Energy Choice Matters
August 25, 2008

Cost Allocation Top Concern in Expansion of ConEd PowerMove

ESCOs offered several tweaks, including allocating some costs to all distribution customers, to Consolidated Edison's proposal to expand its PowerMove ESCO Referral Program to include new service initiation customers (07-E-0523, Matters, 7/21/08).

The Retail Energy Supply Association argued that informing new service customers about energy choice provides "general benefits" to all ratepayers, similar to other public interest programs such as those relating to energy efficiency or health and safety.

Accordingly, some costs of expanding the referral program should be recovered in delivery rates, specifically initial implementation costs and costs to inform new customers of their choice, RESA said. Incremental operation and maintenance costs associated with actually enrolling new service customers with an ESCO through PowerMove are properly borne by participating ESCOs, RESA added.

The National Energy Marketers Association believes the costs of referral program expansion are appropriately recoverable as part of a nonbypassable charge for all customers, because PowerMove expansion furthers state and Commission policy goals. NEM pointed out that current PowerMove costs have been recovered from ratepayers, not from participating ESCOs.

"The availability of choice to all consumers is an opportunity for all consumers (whether or not they avail themselves of it), and the implementation of these programs has ensured that a greater number of consumers can indeed exercise their option to choose a competitive energy supplier," NEM said.

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LSEs Call Portable Capacity Filing Deficient, Question Must-Offer Requirement

Power marketers and LSEs protested as incomplete the Midwest ISO and PJM's portable capacity agreement which is meant to allow Duquesne LSEs to use capacity paid for under RPM to meet MISO requirements if Duquesne leaves PJM for MISO (ER08-1345, Matters, 8/5/08).

One of the top concerns from LSEs was the inconsistency between the Portability Agreement and the Must-Offer Requirement under MISO's resource adequacy construct, and potential requirement for LSEs to enter into unnecessary and economically irrational purchases of energy from the PJM market for offer in the Midwest ISO.

While the Portability Agreement does not address the fundamental question of the Must-Offer Requirement, implicit in the Agreement and in MISO statements is the assumption that Duquesne Zone LSEs will be required to offer energy into the MISO Day-Ahead Energy Market (DAM) and the Post Day-Ahead Reliability Assessment Commitment (RAC), and if cleared, purchase and schedule energy from the PJM Day-Ahead or Real-Time Markets into the Midwest ISO, presumably equal to their share of Portable RPM Capacity in order to comply with the Must-Offer Requirement, Reliant Energy pointed out.

"Such an application of the Must-Offer Requirement to Portable RPM Capacity would be unreasonable on its face," Reliant argued, whose Reliant Energy Solutions East subsidiary serves approximately 70 MW of retail load in the Duquesne Zone.

Imposing the Must-Offer obligation on Duquesne LSEs would add unnecessary levels of marketplace complexity that will ultimately drive up the cost of energy for consumers, Reliant

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CL&P Reports July Shopping Data

Connecticut Light & Power Switching Statistics As of July 31, 2008

Total Accounts with Alternate Supplier: 89,441

Customer Count Breakdown:

3rd Party Supplier	Residential	C&I	Total	June 30, 2008 Total
Clearview Electric	1	0	1	1
Consolidated Edison Solutions	1,559	1,416	2,975	2,975
Constellation NewEnergy	847	7,625	8,472	8,774
Direct Energy Services	11,866	3,376	15,242	14,391
Dominion Retail	43,150	1,773	44,923	45,255
Gexa Energy	0	42	42	42
Glacial Energy of New England	71	785	856	854
Hess Corporation	312	330	642	677
Integrys Energy Services	380	681	1,061	1,010
Liberty Power Holdings	0	41	41	27
MXenergy	2,179	4,144	6,323	6,256
Public Power & Utility	4,045	647	4,692	4,139
Sempra Energy Solutions	7	825	832	795
Strategic Energy	112	1,242	1,354	1,368
Suez Energy Resources NA	3	318	321	322
TransCanada	27	1,633	1,660	1,731
World Energy	0	4	4	3
Totals	64,559	24,882	89,441	88,620

CTCleanEnergyOptions	Residential	C&I	Total
CTCleanEnergy - Community Energy 50%	1,430	14	1,444
CTCleanEnergy - Community Energy 100%	6,838	184	7,022
CTCleanEnergy - Sterling Planet 50%	1,403	12	1,415
CTCleanEnergy - Sterling Planet 100%	4,796	137	4,933
Total All CTCleanEnergyOptions Suppliers	14,467	347	14,814

