is, "simply a term AEP desires in its self-interest," OCC alleged, and is not relevant to the economic development needs of the discounted contract. "The very terms of the contract demonstrate a lack of concern for the Commission's own rules on corporate separation and should not be permitted," OCC demanded.

The limitation on participation in PJM demand response markets compromises the benefits to customers paying for the discount, and further harms customers by eliminating potential competition in the market from curtailment service providers, OCC argued. OCC noted PJM's demand response programs benefit customers by lowering prices during peak load or high-priced hours. Under the contract, AEP could prohibit a customer's participation in PJM demand response programs even if such participation would provide benefits to that customer and to other customers in Ohio, OCC reasoned.

OCC also suggested that PUCO approval of the demand response proviso would encroach upon FERC jurisdiction over RTOs and wholesale demand response, and run afoul of Congressional mandates directing RTOs to implement load response programs.

OCC protested that the 10-year agreement is five years longer than typical special contracts, and does not include any periodic reviews to verify that economic benefits have materialized or that the discounted rate is not set below the incremental costs of providing the service to the customer.

Assigning 100% of the revenue shortfall from the contract to customers, instead of splitting the burden 50-50 between customers and shareholders, goes against PUCO precedent, OCC observed. "Without the utility company shouldering a portion of the burden for the subsidy, there is no incentive for the utility to exercise due diligence in entering into these contracts and there is every incentive for the utility to use these types of contracts as an anti-competitive response," OCC cautioned.

ICC Urges Delay in MISO Revised Module E Start

The Illinois Commerce Commission urged FERC to delay the effective date of the Midwest ISO's revised Module E resource adequacy program until at least a year after implementation of MISO's ancillary services market, which is to start September 9, 2008 (ER08-394-003).

The ICC suggested a June 1, 2010 or June 1, 2011 start date for beginning the initial planning year for Module E, arguing that the delay would provide sufficient time for the resource adequacy program design to be adequately resolved, and for the program to be efficiently coordinated with the MISO energy and ancillary services market design.

The Commission should ensure that the transition period from the Midwest ISO's current Module E resource adequacy program to the Midwest ISO's proposed revised resource adequacy program is not too short, the ICC added. If the transition period is too short, new resources will not be able to enter the market and compete with existing resources, thus enhancing the market power of existing resources, the ICC reasoned, citing the RPM Buyers' complaint over transitional auctions in PJM. Thus a June 1, 2009 start is too soon, the ICC explained.

The ICC reiterated its view that MISO's resource adequacy proposal remains, "vague and incomplete, providing no real detail as to the necessity of implementing Phase II of the resource adequacy plan at this time, the exact method of implementing the proposed construct or if the program will even produce the necessary level of resource adequacy in a cost-effective manner."

"The reality is that, even after numerous filings by the Midwest ISO and several Orders from the Commission, many key questions concerning Module E remain unanswered," the ICC said.

The ICC again urged FERC to direct the Midwest ISO to recommit to undertaking a long-term integration of shortage pricing with the energy market to create proper incentives in a market context for long-term planning and investment in infrastructure, rather than the proposed Module E.

The "reality" is that, contrary to assertions, MISO's proposal does indeed alter and disrupt the bilateral capacity market by requiring each LSE to demonstrate ownership or control of specified amounts of a particular product - unforced capacity, the ICC claimed.

"In short, the Midwest ISO's program requires LSEs to hedge with a product specifically defined as unforced capacity. Conversely, under an energy-only approach to resource adequacy, LSEs have the option of hedging with such a capacity product, but they would be much more likely to hedge with a product that simultaneously addresses their energy market risks, ancillary services market risks and capacity needs," the ICC noted.

The ICC also considers it "unacceptable" that for an annual one megawatt capacity deficiency, the Midwest ISO is proposing to charge 12 times annual Gross Cost of New Entry. "The price signal that would be sent by the Midwest ISO's proposed $80,000 per month Gross CONE penalty charge is for resource sellers to exercise their market power in an attempt to charge LSEs - which are forced to buy the product - up to $960,000/MW annually for the product," the ICC warned.

Briefly:

Advantage IQ Profit Grows

Energy procurement and management consultant Advantage IQ net income rose to $1.6 million in the second quarter, compared with $1.3 million a year ago, due to customer growth, parent Avista Corp. reported. Quarterly revenue hit $12.4 million versus $11.4 million a year ago. Avista Corp. reported higher quarterly profits of $23.5 million versus $14.2 million a year ago.

