Energy Choice Matters

August 12, 2008

Settlement Reached on Oncor AMS Plan

Oncor and the majority of intervenors in its Advanced Metering System docket have filed a settlement for Commission approval that would implement Oncor's AMS plan (35718, Matters, 5/29/08).

Settling parties include Staff, Office of Public Utility Counsel, the Steering Committee of Cities Served by Oncor, the Alliance for Retail Markets, Reliant Energy, Texas Energy Association for Marketers, and TXU Energy. Three parties, all individual customers, did not participate in settlement talks and aren't signatories.

Oncor's advanced meters, back-office systems, and work processes are to have the capability to support Time of Use functionality by May 1, 2009 for any ERCOT-approved Time of Use Profiles existing on August 8, 2008. Time of Use functionality provided to a REP does not supersede or otherwise change Oncor's obligation to provide 15-minute interval data to ERCOT for settlement purposes.

Under the settlement, Oncor is to be able to support prepaid service (consistent with Substantive Rule § 25.498) by June 1, 2009 through the use of interim solutions and processes.

Oncor is to support HAN functionality between one device in the home that is enabled with the ZigBee Smart Energy Profile and the advanced meter by March 31, 2009 through the use of interim solutions and processes. At that time, communications will occur only between the advanced meter and the in-home device. Until the back-office systems and the common AMS Web Portal are completed, no communications will be possible between the REP and the in-home device through the advanced meter, and there will be no ability to send pricing signals through the advanced meter. Oncor will use "reasonable efforts" to use back-office systems and work processes that will provide REPs with the ability to send messages through its communication network before HAN requirements

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Young Energy Opposes New REP Certification Requirements, Favors Lockbox as Form of Security

The recent failure of a small number of REPs does not necessitate any new regulatory requirements or an increase in the financial qualifications for REPs, Young Energy told the PUCT (35767, Matters, 7/23/08).

In June, Young Energy, which had been marketing prepaid service, sold its book to dPi Energy due to market volatility. It retained its REP certificate and remains active in the market.

Young Energy urged that any change ultimately adopted should be forward looking, "so that existing REPs - who have relied on current rules in developing their business plans - are not subjected to new and burdensome requirements."

As an alternative to letters of credit or surety bonds, Young Energy recommended a "lockbox" agreement under which all of a REP's revenues associated with retail sales are placed into a lockbox account for the benefit of the REP's wholesale supplier. The wholesale supplier acts as the disbursement agent and pays out funds in accordance with a contractual protocol, including payments for all transmission and distribution charges, Young Energy explained. Typically, the wholesale supplier has the option to immediately terminate all transactions if the REP fails to provide ongoing credit to ERCOT.

TDUs should not be allowed to collect deposits or otherwise manage REP credit risks beyond current practices, Young Energy insisted. "ERCOT's policies and market rules and practices in relation to wholesale and market manipulation should be reviewed first and corrected before there is

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Rep. Turner, Consumer Advocates File Own Disconnect Moratorium Petition

Texas State Rep. Sylvester Turner and several other consumer advocates filed a petition for an emergency moratorium on disconnections that varies slightly from the petition filed last week by State Sen. Juan Hinojosa (35984, Matters, 8/11/08).

The Turner petition would prohibit disconnects for residential customers, master-metered residential facilities, or submetered residential facilities through Sept. 30, unless the customer in arrears has failed to enter into a deferred payment plan as defined in the emergency rule.

A moratorium should not be limited to a subset of customers, Turner argued. Just because a customer is not labeled as low-income, elderly, or seriously ill does not mean that the customer is not susceptible to heat related illnesses, Turner observed.

A deferred payment plan under the Turner proposal would provide that the delinquent amount may be paid in equal installments over a period of up to six billing cycles, at the customer's request. If the customer and REP agree, the customer may enter into a level payment plan that recovers the delinquent amount, with other months' bills, over a 12-month period.

A deferred payment plan under the Turner plan could not include a late payment penalty for the delinquent balance as long as the installments are made on time; interest on the delinquent balance; or a deposit.

