Energy Choice Matters

December 29, 2008

AMP-Ohio Says PJM Treatment of Bilaterals in Defaults Would Harm Competition in Bilateral Market

PJM's proposal for the buyers under a bilateral contract to hold PJM and PJM Members financially harmless from the effects of a supplier default would chill diverse contracting and is contrary to improved competition in the PJM region, American Municipal Power-Ohio said in comments on the latest package in a series of measures to insulate Members against default (Matters, 12/3/03)

Other changes sought by PJM include reduction of the breach cure period from three business days to two business days; a new requirement for a market participant to report collateral defaults to other PJM Members; exclusion of Financial Transmission Rights (FTR) historical activity from the two-month peak financial security credit requirement; and new FTR prompt month credit requirements (ER09-368).

The efficacy of such changes should be evaluated before pursuing the "radical" changes to bilateral contracting policies, AMP-Ohio said. "The Commission should not approve tariff provisions that could impair competition unless all reasonable alternatives have been exhausted," the muni argued.

Under the bilateral contract proposal, PJM would require that a buyer in a bilateral contract guarantee and indemnify PJM and its Members for the costs of any Spot Market Backup required if the seller defaults on its obligation to deliver energy.

"[A]doption of PJM's proposal would impose an extraordinary measure of financial risk on purchasers taking part in bilateral transactions," AMP-Ohio told FERC, reporting that purchasers are in no better position than PJM to prevent a seller from defaulting, and, generally speaking, PJM is in a better position to assess the creditworthiness of such entities than are LSEs.

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DPUC Approves Becker EEP Application, But Says Developer Should Seek CLM Funding for Projects

The Connecticut DPUC approved Becker Development Associates' application to become a General Partner under the Connecticut Electric Efficiency Partners (EEP) Program, but denied funding requests for 20 technologies not generally covered under the program as they either do not reduce peak demand, or are already eligible for grants under the utilities' existing Conservation and Load Management (CLM) program (08-07-02).

Legislators authorized the DPUC to spend up to $60 million annually to fund projects that will reduce Connecticut's peak electric demand under the EEP Program. After a decision in docket 07-06-59, the Program initially offers grants for gas-driven chillers and ice-based thermal storage, though partners can apply to use additional technologies. Becker was seeking $15 million in grant funding for 20 new technologies.

The Department found that 14 of Becker's proposed technologies appear to be eligible for funding under United Illuminating's CLM program, specifically the: enhanced glazing and window wall system; enhanced wall and roof insulation; insulated slab edge; water-source heat pump system; high-efficiency heat pump; variable volume pumping; energy recovery system; high-efficiency central HVAC system; energy star appliances; fan regulation in apartments with a direct digital control (DDC) system; occupancy sensors; high-efficiency lighting; regenerative drive elevators; and fan regulation with variable controls.

The EEP Program is not meant to compete with the CLM programs administered by the electric

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UI Reports November Shopping Data

United Illuminating Switching Statistics As of November 30, 2008

Total Accounts with Alternate Supplier: 34,880

Customer Count Breakdown:

3rd Party Supplier	Residential	C&I	Total	October 31, 2008 Total
Clearview Electric	0	0	0	0
Consolidated Edison Solutions	929	795	1,724	1,663
Constellation NewEnergy	286	3,030	3,316	3,228
Direct Energy Business	0	1,033	1,033	N/A
Direct Energy Services	3,734	0	3,734	4,076
Dominion Retail	15,970	1,057	17,027	17,103
Gexa Energy	0	49	49	45
Glacial Energy of New England	22	358	380	399
Hess Corporation	0	57	57	58
Integrys Energy Services	3	1,568	1,571	1,622
Liberty Power Delaware	0	23	23	23
MXenergy	1,337	1,058	2,395	2,574
Public Power & Utility	1,597	325	1,922	1,835
Sempra Energy Solutions	29	445	474	471
Strategic Energy	10	655	665	666
Suez Energy Resources NA	0	49	49	49
TransCanada	8	453	461	466
Totals	23,925	10,955	34,880	34,278

CTCleanEnergyOptions	Residential	C&I	Total
CTCleanEnergy - Community Energy 50%	266	2	268
CTCleanEnergy - Community Energy 100%	2,326	42	2,368
CTCleanEnergy - Sterling Planet 50%	229	6	235
CTCleanEnergy - Sterling Planet 100%	781	62	843
Total All CTCleanEnergyOptions Suppliers	3,602	112	3,714

		% of Class Shopping
UI Last Resort Service (LRS)		
Total # All LRS Accts	291	
Total All LRS MWhs	113,331	
Total 3rd Party LRS Accts	265	91%
Total 3rd Party LRS MWhs	105,795	93%
UI C&I Standard Service		
Total # All C&I SS Accts	38,055	
Total All C&I SS MWhs	175,480	
Total 3rd Party C&I SS Accts	10,690	28%
Total 3rd Party C&I SS MWhs	102,078	58%
UI Residential Standard Service		
Total # All SS Res. Accts	289,726	
Total All SS Res. MWhs	168,169	
Total 3rd Party SS Res. Accts	23,925	8%
Total 3rd Party SS Res. MWhs	16,154	10%
Total All UI		
Total # ALL Accts	328,072	
Total ALL MWhs	456,980	

Reflects data as reported by UI.

