Energy Choice Matters

September 9, 2008

N.Y. PSC Staff Recommends Study on ConEd MHP Expansion, Favors Retaining Market Match

Consolidated Edison should perform an evaluation of the current expansion of the Mandatory Hourly Pricing cutoff to 500 kW, including a review of load responsiveness, customer satisfaction and lessons learned, New York PSC Staff recommended in testimony filed in ConEd's rate case (08-E-0539).

Based on that report, ConEd should develop a plan to expand hourly pricing to customers below 500 kW, though Staff did not offer specific timelines or cutoff levels.

Staff proposed retaining ConEd's online Market Match program as it currently exists, noting its minimal costs and high satisfaction among ESCOs. Staff also supported ConEd's decision to discontinue Market Expos due to low participation among ESCOs, and instead focus retail access education at broader trade shows and housing fairs such as the Buildings NY Expo.

Staff recommended that master-metered residential buildings currently served under SC-8 (Multiple Dwellings - Redistribution) and SC-12 (Multiple Dwelling Space Heating) be submetered within four years, to promote the state's 15x15 efficiency goals. Buildings not submetered should be billed on another rate, perhaps the SC-1 Residential and Religious rate which is more expensive than SC-8 and SC-12 rates. Submetering will allow customers to monitor and reduce energy consumption and possibly participate in time-based tariffs, Staff observed. Submetering, due to its lesser expense, would be more favorable than direct metering such dwellings, Staff said. About 455,000 individual residential units in ConEd's territory are currently unmetered.

Staff recommended denying ConEd's request to add 27 customer field representatives to increase

... Continued Page 5

REPs, End Users Oppose RPS Carve-Out in Texas

Although generation developers and green groups supported creation of a non-wind RPS in Texas, end users and REPs cautioned the PUCT against any such action, citing an unproven need and higher retail costs (Matters, 7/29/08).

The Commission asked whether additional measures are necessary or appropriate to attain the Legislature's target of 500 MW of non-wind renewable generation by 2015 (35792).

But Reliant Energy and end users noted that the Commission recently added a premium to non-wind RECs by essentially doubling their value. The provision, adopted last summer, needs time to work, Reliant and customers said.

"Considering the relative newness of this regime, Cities believe that significant questions arise before the market proceeds with any other device to incentivize investment in non-wind renewable generation," the Steering Committee of Cities Served by Oncor agreed.

The Cities, as well as TXU Energy, observed that the total amount of new, non-wind generation currently operating, or that will soon be operating, isn't clear.

As such, it would be, "premature to embark on a radical change" such as specific RPS carve-outs for non-wind generation, Cities said.

Any, "reverse-engineering of a renewable incentive program based on the hypothetical revenue requirement of non-wind renewable generators is reminiscent of cost-of-service regulation," Cities maintained.

"It would be inappropriate to graft such a regulatory assurance for certain generators onto a deregulated wholesale market that already imposes high energy costs on consumers," Cities insisted.

Requiring REPs to purchase RECs from specific types of facilities might artificially create scarcity

... Continued Page 5

UI Reports August Shopping Data

United Illuminating Switching Statistics As of August 31, 2008

Total Accounts with Alternate Supplier: 32,863

Customer Count Breakdown:

3rd Party Supplier	Residential	C&I	Total	July 31, 2008 Total
Clearview Electric	0	0	0	0
Consolidated Edison Solutions	943	749	1,692	1,687
Constellation NewEnergy	287	2,907	3,194	3,203
Direct Energy Services	2,115	848	2,963	2,509
Dominion Retail	16,327	1,045	17,372	17,583
Gexa Energy	0	38	38	28
Glacial Energy of New England	18	287	305	283
Hess Corporation	0	56	56	55
Integrys Energy Services	8	830	838	816
Liberty Power Holdings	0	25	25	24
MXenergy	1,598	1,606	3,204	3,431
Public Power & Utility	1,355	210	1,565	1,252
Sempra Energy Solutions	25	432	457	460
Strategic Energy	10	661	671	690
Suez Energy Resources NA	0	18	18	22
TransCanada	8	457	465	468
Totals	22,694	10,169	32,863	32,511

