Energy Choice Matters

April 8, 2009

NEPOOL Participants Reject Lowest Reasonable Cost Language Favored by Maine Regulators

Proposed language from Maine and Vermont state regulators to add a "lowest reasonable cost" standard to the ISO New England mission statement has been rejected by the NEPOOL Participants Committee, Central Maine Power reported to the Maine PUC in an update on reforms being pursued at the ISO (2008-156).

The Maine PUC has ordered CMP and Bangor Hydro-Electric to pursue various transmission cost allocation and consumer-focused reforms at the ISO prior to the potential renewal of their membership agreements (Matters, 1/9/09). Absent reforms, the PUC may elect to pursue alternatives to full ISO membership.

Despite the rejection of the Maine-Vermont language, other reforms approved by the Participants Committee will make ISO-NE more transparent in its activities and more cognizant of consumer interests, CMP said, as the ISO will give greater consideration to the consumer cost impacts of its decisions.

Specifically, the Participants Committee adopted language in the ISO-NE mission statement which holds that the ISO is to, "strive to perform all its functions and services in a cost-effective manner." The revision will be balloted among the Participants for formal adoption and, if approved, sent to the Board of Directors and ultimately FERC for approval.

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Citizens'/Wellsboro Withdraw Petition for Procurement Past Current Default Service Plan

Citizens' Electric Company and Wellsboro Electric Company have asked to withdraw their petition at the Pennsylvania PUC for authority to procure a 25 MW, 7x24 block of power potentially lasting into 2014 (beyond the utilities' current default service period), because the contested nature of, and attendant schedule for, the case will make request moot.

Citizens' and Wellsboro had sought to procure the 25 MW block of power due to recent lows in market pricing for electricity (Matters, 3/23/09). However, the PUC deemed that hearings were necessary, and Citizens' and Wellsboro expect that, once the litigated case is completed, prices will have risen due to summer demand.

The Office of Small Business Advocate (OSBA) had objected to the nature of the utilities' request, since the petition represents an extension, rather than amendment, to the utilities' current default service plan which expires May 31, 2010. OSBA also noted that the 25 MW represents the utilities' base load, and argued that Citizens' and Wellsboro had not shown that the proposed long-term block purchase represented the appropriate size or length for locking-up such supplies.

In their withdrawal request, the utilities noted that they would institute a separate filing regarding the nature of procurements for the final five months of the current default service plan (January through May 2010). Citizens' and Wellsboro have proposed filling such needs through monthly purchases of a 7x24 block.

Citizens' and Wellsboro also intend to file their default service plan for the period after May 2010 in the coming months.

Texas House Committee Votes Out Bills on Deposits, ERCOT Board

The State Affairs Committee in the Texas House of Representatives unanimously voted out of committee HB 2305, which would establish a state-run security deposit trust fund, under which the PUCT would collect and hold all security deposits collected by REPs.

The bill is meant to protect customer deposit during REP defaults, and would establish an interest-bearing deposit fund outside of the state treasury for the purpose of holding customer deposits from REPs.

REPs would be required to remit all deposits to the Commission for deposit into the fund.

Additionally, a REP would only receive funds from the state fund upon showing that the REP has returned the security deposit, minus any payments due, to the customer, suggesting there will be a lag between the time the REP fulfills its obligations to the customer, and the time the REP receives reimbursement from the fund.

The version of the bill voted out of committee removes the originally filed language which would have dedicated the interest earnings from the fund to offset advanced metering implementation costs for low-income customers, or to support system benefit fund programs.

HB 2421 was also voted out of committee, and would change the composition of the ERCOT Board of Directors to include nine, rather than five, members unaffiliated with any market segment. Additionally, the bill would eliminate the requirement that the Board include six market participants elected by their respective market segments to represent independent generators, investor owned utilities, power marketers, retail electric providers, municipally owned utilities, and electric cooperatives.

The bill would also make all three PUCT Commissioners, instead of just the Chair, ex officio nonvoting members of the Board.

Conn. Residential Offers 15% Lower than Default Rate

Falling wholesale electric prices and favorable market rules are making Connecticut a fertile ground for retail suppliers, with 12-month fixed residential offers averaging about 10-15% off the applicable Standard Service rate.

As tipped a year ago in this space (Matters, 3/17/08), favorable market structure has combined with the decline in wholesale prices to drive the growth of competitive supply. Over the last six months, the number of accounts on competitive supply at Connecticut Light and Power has grown 11%, while the growth has been 14% at United Illuminating over the same period.

