Energy Choice Matters

April 27, 2009

Bid Consultant Warns Low Bidder Participation Endangers Future of Maryland SOS Process

Continuation of the current trend of decreased wholesale supplier participation in the Maryland SOS RFP is "most troubling," and, "cannot support the Maryland process much longer," bid consultant The Liberty Consulting Group said in reporting the results of the April procurement (Matters, 4/24/09).

While the procurement filled 56 of 57 tranches, at prices lower than recent RFPs, Liberty expressed "major concern" about the lack of competing suppliers for several tranches, particularly small customer load at Allegheny Power and Baltimore Gas & Electric.

Allegheny's three residential blocks attracted only a single bidder, while BGE's two Type I blocks only attracted two bidders. Additionally, BGE's 17 residential blocks, which constituted the greatest total load in the solicitation, only attracted five bidders, who only offered 2.24 bids per block.

The reduction of Allegheny's solicitation to a single bidder, "makes the merits of its process a matter of major concern for the next bidding round," Liberty said.

While the prices for the Allegheny and most of the BGE blocks showed that bidders still offered competitive prices, and did not expect such little competition, the disclosure of the lightly contested auction means bidders will not expect vigorous competition in those classes going

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N.Y. Denies ConEd Power Your Way Funding, ESCOs to Receive Hourly Zonal Loss Data

The New York PSC granted Staff's proposal to eliminate Consolidated Edison's entire $1.6 million retail access outreach and education budget, consistent with the Commission's retail access ruling last fall which holds that ratepayers should not pay for promotion of retail choice.

Two ALJs had restored a little less than half of the funding for ConEd's Power Your Way outreach program in a recommended decision (Matters, 1/9/09), though all but $8,000 would have gone to promote green power and not retail access itself. However, the Commission granted Staff's exception to that recommendation, and eliminated Power Your Way outreach and education funding. The PSC said the Retail Energy Supply Association's request for at least $300,000 in funding was not supported. Though RESA said ConEd is adding 300,000 new customers annually who must be educated on retail choice, the Commission said the figure includes existing customers taking service at new locations.

"More fundamentally, however, DPS Staff is correct that we now anticipate that New York utilities' retail access outreach and education should continue within the ambit of their general outreach and education budgets. In this case, that budget is $3.631 million annually," the Commission held.

The Commission declined to require ConEd to provide the full cost of service, including what default service supply charges would be, on all bills, including bills for customers on competitive supply. However, the Commission said the idea, put forth by Consumer Power Advocates, has merit.

Both ConEd and retail suppliers opposed CPA's recommendation, arguing that it would confuse customers, provide inapt comparisons, and necessitate billing system changes. RESA and the Small

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Fitchburg Gas and Electric Posts Basic Service Rates

Fitchburg Gas and Electric filed proposed basic service rates with the Massachusetts DPU for the period beginning June 1, 2009.

Fitchburg Gas and Electric Light Company
Summary of Proposed Default Service Charges
for the period June 2009 - November 2009

Variable Monthly Pricing Option Charges, $/kWh by Rate Schedule

	RD-1	RD-2	GD-1	GD-2	GD-3	GD-4	GD-5	SD
June	$0.08807	$0.08807	$0.08823	$0.09081	MARKET	$0.09081	$0.0908	$0.09081
July	$0.09278	$0.09278	$0.09295	$0.09671	MARKET	$0.09671	$0.09671	$0.09671
Aug.	$0.09143	$0.09143	$0.09159	$0.09635	MARKET	$0.09635	$0.09635	$0.09635
Sept.	$0.08615	$0.08615	$0.08630	$0.09086	N/A	$0.09086	$0.09086	$0.09086
Oct.	$0.08870	$0.08870	$0.08885	$0.09185	N/A	$0.09185	$0.09185	$0.09185
Nov.	$0.09138	$0.09138	$0.09154	$0.09497	N/A	$0.09497	$0.09497	$0.09497

Fixed Pricing Option Charges, $/kWh

June-Nov.	$0.08985	$0.08985	$0.09000	$0.09366	N/A	$0.09366	$0.09366	$0.09366

West Penn Power Seeks Additional Acceleration in Buying Residential Supply

West Penn Power (Allegheny) petitioned the Pennsylvania PUC to allow it to further accelerate its procurement of default service supplies for residential customers, once again citing the currently favorable market pricing. The PUC has already granted one such petition, which resulted in Allegheny purchasing five supply tranches in April, instead of June, with the remaining tranches' procurement moved forward accordingly. The Commission also encouraged other utilities to request similar accelerated procurements (Matters, 3/13/09).