Persistent triple digit heat and an average 35% increase in power prices distinguish this summer from 2007 when the Commission rejected a petition for a disconnect moratorium, Turner said.

The petition was jointly filed by Turner, State Rep. Eddie Lucio III, the Office of Public Utility Counsel, Texas Ratepayers' Organization to Save Energy, and Texas Legal Services Center.

AMP-Ohio Joins Push for Action on SECA Docket

American Municipal Power-Ohio became the latest stakeholder to urge FERC to act on an Initial Decision in the Seams Elimination Charge Adjustments case, which has languished at the Commission for two years, in occasionally biting comments (ER05-6 et. al., Matters, 8/7/08)

"AMP-Ohio fears that the Commission may be hoping that the uncertainty bordering on chaos created by its early orders, rehearing of which has been pending for years, will be eliminated if all of the remaining issues can be resolved via settlement."

"AMP-Ohio submits that any such optimism is misplaced, as there are issues and parties that that are almost certainly not going to be resolved by that route."

AMP pointed to wide divergence between parties, from Green Mountain Energy which has refused to pay what it considers improper SECA assessments on one end, to Baltimore Gas & Electric, which has moved to withdraw from certain settlements on the other end, as indication that some issues must be resolved by the Commission and won't be settled.

"Wishing that it goes away will not be successful, and the Commission owes it to the parties to issue its decision without further delay," AMP-Ohio argued

"In any event, AMP-Ohio should not be forced to wait indefinitely for the millions of dollars of additional refunds that it is owed. The end-use consumers in Ohio need relief from energy bills now, not years from now, albeit it with additional interest amounts."

REPs Refine RMGRR to Speed Switches Impacted by Mass Transitions

REPs waiting to enroll newly switched customers who end up involved in a mass transition should be permitted to use an off-cycle Switch, unprotected Switch or, in extreme circumstances as authorized by PUCT designee, a Move-In Request to facilitate the expeditious transfer of such customers, several REPs said in comments on ERCOT Retail Market Guide Revision Request 063 (Matters, 6/29/08).

The Revision Request as drafted would already permit the use of a Move-In Request in extreme circumstances, but Direct Energy, Gexa Energy, Green Mountain Energy, and the Texas Energy Association of Marketers proposed more specific language.

The REPs recommended that if a Move-In request used under the proposal is delayed due to a permit requirement, the REP may file a MarkeTrak issue with the TDSP asking that the permit requirement be waived due to the customer being involved in a Mass Transition and the fact that there will be no change of occupant.

The revisions are meant to speed, or ultimately avoid, customers' time on POLR, especially where the customer has a pending switch request from before the mass transition.

Pepco Energy Services Posts Higher Earnings

Net income at Pepco Energy Services for the second quarter rose to $16.3 million, up from $10.7 million a year ago, on mark-to-market gains related to certain economic hedges of PJM congestion risk, higher generation output, and more favorable congestion costs.

Pepco Energy Services' gross margin from retail energy supply grew to $36.1 million in the second quarter of 2008, compared to $20.9 million a year ago. Retail sales grew 9%, to 4,825 GWh, on higher C&I loads and expansion into new markets.

Gross margin for energy services fell to $14.7 million from $18.1 million a year ago due to lower energy-savings performance activities.

Operating revenue at Pepco Energy Services was $631.3 million for the quarter, versus $522.6 million a year ago.

Net income at Conectiv Energy was $20.6 million, up from $1.8 million a year ago, on operating revenue of $789.7 million, up from $478.2 million a year ago. Gains were driven by higher spark spreads, higher capacity prices, and a mark-to-market gain related to economic coal hedges.

Conectiv's gross margin from Merchant Generation and Load Service was $85.0 million in the second quarter, compared to $51.4 million a year ago. Gross margin from energy marketing rose to $8.3 million from $7.5 million a year ago.

Conectiv's total generation output dipped to 1,094 GWh in the second quarter from 1,172 GWh a year ago, primarily due to lower coal unit dispatch, as baseload output was 368 GWh versus 498 GWh in the year-ago period.

