

# Energy Choice

## Matters

May 25, 2009

### **Md. Staff Says Hedging Should be Geared to Obtain Lowest Price, Not Limit Volatility**

Maryland PSC Staff have recommended a 2009-2010 winter heating season hedging strategy for gas LDCs that will emphasize each utility's, "best effort to get the lowest price for the natural gas commodity," rather than attempting to moderate price volatility, Staff said in comments on the Commission's investigation into hedging (Case 9193).

Staff noted previous hedging practices, which focused on limiting price volatility, "have generally resulted in the gas utilities purchasing the gas commodity in advance at prices higher than what the market price ended up being had the gas been purchased at first-of-month pricing or spot purchases," a point made earlier by Baltimore Gas & Electric (Matters, 5/20/09).

Such past experience leads Staff to believe, "that the focus of any future gas hedging activity should instead be on purchasing the gas commodity at price dips."

Accordingly, Staff recommended that hedging of natural gas supplies for the 2009-2010 winter season should be carried out by LDCs only when the price of the gas commodity is at or below \$4.75/Dth. That target price and hedging recommendation is consistent with the approach taken by the Commission in Case 9174, in which the PSC ordered LDCs to hedge summer storage injections when opportunities appeared.

Staff has determined that the current natural gas futures strip price for the 2009-2010 winter period is approximately \$5.60/Dth based upon current NYMEX prices.

"Accordingly, Staff believes that a hedge priced at or below \$4.75 will assure that ratepayers get

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### **PPL POR Would Only Cover Basic Supply Service Under Tentative Order**

PPL's Purchase of Receivables program to be developed under a Tentative Order from the Pennsylvania PUC (Matters, 5/15/09) would only cover receivables from "basic supply service" sold by competitive suppliers, but would not include an all-in/all-out provision, under a written version of the PUC's Tentative Order made available last week. The Tentative Order will become final without further action of the Commission absent the filing of adverse comments.

As previously reported, the POR program would include, "little or no discount" on supplier receivables, since, "[t]he purpose of the POR program is to facilitate the growth of the competitive market." PPL would also not revert customers to dual billing when arrearages exceed 90 days, the Tentative Order says.

Additionally, the Tentative Order holds that PPL shall not require a competitive supplier to sell all of its accounts receivable, or none at all.

"If a [supplier] wishes to sell only a portion of its accounts receivable, it may do so. There should not be any 'all-in/all-out' provisions," the Tentative Order says.

However, the Tentative Order also holds that a supplier, "can bill only for basic supply service via POR." Though not defined in the order, the Order intimates that basic supply service does not include renewable power, by adding:

"However, there are no limitations on the provision of other billing options if the EGS [Electric

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## **Texas Market Power Bill Advances, Perry Signs SWEPCO Competition Delay**

The Texas House State Affairs committee reported favorably a substitute version of SB 1772, which would empower the PUCT to order refunds in cases of market power abuse or market manipulation (Matters, 5/5/09). The committee substitute uses new language to govern the Commission's ability to order refunds to affected parties, and strikes a provision that would have capped refunds at 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 committee substitute also holds that the Office of Public Utility Counsel shall be allowed to intervene in, "enforcement proceedings to seek refunds for alleged market power abuses or manipulation of the wholesale market." The engrossed Senate bill would have permitted to OPC to intervene in "any" market power abuse proceeding.

Additionally, the House committee substitute also strikes a requirement that the PUCT must initiate a separate docket to disburse any refunds, with intervention available to all affected parties.

The bill also adds language to establish a retail market monitor, a provision originally contained in HB 3245 which was sent back to committee on a point of order. The retail monitor would detect and prevent possible market power abuse or market manipulation strategies as well as unfair, misleading, or deceptive practices. The monitor would also recommend measures to enhance the efficiency of the retail market.

