Energy Choice Matters

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Energy Curtailment Specialists Enters Procurement Business with Reverse Auction Site

Energy Curtailment Specialists is further expanding its energy services product suite by entering the supply brokering and procurement business, launching an online reverse auction called BidURenergy.com.

The auction-based procurement service will be first offered in New York, initially to current ECS demand response customers, but will be expanded to all customers across all deregulated energy markets by the fall.

Various suppliers have approached ECS regarding potential supply partnerships in the past, said ECS CEO Glen Smith, but the firm has not pursued any such arrangements because it wanted to ensure customers would receive high quality service from any ECS-related venture.

For that reason, BidURenergy.com will only feature about five to six pre-screened suppliers in each market. Suppliers will be vetted based on customer relations and service, financial stability, length and history of operations, and regulatory compliance. Additionally, ECS will screen out suppliers that offer competing load response products to those in ECS' suite.

Smith said ECS' auctions should be attractive to suppliers because of its large starting customer base of load response and energy management customers, with over 1,000 MW under contract. ECS will also seek to grow the customer base with procurement-only customers as well.

ECS listened to supplier criticisms and feedback of other reverse auction brokers in the market in designing its platform, Smith added. In particular, Smith noted some suppliers have said they

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Generators Call Current MISO Scarcity Pricing Regime Insufficient Under FERC Order 719

Demand response issues were one of the primary topics engendering stakeholder comments at FERC on Order 719 RTO compliance filings, while Midwest generators pressed for true scarcity pricing, and New England regulators pushed for improvements in market monitoring, and for a focus on the lowest reasonable cost.

FERC's Order 719 directed RTOs to make various reforms regarding demand response, scarcity pricing, long-term contracting, market monitoring, and responsiveness of RTO governance.

Midwest ISO (ER09-1049)

Scarcity Pricing

In its Order 719 compliance filing, MISO said it currently meets FERC's scarcity pricing requirement, since its co-optimized Ancillary Services Market includes a demand curve for Operating Reserves.

However, generators called that provision insufficient to generate true scarcity pricing, because several administrative actions are taken by MISO which depress prices before extremely high scarcity prices are reached.

"The Midwest ISO currently employs antiquated operating procedures when faced with a scarcity situation, rather than allowing the parameters of the demand curves to send the appropriate price

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PennPower Files Updated Price to Compare Default Service Rates

PennPower has filed with the Pennsylvania PUC new Price to Compare default service rates for the period June 1 through August 31, 2009.

Customer Group	Price to Compare Default Service Rate ($PTC_{Default}$)
Commercial Group 1	7.670 ¢/kWh
Commercial Group 2	5.612 ¢/kWh
Residential Group 1	11.324 ¢/kWh
Residential Group 2a	11.137 ¢/kWh
Residential Group 2b	6.844 ¢/kWh
Residential Group 3a	6.998 ¢/kWh
Residential Group 3b	6.998 ¢/kWh

Mich. PSC Approves Consumers Renewable Plan Without Major Procurement Changes

The Michigan PSC approved Consumers Energy's renewable energy plan which calls for 450 MW of utility-owned generation and 450 MW of competitive generation procured via RFP, declining to order Consumers to follow specific procedures regarding the procurement of the merchant generation.

Independent power producers have criticized Consumers' RFP process for, among other things, the subjective selection process, the lack of an independent monitor, and the required disclosure of sensitive competitive information, which Consumers could rely upon in developing its utility-owned projects (Matters, 3/25/09).

While the Commission, "agrees that many of these concerns are compelling and that it would be prudent for Consumers to take the concerns of, and recommendations by, the intervenors into consideration in designing its RFP and bidding process," it did not impose specific mandates or procedures for the RFP in approving Consumers' plan.

Instead, Commission Staff will provide oversight and consultation during the RFP development and design process, including proposal evaluation. The Commission said such oversight will, "ensure that the RFP process is competitive and fair and that the process generates optimal results."

