

Energy Choice Matters

October 22, 2008

RESA Suggests POR to Solve Maine Arrears Vintage Issue

The Maine PUC should institute a Purchase of Receivables program to solve problems that have arisen in properly allocating past-due payments between distribution service, Standard Offer service, and competitive supply, the Retail Energy Supply Association said in comments (2008-351).

The PUC opened an investigation into treatment of arrears by the utilities' backoffice systems after a rise in Standard Offer uncollectibles was attributed to the fact that Central Maine Power's system could only assign four vintages to past-due charges, with any arrears over 90 days late treated as being overdue by the same time -- meaning an overdue charge of 120 days was considered the same age as a charge 90 days late. That system effectively allowed "newer" past due T&D charges to displace older past due Standard Offer charges, because T&D charges of the same vintage receive priority in partial payments.

However, the utilities have suggested that the PUC should not pursue any changes to the current payment order rules, citing costs to change backoffice systems, and the fact that the problem has been confined to CMP.

RESA, though, noted that POR would solve the arrearage vintaging problem while also addressing some of the Commission's original concerns in adopting a payment processing order. The PUC, RESA noted, originally wanted to prorate partial payments between T&D charges and Competitive Electricity Provider charges, but such policy was abandoned given the implementation costs for proration. The PUC also recognized that a payment order without proration may discourage Competitive Electricity Providers that use consolidated billing from serving Maine customers, and also

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Final IPA Procurement Plan Excludes Market Price Triggers, More Frequent Procurements

The final Illinois Power Agency default service procurement plan submitted for Illinois Commerce Commission approval looks even more like the much-derided descending clock auctions than the IPA's previous draft plan (Matters, 9/5/08).

The final plan adopts the foundation of the original IPA draft -- a three-year ladder RFP process for supply procurement. But while the draft contemplated that the IPA could use market-price triggers to capture favorable buying opportunities outside of the ladder RFP procurement schedule, the final plan jettisons that policy, and lists it only as an area for future development, most likely due to stakeholder comments that the market-price trigger policy was not fully developed or justified in the draft (Matters, 10/7/08).

Also left to future procurement plans is the draft's intent to move to more frequent, staggered procurements. The IPA still believes that a single annual procurement event increases portfolio risk by relying on market timing, thus exposing all transactions to a single set of momentary market conditions. However, moving to multiple or continuous procurement cycles is left to future assessment.

The final plan concludes that a ladder RFP approach to procurement using the statutory RFP bid process will provide the highest probability of obtaining the lowest long-term electricity costs.

The lowest price risk scenario is achieved when the portfolio is procured relatively evenly over three years, the current period for which there is sufficient liquidity in wholesale energy markets, the

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CL&P Reports September Shopping Data

Connecticut Light & Power Switching Statistics As of September 30, 2008

Total Accounts with Alternate Supplier: 90,646

Customer Count Breakdown:

3rd Party Supplier	Residential	C&I	Total	August 31, 2008 Total
Clearview Electric	1	0	1	1
Consolidated Edison Solutions	1,486	1,191	2,677	2,774
Constellation NewEnergy	878	7,718	8,596	8,579
Direct Energy Services	12,480	3,541	16,021	15,646
Dominion Retail	42,586	1,748	44,334	44,725
Gexa Energy	0	47	47	47
Glacial Energy of New England	58	772	830	796
Hess Corporation	311	362	673	714
Integrus Energy Services	378	723	1,101	1,086
Liberty Power Holdings	0	115	115	114
MXenergy	2,067	3,879	5,946	6,238
Public Power & Utility	5,174	1,074	6,248	5,091
Sempra Energy Solutions	7	860	867	875
Strategic Energy	109	1,142	1,251	1,257
Suez Energy Resources NA	3	229	232	278
TransCanada	27	1,676	1,703	1,789
World Energy	0	4	4	4
Totals	65,565	25,081	90,646	90,010

CTCleanEnergyOptions

	Residential	C&I	Total
CTCleanEnergy - Community Energy 50%	1,411	13	1,424
CTCleanEnergy - Community Energy 100%	6,952	190	7,142
CTCleanEnergy - Sterling Planet 50%	1,394	11	1,405
CTCleanEnergy - Sterling Planet 100%	4,793	142	4,935
Total All CTCleanEnergyOptions Suppliers	14,550	356	14,906