CL&P Last Resort Service (LRS)		%^
Total # All LRS Accts	1,258	0.1%
Total All LRS MWhs	273,959.412	12.7%
Total 3rd Party LRS Accts	939	74.6%
Total 3rd Party LRS MWhs	214,781.155	78.4%
CL&P C&I Standard Service		%
Total # All C&I SS Accts	116,059	9.6%
Total All C&I SS MWhs	915,194.321	42.5%
Total 3rd Party C&I SS Accts	23,943	20.6%
Total 3rd Party C&I SS MWhs	528,997.024	57.8%
CL&P Residential Standard Service		%
Total # All SS Res. Accts	1,097,913	90.3%
Total All SS Res. MWhs	965,395.699	44.8%
Total 3rd Party SS Res. Accts	64,559	5.9%
Total 3rd Party SS Res. MWhs	68,678.431	7.1%
Total All CL&P		%
Total # ALL Accts	1,215,230	100%
Total ALL MWhs	2,154,549.432	100%

^ CL&P percentages reflect percent of CL&P *total* customers/MWh. Supplier percentages reflect suppliers' percent of customers/MWh in a specific *class*

Virtual Transactions Not Related to GFAs, FERC Rules

FERC denied a complaint from the Michigan South Central Power Agency regarding the allocation of Revenue Sufficiency Guarantee charges that Michigan South Central had claimed were inappropriate because they were related to its Grandfathered Agreement No. 266 (EL08-63, Matters, 5/27/08).

Per a prior FERC order, Michigan South Central is exempt from all RSG charges under its carved-out GFA. Michigan South Central subsequently entered into several virtual transactions because a seller's-choice contract it had with a supplier did not permit Michigan South Central to utilize carved-out GFA No. 266 to deliver that power to its members' load centers. The agency was assessed RSG fees for those virtual deals.

Michigan South Central's argument, however, fails to acknowledge that carved-out GFAs are agreements for transmission service, and they therefore do not encompass virtual supply offers and bids such as those Michigan South Central made in the Midwest ISO energy market, FERC ruled.

"[W]e do not consider virtual transactions to be part of the carved-out GFA service," the Commission stated.

Through its virtual transactions, Michigan South Central engaged in arbitrage activities to manage price risk, FERC explained. Such activities are entirely separate from the provision of energy supplies for transmission service, and they therefore cannot be considered to be part of the carved-out GFA service.

"Like any other virtual supply offer, the virtual offers made by Michigan South Central caused RSG costs to be incurred, and it therefore was appropriate for the Midwest ISO to assess RSG charges," FERC concluded in denying the public power agency's request for relief.

ISO-NE Defends External Transaction Scheduling Changes

Proposed changes from ISO New England that would permit the ISO to schedule priced External Transactions on an intra-hour basis neither create any new class of ISO-formulated priced External Transactions, nor permit the ISO to modify the External Transactions as submitted by Market Participants, the ISO told FERC in an answer meant to assuage concerns raised by several power marketers (ER08-1277).

A group including Constellation Energy, PPL EnergyPlus, Shell Energy North America and Brookfield Energy Marketing had told FERC that more details on ISO-NE's proposal were needed, cautioning that the ISO could harm market efficiency by acting on stale prices, and by preventing market participants from being given more flexible scheduling for external transactions (Matters, 8/8/08).

The ISO responded by arguing that the efficiency benefits of the External Transaction Intra-Hour Revisions (including, for example, reduced Net Commitment Period Compensation [NCPC] charges, and the ability to schedule within an hour Emergency Energy Transactions previously submitted by Market Participants) are "readily evident," contrary to the claims of the power marketers.

"In particular, when the forecasted Real-Time LMP is higher at the bottom of the hour than was expected at the top of the hour, additional economic supply can be provided to the system," the ISO explained. "Similarly, when the forecasted Real-Time LMP is lower at the bottom of the hour than was expected at the top of the hour, the NCPC that a previously scheduled External Transaction purchase would have caused can be reduced by removing that transaction from the schedule at the bottom of the hour," the ISO added.

The implementation of the External Transaction Intra-Hour Revisions will not increase Market Participants' risks, the ISO stated.