The average power sales price for generation was $139.01/MWh, up from $78.98/MWh a year ago.

Conectiv's load service volume grew to 2,335 GWh from 1,594 GWh in the second quarter of 2007, from new default supply contracts in ISO New England.

Parent Pepco Holdings reported second quarter GAAP earnings of $15.0 million, compared to $57.2 million in the year-ago period. Excluding special items, specifically a $92.9 million charge related to cross-border energy lease investments, net income for the second quarter of 2008 would have been $107.9 million.

A conference call will be held today.

Calpine Names New CEO, Records 2Q Profit

Calpine net income for the second quarter rose to $197 million, turning around a $500 million loss from the year-ago period. Adjusted EBITDA was $474 million, up from $326 million a year ago.

The IPP saw a 39% increase in its average realized electric price during the quarter, from $71.42/MWh in the prior year's quarter to $99.58/MWh. Generation dipped to 21.2 million MWh from 21.4 million MWh a year ago.

During an analysts call, executives reported Calpine's gas fleet is well positioned to respond to the growth of wind in ERCOT and provide firming capacity and ancillary services for such wind. Additional revenues from ancillary services are expected to mitigate energy revenue declines for combustion turbines and combined cycle units caused by greater wind dispatch.

Calpine named Jack Fusco, former Texas Genco chief executive, as CEO. Fusco helped found Orion Power and previously led development at Pacific Gas & Electric's non-regulated subsidiary.

Large Users See Duplicative Burden on Direct Access Customers

A proposed decision at the California PUC regarding nonbypassable charges for IOU stranded costs fails to recognize that shopping notification requirements and restrictions are already designed to ensure that utilities plan for migrating direct access load, the California

Large Energy Consumers Association and California Manufacturers & Technology Association argued (R. 06-02-013, Matters, 7/23/08).

While rules may need to be different for new direct access customers, should shopping be reinstated, currently eligible direct access customers are already subject to switching rules, such as a six-month advanced notification for leaving the utility, and a prohibition on increasing the amount of load returning to direct access service compared to previously shopped load, large customers pointed out.

Such rules ensure that direct access customers do not impose additional costs on bundled load, since IOUs are on notice that eligible direct access load may switch, CMTA and CLECA observed. The cap on the amount of load a customer may place on direct access is clearly defined, the large customers added, further providing certainty for IOU planning. Utilities may therefore appropriately avoid including such direct access load in their forecasting and procurement, CMTA and CLECA contended.

Since switching restrictions already protect bundled customers from new stranded costs, subjecting them to paying nonbypassable charges tips the balance in favor of bundled customers, rather than leaving them indifferent to customers' migration to competitive supply, CMTA and CLECA reasoned. Most direct access customers who returned to bundled service pursuant to the current switching rules anticipated that they could return, under those rules, to direct access service in the future having met their obligations under the current direct access cost responsibility surcharge, without incurring additional exit fees.

CMTA and CLECA also protested that the draft decision produces the "very real" possibility that departing load will pay for the above-market cost of renewable power, effectively creating a net burden on departing customers compared to bundled customers that is inconsistent with the over-arching policy of bundled customer indifference.

Stakeholders Reach MEPCO Roll-In Settlement

Parties have filed a settlement which would allow ISO New England to remove the existing administrative constraint on the total transfer capability of the New England/New Brunswick External Interface so that transmission customers can obtain and utilize the full benefit of the new Northeast Reliability Interconnection (ER07-1289, Matters, 7/7/08).

The settlement would implement the roll-in of the Maine Electric Power Company line into pooled transmission facilities, thereby allowing the ISO to provide Regional Transmission Service over those facilities, instead of the current Point-To-Point service.

As part of the settlement, Casco Bay Energy's existing Point-To-Point transmission service agreements will be grandfathered as modified Regional Transmission Service rights.