CTCleanEnergyOptions	Residential	C&I	Total
CTCleanEnergy - Community Energy 50%	262	2	264
CTCleanEnergy - Community Energy 100%	2,104	40	2,144
CTCleanEnergy - Sterling Planet 50%	231	6	237
CTCleanEnergy - Sterling Planet 100%	767	62	829
Total All CTCleanEnergyOptions Suppliers	3,364	110	3,474

UI Last Resort Service (LRS)		%^
Total # All LRS Accts	279	0.09%
Total All LRS MWhs	131,619	24.60%
Total 3rd Party LRS Accts	239	85.56%
Total 3rd Party LRS MWhs	117,199	89.04%
UI C&I Standard Service		%
Total # All C&I SS Accts	37,803	11.58%
Total All C&I SS MWhs	197,532	36.92%
Total 3rd Party C&I SS Accts	9,930	26.27%
Total 3rd Party C&I SS MWhs	107,322	54.33%
UI Residential Standard Service		%
Total # All SS Res. Accts	288,379	88.33%
Total All SS Res. MWhs	205,886	38.48%
Total 3rd Party SS Res. Accts	22,694	7.87%
Total 3rd Party SS Res. MWhs	19,660	9.55%
Total All UI		%
Total # ALL Accts	326,461	100%
Total ALL MWhs	535,037	100%

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

Industrials Fault FirstEnergy MRO Bid Plan

FirstEnergy's proposed Market Rate Offer is deficient because it does not include a clear product definition and was not designed by an independent third party, Industrial Energy Users-Ohio claimed in testimony (08-0936-EL-SSO, Matters, 8/1/08).

While The Brattle Group would administer FirstEnergy's auction, should the MRO be accepted, it does not appear that Brattle had any involvement in designing the tranches that prospective bidders are required to bid on, or in any other parts of the design process, IEU argued.

"It appears FirstEnergy exclusively designed what suppliers would be asked to bid upon, and once this process was complete FirstEnergy turned the reigns over to The Brattle Group to administer the bidding process," industrials said.

Industrials contended an independent administrator might have designed the auction differently, in a manner possibly more beneficial to customers. For example, rather than all tranches being load following, which places all the risk on suppliers, some of the load could have been fixed blocks to meet FirstEnergy's minimum hourly system load.

The load-following tranches also aren't truly defined products, IEU claimed, due to the substantial unknown risk that bidders must take on, such as changing Midwest ISO policies regarding resource adequacy and ancillary services.

FirstEnergy's product requires the bidder to assume an obligation to do whatever it takes to supply FirstEnergy's retail load, fails to provide a clear product definition, and "will work to increase the prices that bidders will likely offer if the proposal is approved," industrials said.

IEU also argued that despite FERC's acceptance of MISO's market monitoring and mitigation measures, the measures do not mitigate market power, at least in the "traditional sense."

PJM Opposes Duquesne Play for Tradable Capacity Rights

FERC should reject Duquesne Light's request for special rights, not afforded to any loads in PJM, to sell capacity procured on behalf of loads in PJM under PJM's Reliability Pricing Model outside of the PJM Region, PJM urged (ER08-1339, et. al., Matters, 8/25/08)

While Duquesne has argued that it should be allowed to sell its portable capacity into the RPM incremental auctions, or to buyers in the Midwest ISO, payment of Locational Reliability Charges under RPM does not grant any LSE in PJM a tradable right to any quantity of capacity, PJM said. FERC's January order on Duquesne's exit merely states that PJM is to work with the Midwest ISO to develop procedures for Duquesne and other LSEs in the Duquesne Zone to use RPM capacity to help satisfy their reliability obligations to the Midwest ISO. The order did not direct PJM to alter its tariff to give LSEs that pay RPM charges tradable interests in capacity, PJM insisted.

PJM also reported to FERC that it and MISO are currently working on changes to the portable capacity agreement to address some of the concerns raised by stakeholders.

Briefly:

FirstEnergy Solutions Seeking ComEd Certification

FirstEnergy Solutions has sought to expand its Illinois retail supplier license to serve all customers, including residentials, in Commonwealth Edison. FirstEnergy currently holds a license to market in the Ameren territories (Matters, 8/27/08). FirstEnergy Solutions does not intend to provide single billing services.

