Energy Choice Matters

February 24, 2009

New York PSC Approves Change in ConEd MSC to Reflect Day-Ahead NYISO Prices

Consolidated Edison is to implement changes to the Market Supply Charge (MSC) under which the MSC will reflect actual day-ahead market prices in effect during the customer's billing period by February 1, 2010, the New York PSC ordered in a written ruling issued yesterday (07-E-0523).

Under the ConEd proposal approved by the Commission, energy prices will be developed each billing cycle, for each rate class, using New York ISO day-ahead hourly energy prices and hourly weights developed from class-specific load shapes, which will also vary by NYISO load zone. Currently, ConEd prospectively estimates the MSC on a monthly basis, each quarter, for a three-month period (Matters, 10/23/08). The estimates must then be reconciled.

The changes will allow the MSC to more closely reflect the market prices in effect during a customer’s consumption period while also reducing the volatility associated with the current MSC reconciliation mechanism, the PSC said.

ConEd will estimate the price of capacity twice per year using the NYISO six-month strip auction price as of November 1st and May 1st of each year. The MSC rate design used to recover capacity costs will not change. The revised MSC will also include Ancillary Service Charges and the NYPA Transmission Adjustment Charge based on average monthly values as

Continued Page 5

Connecticut Suppliers Seek "Billing Parity" with Utilities

Connecticut electric distribution companies (EDCs) should be required to provide retail suppliers with "billing parity," by offering competitive supply customers whatever billing options are available to EDC standard service and last resort service customers, Dominion Retail said in comments on a DPUC investigation into the utility-supplier billing relationship.

Dominion Retail reported that Connecticut Light and Power still does not offer billing parity to retail suppliers using CL&P consolidated billing. For example, CL&P does not offer proration to all customer rate codes. While CL&P's new C2 customer management system offers suppliers custom and non-custom rates, CL&P will not pro-rate any custom rates.

Thus, if the custom rate for the customer of a supplier changes during the billing period, the supplier must manually prorate the customer's rate. While suppliers could formerly issue adjustments for manual proration directly on consolidated bills, under CL&P's new C2 system, a cancellation and rebill is required, which, under some circumstances, must be issued by the supplier and not CL&P, leading to two separate bills and customer confusion, Dominion Retail said.

Since billing parity will take time to implement, Dominion Retail suggested that CL&P offer suppliers 100 non-custom rates in the interim, which would allow more customers to receive proration directly on their consolidated bill.

Constellation NewEnergy argued that EDCs should provide consolidated billing for time-

Continued Page 5

Md. PSC Staff Says All Gas Hedging Should Cease Pending Review

Maryland PSC Staff now believe there is insufficient evidence to warrant hedging of LDCs' summer storage season injections, given declining economic activity and the large projected surplus of stored gas expected at the end of the heating season. Staff had previously requested that utilities show why hedging the summer injections at today's prices would not be prudent (Matters, 2/19/09, Case 9174).

Furthermore, all hedging programs designed to achieve price stability should cease, Staff said. Despite several years of hedging programs, no comprehensive analysis has justified their use, Staff noted. Hedging should not be conducted going forward without explicit Commission approval, Staff said.

LDCs wishing to hedge should report on cost, benefits, and risks, as well as any favorable pricing for hedging winter purchases, by May 31, 2009, Staff suggested. The Commission should develop appropriate guidelines and metrics for hedging, Staff said.

Reliant Opposes Accelerated Procurement at West Penn Power

Granting West Penn Power's (Allegheny) request to accelerate its post-rate cap default service supply purchases would set a "dangerous precedent" which would undermine fully litigated proceedings at the Pennsylvania PUC, Reliant Energy warned in comments on the petition. The Retail Energy Supply Association filed comments in support of Reliant's position as well.

As first reported by Matters (Matters, 2/10/09), Allegheny has applied to accelerate its purchase of default service supplies so that the first procurement is moved up to April 2009, rather than June 2009 as scheduled, to take advantage of the decrease in wholesale power prices. Tranches scheduled to be purchased in 2010 would be bumped up in the process, making the portfolio less reflective of current market prices when rate caps expire January 1, 2011. Allegheny's petition would not alter procurement for C&I classes.

