Energy Choice Matters

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Citizens'/Wellsboro Submit Joint Default Service Plan Maintaining Portfolio Approach

Citizens' Electric Company and Wellsboro Electric Company have filed with the Pennsylvania PUC for approval of a three-year joint default service plan that generally maintains the current portfolio approach used by the two small utilities. The plan would cover the period from June 1, 2010 through May 31, 2013.

The utilities propose to continue to procure an annual block or blocks of 7x24 power in the amount of 20-25 MW. Citizens' has a peak load of 46 MW, while Wellsboro has a peak load of 25 MW.

The remainder of the companies' load would be procured via 5 MW (or larger) 5x16 blocks, purchased during the course of the four quarters prior to the month of delivery. Remaining load requirements would be met through PJM spot purchases.

However, Citizens' and Wellsboro also propose an abbreviated approval process that would allow them to enter multi-year procurements if favorable conditions exist. The procurements could include two-, three-, or four-year products, as well as "long-term" products as defined by Act 129 (four to 20 years). The companies propose that any request for a multi-year procurement be acted upon by the PUC within 30 days. The use of any such procurement would not constitute an amendment to the default service plan, under the utilities' proposal.

"The Companies believe that such flexibility will enhance the opportunities for success in an actively managed plan, while still providing the appropriate oversight by the Commission."

Another proposed modification from the current plan is that Citizens' and Wellsboro propose that

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ERCOT Withdraws Reactive Power Protocol Clarification on Procedural Issue

ERCOT has withdrawn a Protocol Clarification/Interpretation on reactive power capability requirements due a procedural deficiency, ERCOT said in a market notice. The interpretation is the subject of an appeal at the PUCT from several wind generators (Matters, 12/15/08).

In November 2008, ERCOT notified market participants of a Protocol Clarification/Interpretation relating to subsection (2) in Protocol Section 6.5.7.1 (Generation Resources Required to Provide Voltage Support Services Installed Reactive Capability), and subsection (5) in Protocol Section 6.7.6 (Deployment of Voltage Support Service).

In its November clarification, ERCOT said that the Protocols require a generator to have and maintain a Unit Reactive Limit (URL) with a power factor capability of +/- 0.95 at all levels of generation.

Wind generators have countered ERCOT's interpretation, arguing that the Protocols hold that the minimum reactive capability is determined in proportion to the real power output of a generator. Wind generation units produce reactive power at their Unit Reactive Limit only when operating at full output, and thus would fail to meet ERCOT's clarified reactive power requirement when not at their full output. The wind generators' appeal at the PUCT is currently abated.

Since issuing its notice, ERCOT has discovered that it failed to follow the full procedural

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PPL, PUC Staff, Consumer Advocates Reach Settlement on Optional Green Tariff

PPL Electric Utilities would offer residential and small commercial customers a voluntary REC product under a settlement reached with the Pennsylvania PUC Office of Trial Staff, the Office of Consumer Advocate, and the Office of Small Business Advocate (Matters, 3/27/09).

The Retail Energy Supply Association, which is not a party to the stipulation, had raised preliminary concerns about the program, because PPL has said the program should not be considered default service, and thus it not need be consistent with default service regulation. RESA argued that the electricity choice act provides no basis for an electric distribution company to provide generation services other than default service.

Eligible customers would be able to purchase blocks of 100 kWh each month, at a price of $2.50 per 100 kWh block. Customers may leave the voluntary product without penalty at the end of a billing cycle, upon 16 days notice. RECs will come from wind (Tier I) and large-scale hydropower (Tier II). Although the RECs will be compliant with the Pennsylvania Alternative Energy Portfolio Standard, the RECs bought by customers will be retired, and not be used to meet PPL's compliance mandate, or that of any other entity.

PPL would cap the total amount of blocks sold at 3.3 million over the term of the program. The program will expire May 2013, and PPL will be required to file a new plan if it wishes to continue to offer the product.

Community Energy would provide RECs under the program, and will assume the primary marketing functions. Marketing strategies will include bill inserts and other various measures.

PPL would provide Community Energy with "limited" customer information to facilitate marketing of the product. Information would include customer name, service address, mailing address, and account number for enrollment purposes. Customers' telephone number, email address and historical usage data will not be provided without prior customer consent.