Ameren Recommends MISO Market Integration Transmission Charge Based on Actual Usage

The Midwest ISO's proposed Market Integration Transmission Service for Market Coordination Service customers should be based on actual system usage rather than a fixed cost, Ameren said in post-technical conference comments on MISO's Market Coordination Service proposal (ER08-637).

Market Coordination Service would expand access to MISO's LMP markets to neighboring transmission systems without requiring transmission owners to cede operational control of their grid to the ISO (Matters, 11/13/08, 6/16/08).

MISO's proposed Market Integration Transmission Service would charge Market Coordination Service customers a fixed rate for the first three yeas based on the revenue of the point to point history between the counterparty and MISO in the previous year.

Such a rate design can create unfair advantages for Market Coordination Service customers relative to other market participants, Ameren cautioned. For example, a Market Coordination Service customer would be able to increase power transactions with MISO above historical levels without any additional costs, thus allowing the customer to participate in the MISO market at a discount. Rates based on historical instead of actual system usage may also distort market forces, Ameren said, in cases where Market Coordination Service customers' subsidized participation affects LMPs. A transmission rate based on actual usage instead of historical usage would remove the potential for unfair treatment, Ameren noted.

Ameren objected to any limitation on Market Coordination Service participation for transmission owners that decide to leave MISO. Precluding such transmission owners from taking Market Coordination Service immediately upon their MISO exit would be discriminatory, Ameren said, and would be contrary to the voluntary nature of the MISO Transmission Owners Agreement.

Ameren did not favor allocating Regional Expansion and Criteria Benefits transmission costs to Market Coordination Service customers, since such customers will still be responsible for their own Order 890 planning requirements.

While some Transmission Owners have argued Market Coordination Service customers should pay for such regional transmission upgrade costs, because otherwise they would enjoy the benefits of LMP markets without bearing the costs of needed upgrades, Ameren noted that imposing such transmission costs on Market Coordination Service customers would make them de facto MISO members, destroying the value of Market Coordination Service.

Universal Enrolls 4,700 in Michigan in Latest Quarter

Universal Gas & Electric signed 12,400 natural gas contracts in Michigan during the period from September 13, 2008 through December 12, 2008, and enrolled just under 4,700 of those customers, the supplier reported to the Michigan PSC in a quarterly marketing update (Matters, 9/25/08).

About 4,100 customers, or 33%, exercised their right to cancel within the first 30 days after signing a contract, while about 2,000 enrollments were rejected by the utilities. Customer contacts, a statistic including complaints as well as questions, relating to the 12,400 new contracts were only 45, or 0.36%. Complaints from the contracts were 28, or just 0.22%, Universal reported.

The 12,400 new contracts are about 5,000 more than Universal signed in the previous reporting quarter, which was mid-June through mid-September. Enrollments increased by about 500 customers versus the June through September period.

As of December 13, Universal had 96,148 flowing gas customers in Michigan, down slightly from 97,160 in mid-September.

Data by month:

Period	Contracts Signed	Enrolled
September 13-30	1,895	919
October	5,402	2,146
November	3,722	1,282
December 1-12	1,405	350

D.C. PSC Seeks Comments on Renewable System, Efficiency Financing

The District of Columbia PSC opened an investigation (FC 1068) into mechanisms to make long-term, affordable financing available to customers that purchase renewable energy systems and various energy efficiency measures, as required by the Clean and Affordable Energy Emergency Act of 2008.

The Commission asked stakeholders to comment on possible financing terms and payment options based on the type of project, and whether financing rates should be subsidized. Is the utility able to borrow at lower interest rates than customers, the PSC asked.

The PSC requested comments on whether financing and/or leasing of renewable energy systems would impact the ownership of any RECs or environmental attributes associated with such systems, and whether RECs should be accepted as partial payment for the amount financed.

The Commission also sought comments on what actions can be taken to facilitate financing and payments for energy service companies' installation of renewable facilities or energy efficiency measures.

