Energy Choice Matters

June 5, 2009

O&R Firm on Limited Scope of New Service Customer PowerSwitch Expansion

Orange and Rockland intends to only make changes to its PowerSwitch ESCO Referral program enrollment process to allow it to accept new service customers, and the utility does not intend to make any other changes to the program, rebuffing several recommendations from ESCOs on the program (07-E-0949, Matters, 5/13/09).

O&R said it will only make various technical and backoffice changes to the physical enrollment process that will allow a customer initiating new service to opt for the PowerSwitch program. O&R is not proposing that it promote the referral program in new service initiation calls, and O&R stressed it not proposing any additional revisions to its PowerSwitch program.

Moreover, the utility is not agreeable to promoting PowerSwitch to new customers during service activation calls, or to other suggested changes, such as allowing ESCOs to act as the customer's agent to enroll the customer in PowerSwitch, or allowing some ESCOs to opt out of taking new service customers.

"Direct promotion of the program is contrary to the Commission's October 27, 2008, Order Determining Future of Retail Access Programs in Case 07-M-0458," O&R said.

Furthermore, O&R said it has always required the customer, and not an agent for the customer, to submit the PowerSwitch enrollment to allow for timely processing, and so that the customer's consent is properly retained in the event that the consent is subsequently challenged.

"These Program features are important because PowerSwitch is identified as the Company's

Continued P. 5

RESA Recommends Uniform Gas Supplier Security Requirements in Pennsylvania

The Pennsylvania PUC should establish a statewide formula to be used by all natural gas LDCs to calculate the amount of security owed by suppliers, the Retail Energy Supply Association said in comments on a rulemaking dedicated to security requirements under the Commission's SEARCH Initiative (Matters, 12/5/09).

Currently, Chapter 52 of the Pennsylvania Code only specifies that the amount of security should materially reflect the difference between the cost of gas incurred and the supplier's charges, if any, incurred by the LDC during one billing cycle. That provision has been interpreted differently by different LDCs, and different formulas have acted as a barrier to entry for suppliers, RESA said.

RESA recommended modifying Section 62.111(c)(1) of the code to establish a uniform, statewide security calculation, under which security cannot exceed the suppliers' customers' Maximum Daily Quantity times the peak forecasted NYMEX price for the next 12 months and for upstream capacity to the city gate times 10 days.

Under RESA's proposal, suppliers would also be permitted to request a peak (winter) and off-peak (summer) security calculation to reflect decreased customer load and the attendant lower risk.

RESA also suggested additional changes to limit the events that can trigger a creditworthiness

Continued P. 6

United Illuminating Reports May 2009 Shopping Data

3rd Party Supplier Accounts	May '09 Residential	May '09 Commercial/ Industrial	May '09 Total	April '09 Total	Change
Clearview Electric, Inc.	18	3	21	2	19
Consolidated Edison Solutions	2,976	855	3,831	2,989	842
Constellation New Energy, Inc.	315	3,117	3,432	3,418	14
Direct Energy Business, LLC (Strategic)	10	658	668	657	11
Direct Energy Services, LLC	6,898	1,137	8,035	7,244	791
Dominion Retail, Inc.	16,260	1,265	17,525	17,057	468
Gexa Energy Connecticut, LLC	2	128	130	119	11
Glacial Energy of New England, Inc.	24	339	363	363	0
Hess Corporation	0	60	60	60	0
Integrys Energy Services, Inc.	3	1,728	1,731	1,734	(3)
Liberty Power Delaware, LLC	0	24	24	23	1
MX Energy	1,158	826	1,984	2,080	(96)
Public Power & Utility, Inc.	3,379	865	4,244	3,510	734
Sempra Energy Solutions	33	649	682	685	(3)
Suez Energy Resources NA	0	137	137	131	6
TransCanada	8	455	463	463	0
Total All 3rd Party Suppliers	31,084	12,246	43,330	40,535	2,795