Currently, five suppliers are active in the residential market, ConEdison Solutions, Direct Energy, Levco Energy (marketing for Dominion Retail), MXenergy, and Public Power & Utility. Four of the five have seen phenomenal growth in the past year as they have ramped up mass marketing efforts, while first-mover Dominion Retail has retained its dominant position. As reported by the utility migration stats, Direct Energy grew from about 7,100 residential accounts in February 2008 to 20,000 as of February 2009. Public Power & Utility ramped up its residential customer base from 840 in February 2008 to over 10,000 as of February 2009. Both ConEdison Solutions (1,500 to 3,200) and MXenergy (1,600 to 3,000) have seen their residential totals double. Only Dominion Retail, which through its longstanding relationship with Levco had been an early mover in the Connecticut mass market, has seen flat residential shopping, with its market-leading residential account total dipping to 57,000 from nearly 60,000 in February 2008.

CL&P's current residential Standard Service rate is 12.217¢/kWh. ConEdison Solutions is offering a 12-month fixed product at 10.98¢/kWh, while Direct Energy is offering a 12-month fixed product at 10.99¢/kWh, though the first two months are at an introductory rate of 9.89¢/kWh. Levco Energy is offering a rate of 10.4¢/kWh fixed through December 31, 2009, while Public Power & Utility offers the only publicized 100%

renewable option at 16.2¢/kWh. Direct Energy offers the market's lowest rate for its monthly variable product, currently at 9.99¢/kWh.

United Illuminating's Standard Service Rate for Rate R residential customers is currently 12.4228¢/kWh. ConEdison Solutions and Direct Energy are offering their 12-month fixed plans for the same price as offered at CL&P, while Levco is offering its fixed-through-December 31 rate at 10.5¢ in the UI territory.

Curtailment Providers Oppose PG&E Limit on Load Response for Peak Day Pricing

Pacific Gas and Electric's proposal to implement dynamic pricing for commercial and industrial customers will effectively eliminate enrolling any new customers in any dispatchable demand response programs, EnerNOC and CPower said in separate filings at the California PUC (A. 09-02-022).

PG&E has filed to implement default dynamic pricing for all large commercial and industrial customers by May 1, 2010, and for agricultural and small/medium C&I customers by February 1, 2011. PG&E's proposed default dynamic pricing includes critical peak pricing (CPP) with time of use (TOU) rates, collectively referred to as Peak Day Pricing (PDP).

All customers currently on one of PG&E's optional CPP rates will be defaulted to PDP tariffs unless they affirmatively opt out. Additionally, with the exception of SmartAC customers, customers on demand response programs will not be allowed to participate in the new PDP rate.

Furthermore, once customers default to the PDP rate, they will not be allowed to participate in demand response programs, except the SmartAC program. The PDP rate, by exposing customers to critical peak prices, acts as a non-dispatchable load response program which is designed to incent load shedding, but does not mandate any reductions.

The restriction on demand response participation under PDP rates would freeze the level of participation in all other dispatchable demand response programs, "and could eventually be the death knell for these programs," CPower cautioned.

EnerNOC argued that the Commission never intended that existing demand response programs should be replaced with a non-dispatchable program, such as the PDP rate proposed by PG&E, but rather intended that the move to dynamic pricing should complement existing programs.

Furthermore, customers will only be given a 45-day window to opt-out of PDP rates, which EnerNOC does not believe is enough time for customers to review the implications of the new rate.

EnerNOC recommended that customers should be allowed to opt-out of the PDP rate during the trial first year, if the customer is opting out in order to enroll in a demand response program, such as the Day-Ahead Capacity Bidding Program.

Customers should also be allowed to participate in third-party demand response programs even when on PDP, EnerNOC said, though under restrictions that would prevent customers from being paid twice for the same load reduction. Under EnerNOC's proposal, customers could participate in demand response programs while on PDP rates, but would not receive an additional energy payment from the demand response program on a day when a CPP event and a demand response event are called for the same hours, in recognition that the PDP program already "paid" the customer to shed load for the CPP event through lower off-peak rates.

FERC Orders More Info on MISO Load Shedding Plan

FERC has deemed proposed Midwest ISO tariff revisions relating to emergency load shedding deficient, and directed MISO to submit more information on the procedures.

The MISO proposal provides that emergency load shedding would be implemented on a MISO-wide basis, unless a transmission constraint limits the load shedding to a Sub Area basis. Additionally, load shedding would be allocated to each affected Local Balancing Authority (LBA) on a pro-rata, load ratio share basis, with the load shedding instructions to individual LSEs conducted through the LBAs.