Reliant argued that granting Allegheny's proposal would open the door for any after-the-fact challenge to default service procurement. Parties could even seek to abrogate executed default service supply contracts based on changes in market prices after the procurement date, Reliant said.

Although Allegheny insisted its action would not constitute active portfolio management, which was rejected by the Commission, Reliant contended Allegheny's proposal amounts to exactly that. Furthermore, neither Allegheny, nor anyone else, knows what prices in April 2009 will be, and whether they would be advantageous versus the current schedule, Reliant added.

Allegheny's current default service plan allows it to reschedule procurements to avoid the effects of market-altering events, which, during the case, focused on hurricanes and other shocks. Allegheny has claimed that the precipitous decline in power prices qualifies as a market-altering event which can be used to change the procurement schedule, but Reliant countered that the simple decline in prices represents the normal functioning of the market, and does not give rise to a schedule change.

Furthermore, procurement in April 2009 would extend the period between the procurement date and delivery date beyond 18 months, which the PUC set as the maximum amount of advanced procurement to ensure rates would be reflective of the current market when rate caps expire.

Allegheny's petition amounts to an amendment to its default service procurement plan, Reliant said, and any amendment must be shown to be consistent with Act 129, which Allegheny did not show.

The Office of Consumer Advocate strongly supported the proposal, arguing a change in the schedule is justified not only by the procurement plan's allowance for market-altering events, but also because the PUC's May 2007 default service rule contemplates that utilities are to be given tools to proactively manage their default service obligation. The West Penn Power Industrial Intervenors urged that Allegheny perform a study to determine if an advanced procurement schedule would benefit rate classes other than residential customers.

MISO Files Revised RSG Cost Allocation Mechanism

The Midwest ISO has filed with FERC a revised Revenue Sufficiency Guarantee (RSG) cost allocation mechanism, which is intended follow cost causation by allocating real-time RSG costs based consideration of: (1) the reasons why units are committed during the Reliability Assessment Commitment (RAC) process; (2) the location of constraints; and (3) the provision by Market Participants of advance notice of their planned schedule changes that provide the Midwest ISO an opportunity to make adjustments in the forward or intra-day RAC process that would avoid the need for additional commitments in the subsequent phases of the RAC process.

The mechanism, required by a November order (Matters, 11/12/09), is to replace the interim solution MISO is using to collect RSG charges from virtual suppliers, under which MISO simply removed language from its current tariff that stated RSG charges may only be assessed to entities actually withdrawing energy. The revised mechanism updates an earlier "indicative" proposal first filed by the Midwest ISO in March of last year, to reflect the operation of the ancillary services market.

MISO said the so-called "Redesign Proposal" enhances the tracking of cost causation by basing the calculation and allocation of RSG costs on three major reasons for the commitment of units in the RAC process: (1) to manage a transmission constraint or to address a local reliability concern; (2) to address the need for Headroom; and (3) to adjust to deviations from Day-Ahead Schedules.

In addition, the Redesign Proposal allows Market Participants to net certain deviations when they provide the Midwest ISO sufficient advance notice of anticipated schedule changes, thereby avoiding the need for additional commitments in the RAC process. The Midwest ISO expects to be ready to implement the Redesign Proposal by approximately the third quarter of 2009, assuming prompt FERC action.

Under the Redesign Proposal, the Midwest ISO will first allocate real-time RSG charges that are attributable to the Midwest ISO's commitment of Resources to manage transmission constraints. Accordingly, the first allocation "bucket" in the process is the RSG Constraint Management Charge.

The RSG Constraint Management Charge will be determined by calculating schedule changes occurring before a "Notification Deadline," and then such changes occurring after the deadline. The Notification Deadline is a new term denoting the point in time, four hours before the operating hour, by which the Midwest ISO needs to learn of a schedule change in order to have a reasonable opportunity to consider and reflect the change in the RAC process.

Where the Midwest ISO is notified of a schedule change before the Notification Deadline, the RSG Constraint Management Charge will be calculated based on several deviations, including any virtual transaction resulting from a cleared virtual bid or the negative of any virtual transaction resulting from a cleared virtual supply offer.

