Energy Choice Matters

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dPi Managing Surge in Customer Growth Due to Other REP Defaults

dPi Energy, the Rent-A-Center subsidiary focused on selling prepaid electricity in ERCOT, grew to 20,000 customers by the close of the second quarter, after picking up many customers when other prepaid REPs defaulted, Rent-A-Center executives reported on an analysts call.

Rent-A-Center picked up dPi, which started as a telecom provider, when it acquired competitor RentWay back in 2006, and added prepaid energy marketing to its product mix because of the high customer demand among Rent-A-Center's credit-constrained customers who cannot or do not want to pay REP deposits in Texas. Rent-A-Center is selling prepaid service via its stores, website, and other outlets, such as Fiesta supermarkets.

As several prepaid REPs defaulted in May and June, dPi saw a surge in customers and experienced more business than expected. Although dPi did not yet have a hedged wholesale supply in place to serve all its new customers, management chose to take on the new customers and experience a short-term loss in order to build customer relationships, in a play Rent-A-Center CEO Mark Speese admitted was a "little speculative." The move negatively impacted parent Rent-A-Center by $2.5 million for the quarter. But since customers only pre-pay for 30 days, dPi has an opportunity to adjust rates and mitigate any serious disconnect in wholesale pricing and retail rates.

dPi reported it has since secured more favorable wholesale rates for the balance of the year and expects to break-even for the next couple of quarters as Rent-A-Center continues to ramp up the business, and management becomes more familiar with customer acceptance and behavior, as well as sensitivity to pricing in efforts to improve margins.

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PJM Files Portable Capacity Pact, LSE Service Agreements

PJM submitted to FERC its agreement with the Midwest ISO to allow LSEs in the Duquesne Zone to meet their capacity obligations in the Midwest ISO through "portable" capacity, should Duquesne Light leave PJM for MISO.

Under the seven-page agreement, LSEs are to get the reliability and market energy pricing benefits of the capacity procured for them, and for which they are paying, under PJM's RPM auction through May 31, 2011.

PJM "agrees to work with" LSEs to ensure that they have the opportunity to schedule from PJM's energy market any quantity of energy required by MISO's Module E needed to serve load (including reserve margins) to be scheduled in the MISO energy market.

Any energy scheduled or delivered from the PJM energy market shall be subject to all charges and costs under the PJM Tariff applicable to such day-ahead or real-time energy.

Additionally, capacity supporting PJM's energy deliveries under the Agreement will not be tagged from or attributable to any specific PJM generating units.

PJM is under no obligation to provide any portion of the Duquesne Zone load's ancillary service obligations once the Duquesne Zone load integrates with the Midwest ISO Balancing Authority.

PJM also filed agreements to be executed with LSEs that address payment arrangements that need to be in place through May 31, 2011. The agreements are to allow LSEs to make payments concurrent with the benefits they receive from RPM capacity over the course of the affected Delivery

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REPs See "Buyer of Last Resort" as Inconsistent with DG Statutes

Suggestions for a "buyer of last resort" for excess generation from Texas customers with distributed renewable generation (DRG) are antithetical to statutory provisions providing for voluntary negotiation between REPs and customers over excess generation, several retailers told the PUCT in reply comments (34890, Matters, 7/22/08).

Public Citizen had led a group urging that a buyer of last resort be designated for DRG, with that REP required to offer an offsetting value of energy outflows equal to the rate charged by the electricity provider of last resort. HelioVolt also suggested a feed-in tariff for DRG to anchor negotiations.

But both proposals ignore PURA's clear language that require REPs and DRG owners to reach agreement via negotiations over the value of excess energy, the Alliance for Retail Markets and Reliant Energy argued separately.

PURA §39.001 also states "the legislature finds that the production and sale of electricity is not a monopoly warranting regulation of rates, operations, and services," Reliant reminded. POLR rates, which must account for risks including bad debt and large load swings, would also be an inappropriate value for DRG energy which does not face such risks, Reliant added.

ARM characterized Public Citizen's and HelioVolt's proposal as "nothing more than attempts to insert the rejected concept of 'net metering' into this rule." In a prior rulemaking, the Commission affirmed that net metering is to measure inflows and outflows separately, rather than allowing a meter to run backwards (Matters, 4/10/08).

ARM and Reliant also told the Commission that Public Citizen's proposed disclosure requirements for REPs offering a DRG product are better vetted in Project No. 35768, relating to disclosure requirements.