Furthermore, the proposed modifications do not permit the ISO to "re-price" market participants' External Transactions or to submit its own external transactions, the ISO clarified.

Briefly:

RECs No Longer Part of Delmarva SOS RFP

Wholesale suppliers for Delmarva's SOS in Delaware have been relieved of the requirement to provide RECs and solar RECs to meet Delaware's RPS obligations for SOS, under an order issued last week by the Delaware PSC (04-391). Delmarva intends to meet the REC requirements from four long-term wind contracts currently under Commission review. In the event the wind farms are delayed, Delmarva is to acquire needed RECs through the PJM market.

Gexa Gets Delaware License

The Delaware PSC granted Gexa Energy a retail electric supplier certificate. Gexa intends to market to residential, small commercial, and large commercial and industrial customers in Delmarva's territory.

Strategic Now Direct Energy Business

Direct Energy informed the PUCT that its Strategic Energy subsidiary has changed its name to Direct Energy Business, LLC as of September 1, 2008, and asked that Strategic's REP certificate reflect the name change. Direct reported that it will not be transferring customers between its different REP certificate holders at this time.

ALJ Denies PG&E Hearing Request in Direct Access Case

A California ALJ denied Pacific Gas and Electric's request for hearings on inter-utility cost allocation related to Dept. of Water Resources contracts that may be novated as part of the PUC's investigation into lifting the ban on direct access (07-05-025, Matters, 8/18/08). The ALJ concluded that the issue of cost allocation at present is a policy question, not a factual one, and thus hearings at this time are not appropriate. Only if the Commission decides to modify a previous cost allocation decision would evidentiary hearings be required, the ALJ noted. The ALJ also denied a motion to dismiss filed by Californians for Renewable Energy. CARE had argued that the U.S. Supreme Court's recent remand to FERC of Western wholesale contracts from the energy crisis in *Morgan Stanley* made the PUC's investigation into novations premature, but the ALJ did not find a logical connection between FERC's review of the contracts and CARE's motion to dismiss.

Two REPs Get New Trade Names

REP Nooruddin Investments received approval from the PUCT to add trade names Discount Power and Power Express to its certificate. Young Energy received approval for the trade names ABC Energy, UNO Energy, and Connect! Energy.

Two Md. Brokers Receive Licenses

EGP Energy Solutions, founded by two former NCG Energy Solutions managers, was awarded a brokering license for C&I customers in Maryland (Matters, 6/12/08). The broker will do business as Atlantic Energy Resources in all four IOU territories. CEO Kenneth Abner was a senior energy consultant at NCG while President Patrick Hall was Mid-Atlantic regional manager at NCG.

The PSC also awarded a brokerage license to API INK, LLC, which will broker load for C&Is.

D.C. PSC Issues Gas Service Quality NOPR

The District of Columbia PSC issued a NOPR relating to natural gas customer service standards similar to recently issued rules for electricity customer service (FC 977). Among the rules applicable to competitive suppliers are billing error notification requirements. Natural gas service providers must inform the PSC's Office of Engineering and the Office of People's Counsel when a billing error affects 100 or more customers or when the number of affected customers is equal to or more than 2% of the service provider's customer base, whichever is fewer. Service providers with fewer than 100 customers would report billing errors when two or more customers are impacted. An initial error notification would be due to the PSC and OPC one business day after discovery of the error, with follow-up reports 14 and 60 days thereafter.

PUCT Sets CenterPoint Stipulation Discount

The PUCT Staff has determined that the amount of the monthly rate discount to be provided by REPs to eligible low-income residential consumers in the CenterPoint territory for Program Year Three is $3.90 (33148). The discount relates to concessions and a Stipulation (32093) made in a CenterPoint rate review from 2006, and may need to be adjusted in the future due to reconciliations and enrollment levels.

PowerMove ... from 1

"Retail access programs leverage existing utility infrastructure that has been bought and paid for by captive ratepayers to effectuate State and Commission policy in favor of energy choice," NEM added.

If marketers are required to bear the cost of program expansion, those costs will necessarily be passed on to migrating customers, NEM explained.

Such higher costs will operate as an "exit fee" against customers choosing competitive supply, NEM cautioned, "clearly not a competitively neutral result."