As part of the settlement, PPL is withdrawing its request to bank RECs for future compliance with the Alternative Energy Portfolio Standard, including banking credits from its Compact Fluorescent Lamp program.

APPA Says Higher Profits at Competitive Generators Show Failure of Competition

Consumers paid a $20 billion "deregulation penalty" in surplus costs to three PJM generating companies alone since 2001, says a report prepared for the American Public Power Association by financial consultant Edward Bodmer.

Bodmer's paper, entitled The Deregulation Penalty, examines earnings reports of various PJM generators to evaluate return on equity, cash flow, return on invested capital, and other metrics. However, Bodmer's analysis finds that, "the financial data are not sufficient to fully evaluate the costs and benefits of these markets. Financial data on unregulated generation is buried in the earnings of large holding companies, where the accounting data are often not reported separately for the generation units."

Nevertheless, Bodmer concludes that when examining the generation segments of Exelon, PSEG and PPL, whose results are said to be broken out in earnings reports, the average surplus costs to consumers amount to $20 billion since 2001. The surplus cost is derived by subtracting the return on equity for the generating subsidiaries from the average return on equity for several utilities.

However, Bodmer concedes that potential biases arise from accounting adjustments and debt leverage that are present in the return-on-equity calculation. Accordingly, Bodmer calculates two other measures of financial performance for merchant generators: return on invested capital and cash flow.

But Bodmer only examines these metrics for merchant companies, and only compares their historic performance over time, as opposed to comparing them to the regulated utilities. Bodmer argues that, "[i]t is difficult to make an accurate comparison using these measures with available data on the regulated companies."

Regardless, Bodmer concludes that excessive earnings by several merchant generators indicate that the revenues from the sale of electricity greatly exceed the costs of producing electricity. "Were these restructured markets truly competitive, as is claimed by their supporters, such high profits would bring additional entrants into the market and drive down the prices," Bodmer observes.

Included in Bodmer's analysis were Exelon, Allegheny, Public Service Enterprise Group, Constellation Energy, and PPL Energy (defined as "core" PJM companies due to their split from incumbent utilities), as well as Mirant, RRI Energy, NRG Energy, and Edison Mission Group's Midwest Generation (defined as "merchant" companies).

Bodmer added that shareholder earnings of the PJM companies were between $19 billion and $26 billion above shareholder earnings at the regulated companies.

Distributed Generation, Market Power Bills Fail to Pass as Texas Session Ends

Texas lawmakers adjourned Monday night without acting on the pricing for excess distributed renewable generation, creation of a non-wind RPS carve-out, and market power issues.

Coming closet to passage was HB 1243 which would have required REPs to buy excess distributed renewable generation from customers at either the local market clearing price, or fair market value determined by the PUCT. The bill, in different forms, passed both chambers, but the House refused to pass the Senate's amended version, which expanded the bill to include a solar rebate program, a distributed gas-fired generation program, and electric cooperative governance reform (Matters, 5/29/09).

The solar rebate program also did not advance as a stand-alone measure in SB 545, which also included, in the Senate-passed version of the bill that died in the House, another requirement for REPs to purchase excess renewable distributed generation at fair market value.

SB 541 would have created a carve-out in the RPS for non-wind resources, and would have mandated that REPs procure non-wind RECs to meet the requirement (Matters, 5/12/09). After passing the Senate, the bill died in the House.

A bill (SB 1772) that would have given the PUCT authority to order restitution in cases of market manipulation also failed to win passage. The bill also would have created a retail market monitor.

Also not advancing were municipal opt-out aggregation bills. The companion bills did not even get a hearing at the Senate committee level, and were left pending in a House committee.

Due to chaos surrounding transportation funding, a special session, which may only be called by the governor, remains possible, though Gov. Perry's office downplayed the effects of the failure to pass a bond measure on several state agencies. Should a special session be called, Perry would set the agenda.

ComEd Files for 141,000-Meter AMI Pilot, Experimental Pricing

Commonwealth Edison has asked the Illinois Commerce Commission to approve an Advanced Metering Infrastructure (AMI) pilot program that would include 141,000 AMI meters and several pricing and technology options.

