Energy Choice Matters

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Mass. DPU Probes Fitchburg Gas and Electric Gas Procurement Practices

The Massachusetts DPU has opened an investigation into the gas procurement practices of Fitchburg Gas and Electric to determine whether Fitchburg has engaged in a purchasing program to mitigate the volatility of gas commodity prices without Department approval (09-09).

The DPU said that typically, Massachusetts LDCs purchase about one-third of the gas volumes needed to meet peak-season customer requirements in roughly equal increments over a six-month period from May through October, and store these volumes for use in the winter period. The remaining two-thirds of the gas supply needed to meet peak-season customer requirements is purchased at the time that the gas will be consumed based on first-of-the-month and spot market pricing, both of which are generally based on published index prices. To mitigate such price volatility, the Department requires LDCs to file updated gas adjustment factors (GAF) when their projected deferred gas-cost balances at the end of the peak period will be less than or greater than 5% of the total seasonal gas costs as stated in the LDCs' effective GAFs.

In 2002, the Department allowed LDCs to apply to use risk management practices to mitigate retail gas price volatility, and some LDCs, such as Nstar and KeySpan, operate under purchasing programs to mitigate such risks. However, Fitchburg has not applied to implement such a purchasing program, the DPU said.

Due to the recent drop in natural gas prices, several LDCs filed to revise their GAFs in early 2009, such as National Grid and Bay State Gas. Fitchburg, however, did not initially make a GAF filing until the Department requested Fitchburg show why a GAF adjustment was not needed.

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Calif. Draft Would Approve 160 MW of SCE-owned Solar

Southern California Edison would be permitted to build and own 160 MW of distributed rooftop solar generation -- shy of its requested 250 MW -- under a draft California PUC decision which would also require a competitive RFO to procure an additional 90 MW under SCE's solar photovoltaic program (A. 08-03-015, Matters, 5/1/08).

The distributed solar projects are to be 1-2 MW in size, as the proposed decision agrees with SCE that a utility program targeting that size of distributed generation is needed. The California Solar Initiative only pays incentives for installations under 1 MW, while the RPS attracts larger solar projects, the draft notes. SCE had justified its utility-owned proposal because of a "gap" in solar development at the targeted level, and the draft finds that SCE's program is one possible solution to encourage development of more renewable resources in the 1-2 MW range.

However, the PUC proposed several modifications to conform SCE's proposal to Commission policy and state law, including changes made in order to allow for more competition. SCE, the proposed decision concludes, has not made a showing that it would be infeasible to hold a competitive RFO for complete development of the proposed solar projects.

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OCC Objects to Dominion Retail Mailer

The Ohio Consumers Counsel claimed that a mailing from marketer Dominion East Ohio Energy (a d/b/a for Dominion Retail) is misleading, since OCC believes that the mailer suggests customers could lose their gas service from LDC Dominion East Ohio.

At issue is a postcard meant to acquire customers ahead of the transition to the Standard Choice Offer on April 1 (Matters, 2/12/09). Under the SCO, DEO will no longer retail wholesale supply to customers. Instead, the LDC held an auction where marketers bid for the right to supply tranches of specific retail customers. The auction set a uniform price, and does not place customers with any supplier, though a specific supplier's name will appear on the customer's bill.

Dominion Retail's mailing says that the customer will no longer receive "gas supply" from Dominion East Ohio beginning in April 2009, and states that instead gas supply will be assigned to another company under the new SCO.

OCC claimed such language could mislead customers into believing that the LDC will stop supplying natural gas to the customer.

The mailer was sent to about 200,000 customers, and OCC said it had received over 100 calls about the postcard.

OCC had previously objected to a similar mailing used by Dominion Retail during the summer.

Ontario Energy Board Proposes Utilities Offer Budget Billing for Shoppers

Ontario electricity distributors would be required to offer equal (budget) billing to customers served on competitive supply who receive a consolidated utility bill, under proposed changes by the Ontario Energy Board to the Distribution System Code and related rules.

In its draft, the Board would require distribution companies to provide equal billing to all residential customers. Some utilities that currently offer equal billing make that option available to customers that have signed with competitive suppliers, while others do not. While utilities have expressed concern that extending equal billing to competitive supply customers would increase costs, the Board said failure to make equal billing available to shoppers, "is not in keeping with the equitable treatment of consumers."

Ontario Energy Savings had told the Board that the lack of equal billing options for shoppers deters some customers from exploring or remaining on competitive supply. The Board agreed, and proposed that utilities make equal billing available to all residential shoppers. Additionally, if the distribution company offers equal billing to other customer classes on a voluntary basis, it must offer equal billing to competitive supply customers in those classes as well.

The Board is not proposing to require retailers using supplier consolidated billing to offer equal billing, since supplier consolidated billing is not common and is not expected to increase in the near term.

In its draft, the Board also adopted another suggestion from Ontario Energy Savings regarding partial customer payments. Some Ontario utilities collect fees for municipal services such as water and sewage on their energy bills. Ontario Energy Savings recommended that if a customer is current on their energy commodity and delivery charges, but behind on other services, that the customer not be prevented from enrolling with a competitive supplier due to the non-energy arrears. The Board confirmed that utilities are only allowed to prevent customer enrollment with a marketer if the customer is behind on electricity charges.

