Energy Choice
Matters
August 19, 2008

WGES Pushes for Dec. 1 RM17 Implementation

The Maryland PSC should accept tariff revisions related to RM17 no later than December 1, Washington Gas Energy Services told the Commission.

Among other things, the changes would modify the enrollment and drop window to 12 days before a meter read (versus the current 17 and 35 days, respectively) and also would create a new EDI transaction to allow suppliers to correct errors in enrollment or drop requests electronically (Matters, 8/5/08). This batch of RM17 measures does not include POR or pro-rated billing.

Utilities had proposed a March 1, 2009 effective date for the changes.

But WGES noted that the new regulations went into effect on June 20, and are substantially the same as had been pending for some two years. Utilities haven't justified their March 2009 date, WGES added, given the "straightforward" nature of the changes, which WGES projected could be implemented in weeks, not months.

WGES asked the Commission to clarify the existence, status and composition an EDI working group referenced by the utilities which is to vet the new EDI codes, voicing concern that an informal process without Commission control could delay implementation.

WGES also urged the PSC to consider the provision of customer lists to competitive suppliers, a measure struck from the original RM17 proposal in 2006.

Utilities' Net Benefit Calculations Show Novation is in Public Interest, Calif. Marketers Say

Calculations from a "preponderance of the parties," including the three major IOUs, in the California PUC's investigation into re-opening of direct access which show a net benefit to ratepayers from novating Department of Water Resources contracts should, "lead the Commission to the obvious conclusion that it should move ahead with this proceeding expeditiously, so that those benefits can be realized," the California Alliance for Competitive Energy Solutions and Alliance for Retail Energy Markets said (R. 07-05-025).

Utilities had projected net benefits, under certain conditions, ranging from $3 million to $68 million, while Reliant Energy calculated $381 million in net benefits and CACES/AReM estimated $1 billion in savings (Matters, 8/8/08).

The agreement that some net benefits will be realized is a "highly significant development," CACES/AReM touted, and may be the first time in the investigation that utilities and marketers have agreed.

The analyses on costs and benefits presented by the parties provide the Commission with the basis to make a finding that novation of the DWR contracts is in the public interest, Reliant Energy added.

Utilities, however, dismissed the much greater benefits projected by retailers as speculative, and reminded the PUC that their own estimates were based on specific assumptions, such as the novation of all contracts, not simply a majority of them.

"Because a substantial percentage of both the costs and the benefits depend on events outside of the Commission's control, there is no way to assure customers that they will either benefit or suffer from an attempt to novate/assign the DWR contracts," Southern California Edison cautioned. SCE called the CACES/AReM and Reliant projections a "one-sided" view, with little or no consideration of the "very real" contingencies that can significantly impact both the costs and benefits of novation, such

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Ambit Energy Entering Ohio Gas Market

Ambit Energy applied to be a competitive retail natural gas supplier in Ohio, asking to be certified to sell to residential and small commercial customers at Dominion East Ohio, Columbia, Duke and Vectren.

The marketer currently serves more than 130,000 residential and small commercial customers in the ERCOT electric market, the New York natural gas and electric markets, and the Illinois natural gas market, 15,000 of which are single-service natural gas customers.

Ambit will contract with customers directly, primarily through internet-based gas service agreements, and will offer variable and/or fixed price products to its customer base. Ambit will use traditional marketing methods to acquire customers including advertisements, network marketing, and telesales, it told PUCO. Customers will be billed using utility consolidated billing.

Ambit's primary natural gas trading partner is Shell Energy North America, and Ambit has delivered more than 150,000 decatherms of natural gas to the New York and Illinois markets since entering New York in 2007 and Illinois this year. Navigant Consulting and Randolph Risk Management provide additional natural gas sales guidance to Ambit.