The PSC also denied objections to Consumers' proposed cost allocation of the bypassable renewable energy plan surcharge, which would recover 65% of the surcharge from residential customers and 35% from non-residential customers. The Attorney General and other stakeholders had opposed such a cost allocation since residential customers only account for 35% of overall energy usage. As the surcharge is bypassable, the allocation of fewer renewable costs on commercial and industrial customers will make their bundled service rates more attractive than they would otherwise be under a different cost allocation.

However, the PSC did limit the residential surcharge to $2.50 per month, rather than $3.00 as proposed.

Although the Commission said Consumers' projected costs for wind energy (in excess of $170/MWh) may be over-estimated, the PSC said the projections were based on "reasonable" assumptions, such as the discontinuation of the production tax credit beyond 2012.

The Commission reiterated that in approving the renewable plan, it is not approving any actual costs. All actual costs incurred for PPAs or utility-built renewable generation are subject to Commission review for reasonableness and prudence.

The PSC rejected broad changes suggested by Staff and other parties to Consumers' Experimental Advanced Renewable Program, which would procure a limited amount of distributed generation (and associated RECs) from customer-sited installations. Staff had opposed the experimental program's limitation to solar resources, and while environmentalists opposed the program's cumulative cap of 2 MW. Staff also expressed concerns about a monthly administrative cost imposed on participants.

As the program will be a pilot adjusted in the future, the Commission declined to adjust the types of eligible resources, or the cap on participation.

However, the Commission said that the flat $25 monthly administrative fee will likely deter participation by smaller generators, especially residential customers. The PSC agreed with Staff's recommendation that the fee should be proportional to the size of the generating system, and said that the administration fee should equal the current system access charge for each customer class, up to a maximum of $50.

In its order, the Commission also accepted an energy efficiency program filed by Consumers, to be funded by a nonbypassable surcharge. Only customers self-implementing efficiency programs may avoid the surcharge.

Direct Energy Business To Expand PPL Operations

Direct Energy Business will today announce a "Committed to Pennsylvania" initiative that includes expanded operations in the Keystone State; specifically, the expansion of operations and energy management services offered to non-residential customers in the PPL territory.

In an event to be attended by Gov. Edward Rendell and other state leaders, Direct Energy Business will announce plans to invest up to $2.5 million in programs that help conserve energy, promote alternative energy use, reclaim and green urban areas, support community organizations, and combat homelessness across Pennsylvania over five years.

Direct Energy Business' announcement comes as debate still simmers about the impending end of rate caps at PPL in 2010 and the four remaining utilities in 2011. A bill (HB 20) requiring a competitively neutral, opt-in rate mitigation plan for mass market customers passed one House committee but was recommitted to another (Matters, 4/23/09). However, competition opponents, such as Sen. Lisa Boscola, D-Northampton, have stepped up their efforts, recently holding a forum with several large industrials, who said that the end of rate caps would mean job losses for the state.

Direct Energy Business said it annually delivers 34 billion kilowatt-hours of power and 46 million dekatherms of natural gas to its customers across North America.

Michigan PSC Formally Adopts New Net Metering Rules

The Michigan PSC formally adopted new net metering rules which impose new mandates on alternative electric suppliers (U-15787, Matters, 3/19/09). The rules were issued in March, but have now passed the Joint Committee on Administrative Rules process and may be formally adopted.

Among other things, the rules compel competitive suppliers to offer net metering on a non-discriminatory basis to customers, at otherwise applicable rates and terms.

Customers with net metered generation in excess of 20 kW must be compensated by suppliers at either a monthly average LMP, or the supply rate in their customer contract. Customers with distributed generation of 20 kW or less will be paid the full retail rate, which for alternative suppliers means the contract commodity supply rate, exclusive of any monthly service charges or similar items.

Suppliers may charge customers a maximum of $25 for a net metering application fee.

All competitive suppliers must file a net metering program tariff with the PSC within 30 days of the effective date of the rules or by June 30, 2009, whichever date is sooner. Commerce Energy has already asked for a waiver of the filing requirement (Matters, 5/19/09).