CL&P Last Resort Service (LRS)

		%[^]
Total # All LRS Accts	1,296	0.1%
Total All LRS MWhs	545,646.456	27.2%
Total 3rd Party LRS Accts	997	76.9%
Total 3rd Party LRS MWhs	448,745.924	82.2%

CL&P C&I Standard Service

		%
Total # All C&I SS Accts	117,135	9.6%
Total All C&I SS MWhs	649,908.947	32.4%
Total 3rd Party C&I SS Accts	24,084	20.6%
Total 3rd Party C&I SS MWhs	311,070.902	47.9%

CL&P Residential Standard Service

		%
Total # All SS Res. Accts	1,099,885	90.3%
Total All SS Res. MWhs	809,351.112	40.4%
Total 3rd Party SS Res. Accts	65,565	6.0%
Total 3rd Party SS Res. MWhs	58,280.329	7.2%

Total All CL&P

		%
Total # ALL Accts	1,218,316	100%
Total ALL MWhs	2,004,906.515	100%

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

Michigan Opens Dockets to Allocate 10% Choice Cap, Set Return to Service Rules

The Michigan PSC opened several dockets concerning implementation of recent energy legislation, including dockets for comments on return to bundled service rules and allocation of the 10% cap on retail choice sales.

Docket U-15801 was opened to investigate the allocation of the amount of load to be served by an alternative electric supplier (AES).

HB 5524 directs the PSC to set forth procedures necessary to administer and allocate the amount of load that will be allowed to be served by alternative electric suppliers, through the use of annual energy allotments awarded on a calendar year basis. The Commission shall provide that existing customers who are currently taking electric service from an alternative electric supplier shall be given an allocated annual energy allotment. The cap is set at 10% of a utility's weather-adjusted retail sales in the calendar year preceding the date of allocation.

Legislation provides that customers seeking to expand usage at a facility served through an alternative electric supplier will be given next priority, with the remaining available load, if any, allocated on a first-come, first-served basis. Customers continuously served through an alternative electric supplier since April 1, 2008 shall be permitted to purchase electricity from an alternative electric supplier for both existing and any expanded load at their current facility as well as any new facility. The law includes an exemption from the cap for any customer operating an iron ore mining facility, iron ore processing facility, or both, located in the Upper Peninsula of the state.

The Commission opened docket U-15897 to receive comments on provisions for customers seeking to return to bundled service.

Legislation also requires all electric providers, including alternative electric suppliers, to establish renewable energy programs. The PSC opened separate dockets to consider the programs of each AES. Alternative electric suppliers must file their plans within 90 days after the Commission issues a forthcoming temporary order on renewable energy. The PSC ordered suppliers, some of whom may hold

multiple certificates, to file requests to consolidate such renewable energy program cases by Nov. 19.

Mass. DPU Conference to Examine Third-Party Ownership of Net Metering Facilities

The Massachusetts DPU released an agenda for an October 30 technical conference on net metering under the Green Communities Act.

The Act limits the total capacity of net metering in a distribution company's service territory to 1% of the distribution company's peak load, and the conference is to explore how to process and queue net metering requests and whether to divide the cap among Class I, Class II, and Class III generation. The DPU will also examine whether existing net metering customers should be automatically entitled to net metering pursuant to the Green Communities Act.

The Green Communities Act prohibits "an electric utility, generation company, aggregator, supplier, energy marketer, or energy broker" from being a net metering facility or customer. Section 1 of chapter 164 of the General Laws defines the terms "electric company," "generation company," "aggregator," and "supplier." Section 1F of chapter 164 uses the terms "energy marketer" and "energy broker," but does not define them. The Department licenses "competitive suppliers" and "electricity brokers" pursuant to 220 C.M.R. § 11.00, in which both terms are defined.

The conference will explore whether the meanings of the terms "an electric utility, generation company, aggregator, supplier, energy marketer, or energy broker" are sufficiently clear, and how to define the terms electric utility, energy marketer, and energy broker.