Former EP Solutions Leaders to Start REP

Weir Investments, led by two executives who got backoffice vendor EP Solutions off the ground, applied for a REP certificate at the PUCT. CEO Doug Weir was formerly CFO at Toreador Resources, an oil and gas company which funded development of EP Solutions in 2004, a vendor offering various EDI, billing and other backoffice solutions for REPs. Alan Yarbrough, who will serve as Vice President of Weir Investments, was co-founder and Marketing Director of Sales at EP Solutions. Yarbrough previously founded marketing firm Savvy Designs. Weir Investments would meet PUCT financial requirements via unused cash resources of at least $100,000.

The Eric Ryan Corporation Seeks Texas Aggregators License

Utility consultant The Eric Ryan Corporation applied for an aggregators license in Texas to pool C&Is, municipal customers and political subdivisions. The Eric Ryan Corporation currently serves over 500 commercial customers in Pennsylvania, New Jersey, California, Michigan, and Maryland.

Linde Energy Services Applies for Ohio Electric License

Linde Energy Services, subsidiary of gas conglomerate The Linde Group, applied for an electric supplier license for commercial, mercantile and industrial customers at Toledo Edison and Ohio Power. Linde Energy Services' principal business interests are serving its affiliates as well as other large industrial and commercial customers. Linde is licensed as an electric retailer in eight other states.

IEP Wants PG&E to Issue RFO Over Tesla Needs

The Independent Energy Producers Association requested that the California PUC compel Pacific Gas and Electric to commence an immediate RFO for up to 560 MW of generation to be online in 2012 or 2013, due to PG&E's asserted reliability needs in that timeframe which the utility wants to meet via its own Tesla station (A. 08-07-018, Matters, 8/22/08). In the alternative, the PUC should allow companies that have submitted bids in PG&E's 2008 RFO a limited opportunity to refresh their bids in conjunction with accelerating their commercial operation date to 2012 or 2013, IEP said.

FPL Appeals 2009 CSCs

FPL Energy has filed an appeal of TAC’s decision to approve the Commercially Significant Constraints for 2009. Interested parties may file with ERCOT a Position Statement and supporting data by 3:00 p.m. September 11. The ERCOT board will consider the appeal Sept. 16.

Rep. Christian Wants Cost Cap Lifted from SWEPCO Plant

Texas State Rep. Wayne Christian lobbied the PUCT in a letter to Chairman Barry Smitherman to not impose a $1.5 billion cost cap on SWEPCO's Turk plant, because Christian is, "confident any cost increases will be well-justified when fairly scrutinized by the agency." Christian added that, "SWEPCO has a long history of being a low cost provider of electricity," but argued that the Commission's order overlooks the current economic climate that the power industry is facing (33891, Matters, 9/1/08). Christian also opposed the carbon mitigation cost caps imposed by the PUCT since SWEPCO cannot control future carbon regulation.

Nicor Points to Precedent Favoring Intervention in AGS License Proceedings

The Illinois Commerce Commission has permitted interested parties, such as the Citizens Utility Board, Attorney General and other marketers, to intervene in alternative gas supplier license applications, Nicor Gas noted in countering arguments from Progressive Energy Group that Nicor should not be permitted to intervene in PEG's application (Matters, 9/8/08). Relevant statutes do not prohibit the ICC from considering information offered by parties other than the applicant, Nicor said.

Michigan Utilities Oppose Net Metering, PURPA Provisions

A coalition of Michigan IOUs and munis sought rehearing of the Michigan PSC's decision ordering utilities to develop net metering tariffs and to develop fuel-diverse resource plans, per PURPA (Matters, 8/7/08). Legislation under consideration may include integrated resource planning and obviate the duplicative PURPA plans, utilities said. Utilities also objected to the Commission's conclusion that net metering was being hindered by current utility tariffs, rather than distributed generation costs, customer interest, and the availability of financing (U-15316, et. al.). "The order disregarded the cost of small electric generators which public comment examples showed could be $14,000 or as high as $40,000," utilities noted. Nevertheless, "new information is demonstrating that there is growing [net metering] use under the existing programs, contrary to the order's assumption," utilities claimed. Utilities also argued the PSC's order is not supported by law or regulatory authority.