Among other things, FERC asked why it would be appropriate for load throughout the Midwest ISO or, in the event of a constraint, a Sub Area, to be shed in cases where the emergency is more localized than the entire Midwest ISO Balancing Authority Area or the Sub Area identified by a transmission constraint. For example, the Commission questioned whether the proposed emergency load shedding procedures would promote substantial, unnecessary load shedding in order to secure sufficient load shedding within a more targeted area.

The Commission also directed MISO explain whether implementing the pro-rata emergency load shedding procedures across the MISO system would address situations in which the MISO system or a portion thereof has frequency or voltage condition problems. Are there situations in which there is a voltage or frequency condition that are most effectively dealt with by load shedding in a particular portion of the Midwest ISO system, rather than pro-rata system-wide, FERC asked.

FERC noted that NERC requirements provide that a transmission operator must implement load shedding in steps established to minimize the risk of further uncontrolled separation, loss of generation, or system shutdown. MISO was directed to describe how pro-rata load shedding across the Midwest ISO system, or in a Sub Area when there are constraints, would necessarily alleviate the emergency condition and minimize the risk of further uncontrolled separation, loss of generation or system shutdown.

The Commission also said the MISO filing is unclear as to what types of emergencies the proposed procedures are intended to address, and whether they are meant to mitigate operating emergencies on the transmission system, as well as emergencies associated with insufficient generating capacity.

N.Y. PSC Approves ConEd Rider-U Changes

The New York PSC approved several revisions to Consolidated Edison's Rider U-Distribution Load Relief Program, including adding a requirement that participants must have an interval meter.

The Rider U program offers two enrollment options, with one program mandating load reductions when an event is called, and another option allowing customers the option of voluntarily reducing load during events.

For 2009, the Commission ordered that new customers in the Distribution Load Relief Program must have ConEdison billing grade interval meters. Customers that participated in the Rider U program in 2008 will be granted a waiver from the interval meter requirement for 2009, but will be required to have an interval meter in 2010. Installation of billing interval meters will help assure the quality of the meter data, and facilitate ConEd's evaluation of the participants' performance during tests and events, the PSC said.

The PSC also approved the use of the Customer Baseline Load methodology to measure participant performance for customers in the mandatory Rider U program. Despite the use of the CBL, the current payment structure will remain, without any differential for different performance evaluations methodologies. The CBL methodology is intended to consistently provide more accurate customer load relief measurement during the summer capability period, including during shoulder months and off-peak hours, the Commission said.

For the summer of 2008, 188 MW were enrolled in the mandatory program, and 53 MW were in the voluntary program.

SCE Files for Cost Recovery of Hydrogen IGCC Plant

Southern California Edison submitted an application at the California PUC for authorization to recover costs necessary for SCE to co-fund a study that will determine the technical feasibility and commercial reasonableness of an integrated gasification combined cycle (IGCC) facility with carbon capture for use in Enhanced Oil Recovery (EOR) with sequestration in Kern County, California.

The PUC had previously authorized SCE to record total study costs up to $30 million related to the project, but at that time declined to grant rate recovery.

If feasible, the facility, known as Hydrogen Energy California, would gasify nonconventional fuel resources (primarily petroleum coke from California's oil refineries or, as needed, blends of petroleum coke and other solid fuels) to produce hydrogen for electricity generation.

SCE is seeking $17 million in cost recovery for Phase I of the study, and $13 million for Phase II. Phase I consists of significant technical, operational, commercial and environmental activities to determine initial feasibility, while Phase II includes Front End Engineering Design (FEED). The total budget for both phases is $152 million, demonstrating that SCE's share represents well below 50% of the total project costs.

In its prior resolution authorizing SCE to record the study costs, the PUC directed SCE to explain how its proposal to co-fund the study fits into SCE's overall procurement strategy. However, SCE said a decision regarding whether SCE will seek to participate in a Hydrogen Energy California facility as utility-owned generation, through a power purchase agreement, or through a fuel supply agreement is premature given that the feasibility study is not complete. SCE did say that the study fits with the overall procurement goal of acquiring low-carbon power.

Briefly:

IGS Energy Seeks to Add Five Pa. Territories to Gas License

IGS Energy has applied at the Pennsylvania PUC to expand its natural gas marketing to the territories of Dominion Peoples, Equitable Gas, PECO Gas, National Fuel Gas Distribution and Philadelphia Gas Works. Currently, IGS only markets in Columbia Gas of Pennsylvania.

