Energy Choice Matters
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Ohio Gas Marketers Oppose OCC Request to List Historic Default Rates on Choice Bills

A request from the Ohio Consumers' Counsel to require natural gas distribution utilities to include a comparison of competitive supply costs to the Standard Service Offer rate is outside the scope of a PUCO rulemaking, and in any case is not in the public interest, the Ohio Gas Marketers Group said in filed comments. The group includes Direct Energy Services, Hess Corporation, Interstate Gas Supply, SouthStar Energy Services, and Vectren Source.

The rulemaking in question involves a five-year review of Chapter 4901:1-13 of the Ohio Administrative Code, which governs natural gas utility billing, metering, and related service quality issues.

Rule 4901:1-13-11 specifically provides that the rule, "applies to gas or natural gas company bills that do not include any CRNGS [Competitive Retail Natural Gas Service] supplier charges." Requirements for natural gas consolidated billing appear in rule 4901:1-29-12 of the Administrative Code.

Nevertheless, in its initial comments on the rules, OCC proposed that, for choice customer monthly bills, a chart should be provided that shows the supplier charges for natural gas commodity service for the previous twelve months compared with an assessment of what charges would have been with the utility.

Given that the rules being reviewed are explicitly limited to bills for standard service, and not competitive supply, OCC's request to add information to choice customer bills, "is clearly outside the

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ISO-NE Internal Monitor Favors Changes to Blunt Impact of Out-Of-Market Capacity in FCM

Several changes to the Alternative Price Rule in ISO New England's Forward Capacity Market (FCM) are required to ensure that the FCM meets its goal of having the price set by new entry when the region needs new entry, ISO-NE's internal market monitoring unit said in a report on the FCM filed at FERC.

The Alternative Price Rule is a mechanism that adjusts the capacity price after the auction to help prevent out-of-market resources from setting artificially low prices. When conditions show that new capacity is needed but no in-market capacity has a chance to clear due to out-of-market supply, the Alternative Price Rule raises the capacity clearing price to the lesser of the Cost of New Entry or the price at which the last new capacity resource withdrew from the auction minus $0.01.

The internal monitor recommended that the triggering conditions for the Alternative Price Rule should be modified to properly account for the multiyear effects of out-of-market resources that clear in a single year and eliminate the need for new entry in subsequent years.

Furthermore, the adjusted price should apply only to existing capacity, not to new out-of-market capacity. Allowing the out-of-market entrants to receive the higher adjusted price would encourage out-of-market entry, the internal monitor said. Paying out-of-market entrants only the auction clearing price would encourage potential self-supply and bilateral contract-based entrants to offer

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Multiple Intervenors Say ESCO Revenues in 18-a Assessment Should Not be Estimated

The revised section 18-a assessment in New York should utilize actual ESCO revenue data, rather than estimates, because estimates will over-collect the assessment related to the revenues from large non-residential customers, Multiple Intervenors said in comments to the New York PSC (09-M-0311).

The revised section 18-a of the Public Service Law now includes an assessment on revenues from competitive supply, in addition to utility revenues. However, the competitive supply revenues are to be estimated by, and collected from, the utilities, rather than ESCOs.

Accordingly, PSC Staff has recommended that utilities multiply the known amount of electricity or gas delivered to ESCO customers by the utility's commodity supply price for the purpose of estimating ESCO revenues to be charged under the assessment (Matters, 4/29/09).

However, Multiple Intervenors argued that the Staff recommendation, "likely would result in inflated assessment charges for large consumers and should be rejected."

"First, it is intuitive that, in general, large consumers take ESCO service because the pricing terms are more favorable than bundled sales service from the utility. This is particularly true for high load factor customers that have a stable consumption pattern," Multiple Intervenors said.

"Moreover, data from the Energy Information Administrative ('EIA') reveals that the cost difference is significant. For example, in 2007, utilities charged the State's large commercial and industrial customers nearly 13% more for electric commodity than ESCOs," Multiple Intervenors added.

"Thus, the imputation of inaccurate and overstated commodity price levels would result in the imposition of inappropriately high assessment surcharge levels upon such customers," Multiple Intervenors concluded.

Multiple Intervenors reported that Staff's proposal would place an "unwarranted" burden on struggling businesses, noting some members of Multiple Intervenors have received delivery rate increase projections of 40%-50% under Staff's proposed implementation of the revised 18-a assessment.