MISO Says It Would Work on Retail Choice Issues, But Confine Them to Module E BPMs

The Midwest ISO, "is willing to work with the states, the [Organization of MISO States] and other stakeholders to further address issues related to retail load switching, if desired by the relevant parties," MISO told FERC, though MISO did not offer concrete proposals to address concerns of marketers and POLRs regarding load forecasting and deficiency charges under MISO's Module E resource adequacy construct caused by load switching in retail choice states (ER08-394, Matters, 8/4/08).

Rather, the Midwest ISO, "anticipates that state commissions in retail choice states will work with their Electric Distribution Companies, retail choice providers, and POLRs to develop consistent state provisions to assist the affected LSEs in dealing with retail load switching and LSE underforecasting concerns, in order to facilitate compliance with Module E."

MISO respectfully disagreed that retail load switching issues are properly included in a FERC tariff. Although the issues are important, MISO said, the ISO believes such retail choice issues should remain in the Business Practices Manuals, and are better addressed at the state level due to variations of state law regarding retail choice issues.

However, MISO did agree that issues clarifying: (i) the way the Midwest ISO will calculate an LSE's load forecast; and (ii) details regarding the must-offer requirement for Planning Resources cleared in the voluntary capacity auction, are sufficiently related to rates, terms and conditions of service, and thus should be incorporated into the tariff. The Midwest ISO agreed to make such tariff amendments in a compliance filing if directed to do so by FERC.

MISO insisted that the voluntary capacity auction would not harm the bilateral market, and clarified that a party is free to engage in bilateral contracting for resources that did not clear in the voluntary auction.

Such a resource would have to notify MISO in writing after the results of the voluntary capacity auction have been posted that it does not want the capacity that it offered into the voluntary capacity auction to be eligible to be cleared with Financial Settlement Charge revenues in accordance with proposed section 69.3.9a.i.

The clarification would effectively give a party that did not clear its offer in the voluntary capacity auction the option to promptly engage in bilateral transactions for the excess capacity, if it wished, MISO explained.

DC Energy Pegs Cost of RSG Uncertainty at $1 Billion

Customers in the Midwest ISO Day-Ahead Energy Market are currently paying a $1 billion premium because of FERC's 2007 hearing order and subsequent inaction on Midwest ISO Revenue Sufficiency Guarantee (RSG) charges, DC Energy Midwest told the Commission (EL07-86, Matters 8/4/08).

Since the 2007 order which held the hearing process in abeyance pending stakeholder talks, the Day-Ahead Energy premium has increased by $1.98/MWh to $2.34/MWh, DC Energy said. Multiplied by the total Day-Ahead cleared demand from November 29, 2007, the day after issuance of the hearing order, to August 5, 2008, the increased Day-Ahead premium has resulted in over $765 million in harm to the market (or over $1.1 billion if annualized), DC Energy calculated.

DC Energy urged the Commission to issue an order to commence hearing procedures focused on resolving the outstanding dispute. A hearing with the discipline of discovery is necessary to determine if, and the extent to which, virtual supply transactions cause RSG cost incurrence, DC Energy said. "Additionally, the hearing must consider market impacts on which the record contains compelling evidence of consumer harm caused by virtual market uncertainty," DC Energy argued.

"Only a determination against retroactively rebilling RSG charges will end the uncertainty while the hearing or other proceedings are ongoing," DC Energy reasoned.

Generation Developers Warn CAISO Queue Reform Favors Utility-Owned Projects

"Punitive" provisions with regard to security, deposits, and other interconnection requirements that are part of the California ISO's interconnection reform proposal would be contrary to FERC's open access policies and would be unduly preferential to utility-affiliated generators, LS Power Associates and Tenaska charged (ER08-1317).

The CAISO's provisions, "would actively discourage new entry within the CAISO footprint by placing a set of unduly burdensome hurdles in the path of non-utility-affiliated generators seeking to proceed through the CAISO interconnection process," the independent developers said.

LS Power and Tenaska pointed out that lenders, purchasers, and regulators frequently will not finance, enter into off-take agreements, or provide required approvals in the absence of an interconnection agreement.