### **Perry Signs Bill to Delay SWEPCO Transition to Competition**

Governor Rick Perry has signed SB 547, indefinitely delaying the transition to retail competition at AEP SWEPCO until several benchmarks are met (Matters, 5/13/09). Among the requirements is that SWEPCO's qualifying power region must develop a market for ancillary services and a market-based congestion management system before competition can be introduced. SWEPCO is currently in the

Southwest Power Pool.

Previous PUCT orders had delayed competition in SWEPCO until 2011 at the earliest. The bill does not contain a specific date before which competition may not be introduced, and does not require specific legislative approval for competition to be introduced, as the introduced version of the bill had proposed.

### **REP Billing, Contracting Terms**

The Senate Business and Commerce committee reported favorably a substitute version of HB 1822, relating to terminology used on REP bills (Matters, 3/27/09). The Senate committee substitute expands the legislation to cover REP contracts and well as bills, requiring contracts and bills to use terms common to the electricity industry that will be developed by the PUCT, and to uniformly label such terms.

The Business and Commerce committee also reported favorably without amendment HB 1799 which would require all REP residential bills to contain a notice stating, in at least 12-point type on the front of the first page, "For more information about residential electric service please visit [www.powertochoose.com](http://www.powertochoose.com)." The requirement would expire September 1, 2011 (Matters, 4/30/09).

### **Senate Committee Advances Surplus Generation Pricing Bill**

The Business and Commerce committee reported favorably a substitute version of HB 1243, relating to distributed renewable generation, though the major tenets related to retail electric providers were unchanged from the House adopted version of the bill (Matters, 5/18/09). As the House version would, the Senate bill would still compel REPs to contract for surplus distributed renewable generation, paying either the local market clearing price, or a price at least equal to a fair market value to be set by the PUCT.

Until the Commission sets fair market value, REPs shall pay surplus solar electricity at least 5¢/kWh, while all other forms of excess renewable generation would be paid at least 4¢/kWh.

The mandatory pricing would apply to distributed renewable generation systems under 10 kW installed by residential customers,

systems under 150 kW for churches, and under 250 kW for public schools. Otherwise, prices would be negotiated between customers and REPs.

The PUCT would post REP information regarding purchase of excess renewable generation on Power to Choose.

## **NYISO Files to Extend Period for Submission of Demand Response Performance Data**

The New York ISO submitted tariff revisions at FERC to increase the period curtailment service providers have to submit Special Case Resource and Emergency Demand Response Program performance data, and to make the submission deadline consistent among the NYISO programs.

Currently, the submission deadline is 45 days for the emergency program, and 60 days for the Special Case Resource ICAP program. However, NYISO said that those deadlines were sometimes insufficient for curtailment service providers to collect and process data, and thus proposed extending both deadlines until 75 days after an event or test.

To incent timely submission, NYISO proposed that if a Special Case Resource's data is not submitted within 75 days, it will attribute a performance of zero in the calculation of its load reduction capability.

Furthermore, payment to both Special Case Resources and emergency demand response participants will be contingent upon submission of data within 75 days.

NYISO also proposed that Special Case Resources whose capacity is not sold in the ICAP program in a month should be designated as emergency demand response participants for that month, which will provide NYISO will more resources to call upon during an event while allowing Special Case Resources an additional chance for recovery.

The ISO also submitted a clarification that allows emergency demand response participants who reduce load for four hours to be paid for up to four hours of load reduction even if the NYISO called event is of a shorter duration, because market participants have indicated it is more feasible for resources to participate if they

can reduce demand for at least a four-hour period.

Special Case Resources would also be paid for their reductions in mandatory tests.

## **Landfill Gas Developer Files Interconnection Complaint Against FirstEnergy**

Renewable Energy Services of Ohio has filed a formal complaint at PUCO against FirstEnergy Corp. regarding an interconnection request for a landfill methane gas generating unit.

Renewable Energy Services intends to develop a renewable energy project using landfill methane gas at a project located in Erie County, Ohio, and has entered into power purchase agreement with American Municipal Power Ohio, dated September 1, 2008.