The Board refused to adopt Ontario Energy Savings' recommendation regarding billing errors. The marketer had suggested utilities maintain an auditable trail for any corrections, to ensure the information is available to retailers to verify consumption billing and settlement. However, the Board expressed concerns about the cost of such documentation, though it welcomed stakeholder views on the proposal.

Hess Opposes Non-Market Transfer of WGL Assets to Affiliate

A Maryland PSC Staff recommendation for Washington Gas Light to transfer company supported capacity assets to an unregulated affiliate would be "anticompetitive and inappropriate," Hess Corporation said in rebuttal testimony suggesting a competitive process to divest any assets (Case 9158).

Staff's suggestion came in a PSC review of WGL's asset management practices (Matters, 8/26/08). Staff said in 2007, WGL unilaterally transferred certain transco capacity assets from being ratepayer backed to being company supported. Ratepayers should be entitled to appropriate compensation for any assets transferred, Staff said, adding that it is "unusual" for a regulated company to hold assets that are not used in service to the ratepayer. Staff suggested transferring the assets to an affiliate, subject to Commission review, in order to create ratepayer value, as well as avoid conflict of interest problems and cross subsidization.

However, Hess argued that simply allowing the utility to shift assets to its unregulated affiliate's portfolio would grant the affiliate a competitive advantage not afforded to competitors. The affiliate would be given assets it did not previously own, while competitors would have to acquire similar assets in the market.

Hess instead suggested any assets that the Commission deems are inappropriately held by the utility should be divested through a competitive market process, such as an auction. Such an open auction would assure the Commission that WGL ratepayers are receiving the best possible price for the assets, and that WGL's affiliate was not just setting any price it desired, Hess said.

For its part, WGL did not recommend selling the company supported assets, though it was "receptive" to considering Staff's suggestion and recommended further study and consultation with parties. But WGL listed several obstacles to any transfer of the assets, including its multi-jurisdiction service area which includes the District of Columbia and Virginia, and FERC rules regarding pricing for capacity releases.

PJM Says Muni Proposals on Demand Response Would Limit Participation

FERC did not establish a "conditional opt-in" standard for RTO demand response participation in Order 719, and using such a standard would act as a barrier to demand response, PJM said in an answer concerning its tariff revisions to implement Order 719 (ER09-701).

Order 719 permits retail customer participation in RTO load response so long as participation is not barred by the relevant retail regulatory authority. PJM filed tariff language implementing the order, stating that while retail regulators could bar all load response participation, PJM would not allow regulators to selectively approve certain customers for RTO demand response programs, while denying the registration for other similarly situated customers (Matters, 2/11/09).

Munis and co-ops have opposed that "all-or-nothing" provision, arguing that Order 719 allows individual customer approval by retail regulators (Matters, 3/4/09). Munis noted that PJM's proposal would prevent them from restricting demand response participation to only customers using the muni's own or contracted curtailment service provider.

For example, AMP Ohio opined that, "it would be harmful to the demand response program to be implemented by the Municipality... to permit any other entity other than the Municipality to aggregate demand response on behalf of its retail customers."

However, PJM said such arguments ignore that demand response programs are meant to benefit customers, who will benefit from not being limited to a monopoly demand response provider. Essentially, munis seek to establish an exclusive right of aggregation for their own LSE in the case where the retail regulator and the LSE are one and the same, PJM noted.

"PJM believes that the Commission’s

countenancing potentially discriminatory access to demand side response resources would serve itself as a significant barrier to full realization of the benefits of demand side response even if it would result in some limited additional demand side response participation through one exclusive monopoly provider," PJM said.

"PJM believes that a better means for LSEs to protect themselves against the various concerns outlined in their protests would be for them to work directly with their customers to devise a program which, at the retail rather than wholesale level, meets the respective needs of customers and the LSE. The proceeds achieved from the wholesale program could then be shared between the LSE and its customer in a manner which is mutually acceptable. In essence, the municipality need not bar the [aggregator] at the city boundary. Rather, it could 'win' the customers' loyalty by providing a better product than that offered by the [aggregator], and offer the more localized contact with the customer which municipal LSEs have long argued is their hallmark," PJM added.

PJM further warned that allowing retail regulators to approve some customers for demand response participation, but not others, could allow retail regulators to impose burdensome conditions on demand response participation that would have failed at FERC had they been included in the tariff, essentially providing a "back door" means to regulate a tariff that is subject to the exclusive jurisdiction of FERC.

Briefly:

Delaware PSC to Hold Public Meetings on Horizon

The Delaware PSC has set two public comment sessions for March 30-31 on consumer complaints against Horizon Power and Light regarding rate increases experienced by customers in the spring of last year. At issue are contracts that customers claim were marketed as 12-month contracts, but whose terms of service included an end date of May 31 (which, for some enrollments, was prior to 12 months), and provided for new pricing at that time (Matters, 10/17/08). PSC Staff has said customers must receive 30 days notice before any rate change.