Data as of May 31, 2009

Aggregate Data

Last Resort Service-UI		%
Total # ALL Accts	295	
Total ALL MWhs	104,841	
Total 3rd Party Accts	261	88%
Total 3rd Party MWhs	93,863	90%
C&I Standard Service-UI		**%**
Total # ALL Accts	37,634	
Total ALL MWhs	171,106	
Total 3rd Party Accts	11,985	32%
Total 3rd Party MWhs	104,978	61%
Residential Standard Service-UI		**%**
Total # ALL Accts	288,747	
Total ALL MWhs	151,977	
Total 3rd Party Accts	31,084	11%
Total 3rd Party MWhs	18,295	12%
Total All UI		**%**
Total # ALL Accts	326,676	100%
Total ALL MWhs	427,924	100%

CT Clean Energy Options Data

CT Clean Energy Options Accounts	Residential	Commercial/ Industrial	Total
Community Energy 50%	281	4	285
Community Energy 100%	2704	41	2,745
Sterling Planet 50%	266	11	277
Sterling Planet 100%	906	62	968
Total All CT CleanEnergy Options Suppliers	4,157	118	4,275

Md. PSC Orders SOS Stakeholders to Meet with Solar Industry on RPS Compliance Plan

The Maryland PSC ordered the SOS stakeholders to conduct meetings with the solar industry regarding a joint proposal meant to address the implications of changes in Maryland's RPS law on wholesale suppliers' contractual obligations imposed under existing 2006 and 2007 SOS Full Requirements Service Agreements (FSA), including the use of a competitive auction to procure solar RECs.

Starting in 2008, a solar-specific Tier 1 RPS requirement was imposed on LSEs. While the FSA calls for wholesale suppliers to meet the increase in the RPS obligation for load served during the remainder of the SOS year in which the change takes effect, compliance in future years of multi-year contracts after the change takes effect is to be addressed by parties through a collaborative.

As the RPS change took effect in the middle of an SOS year on January 1, 2008, wholesale suppliers were responsible for compliance for the remainder of that SOS year (which ran through May 31, 2008). The SOS stakeholders met to addresses how to meet the new RPS requirement for the period after May 31, 2008, for the remainder of the 2007 SOS FSA contract term.

The SOS stakeholders said that there are no 2008 solar RECs available at this time. Accordingly, the SOS stakeholders recommended that the solar RPS obligation for load served under the 2007 SOS FSAs for the June 1, 2008 to December 31, 2008 period be met through the payment of the alternative compliance payment by the utilities for their associated load. Utilities would recover the cost in the normal course of business.

However, U.S. Photovoltaics countered that there are at least 42 2008 Maryland solar RECs available for purchase from 16 of its clients. U.S. Photovoltaics has offered the solar RECs under long-term contracts as contemplated by statute, but, "[s]uppliers have refused to purchase those SRECs under such agreements and have limited their purchases to those available on the spot market for the particular compliance year," U.S. Photovoltaics said in comments on the SOS stakeholders' proposal.

As solar RECs may be available in 2009, the SOS stakeholders suggested that the Commission adopt a competitive auction to meet the solar RPS obligation for load served under the 2007 SOS FSAs for the January 1, 2009 to September 30, 2009 time period. The SOS stakeholders recommended that an auction be held in the November-December 2009 time period, so that utilities know how much qualifying load was served between January 1, 2009 to September 30, 2009, and therefore know the associated solar RPS requirement. If there are not enough 2009 solar RECs bid into the auction below the compliance fee price to meet the actual RPS requirement, utilities would pay the compliance fee for any remaining obligation.

However, U.S. Photovoltaics argued that, "[a] poorly designed auction system risks discouraging long-term contracts and undermining the clear intent of the legislature to support such contracts."