As part of its proposal, ComEd would test 24 different experimental combinations of rate designs, customer technology, information, and education. Each such "application" is designed to test customer receptivity to a specific pricing and technology package, as well as estimate the likely change in the electricity demand and energy consumption resulting from customer adoption. Randomly selected and appropriately sized groups of customers will be assigned to each application.

The tests would combine one of several forms of pricing (flat rate; increasing block rate, Time of Use rates, day-ahead Real-Time Pricing, day-ahead Real-Time Pricing with Critical Peak Pricing, or day-ahead Real-Time Pricing with Peak Time Rebates) with one of several technology options (none, website with hourly information; website plus an in-home display; website plus an advanced in-home display with more information and controls; or website plus in-home display plus a programmable controllable thermostat).

The experimental rates and programs would cover 129,000 residential and non-residential customers with AMI meters, along with 5,000 customers not on AMI meters. Different combinations are designed to either induce demand response (peak pricing), load shifting (TOU rates), or energy efficiency (increasing block rates).

As part of its plan, ComEd asked for a limited waiver of applicable Integrated Distribution Company rules which normally prevent ComEd from offering options other than basic service, or promoting its supply service in any way.

ComEd said that the AMI pilot and experimental rates are neutral, although they will be based on bundled service rates. However, ComEd said they will not interfere with customers electing to switch to or from a retail supplier, and customers under the experimental rates will be free to leave them at any time, with no exit fee, using the same process used by other bundled service customers. ComEd will not encourage any customer to remain on the experimental pricing, and will immediately terminate marketing AMI pilot applications to any customers expressing a desire to switch to competitive supply.

ComEd proposed installing approximately 100,000 meters in a demographically varied, yet operationally manageable, footprint that includes nine towns in its Maywood operating area: Bellwood, Berwyn, Broadview, Forest Park, Hillside, Maywood, Melrose Park, Oak Park, and River Forest. Approximately 30,000 AMI meters would be installed within the City of Chicago, with approximately 10,000 in the City of Elgin, the municipality that won the applicable portion of ComEd's Community Energy Challenge.

ComEd projects that $49.1 million in capital investments in AMI pilot-related assets will be recoverable under Rider AMP, of which $47.0 million relates to technology portions of the pilot. ComEd estimates that the operating expenses of the AMI experimental pricing and technology plans will be $12.6 million.

Gexa: Ohio Switching Fee Waiver Would Not Subsidize Competition

Gexa Energy rebutted arguments from Ohio Edison and Cleveland Electric Illuminating that granting a requested waiver of the $5 per customer switching fee for customers of the Northeast Ohio Public Energy Council would amount to the subsidization of competitive service, as Gexa noted the fee is only imposed on opt-out governmental aggregations (Matters, 5/28/09).

The fee is due to be eliminated by new rules from the Public Utilities Commission of Ohio; however, the enrollment of NOPEC customers with Gexa could occur before the rules' effective date. The FirstEnergy utilities intend to apply the fee under such a situation, which prompted a complaint from NOPEC.

The FirstEnergy companies have claimed waiving the fee would force non-shopping customers to subsidize costs associated with the switching process for shoppers.

However, Gexa countered the companies' argument, by noting that under the utilities’ 2001 tariff, the fee is only applicable to opt-out governmental aggregation suppliers. Suppliers who serve other customers who switch in mass volumes, including switches at the behest of large opt-in governmental aggregations, or large non-governmental aggregations, are not assessed the fee, Gexa noted, and the lack of any switching fee for such customers has not been deemed to amount to subsidization.

Gexa also said that PUCO does not have to wait for the new rules to take effect to grant a waiver of the fee, as the Commission has the authority to declare the 2001 tariff provision unjust, unreasonable or unlawful, pursuant to R.C. 4905.26.

A stay of the application of the fee must be granted while PUCO hears the complaint, Gexa said, as the prohibition against retroactive ratemaking would preclude Gexa from recovering the fees from the FirstEnergy utilities if they are collected but later reversed.

Gexa claimed that by collecting the switching fee, "FirstEnergy is seeking a windfall on the back of a simple timing issue caused by the delayed effective date of the New Rule."

Briefly:

U.S. Energy Savings Receives Mass. License

Massachusetts Energy Savings Corp., a subsidiary of Just Energy (f/k/a U.S. Energy

Savings), has received a competitive electric supplier license from the Massachusetts DPU. According to the DPU's supplier listing, Energy Savings will market to residential and commercial customers.