The DPU will discuss whether third-party ownership of a net metering facility is permissible under the Green Communities Act in light of the prohibitions cited above. For example, the DPU noted that the Massachusetts Technology Collaborative is administering a program entitled "Commonwealth Solar" in coordination with the Massachusetts Department of Energy Resources, which involves the installation of photovoltaic facilities

that generate electricity using solar power. Those projects may involve agreements between third-party owners and customers in which the third-party owns and operates the PV facility.

PJM Can't Complete LDA Review for Next RPM Auction

PJM cannot complete a review of the methodology for determining Locational Delivery Areas (LDAs) and the specific reliability requirements, including the loss-of-load expectation criteria, under RPM by December 15, 2008, the RTO told FERC (EL05-148).

In its September order dismissing the complaint from RPM Buyers (Matters, 9/22/08), FERC directed PJM to study several aspects of RPM, including the methodology for determining the LDAs and the specific reliability requirements, i.e., (1) loss of load expectation (LOLE) criteria; (2) the basis for defining LDAs electrically rather than on a service area basis; and (3) rules pertaining to incremental auctions and the need to address changes in LDA import capability.

While the September order "strongly encourage[s]" PJM to file tariff changes by December 15, 2008 to be effective for the May 2009 auction process, the order also recognizes that stakeholders may not agree to necessary changes in time, or that PJM might determine that, "it is infeasible to file proposals to implement changes in time for the May 2009 auction," PJM noted.

PJM explained that the LDA review falls under the latter category and cannot be completed in just a few months.

"PJM can report to the Commission now that it is not feasible to develop, file, and obtain Commission approval of changes to the methodology for determining LDAs and reliability requirements, including the LOLE criteria, in time for the May 2009 auction."

Many months of analysis are needed to evaluate changes to the installed reserve margin and the LDA reliability requirements, PJM said, with labor-intensive planning studies needed to determine with reasonable confidence matters including alternatives to the current once-in-25-years loss of load expectation for transmission deliverability issues.

For example, it typically takes about six months to perform the annual regional reliability/installed reserve margin analysis and review it with stakeholders. The process of determining the installed reserve margin to be used for the May 2009 auction began in May 2008, PJM pointed out.

National Grid Says Mass. FCM Revenue Review Causing Bidding Uncertainty

National Grid urged the Massachusetts DPU to quickly resolve how Forward Capacity Market (FCM) credits arising from utility energy efficiency programs are to be applied because a recent Department order has created uncertainty for Grid regarding the amount of capacity to bid into the upcoming FCM auctions (08-8).

Utilities had been using FCM revenues from customer efficiency efforts undertaken pursuant to a utility program to supplement their energy efficiency funds. Wal-Mart, however, objected to the practice and argued that customers undertaking conservation efforts should keep such revenues. The DPU ordered further investigation to permit discovery by Wal-Mart and possible hearings (Matters, 9/24/08).

But that investigation has created uncertainty as to the amount of capacity that Grid can report or bid into the FCM auction, and in turn, has created uncertainty on the amount of funding that can be secured for energy efficiency programs, Grid said. Grid successfully bid in ISO New England's first forward capacity auction, FCA1, in February 2008 and has committed to deliver a certain amount of MW savings by May 31, 2010. The amount of MW savings committed in the auction was based on Grid's projection of demand savings from its energy efficiency programs through that date, and assumes that Grid would have the capacity revenue from the transition period for reinvestment. If Grid does not deliver the promised capacity, financial penalties would be imposed by ISO-NE. Payment of those penalties would further impact Grid's ability to meet future energy efficiency savings targets.

On one hand, Grid does not want to "underbid" into the FCM since a low bid would result in missed opportunities to obtain

additional revenue that could be reinvested in energy efficiency. If neither large C&I customers nor Grid claim capacity savings from the C&I sector, then the savings are lost and Grid's customers lose the benefit of the FCM. On the other hand, once capacity for delivery has been committed, there is limited opportunity to make an adjustment, with potential consequences including non-payment for lack of performance, plus financial penalties.

Grid urged a decision on FCM revenue allocation by December 8, 2008 to allow Grid to exercise the limited flexibility it has, if necessary, for FCA2. In the alternative, a decision by the end of February 2009 would allow Grid to determine how much capacity it should attempt to qualify for FCA3.