FERC Accepts CAISO MRTU Readiness Filing

FERC accepted the California ISO's January readiness filing which stated that the Market Redesign and Technology Upgrade will be implemented March 31, 2009, provided that certain essential milestones are met. FERC said the CAISO is in the best position to evaluate its systems and assess the concerns of its customers and market participants in making the decision to launch MRTU, and declined to implement a host of recommendations made by various stakeholders, finding such concerns were being addressed in other dockets, or had been answered by CAISO.

CAISO Preparing Study on Demand Response Barriers

The California ISO is to release a draft study on barriers to demand response in a stakeholder conference call on April 8, to solicit feedback on the study. The study was prompted by FERC's Order 719 which requires RTOs to assess and report on the barriers to comparable treatment of demand response resources that are within the Commission's jurisdiction. The ISO intends to file its demand response barriers study with FERC as part of its Order 719 compliance filing due on April 27, 2009.

NYISO Submits Tariff Changes to Permit Storage Devices in Regulation Market

The New York ISO submitted at FERC tariff changes to allow energy storage devices to participate in its day-ahead and real-time regulation services markets. The changes are meant to allow storage devices to compete with generation on an equal basis, and NYISO said the addition of storage devices to the market can lower the cost of regulation services. The tariff changes cover metering, operational, and settlement issues specific to storage devices.

APN Starfirst to Serve PPG in Ohio

APN Starfirst, an American PowerNet affiliate which is seeking a power marketer certificate in Ohio, said it intends to serve PPG Industries as an LSE for three Ohio facilities located in Strongsville, Cleveland and Barberton, totaling 16 MW of power (Matters, 12/8/08). The APN Starfirst subsidiary was created to exclusively serve PPG, and serves the glass and chemical maker in Texas and Illinois.

Schumer Parrots NYISO Criticism

New York Senator Charles Schumer has thrown his support behind opponents of the New York ISO's single clearing price auction, latching onto a report by Robert McCullough that claims the state could save $2.2 billion by a return to cost-of-service regulation (Matters, 3/4/09). "I am hoping that the new administration will energize FERC to once again be the cop on the beat to protect energy consumers and to investigate potential threats to operating the most efficient and fair energy markets," Schumer said

Fitchburg ... from 1:

Fitchburg showed that its projected deferred gas-cost balance at the end of the peak period would be within 5% of the total seasonal gas costs stated in its approved GAF, and thus a revised GAF was not required, but the LDC later made a revised GAF filing anyway.

However, responses to DPU information requests regarding the GAF, "suggest that the Company may be locking-in commodity prices for its gas requirements several months in advance," the DPU said.

Accordingly, the DPU opened an investigation concerning Fitchburg's procurement practices for the period November 1, 2007 through April 30, 2009, which includes the last two peak GAF periods.

If Fitchburg is found to have implemented a purchasing program without DPU approval, the DPU will investigate appropriate remedies, including whether Fitchburg's ratepayers are entitled to reimbursement for any gas supply costs that are higher than what they would have been absent such a purchasing program.

SCE ... from 1:

Still, the draft would allocate to SCE 160 MW of the program for utility-owned generation, with 90 MW owned by independent developers selected via RFO. The draft allocates a higher share to SCE, "to influence the likelihood that SCE will achieve its cost targets, while allowing competition to provide a portion of the MW capacity," the draft says. Furthermore, while there are varying risks and rewards for non-utility and utility-owned projects, "one particular benefit of [utility-owned generation] is that it is dedicated to the ratepayers throughout the useful life of the facility," the proposed decision finds.

While the draft expresses a, "strong desire to develop renewable resources through competitive markets wherever feasible," it also maintains that utility-owned generation, "will continue to play an important role in meeting California's energy needs," as the state acts to reduce carbon emissions.

Under the draft which would establish a five-year solar program, SCE would issue RFOs for the 90 MW of merchant generation at least annually, with the RFO procuring 20% of the 90 MW each year.

Comparisons of the costs of SCE's utility-owned solar with costs of solar developed through the RPS or California Solar Initiative are not appropriate, the draft says, because of differences in project size and accompanying cost components. During the case, parties presented testimony that RPS projects are generally less expensive than SCE's proposed utility-owned projects. The Levelized Cost of Electricity (LCOE) of the SCE-owned proposal is $270/MWh, while the market price referent for the RPS program is half that.

However, such a comparison is not appropriate, the draft finds, because RPS projects are generally much larger than distributed rooftop solar projects and economies of scale are likely to be different for RPS projects. "We find that the potential for building renewable projects on existing structures, thus minimizing environmental impacts, avoiding transmission upgrades, short-term cost reductions, program design that encourages technological improvements and the potential to deliver on-peak energy close to load are characteristics that set rooftop solar PV apart from other renewable technologies and make it unique," the draft states.

The SCE program would be continually evaluated during implementation to determine whether it restricts competition or growth in the solar industry.

The proposed decision stresses that it was developed around the unique facts of the case, and that it is not to serve as precedent for how the PUC may review other utility-owned solar projects.