While heightened security, deposit, and other requirements may appear neutral on their face, they are unduly preferential to utility-affiliated generators because unlike independent developers who normally use off-balance sheet financing (which is premised on the project having entered into an interconnection agreement and an off-take agreement), utility-affiliated generators can finance projects based on the balance sheets of their regulated parents, LS Power and Tenaska argued.

Tenaska and LS Power also contended that CAISO's proposed deposits are excessive, and would provide a "windfall profit" to CAISO because they would be non-refundable.

"CAISO has not attempted to demonstrate that the proposed increase in deposits are necessary to cover actual study costs," the developers said.

CAISO's proposed timelines for performing its interconnection obligations are "simply unacceptable," Macquarie Energy North America Trading added.

"What CAISO's proposal ultimately presents to the Commission is this: despite imposing increased requirements on new interconnection requests and streamlining the interconnection study process to reduce or eliminate the problems associated with a serial study approach, CAISO may take even longer to process interconnection requests under GIPR or the Transition Cluster procedures than it does under its current procedures," Macquarie claimed.

Macquarie urged FERC to direct CAISO to complete the Phase I and Phase II Studies no later than 120 calendar days after commencement of each study to ensure timely interconnection.

Among the recommendations of Tenaska and LS Power is a separate queue for wind generation, with CAISO conducting an open season for wind and other remotely-located generation.

Maryland PSC Rejects BGE Efficiency Measures as Too Costly

While accepting Baltimore Gas and Electric's low-income energy efficiency programs, the Maryland PSC disapproved the remainder of the proposed programs and directed BGE to submit cost-effective alternatives (Matters, 2/11/08).

The Commission found that the rejected

programs were too costly at $274 million in relation to the share of EmPower Maryland goals they would obtain, concluding that the programs devote a disproportionate share of costs to overhead and administrative expenses rather than rebates and other items meant to incent reduced consumption. In fact, only $144 million would have gone to rebates, incentives or other payments to encourage efficiency, the PSC said.

While the programs may seem cost effective under certain commonly utilized tests, the Commission stated that it requires a real return on ratepayers' investment, measured by "meaningful" bill savings.

Given the current economic climate, and the fact that all ratepayers will fund efficiency programs regardless of participation, the Commission is reluctant to increase rates unless it is convinced customers will receive appropriate return. Specifically, the PSC voiced concern that if it approved the programs, it would still be faced in short order with having to fund more programs to cover the EmPower Maryland shortfall.

High marketing costs, in particular, made the programs unworkable. In some situations, the Commission suggested it would be cheaper for BGE to buy efficient appliances and give them to customers, rather than expending resources in marketing the programs and trying to get customers to buy the appliances through rebate offers.

The Commission was also concerned the programs would reward free riders, or customers who would undertake efficiency measures outside of any BGE incentive programs.

Commissioner Allen Freifeld dissented from the order, stating that he would have approved the programs with continued Commission oversight and ability to adjust the programs as needed. Freifeld noted a six-month delay in program implementation will cost customers $87 million in lost savings through 2015, adding that nearly all of the programs are cost effective and supported by stakeholders charged with protecting ratepayers such as the Office of People's Counsel, Staff, and Maryland Energy Administration.

While the Commission's goal of having better programs is laudable, the Commission should be willing to adopt programs shown to work in other states, such as BGE's proposals, in the absence of clearly superior alternatives, Freifeld argued.

Mass. IOUs Oppose SEMA Split

Nstar and National Grid opposed FERC's order directing stakeholders to study dividing the Southeastern Massachusetts (SEMA) region into two separate regions because doing so would violate the ISO New England tariff and also reward opportunistic behavior (EL08-48, Matters, 7/18/08).

Several munis had a filed a complaint at FERC over cost allocation of out-of-market costs to keep Mirant's Canal units running for reliability needs, since the plants benefited lower SEMA and not upper SEMA.