NEM warned that if participating ESCOs are allocated expansion costs, a "cost death spiral" could result where one ESCO decides to leave the program, raising costs to remaining participants, prompting more participants to leave, further raising costs, and so forth.

Among other modifications sought by marketers, RESA recommended that ESCOs, acting as the customer's agent, should be allowed to initiate delivery service, as ESCOs may have an existing relationship with the customer and the customer may want their ESCO to handle such logistics.

RESA also argued that ConEd's requirement that it will only expand PowerMove to include new service customers if all currently participating ESCOs decide to join is overly restrictive. The benefits of the program should not be foregone because only one or two ESCOs decide not to continue PowerMove participation due to the changes, when the vast majority of ESCOs wish to continue, RESA said.

NEM recommended that the data and inputs underlying ConEd's expansion cost study should be made fully available to stakeholders, particularly a more detailed derivation of the need to hire five new customer service representatives.

NEM noted ConEd has stated that the five new customer service reps would not be tasked exclusively with handling the referral program, and questioned whether ESCOs should thus bear all the costs of those reps.

NEM also pointed out that as part of the random customer assignment process, single commodity marketers will not be assigned dual service customers. Because single commodity marketers will derive a different value from participation in the referral program than dual commodity marketers, NEM asked whether it is possible or appropriate to make an accommodation in the cost recovery mechanism for single commodity marketers.

Portable Capacity ... *from 1*

explained.

Imposing a MISO Must-Offer Requirement on all Duquesne Zone LSEs for their share of Portable RPM Capacity creates a new obligation that requires the LSE to have a set of skills and market knowledge that the LSE has not previously needed to serve load, Reliant added. "The additional risk created by the must-offer requirement forces the LSE to either develop additional risk management skills or be exposed to more unmanaged risks," Reliant observed, which will in turn distort the market by raising the cost of doing business.

A new Must-Offer obligation would require Duquesne Zone LSEs to submit offers to sell energy into the Midwest ISO DAM without knowing the price they will have to pay for the energy purchased in the PJM Day-Ahead or Real-Time Energy Markets, Reliant reported, introducing a major new price risk on LSEs.

It remains unclear whether there will be additional transmission costs that must be paid by Duquesne Zone LSEs to get the PJM energy to the PJM-Duquesne Zone interface, or even how such reservations would be secured on a long-term basis for LSEs since the obligations of LSEs change every day as customers switch from one competitive retail supplier to another, Reliant told FERC.

Requiring every Duquesne Zone LSE to submit supply offers on behalf of the Portable RPM Capacity - particularly those that only serve small retail and industrial loads - imposes "substantial and unreasonable" administrative burdens on LSEs, Reliant explained, such as costs to create new internal systems for bidding, settlements and a variety of other compliance issues.

For those reasons, Reliant urged FERC to require the Midwest ISO to exempt RPM Portable Capacity from the Must-Offer Requirement. Reliant noted that since the same pool of resources that makes up the RPM Portable Capacity is already being offered into the PJM Day-Ahead Energy Markets, and is available to the Duquesne Zone and Midwest ISO Market, the Must-Offer Requirement's goal of preventing withholding has already been satisfied.

Constellation Energy also argued that the

Portability Agreement conflicts with the Midwest ISO's resource adequacy "source and sink" requirements, since the Agreement states that energy from portable capacity will not be tagged from or attributable to any specific PJM generating unit. Constellation recommended that MISO make changes to its tariff, and Module E and Module B requirements, to grant Portable Capacity an exemption from the source and sink rules.

Constellation also noted that the Portability Agreement does not address the issue of the Duquesne transition's effects on the values of existing Auction Revenue Rights and Financial Transmission Rights.

Reliant added that the Agreement inappropriately imposes responsibility for scheduling emergency energy upon individual Duquesne Zone LSEs, instead of providing for direct coordination between PJM and the Midwest ISO during emergency conditions.

FirstEnergy claimed that the Portability Agreement is unjust, unreasonable and unduly discriminatory because it would create new obligations and additional costs for LSEs in the Duquesne Zone, and because those obligations and costs would not be imposed on other LSEs in the Midwest ISO. FirstEnergy pointed to "gaping holes" in the Agreement, including questions regarding the handling of mid-month retail load switching, and procedures for when such load is unaccounted for.

Reliant urged that due to the complex nature of the RPM Portable Capacity issues, FERC should delay Duquesne's MISO integration until at least June 1, 2009.