The second allocation bucket collects the RSG Day-Ahead Schedule Deviation Headroom Charge. RAC commitments that result in Headroom provide a reasonable and necessary cushion to ensure that there is enough supply to reliably meet any unforeseen real-time demand, MISO said. When deviations occur before the Notification Deadline, the Day-Ahead Schedule Deviation Charge shall be calculated based on several deviations, including any virtual transaction resulting from a cleared virtual supply offer, or the negative of any virtual transaction resulting from a cleared virtual bid.

Lastly, the Redesign Proposal allocates RSG costs to all Market Participants pro rata based on their Market Load Ratio Share (also known as the “Second Pass” RSG allocation), to the extent such costs are not directly attributable on a cost-causation basis to the specific factors described above.

New Brunswick Says FERC Lacks Jurisdiction Over NMISA Market

FERC-granted market-based rate authority is unnecessary for engaging in wholesale sales in the Northern Maine Independent System Administrator region because FERC jurisdiction only extends to the transmission of electric energy in interstate commerce and to the sale of electric energy at wholesale in interstate commerce, New Brunswick Power Generation said in answering a complaint filed by Integrys Energy Services (EL09-32, Matters, 2/4/09).

Integrys Energy Services had alleged that New Brunswick Power cannot sell at market-based rates in the NMISA area because it did not provide a market power analysis for the region in applying for market-based rates at FERC.

However, New Brunswick Power contended that all transactions of electric energy within the NMISA are not “interstate commerce” as that term is used in the Federal Power Act and, thus, not subject to the Commission’s jurisdiction with regards to market-based rates. The NMISA grid is electrically interconnected only with transmission lines located in New Brunswick, Canada, and not with any other transmission (or distribution) lines in the United States, New Brunswick Power said.

New Brunswick Power further argued its sales under the Maine Public Service Standard Offer amount to retail sales, and thus are outside of FERC jurisdiction. The Integrys complaint amounts to a collateral attack on FERC's prior approval of market-based rates for New Brunswick Power, in which FERC declined to require a market power test for the NMISA area, New Brunswick Power said. Integrys Energy Services is "nothing more than a losing bidder seeking a Commission 'bailout,'" New Brunswick Power Generation asserted.

Briefly:

True Electric Clarifies Change in Ownership

True Electric clarified at the PUCT that it is under new ownership, and is seeking an amendment to its REP certificate to reflect that change, rather than a new certificate. As previously reported (Matters, 2/10/09), True Electric had submitted a new REP application reflecting its new ownership under oil and gas firm New Century Exploration, but did not specify that it was the same entity that currently held certificate 10145. True Electric would also market under the name New Century Power.

Citigroup, Shell Win Columbia Ohio PIPP Supply

Columbia Gas of Ohio filed at PUCO for approval of gas supply agreements with Citigroup Energy and with Shell Energy North America to supply gas commodity for Columbia's Percentage of Income Payment Plan (PIPP) customers for the 12-month period ending March 31, 2010. An auction conducted by World Energy Solutions selected the two suppliers.

NRG Invests $10 Million to Develop Solar Thermal

NRG Energy has signed an agreement with eSolar to develop solar thermal power plants with a total generation capacity of up to 500 MW at sites in California and the Southwest. The first plant is anticipated to begin producing electricity as early as 2011. At closing, NRG will invest approximately $10 million for equity and associated development rights for three projects on sites in south central California and the Southwest US, and a portfolio of PPAs to develop, build, own and operate up to 11 eSolar modular solar generating units at the sites. The development assets will use eSolar’s concentrating solar power technology, which uses mirrors to reflect and concentrate heat from the sun and create steam to generate electricity.

ConEd, PSE&G File Settlement on TSA

Consolidated Edison, Public Service Electric and Gas, PJM, the New York ISO, and the New Jersey BPU have filed a settlement at FERC that would resolve all claims regarding two grandfathered transmission contracts between ConEd and PSE&G covering 1,000 MW (ER08-858 et. al.). Under the settlement, ConEd will roll-over its current service under the contracts upon their expiration in 2012 pursuant to section 2.2 of the PJM Tariff. ConEd would be assigned cost responsibility for PJM Required Transmission Enhancements and shall pay Transmission Enhancement Charges during the term of its rolled over service, but not after.

ConEd *... from 1:*

determined from NYISO market information.