The developer says that it submitted to FirstEnergy an application for interconnection services on May 12, 2008. Although the application was for interconnection with Ohio Edison, the complaint is styled against FirstEnergy Corp.

Renewable Energy Services alleged that FirstEnergy, "has delayed discussing the matter and has failed to provide any substantive written response to Renewable regarding its application."

Specifically, Renewable Energy Services alleged that FirstEnergy violated various sections of the Ohio Administrative Code by not providing written notice of its receipt of the interconnection application within three business days after the application has been received, and by not providing a target date for completing its review. Renewable Energy Services further alleged that, if the application is deficient, FirstEnergy has not provided Renewable Energy Services with such written notice and a checklist of information required to complete the application, as required by the administrative code.

## ***Briefly:***

### **Commerce Files for Michigan Gas License**

Commerce Energy applied for an alternative gas supplier license in Michigan. Commerce has been serving electric customers in the state since 2003, and its parent, Universal Energy

Group, currently serves natural gas customers in Michigan.

### **Illinois Lawmakers Pass Retail Gas Single Billing Legislation**

The Illinois General Assembly has sent to the governor SB 2338 which adds a definition of "single billing" to Section 19-105 of the Public Utilities Act (concerning competitive retail natural gas), furthering the ability of gas suppliers to utilize a single billing option. The bill would define "single billing" as the combined billing of the service provided by both a natural gas utility and an alternative gas supplier to any customer who has enrolled in a customer choice program. Currently, Sec. 19-135 of the act states that it is the intent of the General Assembly that a single billing option shall be offered to customers, and requires utilities to file tariffs that allow alternative gas suppliers to issue single bills to residential and small commercial customers for both the services provided by the alternative gas supplier and the delivery services provided by the gas utility to customers.

### **Gexa Signs Houston School District**

Gexa Energy has signed a multi-year electric supply agreement with the Houston Independent School District, covering the district's 425 campus buildings, and administrative and athletic facilities. The financial stability of the district's provider was at the top of the district's selection process, said Annette Van Brunt, a consultant who represented the district in negotiations. Gexa is also offering school district employees a 3% discount off the company's published fixed-rate electricity plans.

### **WGL Asks to Extend D.C. Pilot Hedging Program in Interim**

Washington Gas Light has petitioned the District of Columbia PSC to extend its current physical natural gas hedging pilot program for one year, to ensure there is not any gap should the Commission not rule on its petition for a permanent hedging program in time to implement it before the 2009-10 winter (Matters, 5/21/09).

### ***Md. Hedging ... from 1***

a positive price benefit from any hedging that is conducted by the gas utilities. Staff believes that if the gas utilities lock in prices at or around \$5.60 per Dth (the current strip price), then customers will not experience any savings and pay higher prices, and the effort to hedge at such a price would be a wasted one," Staff said.

Staff recommended that the utilities use any of the following approaches for hedging natural gas supplies: physical purchases; natural gas futures purchases; or swaps. Other purchase vehicles such as options and collars should be avoided due to their associated premiums, Staff said.

The Commission's hedging directive should be focused on the three large LDCs: BGE, Washington Gas Light, and Columbia Gas of Maryland, Staff added.

### ***PPL ... from 1***

Generation Supplier] is participating in the POR program. EGSs have unique programs, such as green power for example, which require billing needs the utility cannot supply. Thus, EGSs may still need to separately bill for complex supply pricing options or environmental/renewable products."

### **Customer Lists**

The Tentative Order would direct PPL to refresh its customer list and update its database monthly going forward, which would be made available to suppliers, except for customers who opt-out. The database is to include account number, meter number, customer name and service/billing addresses, budget billing flag, meter read cycle date, meter type, interval meter flag, load profile group indicator, rate code indicator, loss factor, 24 individual months consumption (expanded from 12), 24 individual months demand (versus 12), monthly peak demand by billing month, end of billing period date for each billing month, number of days in billing period for each billing month, whether the customer in on default service, minimum stay date (if applicable), and municipal tax code.