Specifically, Allegheny asked to move forward the procurement date for six residential (Service Type 10) blocks to June 2009, rather than their scheduled dates of either October 2009 or January, June or October 2010. The advance of five 17-month blocks and one 29-month block will add 300 MW to the June procurement, for a total of 550 MW (see tranche comparison below):

Requested Acceleration

Term	Apr '09	Jun '09	Oct '09	Jan '10	Jun '10	Oct '10	Jan '12	Apr '12	Total
17-Month	3	8	1	1	1	1			15
29-Month	2	3	1	1	1	1			9
12-Month							8	7	15
Spot									6

Currently Approved Schedule

Term	Apr '09	Jun '09	Oct '09	Jan '10	Jun '10	Oct '10	Jan '12	Apr '12	Total
17-Month	3	3	3	2	2	2			15
29-Month	2	2	2	1	1	1			9
12-Month							8	7	15
Spot									6

If approved, two-thirds of Allegheny's forward residential power needs (excluding spot purchases) for the year 2011 will be procured a year-and-a-half in advance of the January 1, 2011 delivery date.

Allegheny pointed to the about $30/MWh drop in two-year around-the-clock generation prices compared with July 2008 when its procurement plan was first approved, arguing that the ongoing decline continues to qualify as a market-changing event under which the procurement schedule can be adjusted. The Commission previously found, in approving Allegheny's first requested acceleration, that the price decrease constituted an unforeseen market circumstance under the procurement plan, justifying a schedule change.

Allegheny insisted its requested actions do not constitute an attempt to time the market or engage in active portfolio management. The utility asked for the Commission to rule on its petition by the May 14 public meeting.

Suppliers See "Dangerous Precedent" in NFG Door-to-Door Marketing Prohibition

Three competitive natural gas suppliers expressed a "serious concern" with National Fuel Gas Distribution's proposal to eliminate door-to-door marketing to small customers as part of its voluntary Purchase of Receivables program in Pennsylvania (Matters, 4/6/09). The filing was made by Gateway Energy Services, Agway Energy Services, and Vectren Retail.

Although the trio of retailers acknowledged that National Fuel has experienced some "isolated" problems with supplier marketing practices in New York, the retailers said that development of specific statewide marketing standards, rather than a prohibition on an entire form of sales through a utility-specific tariff, is a better way to address any concerns.

In particular, the suppliers worried that National Fuel's proposal could set a "dangerous precedent" that would invite other LDCs to prohibit other sales channels, including telemarketing, direct mail, mall kiosks, or even the Internet.

The retailers suggested that the Commission would be better suited to develop a statewide set of marketing standards, and suggested New York's Uniform Business Practices as a reference point.

Otherwise, the marketers supported National Fuel's proposal, and said consistency among POR programs is one of the most important elements that will help the Pennsylvania gas market develop.

Bill to Allow PUCT to Order Refunds for Market Power Abuse Advances

A bill that would give the PUCT the ability to order restitution in cases of market power abuse advanced from the Texas Senate Business & Commerce committee.

SB 1772 would allow the PUCT to order a party found to have committed market power abuse to refund monies to the parties directly affected, in lieu of assessing an administrative penalty. The refunds could not exceed the greater of the administrative penalty that would otherwise have been ordered by the Commission, or 115% of the amount of additional profit that the party received as a result of the market power abuse.

The bill also authorizes the Office of Public Utility Counsel to intervene in market power abuse cases, and allows the PUCT to grant intervention to other affected parties. The intervention rights of other affected parties may be limited by the PUCT, such as through limits on discovery.

The Commission "shall" take all necessary steps to ensure that trade secrets, proprietary information and business strategies, and any other competitively sensitive information, is adequately protected from disclosure to competitors or customers of the party accused of market power abuse.

If the Commission deems refunds appropriate, all parties directly affected by the abuse may intervene in a subsequent proceeding to determine the proper method of refunds.

Calif. Direct Access Bill Moves Forward

A bill which would reshape California's direct access landscape advanced in the state Senate last week.

SB 695 would prevent the PUC from reinstituting full direct access on its own, requiring legislative approval through statute for customers to receive the right to acquire electric service from other providers. The prohibition would apply to service from electric service providers, aggregators, brokers, and marketers.

The PUC would be permitted to extend limited direct access to non-residential customers currently unable to shop without legislative approval, provided that the total annual kilowatt-hours supplied by all electric service providers shall not exceed the maximum total annual level of kilowatt-hours supplied by all electric service providers, within a distribution service territory, for any year between April 1, 1998, and December 31, 2009. Such expansion would be phased in over three to five years.