Michigan PSC Directs Detroit Edison to File Interim Rates

The Michigan PSC ordered Detroit Edison to file by June 26 proposed delivery rates, if any, that it intends to self-implement as the Commission hears its pending rate case (U-15768). Last year's Act 286 allows utilities to self-implement file-and-use rates if the Commission has not ruled on rate cases after 180 days, which is July 26 in the case of Edison's pending rate case.

Testimony has not yet been submitted in the case (pre-filed testimony is due July 9), and a decision is not expected until January 2010.

Intevenors will have an opportunity to file comments on Edison's interim rates.

Unlike Consumers Energy's pending rate case, Detroit Edison has proposed maintaining the current cost-based distribution rates for retail access customers, with only full service rates subject to the deskewing process to remove the current residential subsidy (Matters, 1/28/09). Edison has filed to maintain the Choice Incentive Mechanism, however.

The PSC recently approved interim rates at Consumers for the duration of its pending rate case. In that decision, the Commission ordered that the interim rates reflect partial deskewing, rather than an interim surcharge applied equally to all rate classes as contemplated under Act 286, since such an equal surcharge would frustrate efforts to remove the residential subsidy within five years as mandated by law (Matters, 5/13/09).

Briefly:

AEP Energy Partners to Sell Oklaunion Interest

AEP Energy Partners and Texas North Company have made preparations to offer their interests in the Oklaunion generating plant for sale, AEP said in an email the PUCT Commissioners which was made part of the public record in docket 36416, AEP's appeal of the ERCOT congestion zones. AEP said the decision is not related to the PUCT's denial of the appeal. AEP's Oklahoma utility, Public Service Company of Oklahoma, has an interest in the plant that is not for sale, and PSO will remain the operator of the plant. AEP expects that any transfer of the Energy Partners' interest would take place next year.

PUCT Opens Dockets on Standard Guaranty, TOS Documents

The PUCT has opened dockets to implement POLR terms of service and notification documents pursuant to Subst. R. §25.43 (37034), and to develop the standard guaranty agreement and letter of credit required by Subst. R. §25.107(f)(4)(F) and §25.107(f)(4)(G)(i) (37035).

Shell Power & Gas Chief Resigns, Organizational Changes Announced

Linda Cook, Shell's chief of gas, power and renewable energy, resigned yesterday, ahead of the installation of new CEO Peter Voser in July. Cook had been in the running for the chief executive position. Shell also announced a series of organizational changes effective July 1. Its upstream business, which is now segmented by industry (Exploration & Production, Gas & Power, and Oil Sands) will instead be divided into two divisions: Upstream Americas and Upstream International. Marvin Odum, currently Shell's Executive Vice President for EP Americas, will become Director for Upstream Americas. However, trading and alternative energy activities, excluding wind, will be moved into Downstream operations, which will still be led by Mark Williams.

Michigan PSC Approves Supplier Renewable Plans

The Michigan PSC approved the renewable energy plans of alternative electric suppliers Exelon Energy, Liberty Power Delaware, Liberty Power Holdings, Premier Energy Marketing, UP Power Marketing and The Royal Bank of Scotland. The PSC said the following suppliers are not required to file a plan until serving load: American PowerNet Management, Nordic Marketing, and Energy International Power Marketing Corporation, d/b/a PowerOne.

ECS ... *from 1*

simply can't win under particular descending clock formats, and have stopped participating in those auctions. ECS' system will use a blind auction, which, when combined with the limited field of suppliers, should increase the chances of winning for suppliers submitting bids.

Smith also said ECS' process will allow suppliers to reflect value-added services, and won't simply evaluate the lowest priced offer.

BidURenergy.com, once fully launched, will be available to all customer classes, though ECS' current load response portfolio is heavily weighted to large non-residential customers. Like many brokers, there will be no fee for end users, with ECS receiving compensation from suppliers.

The reverse auction venture is the latest expansion in the ECS product suite. Since 2007, it has been focusing on selling energy efficient products to its load curtailment customers.

Order 719 ... *from 1*

signals to the energy market, and thereby blatantly disregards the Commission's directives in Order No. 719," Dynegy said.