Briefly:

Gexa Gets Ohio Electric License

PUCO granted Gexa Energy a certificate as a Competitive Retail Electric Service Provider. Gexa applied to serve all customer classes at the FirstEnergy utilities, and commercial, mercantile and industrial customers at AEP, Duke and Dayton (Matters, 9/16/08).

W Power and Light to Cease Operations Today

W Power and Light, the REP subsidiary of Amen Properties, informed the PUCT that it intends to cease operations as a retail electric provider effective today, stating it no longer serves customers. Most customers were sold to Green Mountain Energy (Matters, 7/22/08) as Amen looks to focus on the less credit-intensive brokering and consulting business via its Priority Power Management subsidiary (Matters, 7/11/08).

On-Demand Energy Seeks Md. Broker License

On-Demand Energy, a Pennsylvania-based broker-consultant, has sought to be licensed as a broker in Maryland. In response to a PSC Staff data request, OnDemand says it has already "arranged" electric supply for a limited amount of Maryland customers, mostly long-standing Pennsylvania clients with Maryland facilities. On-Demand is seeking to serve C&I customers at the four IOUs plus Southern Maryland Electric

Cooperative and Choptank Electric Cooperative. While On-Demand focuses its efforts on electric and gas supply for the mid-sized commercial and industrial market, it also serves larger and smaller customers as required and has about 600 clients.

Former N.Y. PSC Chairs to Meet

The New York PSC will convene a "panel discussion" of former Chairs on October 27 in Albany to discuss three decades of insights and observations. No Commission action will be taken at the meeting. Panelists include Garry Brown, William Flynn, Patricia Acampora, Maureen Helmer, Peter Bradford, Anne Mead, John O'Mara, Paul Gioia, Charles Zielinski and Alfred Kahn. Susan Tierney, former Massachusetts DPU Commissioner and now of the Analysis Group, will moderate the panel.

FERC Schedules CAISO Exceptional Dispatch Conference

FERC set for November 6-7 the technical conference called for in its section 206 review of exceptional dispatch in the California ISO (EL08-88, Matters, 10/17/08).

Maine POR ... from 1

could promote redlining. POR would alleviate both of those concerns, by encouraging more market entrants and enhancing market access to customers with poor credit.

Due to Maine law, utilities cannot disconnect customers for non-payment of Competitive Electricity Provider charges, so POR would have to operate a bit differently in Maine. Typically the purchased receivables become utility collectibles for purposes of disconnection. However, due to Maine law RESA suggested that partial customer payments under POR would continue to be allocated based on the existing rules for the purpose of determining whether a customer is in arrears and subject to disconnection, thus being applied to T&D charges first. Customers would avoid disconnection as long as they paid such charges, and disconnection notices would only reflect T&D charges that must be paid to avoid disconnection.

Although the utilities would not be able to discontinue service for failure to pay Competitive

Electricity Provider charges, utilities would not be harmed by RESA's suggested practice if the bad debt adjustment is carefully set and adjusted periodically to reflect actual uncollectible statistics, RESA claimed.

In order to deter any Competitive Electricity Provider customers from seeking to avoid disconnection by paying only the T&D portion of the bill, the utility should be ordered to send Competitive Electricity Providers the electronic data interface payment information so that the Competitive Electricity Providers could terminate the supply contract of an offending customer. Dropping such customers back to the Standard Offer, where they would be subject to utility collection efforts backed by the threat of disconnection, would minimize negative impacts on the POR bad debt adjustment rate, RESA explained.

RESA also argued that a POR program is most successful as a market opening measure when it is combined with a supplier referral program that allows customers to learn about retail supply options when they contact their local utility for service.

IPA ... from 1

IPA said, in recommending that:

- 35% of projected energy needs be procured two years in advance of the year of delivery;
- 35% of projected energy needs be procured one year in advance of delivery, and
- 30% of projected energy needs be procured in the year in which power is to be delivered.

Due to a lack of liquidity in energy markets beyond three years, the IPA contemplates no energy supply contracts longer than three years in the current plan. Since statute clearly states that long-term contracts may be considered, the IPA intends to evaluate how long-term contracts for energy resources can be integrated where appropriate into procurement plans.