ERCOT cautioned that HelioVolt's feed-in tariff could potentially create a new financial relationship between ERCOT and a REP. HelioVolt had recommended that the difference between the default solar generation price and wholesale electricity costs, adjusted for transmission and distribution line losses, should be processed akin to Unaccounted for Energy (UFE) and uplifted to ERCOT as a whole.

ERCOT also noted that its UFE mechanisms deal with energy allocations, and do not have the capability to allocate monetary differences between a REP's retail contract and wholesale pricing. System changes would need to be implemented, resulting in costs to ERCOT.

ERCOT urged that Commission maintain ERCOT's existing financial market structure, in which ERCOT has financial relationships only with QSEs.

PUCT Staff Don't See REP License Revocation Affecting Customer Relief

REPs remain subject to PUCT substantive rules even when their certification is revoked, the PUCT Staff reported in assuring Texas Legal Services Center that revoking the certificate of several recently failed REPs would not deprive customers owed deposits or other refunds of any remedies (35783 et. al.).

TLSC remains free to pursue its complaints via the Commission's administrative process even if the REPs' certificates are revoked, and such revocation should not adversely affect TLSC's ability to pursue the relief it seeks, Staff added.

But TLSC responded by arguing that it is "questionable" whether the Commission will have any further enforcement authority over REPs whose certificates are revoked, in urging that the Commission delay revocation proceedings for Pre-Buy Electric, HWY 3 MHP (eTricity) and Sure Electric (Riverway Power). TLSC believes that many of nearly 26,000 customers involved have a credit balance with the failed REPs, either from a deposit or advance payment.

TLSC suggested that the REPs' certificates be suspended, rather than revoked, until customers receive relief.

The consumer group also urged the Commission to institute a formal investigation to determine what amounts may be owed by the REPs to their former customers and to issue a subpoena to compel the REPs to produce the necessary records to make that determination.

UI Reports Shopping Data for July

United Illuminating Switching Statistics As of July 31, 2008

Total Accounts with Alternate Supplier: 32,511

Customer Count Breakdown:

3rd Party Supplier	Residential	C&I	Total	June 30, 2008 Total
Clearview Electric	-	-	-	-
Consolidated Edison Solutions	954	733	1,687	1,761
Constellation NewEnergy	287	2,916	3,203	3,219
Direct Energy Services	1,845	664	2,509	2,156
Dominion Retail	16,524	1,059	17,583	17,724
Gexa Energy Connecticut	-	28	28	14
Glacial Energy of New England	29	254	283	318
Hess Corporation	-	55	55	56
Integrys Energy Services	8	808	816	815
Liberty Power Delaware	-	-	-	-
Liberty Power Holdings	-	24	24	-
MXenergy	1,672	1,759	3,431	3,555
Public Power & Utility	1,095	157	1,252	1,168
Sempra Energy Solutions	31	429	460	638
Strategic Energy	12	678	690	548
Suez Energy Resources NA	-	22	22	51
TransCanada	8	460	468	471
Totals	22,465	10,046	32,511	32,494

CTCleanEnergyOptions	Residential	C&I	Total
CTCleanEnergy - Community Energy 50%	261	1	262
CTCleanEnergy - Community Energy 100%	2,124	43	2,167
CTCleanEnergy - Sterling Planet 50%	233	6	239
CTCleanEnergy - Sterling Planet 100%	780	64	844
Total All CTCleanEnergyOptions Suppliers	3398	114	3,512

Last Resort Service (LRS) - UI		**%**
Total # All LRS Accts#	285	0.09%*
Total All LRS MWhs	146,801	23.80%*
Total 3rd Party LRS Accts	241	84.56%
Total 3rd Party LRS MWhs	128,572	87.58%
C&I Standard Service (SS) - UI		**%**
Total # All C&I SS Accts	37,813	11.59%*
Total All C&I SS MWhs	221,212	35.86%*
Total 3rd Party C&I SS Accts	9,805	25.93%
Total 3rd Party C&I SS MWhs	119,981	54.24%
Residential Standard Service (SS) - UI		**%**
Total # All SS Res. Accts	288,222	88.32%*
Total All SS Res. MWhs	248,799	40.34%*
Total 3rd Party SS Res. Accts	22,465	7.79%
Total 3rd Party SS Res. MWhs	23,528	9.46%
Total All UI		**%**
Total # ALL Accts	326,320	100%
Total ALL MWhs	616,812	100%

Statistics as reported by UI, data does not reflect pending enrollments or drops.