Multiple Intervenors instead recommended that, subject to appropriate confidentiality requirements, the actual commodity price imposed upon large consumers should be used to calculate ESCO revenues.

"Contrary to Staff assertions, this data may be readily available to distribution utilities that provide combined billing on behalf of ESCOs," Multiple Intervenors noted.

Where combined billing is not utilized or the ESCO's commodity rate is otherwise unavailable, publicly available information regarding commodity prices charged by ESCOs in New York, such as that published by the EIA, should be utilized, Multiple Intervenors added.

"As a last resort, in circumstances where the ESCO's commodity rate and public data regarding ESCO pricing are otherwise unavailable, the customer may agree to permit the ESCO to provide pricing data to the utility under appropriate confidentiality parameters for the limited purpose of determining an accurate value for the Temporary Assessment," Multiple Intervenors said.

The Public Utility Law Project suggested similar mechanisms to obtain actual revenue data related to competitive commodity sales, but PULP's concern was that using utility commodity prices as an estimate would under-collect the revenues related to ESCO sales (Matters, 5/19/09).

Multiple Intervenors also said that New York Power Authority allocations, flex-rate contracts, and certain other tariff categories (such as natural gas interruptible customers) should be exempt from the revised 18-a assessment.

N.J. BPU Suspends JCP&L Summer Generation Surcharge Pilot

The New Jersey BPU has suspended a pilot Jersey Central Power & Light program that would have added generation surcharges to customers exceeding certain demand or usage thresholds during the summer.

Under the pilot Summer Peak Surcharge (SPS), a surcharge of $0.0904 per kilowatt-hour (including Sales and Use Tax as provided in Rider SUT) would have been applied to Rate RS (residential) customers usage above 2,500 kWh (or above 3,500 kWh if participating in the Company's Life Support program) for June through September. A surcharge of $0.180024 per kilowatt-hour (including Sales and Use Tax) would have been applied to Rate RT (residential time-of-day) customers on-peak usage above 1,000 kWh (or above 1,400 kWh if participating in the Company's Life Support program) for June through September. Customers would have seen lower rates in non-summer months.

Non-residential customers would have seen a surcharge based on a sliding scale, beginning at about $0.02/kWh. About 90,000 customers were to be included in the pilot.

However, after public outcry, the BPU suspended the pilot for a year, citing the unintended effects on seasonal businesses that will not benefit from non-summer rate reductions under the pilot.

The goal of the pilot was to reduce peak demand in an attempt to obtain lower capacity prices in future default service procurements. BPU Staff and JCP&L are working to refine the pilot.

Maine PUC Raises Net Metering Threshold

The Maine PUC adopted final rules which expand the current size limit on distributed generation eligible for net metering from 100 kW to 660 kW for customers in an investor-owned utility service area, as directed by the state legislature (2008-410, Matters, 6/9/08).

The 100 kW cap will remain in the territories of consumer-owned utilities, unless the municipal or cooperative opts to raise the limit to 500 kW.

The final rule also removes a proximity mandate that required distributed generation to be located at or near a customer's premise. However, the rule does limit the number of accounts or meters that can be designated for net energy billing to 10.

The adopted rule adds micro-combined heat and power to the types of facilities eligible for net metering.

Otherwise, the rule preserves the current framework for net metering. Excess generation is still credited at the full retail rate (generation plus transmission and distribution), but unused credits expire at the end of a 12-month period.

Competitive electricity providers are not required to offer net metering to customers. However, Standard Offer providers shall bill their service on a net energy basis if requested.

PJM Completing Hourly Service ATC Requests Within 15 Minutes

An interim solution has allowed PJM to evaluate Available Transmission Capability (ATC) for hourly service requests within 15 minutes following receipt of a tendered schedule for Non-Firm Transmission Service as required by its tariff, rather than the 30 minutes as permitted under a limited FERC waiver, PJM said in a status update to the Commission (ER09-63).

PJM was granted a waiver of the 15-minute deadline in its tariff through December 2009, due to the exponential growth in the number of ATC evaluations for hourly Non-Firm Transmission Service requests. Under the waiver, PJM must still meet the 30-minute time limit requirement consistent with the pro forma Order No. 890 Tariff and NAESB standards (Matters, 10/13/08).

However, during the first six months of the waiver time period, an interim solution developed by PJM has allowed it to evaluate hourly service ATC requests within 15 minutes. PJM believes that it will continue to be able to evaluate ATC for hourly service requests within 15 minutes during the remainder of the waiver time period.