Ameren C&I Customers Quick to Grab Efficiency Incentives

Ameren reported that Illinois business customers have already applied for 76% of the $3 million in standard and custom incentive funds that are available for the first year of its ActOnEnergy efficiency program. Ameren launched the program June 23.

ConEd Rate Case ... from 1

collection activities. ConEd had proposed $1.2 million in related operations and maintenance costs, but Staff noted that ConEd did not propose an adjustment in uncollectible expense as a result of its request, indicating that the added field reps would not pay for themselves. The "massive influx" of credit collection personnel proposed by ConEd is not justified if it will not reduce uncollectibles by at least the cost of additional personnel, Staff argued.

Staff would also disallow ConEd's $848,000 in incremental expenses to create a State Regulatory Affairs Department, citing a lack of supporting information submitted by ConEd, and possible overlaps with the existing public affairs group which includes a government relations section.

Texas RPS ... from 1

for RECs from those facilities and thus raise prices, Cities explained.

Texas Industrial Energy Consumers added that specific technology carve-outs would create the risk that development of non-wind generation will be over-incentivized, encouraging the growth of uneconomic resources.

"Subsidies and mandates are short-term solutions that require consumers to pay for technology and resources that may not ultimately prove viable in the market. Tampering with the market in this fashion can create severe unintended consequences, like the impacts that ethanol mandates have purportedly had on grain and food prices," TIEC said.

Several generation developers took a different view and argued that it's clear that the current regime has failed to incent non-wind resources. The current compliance premium associated with non-wind RECs does little to combat the oversupply of RECs caused by the rapid development of wind generation, they said.

The RPS, "essentially serves as a wind only program," Good Company Associates reported, on behalf of AES, H-E-B, Nacogdoches Power and Vulcan Power.

Non-wind renewable energy would provide another asset in a diversified portfolio of generation and grid management technologies, Good Company noted.

"Wind beat out other renewable energy sources in part because of the way the RPS program was structured, primarily the fact that the credit trading program is based on energy production and nameplate capacity (which is determined at an ideal wind speed) rather than capacity contribution at system peak," Good Company explained.

While Good Company suggested a non-wind RPS that would allow market forces to determine the winning technologies to meet the non-wind goals, the Solar Alliance pushed for a solar carve-out. NRG Texas argued that large scale solar power would allow better utilization of the existing and planned transmission system because solar power is typically more available during peak load conditions, as opposed to West Texas wind generation.

Public Citizen's Texas Office favors separate RPS targets for both utility-scale and customer and/or distributed renewables such as solar and geothermal. Luminant recommended awarding non-wind RECs to energy storage facilities that use renewable energy (including wind) to charge the facility.

Good Company suggested starting the compliance penalty for the non-wind RPS at $50/MWh, the current level for wind compliance, but Public Citizen recommended the penalty be set at $500/MWh.

Reliant contended that promoting the ability of retail customers to take part in the REC trading program would be superior to RPS carve-outs or other regulatory measures on REPs which would result in cost increases for their customers.

Reliant pointed out that the Commission's rules do not provide for a measure of the total generation produced by distributed renewable generation (since separate inflows and outflows will be measured under net metering). A total reading is needed to appropriately assign RECs to customers with distributed generation. Reliant recommended that advanced meters be used to record the total generation from a distributed renewable generator for the purpose of REC creation.

While PUCT rules provide a method for micro-aggregators to estimate RECs produced in cases where actual measurements are not available, not all owners of distributed generation may be part of a micro-aggregation group, Reliant observed. Provisions must be made to award RECs to such individual distributed renewable generation owners.

Reliant also suggested that the Commission consider revising the current "penalty" associated with estimated REC creation, whereby a generator that uses a calculated number of RECs, rather than actual metered RECs, receives only 1 REC for every 1.25 MWh generated. "It simply may not be feasible to expect individual homeowners to obtain special metering for measuring the RECs, and including such penalties may serve as disincentives to participation in the program," Reliant said.

Reliant, along with end-users, ultimately argued that the Commission lacks authority to impose RPS carve-outs for non-wind generation, since the 500 MW figure is an aspirational target, not a mandate.