Total accounts that if not served by alternate supply would be UI LRS

* UI percentages reflect percent of UI *total* customers/MWh. Supplier percentages reflect suppliers' percent of customers/MWh in a specific *class*

Md. Utilities Submit Revised Supplier Tariffs to Implement Parts of RM17

Maryland utilities have filed proposed revisions to their supplier coordination tariffs to implement parts of RM17, mainly relating to new EDI timelines and processes.

The revisions do not include provisions under RM17 for partial payment proration or purchase of receivables because, as Allegheny Power reported, those revisions to COMAR under RM17 have not yet been published in the Maryland Register.

The utilities asked the PSC to approve the changes, which are largely similar among each of the utilities' tariffs, by Sept. 10 so they can be implemented by March 1, 2009. Utilities need six months to make the changes.

The one variable in utilities' implementation timeline will be approval of a new EDI code to allow competitive suppliers to correct errors in enrollment or drop requests electronically.

Pepco and Delmarva Power have created an EDI Change Control under the established Maryland EDIS procedure, which they have shared with the other investor-owned utilities, and are submitting to the Maryland EDIS Group so the new transaction can be added to the set of regional standards maintained by the Maryland EDIS Group.

Regarding transaction errors, when an incumbent supplier identifies an erroneous drop of one of its customers due to the enrollment of that customer with another supplier, the incumbent supplier can cancel the pending enrollment upon verifiable consent of the customer within 24 hours of the customer's consent, and not later than five days after the erroneous enrollment or drop transaction is received by the utility. Initiation of the EDI Cancel Transaction by the incumbent supplier without verifiable customer consent is considered an unauthorized enrollment by the incumbent supplier.

Other revisions to the tariffs implement the change in the enrollment and drop window to 12 days before a meter read (versus the current 17 and 35 days, respectively); the elimination of a non-residential rescission period; and the provision of the following information to suppliers prior to enrollment with customer consent: account name; billing address; service address; utility account number; bill cycle; voltage level; utility rate class or code; load profile; meter number; meter type; multiple meter indicator; peak load contribution; metered demand; billed demand; monthly historical demand for the previous 12 months; monthly historical consumption for the previous 12 months; monthly time-of-use data for the previous 12 months; and Interval meter data for the previous 12 months.

Under the tariffs, suppliers must complete customer cancellation requests within two business days. Non-residential customers must wait three business days after requesting cancellation from their supplier before asking the utility to initiate such cancellation.

While none of the utilities are seeking any special cost recovery related to the current changes, since the costs are not significant, Baltimore Gas & Electric, as the state's only combined gas-electric utility, anticipates that implementing future gas and electric regulations associated with RM17 will be significant, and foresees seeking expedited cost recovery to implement some or all of those regulations at that time.

Staff has asked to implement a gas customer protection rulemaking similar to RM17 (Matters, 7/16/08), which may produce similar if not identical changes, and BGE noted it would prefer to implement other RM17 regulations for its gas and electric businesses at the same time to lower incremental costs to customers.

ESCOs See Failure in Draft Calif. Policy to Transform Contractors into Full ESCOs

The significant emphasis in a California draft Strategic Plan for energy efficiency on the ability to transform the current infrastructure of home improvement contractors into vendors of comprehensive residential energy efficiency and demand response services, "flies in the face of a number of failed or marginally successful efforts in the past decade, by both ratepayer-funded energy efficiency programs and large private companies," the National Association of Energy Service Companies (NAESCO) argued in comments on the plan (A. 08-06-004, Matters, 7/15/08).

Based on those experiences, NAESCO urged that the Commission should base its residential strategy on encouraging existing ESCOs in the market, through pilot programs, to expand the scope of their services, rather than hoping for transformation of existing home improvement contractors into full service energy efficiency providers.

ESCOs offer the ability to market programs and have an appetite for project development risk that home improvement contractors lack, the ESCO organization said.

NAESCO pointed to California's attempt in the late 1990s to convince mechanical and electrical contractors to become full scale ESCOs, a program abandoned after about one year, having achieved very little. NAESCO also reported on failed private market attempts, such as that by LINC, to convert HVAC and mechanical contractors into comprehensive service and energy efficiency vendors. A similar NYSERDA program has had underwhelming results, NAESCO added.