While ConEd did not propose changes to the Monthly Adjustment Clause (MAC), the Commission ordered ConEd to also revise the MAC to be a one-month forecast, rather than the current quarterly three-month forecast. The PSC expects that the modified MAC mechanism will reduce volatility. The MAC is used, among other things, to collect from or pass back to all customers, the costs/ benefits related to ConEd's retained generation and public policy generation contracts.

The changes will take about a year to implement, and the February 1, 2010 start date was chosen to avoid implementing the new mechanism in the middle of one of the quarterly forecasting periods, and to avoid implementation coincident with the beginning of a rate year.

The Commission denied several requests from the Retail Energy Supply Association regarding the changes in the MSC.

First, the Commission rejected RESA's recommendation that ConEd should continue to send customers a quarterly forecast of MSC prices for the upcoming three months. "Because the MSC, as proposed, will be calculated using NYISO day-ahead market prices, Energy Service Companies or individual customers can do their own forecast using readily available market data," the PSC said. The Commission also found ConEd's currently provided after-the-fact “price to compare” on full-service customer bills to more accurately show the previous cost of service to the customer. ConEd has also agreed to post such price-to-compare information on its website, so customers can search for the MSC in effect during a specific billing period.

RESA's request that ConEd provide hourly losses by zone was also denied by the Commission, as the PSC said RESA did not sufficiently explain how the information would help customers. ConEd currently provides average monthly losses by zone through its monthly ESCO newsletter. RESA's recommendation for a period of shadow billing under the new MSC was also rejected, with the Commission citing the attendant delay in implementation and possible customer confusion for its decision. In order to increase transparency in the new methodology, ConEd has agreed to make class load shapes available.

The Commission denied recovery of $379,000 in ConEd implementation costs, as modifications to rate mechanisms are appropriately considered part of the company’s everyday procedures and responsibilities and should not rise to the level of requiring special contemporaneous cost recovery through the MAC.

Conn. Billing *... from 1:*

differentiated rates and similar "common" supplier products, while recognizing that EDCs should not be expected to provide customized billing for every supplier product. Requiring EDCs to offer bill ready consolidated billing, in addition to the current rate ready billing, would accommodate more complex rate structures, Constellation said.

Constellation also recommended that EDCs be required to provide suppliers with billing data within three days of a meter read, while the Retail Energy Supply Association suggested a period of three business days. Estimated usage should be provided if actual data is unavailable, RESA said.

RESA noted some suppliers have reported delays of up to five months in receiving data from CL&P. CL&P also does not provide estimated usage for certain, larger rate classes, requiring suppliers to issue estimates. Customers on Rate 35 and above do not receive estimated meter reads if there is a problem in recording their actual read (about 9,500 customers).

CL&P suggested that usage data be transmitted to suppliers three days after the utility bill is generated (as opposed to the meter read date) because of potential problems that can occur in data collection. CL&P further recommended that if the DPUC requires estimated bills for all classes, then suppliers should be required to use an estimate methodology and data consistent with the EDC's data and methodology.

TransCanada Power Marketing sought codification in the rules that all usage data should be transmitted via EDI, as CL&P has offered data via email to suppliers in some instances. Cancellation transactions must also mirror the original transaction, with the same start date, end date and kWh data, to ensure smooth processing, TransCanada said.

TransCanada also recommended that the DPUC review actions which can trigger a drop from competitive service, such as when an account number or meter number is changed, and that EDCs inform customers that certain changes, such as a customer name change, require the customer to contact the supplier to continue competitive service.

CL&P updated the DPUC on various billing issues it has experienced. Currently, 528 CL&P customers (274 residential, 240 commercial, 12 industrial, and 2 lighting) have not yet received a bill since the “go live” date of the new C2 system. Additionally, in early February 2009, CL&P discovered a problem with the billing of the maximum kW demand on some Time-of-Use (TOU) accounts that caused the billing of the charge to be incorrect for some customers. The error was caused by the system selecting the wrong maximum kW demand from usage history for the Maximum Demand during batch billing. About 333 accounts on rates 27, 37, 41, 55, 56, 57, and 58 were affected. CL&P has also fielded about 700 calls from customers who say they have remitted payment to CL&P, but have not had their payment processed. After an internal search and search for stale mail at the post office, CL&P has yet to locate the missing payments.

The DPUC will hold a technical meeting on the billing problems as well as supplier issues on February 26.