But the contemplated use of cost-allocation criteria to redraw the boundaries of the SEMA reliability region, and only the SEMA region, circumscribes the ISO-NE tariff, which is the filed rate and remains binding on the Commission until it is changed in accordance with the Commission's Section 206 authority, Nstar and National Grid argued.

The ISO-NE reliability regions are designed to reflect electrical system criteria concerning electric operations and transmission constraints, not cost allocation, the Massachusetts IOUs noted.

Redefining only the SEMA region would be discriminatory, especially since FERC's order would preclude combinations with other regions, such as having upper SEMA join NEMA and lower SEMA join a region that includes Rhode Island and part of Connecticut.

The potential for refunds created by FERC's SEMA order also rewards opportunistic behavior, Nstar and Grid claimed, because the munis in upper SEMA are seeking to escape out-of-market reliability costs needed in a subsection of SEMA.

But not long ago, reliability must-run rates were submitted for two generating plants located in upper SEMA that would have been paid for by lower SEMA customers, with one of the plants ironically owned by one of the municipal complainants in the instant case. Although the RMR rates were not approved, the application shows that munis had sought to benefit from a larger SEMA region when it was advantageous, Nstar and Grid said.

Briefly:

Ameren Starts Relief Plan for Hardship Non-Residential Customers Which is Not Competitively Neutral

Ameren's Illinois utilities yesterday launched their relief program aimed at small businesses and non-profit customers which limits payments to customers that have purchased electricity through the Ameren utilities since Jan. 1, 2007, and thus is not competitively neutral. The $2 million program stems from relief package legislation in 2007 and provides up to $5,000 to individual small businesses, non-profits and other qualified organizations (such as senior centers, schools, and religious institutions) that have experienced financial hardships due to the higher cost of electricity. Relief would be in the form of a one-time credit. Recipients must demonstrate the financial hardship and complete an application. Non-profits must registered as a not for profit corporation with the Illinois Secretary of State. Small businesses must be independently owned with 50 or fewer employees to qualify. Residential rate relief related to the compromise legislation was initiated last fall.

Pure Power to Turn in REP Certificate

Pure Power Corporation, which received a REP certificate in 2001, asked to relinquish its certificate at the PUCT. Pure Power has never served customers.

Deregulation Crops Up in Arizona Corporation Commission Race

Despite a moribund retail market, deregulation has become one of the hotter topics in the Republican primary race for seats on the Arizona Corporation Commission. Although the ACC's renewable mandate is the most contentious issue, Republican Rick Fowlkes, and two fellow Republicans running on the same ticket, have suggested Arizona's decision to end progress on deregulation was a mistake. Fowlkes has suggested that utilities be allowed to set their own prices without ACC approval, subject to a regulated cap, if three or more providers are offering service in an area, though little detail has been offered on how such choice would be developed. Running mates Joseph Hobbs and Keith Swapp have also voiced support for the concept of "deregulation," as well as performance-based ratemaking.

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as debt equivalency costs placed on IOUs.

Pacific Gas and Electric argued that CACES "optimistically" assumed that the benefits in any contract renegotiation that is part of novation would all go in one direction - to utility customers, an outcome PG&E doubts will occur.

In any event, renegotiation is unlikely in most cases, PG&E reported, since at workshops only one generator indicated an interest in renegotiating its contracts.

TURN concluded that a "modest" net savings of $100 million might be achievable through the transfer of all the DWR contracts to the utilities by January 2010, but added that such a universal novation could only be achieved through renegotiation of the contracts that currently lack novation clauses. Such renegotiations are at least as likely to cause increased ratepayer costs as they are to result in additional cost savings, TURN argued.

"Given that the magnitude of the dollars at stake under these contracts vastly exceed any reasonable estimate of DWR's potential savings, even relatively small cost increases as a result of novation/assignment could tip the balance toward a net ratepayer loss," TURN reasoned.