Briefly:

Shell Acquires Enspire Energy

Shell Energy North America signed a purchase agreement to acquire the assets of Virginia-based natural gas marketer Enspire Energy, which has customers across the Mid-Atlantic. The Enspire book includes C&I customers in Maryland, North Carolina, Pennsylvania, Virginia, Washington, D.C. and West Virginia. The agreement is expected to be finalized in the early part of the first quarter of 2009. Enspire had an existing credit agreement with Shell subsidiary Coral Energy Resources.

R.I. PUC OKs Decrease in National Grid Supply Rate

The Rhode Island PUC approved a reduction in National Grid's Standard Offer rate to 9.2¢/kWh from the current 12.4¢/kWh, reflecting lower fuel costs.

PJM Credit ... *from 1*

Since PJM's proposal would expose a purchaser to the cost of all "Spot Market Backup" utilized by a defaulting seller, such exposure will likely drive potential bilateral purchasers toward either: (i) avoiding bilateral transactions, and either self-supplying their energy needs or satisfying those needs through greater reliance on the PJM spot market; or (ii) limiting their bilateral transactions to purchases from the larger incumbent vertically integrated utility companies, which reasonably may be viewed as having the lowest default risk, AMP-Ohio said.

"These outcomes are inimical to increased diversity of supply ownership and improved competition in the PJM region," AMP-Ohio argued.

PJM's proposed changes could result in bilateral purchasers paying twice for the same energy, AMP-Ohio added. That is because an LSE may already have settled directly with its bilateral supplier by the time PJM bills the supplier for spot market energy used by the supplier to serve the transaction during the already-settled month.

At a minimum, FERC should require that PJM assign to the purchaser PJM's claim against the defaulting seller, AMP-Ohio urged. As an assignee of PJM' s claim, the purchaser would have some greater chance of offsetting a portion of its own loss (the second payment for energy) than it would if it were forced to pursue some sort of derivative claim.

"This could be especially important if the defaulting supplier declares (or is forced into) bankruptcy. In such an event, the affected LSE may stand some chance of partial recovery from the supplier only if it has been assigned PJM's right to receive payment," AMP-Ohio said.

Exelon and PSEG supported PJM's proposed package of reforms, though PSEG told FERC more changes are needed.

Specifically, PSEG told FERC there is "significant" concern that recent member defaults and PJM's response to those defaults could have been anticipated and better managed. PSEG recommended that PJM accelerate settlement time periods immediately (PJM expects to implement quicker settlements in June 2009), and that PJM improve its computer credit systems to provide real-time credit exposure data to PJM as well as Members.

Becker ... *from 1*

distribution companies, the DPUC said. An important element of the EEP program that distinguishes it from pre-existing state-sponsored conservation programs is that it is intended to be an evolving, dynamic program for the support of emerging technologies, the Department noted.

Becker should first seek funding through UI's CLM program, the DPUC said. The Department authorized, but did not require, UI to raise its $250,000 cap on CLM grants for large C&I customers to accommodate Becker's (and potentially other) large, multi-use facilities which will house many residential and commercial residents. UI should also consider spreading the payments over several years to mitigate the impact on its annual CLM budget so more customers can participate in their programs, the DPUC said.

Becker will not be allowed to seek funding through the EEP Program for measures eligible for funding through the CLM programs after the CLM cap is reached.

Three of Becker's 20 proposed technologies -- high-albedo content roofing surface, interior shading devices in apartments and exterior shading devices along south façade -- do not qualify for EEP funding because they have not been shown to provide peak savings. The Department will not consider interior shading devices as an EEP eligible technology due to the 100-year payback period.

Three remaining measures may qualify for EEP funding upon greater documentation of savings, the DPUC said, since the measures do not qualify for CLM funding. The Department will consider programmable thermostats, thermal energy storage, and smart submeters for funding under the EEP Program in the future if better information is provided. Becker has not yet selected specific products for these categories, and has instead provided generic descriptions and/or alternate manufacturers and models, the DPUC noted. Smart submeters will only be permitted if Becker is allowed to go forward with submetering, which it would not be permitted to do under a draft decision (Matters, 12/17/08).

In December 25's Issue:

- Ameren Purchase of Receivables Likely Pushed Until Fall 2009
- LDCs Ask FERC for Clarification on Capacity Release Exemptions for Agents of Retail Marketers
- Delaware PSC Approves Nonbypassable Charge for Renewable PPAs
- Calif. PUC Draft Would Approve Upgrade to PG&E Smart Meter Program
- And more

In December 26's Issue:

- Monitoring Won't Make Midwest ISO Capacity Auction Mandatory, IMM Says
- Progress, Duke Protest PJM Proposal for New External Interface Pricing
- Connecticut DPUC Draft Would Reject TSO Procurement Incentivess
- E.ON Protests Expanded Scope, Timeframe of MISO RSG Refund
- And more