Furthermore, before the PUC could extend such direct access, two conditions would have to be met.

First, the Commission would have to impose on suppliers the, "same requirements that are applicable to the state's three largest electrical corporations," relating to RPS, resource adequacy, and greenhouse gas emissions. While suppliers are currently subject to the same policies and broad goals, their compliance methods may differ.

Second, the PUC must institute a nonbypassable mechanism to allocate the net costs of new generation resources acquired by a utility to meet system or local area reliability needs.

FERC Accepts Settlement on 2002 NYISO Capacity Underprocurement

FERC approved a $2.675 million settlement relating to the underprocurement of capacity by the New York ISO in the summer of 2002, which deprived capacity owners of revenue (EL05-17, Matters, 1/28/09).

Under the settlement, the LSEs below will pay the following amounts:

Consolidated Edison	$1,703,500
New York Power Authority	292,500
Central Hudson	112,500
LIPA	112,500
NYSEG/RG&E	112,500
Niagara Mohawk	112,500
Consolidated Edison Solutions	100,000
Constellation NewEnergy	100,000
Orange and Rockland	19,000
Gateway Energy Services	10,000

Payments will be distributed to suppliers in the following amounts:

Reliant Energy	$1,700,000
NRG Power Marketing	300,000
Dynegy	675,000

The settlement extinguishes any and all claims against LSEs from any New York capacity supplier in relation to the NYISO underprocurement of capacity. The underprocurement resulted from using different methodologies to set unforced capacity (UCAP) as it relates to capacity obligations. An earlier settlement resolved claims from (then) KeySpan-Ravenswood, (Matters, 8/18/08). In an earlier filing, generators said underprocurement of capacity by LSEs during the Summer 2002 Capability Period cost Rest of State capacity suppliers $21 million in lost revenue, while costing in-City suppliers over $43 million (Matters, 10/28/08).

Briefly:

Oncor Says TOU Profiling for AMS Ready

Oncor announced that, consistent with the schedule approved in its advanced metering plan (Matters, 8/29/08), it will have the capability to support Time of Use (TOU) functionality by May 1, 2009 for any ERCOT approved Time of Use Profiles existing on August 8, 2008 in Oncor's service territory. REPs may request to use one of the TOU profiles for an ESI ID with an advanced meter by sending a spreadsheet containing pertinent data to Oncor, via an interim process detailed in a market notice. Oncor said its ftp site housing the list of ESI IDs with provisioned advanced meters currently lists about 164,000 such ESI IDs.

Pepco, Delmarva Report Reconciliation of Deferral Collections

Pepco informed the Maryland PSC that it

undercollected $179,000 in deferred cost adjustment charges from June 2007 through November 2008. The fee was imposed on 7,900 residential customers who had elected to defer previous SOS rate increases. Pepco said it would reconcile the undercollection by assessing a new fee of 1.36 mills/kWh on participating residential customer bills for 12 months, starting in June 2009. Delmarva reported a similar undercollection in deferral charges of $38,000, which it will recover over 12 months through a 1.98 mills/kWh charge on over 1,400 participating customers.

Marketers Urge Adoption of Revised RM 35 Codes

Gateway Energy Services, MXenergy, Washington Gas Energy Services and the National Energy Marketers Association asked the Maryland PSC to approve the latest draft of regulations for the competitive natural gas market under RM 35 (Matters, 3/11/09). The latest draft is the same as the rules previously considered by the Commission, except that they now do not apply to interruptible and daily-metered customers. For all other classes, the rules would prescribe several billing and enrollment standards, including a requirement that utilities either institute Purchase of Receivables, or proration of partial payments among supply and delivery charges.

NYISO Submits Tariff Changes to Treat Landfill Gas as Intermittent Resource

The New York ISO submitted tariff sheets at FERC to allow landfill gas generation to be treated as intermittent generation, an intention the NYISO had previously announced in reporting its system had incorrectly been treating landfill gas generation as intermittent resources, exempt from certain penalties, for several years (Matters, 4/10/09). Due to landfill gas generation's reliance on methane from decomposition, NYISO said that the resources are unschedulable; should be exempt from undergeneration penalties; and also should be paid for all of their generation. However, to ensure that the NYISO has some expectation of anticipated generation, it will require all intermittent resources to submit energy offers in an hour (or schedule a bilateral transaction) in order to be paid, which in turn will support efficient scheduling and real-time price calculations. NYISO said that currently 75 MW of landfill gas schedules through NYISO.