Another solar supplier, though, argued against mandating the use of long-term contracts to comply with the solar RPS carve-out. Astrum Solar, an aggregator of RECs, noted that while the RPS creates a mechanism for Level 1 solar system owners to sell solar RECs to utilities under a 15-year contract, it does not require utilities to meet their RPS target in such a manner. If utilities are uninterested in long-term contracts, solar REC owners should make RECs available for spot purchases, or otherwise the RECs should be deemed unavailable, Astrum said, adding that it would be "happy" to participate in a solar REC auction.

After reviewing the SOS stakeholders' proposal, the Commission directed the SOS stakeholders to meet with representatives from the solar industry and report back to the Commission in 30 days on the results of the meetings.

One-third of ComEd Residential Real-Time Pricing Customers See Higher Bills

The average participant in Commonwealth Edison's Residential Real-Time Pricing Program (RRTP) saved 2.5% in 2008, but one-third of customers ended up paying more than what they would have paid if they had been on standard, fixed rates, program administrator Comverge said in an annual report. The Illinois Commerce Commission is accepting comments on the ComEd report, and a similar report for Ameren's smart pricing program.

The 33% of customers who saw negative savings on real-time pricing tended to use less electricity than other participants, which may indicate that the $2.25 real-time pricing meter fee might be too high of a hurdle to overcome, Comverge said. Participants whose average bill was less than $40 per month were most likely to have negative or low savings as a percentage of their bill.

The negative savings were also caused by price volatility in the early part of 2008, and the negative savings prompted Comverge to halt marketing efforts from May through October 2008. Customer enrollments were also suspended until October 14, 2008.

For the two-thirds of customers who did save money, the average monthly decrease in bills was $10.89.

In 2008, messaging that focused on customer control over costs and savings received better responses, and two-thirds of the participants stated that they joined the program to save money.

Comverge recommended continued aggressive marketing to Nature First and E-bill customers, and is also testing the efficacy of an email campaign. Comverge also said that continued targeted mass marketing will be supplemented by local and event-based marketing.

Furthermore, Comverge recommended that ComEd test the use of its corporate logo in marketing materials to lend additional credibility to the residential real-time pricing program.

Reply cards accounted for 55% of program enrollment, with 42% conducted through the program's website, and 3% through the Comverge call center.

Comverge reported that for 2008, the majority of residential real-time pricing participants were college-educated with above average incomes, dual earners, and exhibited an older family skew (school-aged children and teenagers). Many participants were top business executives, such as business managers, and financial and health care professionals. Additionally, many older families on fixed incomes also enrolled in the program.

Ameren

In a report on Ameren's power smart pricing program, Summit Blue Consulting found that the aggregate savings for customers in 2008 was 9.0% versus what customers would have paid on default rates. Average annualized savings were 7.7%, but when including the conservation effect of customers on the real-time pricing program, annualized savings were 9.1%.

Overall demand elasticity was 4.3%.

Program administrator CNT Energy also reported that 53% of customers heard about the program through direct mail, while 30% heard about it through information included with bills. However, while media coverage did not directly account for a large number of enrollments, CNT said that response rates to direct mailings were generally higher in communities where the local media had covered the program. Increasing efforts to pair media outreach and direct mailings could help to improve the effectiveness of future direct mail campaigns, CNT said.

CNT also suggested using the Ameren logo to increase credibility and make the marketing materials look more official.

Most real-time pricing participants were highly educated, with 81% of surveyed participants having pursued additional education after high school.

More than half (61%) of the participants have household incomes of greater than $50,000, while 23% of surveyed participants have a household income $25,000 to $49,999.

Calif. PUC Tells Utilities to Review Owned Generation for RPS Compliance

The California PUC stressed that it expects utilities to seriously consider utility-owned generation in meeting their RPS compliance targets, the Commission said in a decision conditionally accepting the utilities' annual procurement plans (R. 08-08-009)

"We have consistently said that enforcement of the 20% by 2010 requirement will take into account whether or not each IOU undertook all reasonable actions to comply, including the building, owning and operating of its own RPS resources," the Commission said.