The problem, NAESCO reasoned, is that the contracting business, by-and-large, is a reactive business that waits for customers to call (residential and small C&I) or for bid solicitations to hit the street (large C&I). Most contractors, NAESCO claimed, do not have the capabilities to do the kind of pro-active marketing that ESCOs do, and are not interested in absorbing the project development risk that the ESCO business requires (a typical ESCO development cycle for a large project is 12-18 months).

AARP Argues Against Mandatory Dynamic Pricing in Michigan AMI Investigation

AARP does not support system-wide investment of advanced metering in Michigan without first conducting a cost benefit analysis and adopting appropriate consumer protections, including ensuring that dynamic pricing is an option, not a mandate, for ratepayers, it told the Michigan PSC (U-15620, Matters, 7/2/08).

"[O]lder people, and other vulnerable populations, can not easily shift usage to off-peak, lower cost periods without risking their health without adequate heating or cooling, or necessary medical devices," AARP reported.

AARP urged the Commission to investigate whether wholesale and/or spot market prices are accurate indicators of system marginal cost and whether it is appropriate to pass those costs on to retail customers. Any rate pilots should specifically include a representative sample of low-income customers with usage that is lower than the residential class average, AARP added.

But Constellation NewEnergy told the PSC that if prices remain "masked" through average cost pricing and Power Supply Cost Recovery mechanisms that delay the recovery of real-time energy costs, any advanced metering plan will be "doomed for failure" because customers won't have access to real-time pricing.

The Commission should not prescribe standards for smart metering until utility tariffs are completely unbundled and truly reflect the underlying cost of the energy being consumed at any given time, rather than average cost prices that do not reflect the current cost of energy being consumed, subsidize the utility's generation via securitization charges, or subsidize one customer class at the expense of another, CNE added.

FERC Rejects Rehearing on MISO Manual Redispatch Make-Whole Payments

FERC denied Ameren's request for rehearing of the Commission's approval of the Midwest ISO's proposal to provide manual redispatch make-whole payments (MRD MWP) to generating units that are manually redispatched by Midwest ISO (ER08-416-002).

Ameren had argued that MISO's requirement that ramp rates must meet specific eligibility requirements for a generator to receive manual redispatch make-whole payments is unduly discriminatory because the owner of a small unit that performs the same function as a larger generator, with the same or lesser effect, will receive the MRD MWP, but the larger generator will not.

But FERC affirmed the ramp rate requirements, noting that allowing parties to severely limit their ramp rates would undermine the intended reliability gains of giving generators the incentive to comply with manual redispatch instructions.

The Commission rejected Ameren's suggestion that MISO waive the ramp rate eligibility criteria on a case-by-case basis because Ameren did not provide specific factors MISO would use to make such determinations, and the proposal would have given MISO undue discretion in determining when and how it should grant such waivers.

Briefly:

Affordable Power Branching into New York

Houston-based REP Affordable Power announced it's entering the New York market by the end of the year. Company representatives did not answer specific questions about its New York plan yesterday. Affordable Power reported it has renewed a 140 million kWh supply agreement with the Greater Houston Retailers Cooperative Association, and disclosed that it has a power supply arrangement with Shell Energy North America.

PUCO OKs Solsil Special Contract

PUCO approved a special contract between Columbus Southern Power and solar manufacturer Solsil (08-883-EL-AEC), though it ordered that the mechanism for cost recovery of the revenue shortfall caused by the discounted generation rate shall be determined as part Columbus Southern's standard service offer application made pursuant to new Section 4928.141 of the revised code as recently amended by SB 221. In its order, PUCO did not address the Ohio Consumers' Counsel's arguments relating to the contract's limitations on Solsil's participation in PJM demand response markets, which the OCC considers anti-competitive (Matters, 7/31/08). PUCO also approved a special arrangement between Ohio Power and Globe Metallurgical, a Solsil affiliate.

UI Reports on GSC Surplus

United Illuminating reported a surplus of $6,181,907 in Generation Services Charges as of June 30, lower than the expected surplus of $9,027,866 due to differences in the level, timing and mix of actual sales versus projected sales, it reported to the DPUC in a semi-annual reconciliation filing (08-08-01). The GSC is projected to have a revenue surplus of $4,587,640 as of December 31, 2008, though that's dependent on customer migration as well as the timing of electric sales. UI assumes the same level of migration throughout the second half of 2008 as existed as of June 30, 2008. UI also reported a revenue surplus of $6,632,948 as of June 30 in nonbypassable Federally Mandated Congestion Charges, lower than the projected $9,634,372 surplus due to the allocation of $2,334,499 to the Conservation and Load Management fund and lower sales. Still, UI projected a surplus through Dec. 31, 2009 and did not recommend changing the existing $0.005748/kWh NBFMCC rate.