The "principal defect" in MISO's current operating reserve demand curve system is that MISO exhausts all measures in the Reliability Assessment Commitment (RAC) process before deploying the demand curve, DC Energy explained. Such measures include exhausting all emergency ranges on generating resources, initiating emergency energy purchases, and implementing voltage reductions.

Such measures, "mask prices from the market for demand response and supply resources since they rely on non-transparent emergency actions and curtailment of exports," RRI Energy agreed.

"[T]he Midwest ISO's existing provisions discourage investment and participation in the market because its rules do not allow the market to properly value energy at a given time ... If prices do not indicate shortages in advance of emergencies, there will be no incentive for investments that allow customer response to efficiently avoid emergencies in the future," RRI Energy added.

The Midwest TDUs, however, backed MISO's conclusion that its existing tariff meets the requirements of Order 719.

Demand Response

The state of demand response in the MISO market also engendered comments.

Filing as Demand Response Supporters, most of the major curtailment service providers noted that MISO only has a total of 45 MW of demand response resources registered to participate in its ancillary services markets, compared to 444 MW in ISO-NE, 331 MW in NYISO, and 5,717 MW in PJM's economic program. The DR Supporters believe that a single company (Alcoa) is responsible for all 45 MW. Furthermore, Alcoa has invested in excess of $750,000 in its efforts to participate in MISO's current ancillary services market, highlighting the economic barriers that exist for load response resources.

The DR Supporters also said MISO does not permit demand resources to provide spinning reserves as required by Order 719. Alcoa opposed MISO's requirement to link all demand response resources to a host load zone, arguing that demand response resources operate as independent resources.

As previously reported, MISO's compliance filing did not include a proposal for the aggregation of retail customers for load response programs, though MISO did submit an informational strawman proposal.

Detroit Edison raised two concerns about aggregating retail customers for demand response. First, Detroit Edison noted MISO's informational filing did not include any requirement that a curtailment service provider submit relevant information to the responsible LSE that serves the load aggregated by the provider.

"This oversight could ultimately lead to serious reliability issues, if load being served by the distribution function of the LSE can suddenly appear or disappear from the system without any advance notification to the LSE," Detroit Edison said.

Additionally, Detroit Edison said aggregation of retail customers for demand response could create cost shifts to LSEs and their other retail customers, due to Revenue Sufficiency Guarantee charges associated with load deviations between the Day-Ahead and Real-Time energy market.

Duke Energy noted that MISO has said that demand response resources may be allowed to provide five-minute interval data, rather than one-minute interval data, to reduce barriers to entry. Duke sought to ensure that the five-minute interval data accommodation will similarly be extended to generation resources providing contingency reserves. "Disparate treatment for generation resources providing contingency reserves is not warranted and may be unjust, unreasonable and unduly discriminatory," Duke said.

ELCON, in comments made on all the RTO filings, said the primary shortcoming of the various RTO demand response proposals is that RTOs, "appear to have incorrectly equated 'comparable treatment' to 'identical treatment.'"

"The ISOs and RTOs have, for the most part, proposed to place conditions and requirements on demand response providers identical to those for generators based on systems and practices originally established to meet the specific needs of generators. Simply put, demand response providers should not be penalized because the computer and control systems of ISOs and RTOs originally were designed to operate generation resources," ELCON said.

ELCON also argued RTOs should be compelled to actively pursue national uniformity on demand response parameters and requirements.

Other Issues

Seeking to link the issue to demand response, RRI Energy said that centralized capacity markets in PJM and ISO New England have successfully addressed barriers, and allow demand resources to provide capacity. Demand response participation in the Midwest ISO's Module E capacity construct "will forever be limited" as long as its rules distort price signals and provide short-term investment signals for a long-term product, RRI Energy said, listing the current Module E drawbacks as: monthly capacity products rather than forward looking annual products; reliance on LSE-specific forecasting instead of centralized forecasting; a reliance on recallable import capacity; and incomplete penalty/compliance provisions.

DC Energy said that MISO should release all bid and offer data, not just cleared bid and offer data as proposed. DC Energy also sought to eliminate deviation charges applicable to virtual energy purchases during times of operating reserve shortages when physical load deviations are not assessed such charges.