Parties Working on Ameren POR Stipulation

Hearings have concluded at the Illinois Commerce Commission regarding utility consolidated billing and Purchase of Receivables at the Ameren Illinois utilities, with parties reaching agreement on numerous issues. Several issues are still being discussed, and an outline of contested versus non-contested issues is still subject to confidential negotiations.

N.Y. Opens Proceeding on 18-a Assessment

The New York PSC has opened proceeding 09-M-0311 for implementation of a temporary annual assessment, Pursuant to Public Service Law § 18-a(6). The 2009 state budget authorizes an increase in the amount of the assessment, and holds that only utilities and not ESCOs will be responsible for collections, though utilities will estimate the revenues generated from their customers on competitive supply in calculating the assessment (Matters, 3/31/09).

N.Y. PSC Dismisses NYSEG/RG&E Rate Application

The New York State PSC granted Staff's motion to dismiss requested distribution rate increases from NYSEG and Rochester Gas and Electric, stating that the evidence in the proceeding does not indicate that NYSEG's and RG&E's ability to provide safe and reliable service to their customers is jeopardized by the level of current delivery rates. In approving Iberdrola's acquisition of the two utilities last fall, the Commission had ordered that the utilities were prohibited from filing rate cases until September 2009, unless they could show that financial performance under the current rates would endanger reliability and public safety. "The Commission today concluded that NYSEG's and RG&E's financial health depends on reasonable financial management by the companies and their corporation parents, not on emergency rate relief," PSC Chairman Garry Brown said.

Midwest Virtual Power Specialists Defaults in MISO

The Midwest ISO said that Midwest Virtual Power Specialists has been found in default due to failure to cure a Total Potential Exposure Violation.

PUCT Sets AMI Workshop for Service Order Timelines

The PUCT scheduled for May 12 a meeting for the Advanced Metering Implementation Team, to focus on the opportunities for reducing field completion times for service orders for premises with a provisioned advanced meter.

FERC Approves Affiliate Waiver for Duke Energy Retail Sales

FERC accepted a market-based rate tariff for Duke Energy Retail Sales and granted a waiver of Commission affiliate restrictions for sales between Duke Energy Retail Sales and regulated utility Duke Energy Ohio, as the Ohio utility does not have captive customers. The Ohio Consumers' Counsel had opposed the affiliate restriction waiver, arguing the lack of competitive offers in the Duke Ohio territory effectively makes such customers captive (Matters, 3/2/09).

ERCOT Makes Final RMR Determination for Luminant Plants

After completing additional studies, ERCOT has determined that Luminant's Decordova SES Unit 1 is not needed for Reliability Must-Run (RMR) service, reversing a preliminary finding. However, ERCOT's final analysis does show that Luminant's Permian Basin SES Units 5 and 6 are needed for RMR service in 2009 as initially determined. ERCOT said it will continue to assess alternatives to the proposed RMR agreements for the types of reliability concerns identified in its analysis.

ISO-NE ... from 1:

The Maine PUC, along with the state's transmission owners and industrials, favored alternate language requiring that the ISO, "shall fulfill its mission at the lowest reasonable cost." Aside from the Maine and Vermont supporters, the proposal was opposed by Participants in every NEPOOL Sector, except for the publicly owned utility (municipal) sector. Opponents feared the lowest reasonable cost provision would require the ISO to perform some sort of integrated resource planning in carrying out its mission.

The Participants Committee also declined to endorse suggestions to adopt a formal qualification criteria for ISO-NE Directors which would require that at least two representatives with relevant experience in representing consumer interests sit on the Board. Though two Directors currently fit such criteria, nothing prevents the ISO from not continuing to have representatives with consumer background when composing future Boards. The ISO has resisted a formal mandate due to concerns about restricting candidate qualifications, given the Board selection process already struggles to identify willing and qualified candidates. ISO-NE has, however, committed to working diligently to retain consumer background experience in Board members.

ISO-NE and numerous consumer advocate representatives have also reached agreement on a proposal that will promote more informed and efficient participation of consumer advocates in regional decision making. Under the agreement, the ISO will designate a dedicated Point of Contact within ISO-NE to facilitate the bi-directional flow of communications between ISO-NE and consumer organizations, advocates, ratepayers and consumers. The Point of Contact will interface with a newly created Consumer Liaison Group comprised of such entities, with a focus on consumer education and outreach. The Point of Contact and ISO-NE's External Affairs Department will provide the Consumer Liaison Group with regular, periodic, and detailed information regarding regional issues and activities of the NEPOOL and ISO-NE committees and working groups. The Point of Contact will also solicit the views of the Consumer Liaison Group on proposed ISO-NE actions and will produce an annual report of its activities.