SDG&E, SoCalGas Seek Utility-Owned CHP

San Diego Gas and Electric and Southern California Gas sought the California PUC's confirmation that utilities will be permitted to offer customers a program for utility ownership of Combined Heat and Power installations at customer facilities in comments on a CHP rulemaking (R. 08-06-024, Matters, 6/17/08). AB 1613 stated its support for utility-owned CHP, the utilities noted, as utility ownership of CHP at customers' facilities would increase penetration of CHP and would allow more efficient and cost-effective CHP to be installed, the utilities argued. Customers are interested in utility ownership of CHP at their facilities since they lack upfront capital or do not have the knowledge or comfort in operating and maintaining CHP, the utilities said. The utilities anticipate that the utility investments in CHP will be ratebased, but that participating customers will pay a fee equal to the revenue requirement for the benefits from the utility-owned CHP investment so non-participating customers will not subsidize utility CHP investments.

dPi Energy ... *from 1*

Rent-A-Center COO Mitchell Fadel admitted dPi is taking "baby steps" and is not intimately familiar with customer behavior, rates, prices, and churn, and thus is not ready to hitch the firm's wagon to any long-term play in prepaid retail energy. But Fadel reiterated there is a demand for the service, and Rent-A-Center will continue learning the business to evaluate where to go as it gets more experience.

Portable Capacity ... from 1

Years, by calculating capacity prices in the same manner as is done today for the Duquesne Zone under the PJM Tariff.

Each agreement commits a Duquesne Zone LSE to pay its allocated share of the PJM capacity costs previously committed through the RPM auctions to serve loads in the Duquesne Zone. The agreement with Duquesne adds that Duquesne will not be responsible for the costs of capacity procured on behalf of other Duquesne Zone LSEs, except to the extent Duquesne has an obligation under state law or franchise to serve as the provider of last resort to end-users in the event of the disability of any other LSE in the Duquesne Zone.

Duquesne or the Midwest ISO, pursuant to procedures to be separately documented, will use their best efforts to notify PJM of any new LSEs that will serve load in the Duquesne Zone no later than 90 days before such service is to commence. PJM suggested that the Midwest ISO post a statement on its website (perhaps where it addresses requirements for new LSEs) advising LSEs intending to serve Duquesne Zone load that they will be subject to FERC's order and PJM's attendant requirements regarding legacy capacity obligations under RPM.

Such notice is intended to allow PJM to file with FERC an agreement with the new LSE identical to the agreements executed with all existing LSEs.

Since all LSEs in the Duquesne Zone receive the benefit of the capacity procured under RPM on behalf of the zone, all LSEs should share in the costs of the capacity, PJM explained.

"Indeed, assigning such costs only to some of the Duquesne Zone LSEs that serve load during the relevant delivery years (i.e., only those that now serve such load) would be unduly discriminatory," PJM observed.

Applying the payment rules to new LSEs would also mirror existing provisions in PJM, under which a new LSE that captures end-use customers from an existing LSE assumes a share of RPM costs based on the peak loads of its newly acquired end-use customers.

Nothing in the agreement precludes an LSE from offering Capacity Resources for sale in any Incremental RPM Auction for any affected Delivery Year, subject to compliance with all applicable terms and conditions of the PJM Tariff. Entities with the ability to reduce demand in the Duquesne Zone in a way that qualifies as a Demand Resource under PJM rules may offer that reduction capability into an Incremental Auction, or may obtain certification as Interruptible Load for Reliability.

Thus, while payment of RPM charges does not provide any LSE in PJM with a tradable right to any identifiable generation, LSEs do have certain options under the existing RPM rules to "monetize" their demand, PJM noted. Accordingly, Duquesne Zone LSEs that qualify under these programs can mitigate their RPM charges in the same way as any other PJM LSEs.

PJM submitted such "Forward Capacity Obligation Satisfaction Agreements" with Duquesne, the Borough of Pitcairn, Pennsylvania, Constellation NewEnergy, Inc., Dominion Retail, Inc., Duquesne Power LLC, FirstEnergy Solutions Corp., Hess Corporation, Integrys Energy Services, Inc., Linde Energy Services, Inc., Pepco Energy Services, Inc., Reliant Energy Power Supply LLC, Sempra Energy Solutions, Strategic Energy LLC, and Suez Energy Resources NA, Inc.