FirstEnergy Solutions Wins NOAC Aggregation

FirstEnergy Solutions has won a contract to provide electricity supply to the Northwest Ohio Aggregation Coalition, which aggregates nine communities and approximately 200,000 residential and small business customers. The new NOAC agreement runs through May 2011, and NOAC member communities must still approve individual contracts. The agreement would provide a 4% discount for small commercial customers. With the NOAC agreement, FirstEnergy Solutions said it will serve approximately 600,000 residential and commercial customers in nearly 50 government aggregation communities and groups in Ohio.

Glacial Energy Seeks to Expand Maine License to Small C&Is

Glacial Energy has applied at the Maine PUC to expand its competitive electricity provider license to include small non-residential customers, in addition to the current medium and large non-residential customers.

DPUC Draft Would Make Direct Energy Services an Electric Efficiency Partner

The Connecticut DPUC would grant Direct Energy Services' application to become a General Partner and a Vendor Partner under the Connecticut Electric Efficiency Partners Program, under a draft decision released yesterday (Matters, 7/14/08). Direct Energy Services intends to market, sell, and install a product line of chillers with ice storage equipment under the efficiency program, and may also sell high-efficiency chillers and/or equipment allowing such chillers to be operated with natural gas at a later date.

Centrica Agreement for Additional Trinidad Gas Could be Used to Supply Direct Energy

Centrica has reached an agreement with Canadian Superior Energy Inc. under which Centrica could acquire a 45% interest in gas development Block 5(c), located off the south east coast of Trinidad, for $142.5 million in cash. The agreement is subject to pre-emption rights from the existing field partners and subject to approvals from the Trinidad Government and Canadian courts. Recoverable reserves attributable to a 45% stake are estimated at 650 bcf. The block offers a potential future gas supply option for Direct Energy customers in North America, as well as British Gas customers, and could be used to reduce exposure to volatile wholesale gas prices.

AEP Issues Renewable RFP

AEP has issued RFPs for long-term purchases of up to 1,100 MW of renewable energy, in the form of commercially proven renewable energy technologies such as wind, certified low-impact hydro, commercial-scale solar, geothermal, biologically derived methane gas and certain biomass and biofuels energy projects. The generation must be interconnected to PJM or the Southwest Power Pool and be operational no later than Dec. 31, 2011 (www.AEP.com/go/rfp).

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they be allowed to use financially settled products, such as call options and swaps, in their portfolios. Currently, the utilities only procure physical power, and the companies said expanding the portfolio to financial products would increase the number of potential counterparties. Financial products are also expected to reduce the utilities' posted credit obligations.

Tier I and Tier II alternative energy credits will be procured in 5,000 MWh blocks through a managed portfolio approach, with the companies entering the market when conditions are favorable. Solar credits will also be procured where available, but the companies reserved the right to declare force majeure if sufficient quantities are not available.

Citizens' and Wellsboro also sought authorization to pursue congestion management strategies as part of the default service plan, including participation in the PJM Auction Revenue Right allocation, and the development of a Financial Transmission Right portfolio. At this time, the utilities only proposed participating in the monthly and annual FTR process, and do not intend to seek long-term FTRs.

The companies would continue to adjust generation supply service rates quarterly.

ACES Power Marketing would continue to serve as the companies' portfolio manager.

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requirements in P.U.C. Substantive Rule 25.503(i), Official Interpretation and Clarification Regarding the Protocols, before issuing its November 13, 2008 Protocol Clarification/ Interpretation. Specifically, P.U.C. Substantive Rule 25.503(i)(3) requires that ERCOT consult with PUCT Staff before issuing an official Protocol Clarification/Interpretation. ERCOT Staff neglected to consult with PUCT Staff prior to the issuance of the November Protocol Clarification/Interpretation.

Accordingly, ERCOT withdrew its Protocol Clarification/Interpretation due to the limited procedural issue. ERCOT said its opinion of the ERCOT Protocol Reactive Power capability requirements is unchanged.

Should the original market participant requesting the clarification wish to still request such clarification, ERCOT will follow the full procedural requirements in P.U.C. Substantive Rule 25.503(i) before issuing any further Protocol Clarification/Interpretation.