The PUC accepted and commended Pacific Gas & Electric's new ownership option in its 2009 renewable plan, which contemplates joint development and ownership of projects between the utility and developers. The Commission encouraged, but did not require, other utilities to develop similar programs.

Noting several large changes since the utilities' filed their plans, including the expansion of tax credits for renewable projects to include utility-owned generation, and the constrained credit climate which may hinder merchant development, the Commission ordered the utilities to submit revised renewable plans that address these and similar factors which may make utility-owned renewable generation more feasible.

"This may include, for example, opportunities for utility procurement, where reasonable, of existing, completed merchant-developed RPS projects that are facing asset liquidation," the PUC noted.

Briefly:

Md. PSC Sets Agenda for Supplier Meet and Greet

The Maryland PSC released an agenda for its June 18 competitive retail electric and natural gas supplier Meet and Greet in Annapolis. The forum is designed to discuss the current Maryland regulatory and operational environment for licensed and prospective electric and gas suppliers. PSC Staff panels will include a market overview, licensing and the RPS, and consumer protections. There will also be panels on utility coordination, the mass market, and the commercial and industrial market. The agenda is available on the PSC's website, docketed as PC19.

DD&J Receives Md. Broker License

The Maryland PSC granted DD&J LLC, which primarily markets fuel oil, an electricity broker license for commercial and industrial customers in all utility territories.

PowerSwitch ... from 1

program. If the Company is responsible for administering its ESCO referral program, it should be entitled to establish the necessary safeguards so that customers enrolled therein have consented and are enrolled in a timely fashion," O&R argued.

Allowing ESCOs to opt-out of serving new service customers under the program's expansion would confuse customers and require additional work for O&R customer service reps, O&R said.

Another change requested by ESCOs is for O&R to provide advance notification of new service enrollments under PowerSwitch. Under O&R's proposal, the first notification of the new customer to the ESCO would be via EDI on the day of enrollment, which ESCOs have said is too late to allow for them to arrange for supply. The timing results from the fact that the customer will not have an account number until the actual date of enrollment.

O&R first dismissed such concerns on the gas side, as enrollment will always occur on the first of the month with prior EDI notification to the ESCO, regardless of service initiation date, due to the nature of gas market operations. For electricity, O&R argued that because large non-residential customers are not permitted to use the PowerSwitch program, ESCOs, which are assigned customers on a rotating basis, are unlikely to pick up significant new load through the program in any given month. The daily market can be used to supply incremental needs, and, unlike the gas market, electric supplies do not require scheduled deliveries, O&R said.

While ESCOs suggested a manual process to provide advance notification of enrollment, O&R objected due to the risk of processing errors, and additional staffing requirements.

Cost recovery for the PowerSwitch expansion should be borne by ESCOs, O&R said, and not funded by deferred amounts in the retail access outreach and education budget as suggested by marketers.

Pa. Security ... from 1

from 1

review beyond what is in the PUC's proposal. RESA first said that new Section 62.111(c)(1)(iii) should be added to permit suppliers to request a decrease in security requirements when the supplier either (1) experiences a ratings upgrade to the minimum level in the rule by two of the major ratings agencies, or (2) the supplier experiences a "significant" reduction in usage or supply costs, sustained for at least 30 days. "Significant" would be defined as a reduction of 25% in either total customer load or gas supply costs. LDCs would be required to rule on a supplier request for a modified security amount within five calendar days.

Second, RESA argued that the Commission's regulations should contain a baseline creditworthiness standard that, if met, would satisfy the statutory security requirement and obviate the need for suppliers to post collateral with LDCs. RESA suggested that such a credit standard should be an investment-grade rating, or its equivalent.

Noting that suppliers often sell gas supply to LDCs, RESA said that amounts owed to the supplier for such LDC purchases should be considered a form of collateral, similar to the Commission's proposal to allow suppliers to net their receivables purchased by an LDC against their collateral requirement.