While the PUC said it cannot require PPL to provide phone numbers of residential and small

business customers without their permission, it can and will require PPL to provide suppliers with the numbers for commercial and industrial accounts, which will also be included in the database.

Two years of interval data should also be available, but should be accessible separately from monthly summary data, the PUC said, so suppliers that only want summary data can access it without downloading data-intensive interval data.

PPL shall inform customers that if they wish to receive and consider competitive offers, they should not opt out of the customer information list.

### **Billing**

Since its last major rate case, PPL has exclusively supported bill ready billing. To accommodate PPL market penetration by all suppliers licensed to operate within Pennsylvania, the Tentative Order would require PPL to support both bill ready and rate ready consolidated billing.

Additionally, to facilitate customer participation in Act 129 smart metering deployment and Time-of-Use rates, the order would direct PPL to initiate an EDI change request for the EDI 810 Billing transaction and other EDI transactions as may be appropriate, to manage a minimum of 50 separate and discrete rates per customer, across rate classes.

### **EDI**

The Tentative Order would require several enhancements to the information currently provided to suppliers via EDI by PPL.

To begin, EDI does not currently include validation, estimation and editing (VEE) of customer data. The Tentative Order would direct PPL to provide suppliers automated electronic access to customer post-VEE interval data at no incremental fee.

Currently, suppliers may submit 867 Historical Usage (HU) transactions for "eligible" customers -- those who have authorized PPL to release such information to suppliers.

If a customer is not included on the eligible customer list, the Tentative Order holds that PPL should allow the supplier to obtain the prospective customer's permission and, upon

the supplier's request, send the 867 HU transaction.

"The manual sending of the customer's authorization by the EGS to PPL is not required, but the EGS may be audited by PPL or the Commission for compliance with customer authorization documentation after the fact," the order says.

PPL would also be directed to implement the recently created, and currently optional, updated 814 Enrollment (E) transaction to allow requests for historical interval data, and the new EDI 867 Historical Interval Usage (HIU) transaction for providing interval detail data at the lowest level recorded by the utility.

The Tentative Order would also require PPL to implement the EDI 867 Interval Usage (IU) transaction. The PUC noted that for such 867 IU transactions, it has not determined if the date and timestamp will be required with every interval, or only with the first interval with the subsequent intervals being marked with a sequence number. PPL would be directed to initiate discussions and recommend a date/time stamp resolution that best serves the data needs of competitive providers and the smart metering requirements of Act 129.

In August 2008, PPL implemented an EDI change request related to the EDI 867 HU transaction, to be used by all PJM utilities for communicating capacity and transmission contribution factors to their respective partner suppliers. Suppliers have raised an issue that the Peak Load Contribution (PLC) is not being communicated by PPL, and that there is a significant difference in the pricing of services without the PLC data. To address such concerns, the Tentative Order would direct PPL to implement the EDI 867 HU changes if it has not already done so. The PUC would also seek comments from suppliers to explain why the PLC is needed.

The PUC noted that suppliers are not receiving timely notice of PPL's permanent termination of their customer's service. To correct this problem, PPL would be directed to send suppliers an EDI 814 Advance Notice of Intent to Drop (ND), which currently is applicable only in Duquesne Light's service area, to allow suppliers to manage the customer's account more effectively and provide assistance in

getting the account current.

The Tentative Order would also compel PPL to provide a monthly, updated "sync list" on an FTP site for any supplier that requests it. Sync lists would be a monthly list of customer usage and account information, specific to the customers who are already enrolled by an individual supplier. Account information on the list would include service start/end date, bill method, PLC values, etc.

To accommodate market participation in a timely manner, PPL would be directed to schedule EDI testing and complete the certification and re-certification testing process no later than 60 days from the date an initial request is received by a licensed supplier to the date that PPL issues a notification of certification.