AEP Reports Higher Earnings in ERCOT Marketing Unit

AEP's Generation and Marketing unit, which includes AEP's non-regulated generating, marketing and risk management activities primarily in ERCOT, reported earnings of $24 million for the first quarter of 2009, a $23 million year-over-year increase, mainly due to higher gross margins from marketing activities. Earnings from off-system utility sales decreased $136 million year-over-year to $85 million, from lower fiscal volumes and much lower margins. Consolidated net income for the parent fell 37% to $360 million for the quarter.

PUCT Approves Withdrawal of Reliant Energy Channelview Certificate

The PUCT accepted Reliant Energy Services Channelview's application to relinquish its REP certificate, as the entity no longer serves load (Matters 4/2/09).

Universal Accepts OEB Fine

The Ontario Energy Board said Universal Energy has agreed to pay an administrative penalty of $60,000 (Canadian) related to three violations of the retail market code and related marketing standards (see Matters, 4/24/09).

Maryland SOS ***... from 1:***

forward, Liberty reasoned.

Still, 56 of the 57 blocks in the RFP were awarded, as the bids were below the Price Anomaly Threshold (PAT). Only one of the BGE Type I blocks was left unfilled, as its bid exceeded the PAT. Those results are in stark contrast to recent solicitations where all of the bids in some classes had been rejected for exceeding the PAT, mostly due to a premium built into prices due to credit market turmoil and other financial market risk and uncertainty (Matters, 11/17/08).

Liberty found that bids still contained high risk premiums due to the current conditions of the financial markets, but said the premiums haven moderated since the previous auctions. Much lower energy prices further mitigated the premiums.

Despite the lower pricing, Liberty still said that low bidder participation levels are "becoming more critical," and suggested that a revised process or specific steps to enhance bidder participation will likely be needed for the October 2009 small customer SOS solicitation.

The unfilled BGE Type I block will be added to the June 2009 procurement for Type II load.

ConEd *... from 1:*

Customer Marketer Coalition also called the proposal anticompetitive, likening the requirement to a mandate that would force ConEd to list retail suppliers' prices on bills for bundled service customers.

However, the Commission concluded that, "CPA's proposal has theoretical appeal."

"More information for consumers on costs of alternative supply can improve transparency and efficiency in competitive markets," the PSC added.

Moreover, "RESA's and SCMC's argument that showing the Company's supply costs on bills would be anti-competitive has it precisely backwards," the Commission said.

Still, "[t]he difficulty arises in anticipating customer ability to put the information on the bill to proper use," the PSC noted, fearing CPA's proposal would only increase bill complexity.

"The added information might be particularly confusing for a retail access customer, which would see a cost that it did not bear and that did not figure into calculation of its bill," the Commission noted

Due to the risk of exacerbating the complexity of customer bills and difficulty of interpreting them, together with the lack of information on what modifications ConEd would have to make to provide the proposed information on all customer bills, the Commission rejected CPA's proposal, since it could not determine whether the benefits outweighed the risks at this time.

The Commission granted RESA and SCMC's petition to require ConEd to provide ESCOs with hourly unaccounted for energy (UFE) data on a zonal basis rather than a single monthly figure. Other service providers, such as energy efficiency, demand response, and distributed generation providers, will not be provided with the hourly UFE data, because a request for such data was not raised until reply briefs.

RESA's unopposed motion that ConEd provide ESCOs, upon request, with an hourly-priced customer's full 24 months of historic hourly interval data rather than 12 months was also granted. Such 24-month data is already available at National Grid, RG&E, NYSEG, and Central Hudson.

ConEd will be required to report on its ongoing expansion of mandatory hourly pricing to customers with demands of 500 kW within six months after completion of the expansion. The evaluation must also include an assessment of expanding mandatory hourly pricing to customers with demands under 500 kW, plus a plan and schedule (including cost estimates) for implementing such expanded hourly pricing, "[u]nless the evaluation clearly shows major obstacles to effective expansion."

The PSC rejected Consumer Power Advocates' petition to require shadow billing for customers transitioning onto hourly pricing.

The Commission ordered that a collaborative be developed to address various interval metering data issues, including gaps in load profile data from interval meters for hourly-priced customers. During the case, RESA argued that ConEd unreasonably rejects the use of all interval data recorder information for a billing period, even when not all of the information is suspect, defaulting the customer to a class load shape.

Another collaborative will be established on submetering, in response to Staff's proposal to require submetering for all individual living units in master-metered residential multi-family buildings with SC 8 (multiple dwellings-redistribution) or SC 12 (multiple dwelling-space heating) service.