The roll-in would take effect December 1, 2008, at which time the ISO will lift the temporary administrative limits (i.e., a maximum of 700 MW for imports from New Brunswick and 280 MW for exports to New Brunswick) on the New England/New Brunswick External Interface.

Industrials, Co-ops See Maine Power Connection Proceeding as Premature

The Industrial Energy Consumer Group, Eastern Maine Electric Cooperative and Houlton Water Company urged the Maine PUC to dismiss Central Maine Power and Maine Public Service's CPCN application for the Maine Power Connection as premature, since there is no timetable for when ISO New England may decide whether the line's costs may be socialized across NEPOOL (2008-256, Matters, 7/2/08).

The line would connect the isolated Northern Maine market to NEPOOL, permit Maine Public Service to join ISO New England, and potentially encourage greater competitive activity.

IECG and others also petitioned the PUC to order that Aroostook Wind Energy, Horizon Wind Energy and their affiliates be made a party to the case, since expeditious review of the project was requested to facilitate development of 800 MW of wind by Aroostook.

Northern Maine customers will incur additional costs in joining ISO New England under the proposal, and the transmission owners have suggested that Northern Maine ratepayers require a unique compensation package and that Aroostook is prepared to contribute to that package.

But such compensation could only be enforced on Aroostook if Aroostook is a party to the proceeding, IECG noted.

Briefly:

SCE Blasts AReM Timetable for POR

The Alliance for Retail Energy Markets' proposal to institute purchase of receivables within 90 days of an order in Southern California Edison's rate case is, "unrealistic," SCE argued in a reply brief, adding that ordering IOUs to adopt POR before a program is designed or evaluated is, "entirely unreasonable" (A. 07-11-011, Matters, 7/31/08). SCE further asserted that the idea that retail competition will not survive without shifting retailers' collection tasks to others, "calls into question the sustainability of such entities," selling retail power.

PennFuture Starting Campaign for HB 2200

PennFuture is launching a new campaign in support of HB 2200 which would, among other things, give all customers the choice of three pricing plans: their current plan based on an average rate; a rate that differentiates between peak and off-peak periods; and an hourly rate. The legislation also calls for a 2.5% reduction in usage, a 4% decrease in peak demand, and the instillation of smart meters for all customers within a decade. The campaign will be tagged: "How do you spell relief? HB 2200." PennFuture said the measures would cut electric bills about 20%.

Duke-AEP Form Joint Venture to Access Indiana Wind

Duke Energy and AEP have formed a joint venture to build $1 billion worth of 765-kV transmission in Indiana. Dubbed Pioneer Transmission, the 240-mile project would enhance market access and provide improved interconnections for new power plants in central Indiana, including the more than 3,000 MW of wind energy planned for the region. The project will be submitted to PJM and the Midwest ISO for consideration in their transmission expansion plans and, if approved, would go into service in 2014 or 2015. The line would link Greentown Station (near Kokomo, Ind.) with Rockport Station (east of Evansville, Ind.).

ECS Signs Atco Properties

Energy Curtailment Specialists has signed New York City-based real estate company Atco Properties & Management for its PowerPay! emergency demand response program.

Oncor AMS ... *from 1*

and web portal requirements are fully implemented.

A $15.1 million customer education effort on smart meters and their capabilities would be funded by Oncor.

Oncor's proposed Rider AMCRF - Advanced Metering Cost Recovery Factor would be as follows per month:

Residential	$2.22
Secondary ≤ 10 kW	$2.41
Secondary > 10 kW	$4.01
Primary ≤ 10 kW	$4.02
Primary > 10 kW	$5.18
Lighting (Metered)	$3.27

The surcharge would be collected starting in the January 2009 billing period and last through 2019, subject to change due to reconciliation.

Young Energy ... *from 1*

a kneejerk reaction to only 5 REPs going out of business due to market anomalies that have not occurred before," Young Energy contended.

Young Energy opposed a tiered system of credit requirements, based on market risk, as anticompetitive, and also argued that quarterly reports on power acquisition, risk management and current retail contracts would be costly and burdensome.