Suez to Turn in Michigan AES License

With legislation that would cap retail choice sales at 10% in a conference committee, Suez Energy Resources NA told the Michigan PSC it wants to voluntarily relinquish its Michigan Alternative Electric Supplier license. Suez has never served Michigan customers since getting the license in 2005.

DBS Energy Gets Conn. License

The Connecticut DPUC granted DBS Energy an electric supplier license to serve residential, commercial and industrial customers. DBS, an energy management firm, intends to focus on the middle C&I market (50 kW to 350 kW) and bundle commodity and energy management services (Matters, 7/15/08).

D.C. Agency Markets Aggregation Pool to Residential Customers

Washington D.C.'s Municipal Aggregation Program has been opened to residential customers. The District Department of Environment Energy Office runs the pool which buys for all District executive agencies. DDOE reported savings of $5 million in the first 24-month pool and $30 million in the second 36-month pool. Residential customers would be committed to the winning supplier for 12 months. Customers must opt-in via a mailing by August 1. Hess won the last aggregation in 2006, valued at $134 million, which included five city agencies.

AMP-Ohio Wants Probe into NYISO Lake Erie Transmission Paths

While AMP-Ohio is pleased the New York ISO terminated certain transmission paths around Lake Erie that have been used by unnamed entities to take advantage of a seam between the methods that are used by the organized markets in the Eastern Interconnection to price External Transactions (which AMP considered gaming), the muni group is disappointed NYISO has not taken the further step of seeking to obtain relief for customers that have been damaged by such practices. AMP-Ohio asked FERC to commence an investigation of the transmission practices that the NYISO has terminated in order to determine whether those engaging in such practices earned excessive profits at the expense of other transmission users such that disgorgement is necessary (ER08-1281).

Energy Curtailment Specialists Gives PJM Customers More Flexibility

Energy Curtailment Specialists added a product designed to make demand response more convenient and flexible for its PJM customers. Dubbed PowerPay! PLUS, the product allows businesses to choose when they want to reduce their electricity based on the market reaching a threshold pre-determined by the customer and ECS. ECS will provide detailed price forecasting and present day-ahead pricing so participants will have an idea of the projected prices and their likelihood of being triggered for reduction.

ComEd Launches Suite of Efficiency Incentives

ComEd yesterday launched an energy efficiency incentive program for business customers that provides prescriptive and custom incentives for lighting, motors, HVAC equipment, chillers and other measures, in another example of a regulated utility offering a competitive, or value-added, service to customers.

Potomac Economics Gives Clean Bill to APS

Potomac Economics did not find any anticompetitive behavior in Arizona Public Service's curtailments, dispatch, outages or sales, it reported in a quarterly analysis submitted to FERC (EC05-20).

Calif. POR ... from 1

non-utility supplier, meaning POR as implemented in other markets, such as New York, could not be completely replicated absent a change in law.

"There is no barrier, however, to the phased implementation of POR programs," AReM reasoned.

AReM envisions that initially, residential customers would not be subject to disconnection of service for nonpayment of charges for non-utility commodity service. However, they would be subject to late payment fees for such charges the same as they are for late payment of utility charges. Small commercial customers, on the other hand, would be subject to both late payment fees and disconnection of service. AReM recognizes that revisions to the IOUs' existing Direct Access and CCA tariffs are necessary to accomplish its residential late payment proposal.

Specifically, SCE pointed out that its Tariff Rule 22 prohibits POR by requiring that SCE will not forward any amounts owed to the ESP that have not been received from the customer.

AReM, "has failed to produce sufficient evidence that would justify a departure from current Direct Access rules," SCE argued.

"Given that AReM's POR proposal is completely devoid of any detail to properly assess the full range of impacts to SCE and its customers, and given that such a proposal is in direct contravention of Rule 22 and Public Utilities Code Section 779.2, such a proposal should be not be considered in this proceeding," SCE added.

But AReM believes that examining its POR proposal in the rate case, rather than in the ongoing rulemaking on the reopening of DA and/or the CCA proceeding, is warranted because the rate case is an appropriate forum for the Commission to determine what ratemaking arrangements may be needed to ensure that the POR program is revenue neutral from SCE's perspective, identify any incremental costs needed to enhance SCE's customer information system to administer POR, and determine SCE's associated rate recovery.

AReM's proposal is supported by the California Alliance for Competitive Energy Solutions, Energy Choice, Inc., San Joaquin Valley Power Authority and Wal-Mart.