EPSA raised a concern about a recent trend at MISO under which tariff changes are proposed and approved at lower-level working groups, with such changes bypassing the Advisory Committee and submitted directly to FERC for approval.

"This is counterintuitive to Order No 719's directive regarding fairness in balancing diverse interests because many of the lower-level working groups are not weighted by sector as is the Advisory Committee," EPSA said.

Also, several issues that originate in lower-level working groups are escalated too quickly to allow ample time for Advisory Committee members to consider the issue and its implications for particular sectors before a vote, EPSA added.

ISO New England (ER09-1051)

Among the issues engendering most discussion from ISO-NE stakeholders were changes to the ISO New England mission statement, and the lack of changes to the market monitoring structure.

ISO-NE has proposed to include language requiring the ISO to pursue "cost-effective" policies, but several stakeholders, particularly the Maine PUC and other Maine representatives, argued that the ISO should instead strive for the "lowest reasonable cost" in its markets and operations.

While the ISO says making it determine the reasonableness of competing projects would place it in the role of a regulator, the Maine PUC noted ISO-NE's OATT already subjects the ISO to making a determination of reasonableness for the purpose of localized cost determinations.

Fueled by the ISO's recent report that certain capacity importers had failed to deliver energy in some 100 hours as required (later retracted by the ISO as a mistake), Connecticut load representatives pushed for changes in the ISO's market monitoring structure.

"It is clear that the ISO-NE's proposed reforms do not provide the safeguards that are essential to assure that market monitoring decision-making is independent from ISO-NE. ISO-NE's proposed reforms are also inadequate to cure the external market monitor's isolation from day-to-day market operations, which prevent it from competently fulfilling even its limited duties," Connecticut Attorney General Richard Blumenthal said in requesting hearing procedures.

The Connecticut DPUC likewise added that, "[r]ecent incidents make clear that ISO-NE's market monitoring function requires far more comprehensive revisions to meet the Commission's objectives in Order No. 719 ... The CT DPUC does not oppose retaining a hybrid structure, but the internal market monitor's role should be confined to nondiscretionary tasks - i.e., administration of automatic mitigation procedures - and the external market monitor's role must be strengthened considerably and revitalized to act as an independent, aggressive advocate for fair and competitive markets."

The DPUC further called it "reckless" to give the internal market monitor comprehensive responsibility for policing the same organization to which it belongs and is beholden.

Provisions for the facilitation of long-term contracting also drew comments. The NEPOOL Industrial Customer Coalition noted ISO-NE does not intend to implement an electronic bulletin board for such contracts until the first quarter of 2011, due to work on other projects. The industrials called the delay unnecessary given PJM's offer to make its long-term contracting bulletin board available to other RTOs.

The Massachusetts DPU welcomed the bulletin board requirement, noting it has promoted the use of long-term contracts as a means of supporting financial investment in renewable resources and their associated development costs.

"Long-term contracts with load on a delivered price basis can further the expansion of renewable resources in a manner that does not compromise, and instead diversifies competitive wholesale electricity markets. Furthermore, it does so without shifting the risks of generation development onto ratepayers through development subsidies, such as the socialization of generation interconnection costs in regional transmission tariffs," the DPU said.

California ISO (ER09-1048)

The California PUC said it will soon begin a proceeding to identify state legal, technical and policy issues related to implementation of Order 719.

The PUC noted that parties to various proceedings at the PUC have raised questions related to whether direct bidding of retail load into the CAISO wholesale markets as demand response either explicitly or implicitly conflicts with state laws, procurement rules and/or processes or policies.

Along the same line, Pacific Gas & Electric argued that until the PUC completes its evaluation, demand response should continue to be bid into the CAISO through the investor-owned utilities, stating it is premature for aggregators to directly participate in the CAISO market.

RRI Energy recommended that FERC direct CAISO to provide, within 30 days of the issuance of the Commission's order on the CAISO compliance filing, a plan and schedule for working collaboratively with the California PUC to develop an over-arching set of design principles upon which the CAISO will formulate a conceptual proposal for a multi-year forward centrally-cleared capacity market, to reduce barriers to demand response.