PJM also reported that it will no longer need to pursue a solution to the increased ATC requests through its vendor PowerGem. Rather, PJM has addressed the performance problems which precipitated the waiver request though a combination of internally developed software enhancements, and certain hardware upgrades performed by PJM last month. Therefore, PJM discontinued the PowerGem project in favor of the in-house software and hardware enhancements, which has enabled PJM to meet the objectives of the PowerGem solution in a more cost effective and timely manner.

Briefly:

Md. PSC Sets Hearing on Staff Distributed Generation Report

The Maryland PSC scheduled a hearing for July 9 on Staff's non-consensus distributed generation report in Case 9149 (Only in Matters, 5/13/09). Comments on the report will be accepted through June 30.

Entergy Texas Transition to Competition Docket Abated

Entergy Texas' transition to competition docket was abated by a PUCT ALJ until July 1, as the final enactment of SB 1492, which would require the withdrawal of the plan, would moot the proceeding (33687).

FERC Staff Seeks Finding that Five Sellers Failed to File California Sales Reports

FERC Trial Staff requested that a Presiding Judge draw a negative inference from the failure of five respondents to file original and corrected quarterly sales reports related to the California energy crisis, and that the Judge find that the five respondents either failed to file quarterly reports in 2000-2001 pursuant to the Commission's market-based rate authority requirements, or filed improper or untimely reports (EL02-71). According to Staff, the five respondents that did not file quarterly reports as required on May 12, 2009 are: AES Placerita, Inc., California Polar Power Broker, LLC, Comisión Federal de Electicidad, Shell Martinez, and Sunlaw Cogeneration. Staff said a May 12, 2008 order required all marketers and other public utility sellers that made short-term sales at market-based rates to the California Department of Water Resources or into the California Power Exchange or California ISO markets to submit for the hearing record copies of all previously filed quarterly reports for the period January 1, 2000 to October 1, 2000, including both properly and improperly filed reports.

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scope of this proceeding and as such should be summarily denied," the gas marketers said.

Additionally, even if the instant rulemaking was the proper venue for the proposal, having two sets of prices on the invoice, "is likely to cause confusion as to which price the customer's bill is or should be based," the marketers said.

"Putting historic variable prices on the bill is likely to lead the customer to believe that the past variable prices are going to be the future variable prices ... [t]he chart that the OCC is advocating is more likely to lead to misinformation because the customer needs to know that the historic prices are not a guarantee or even a good indicator of what future gas prices are going to be," the suppliers added.

Dominion East Ohio and Vectren Energy Delivery agreed that past performance does not guarantee future results, in opposing OCC's recommendation. "Including information in bills about rates that a customer did not pay (i.e., the LDC's standard service offer rate) is a recipe for confusion," the LDCs agreed.

Furthermore, pricing alone does not allow customers to compare their yearly supply costs, as the price must be multiplied by the customer's volume during each billing period. While the Standard Service Offer may reflect low prices during some months, these may be low usage months for the customer, with less opportunity for savings. Conversely, while the Standard Service Offer may only be higher than competitive prices in one to two winter months, those months may have the highest usage, and may more than offset any benefit of a lower Standard Service Offer price during other times, the marketers noted.

Dominion East Ohio and Vectren Energy Delivery also noted that preparing OCC's comparison each month, for every choice customer, would require billing system revisions. "The cost to do this would far outweigh any benefits, especially considering that customers already have the ability to make cost comparisons," on PUCO's and OCC's websites, the LDCs said. Columbia Gas of Ohio raised similar cost concerns.

Customers should instead be directed to PUCO's online apples-to-apples comparisons which appropriately differentiate between fixed and variable offers, the suppliers said. The suppliers also supported OCC's request that residential Standard Service Offer bills also direct customers to OCC's price comparison website.

The Ohio marketers supported clarifications to the LDC billing rules suggested by Staff, to replace the acronym CRNGS with "retail natural gas supplier or governmental aggregator," and to update the rules to reflect the fact that the Standard Service Offer at some LDCs is now set through an auction, while it remains set through the Gas Cost Recovery mechanism at other LDCs.

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closer to their true costs, with entry contingent on clearing in the auction.

"This would not eliminate the exercise of buyer market power, but it would discourage it," the internal monitor reasoned.

The Alternative Price Rule also no longer needs to be capped by the Cost of New Entry, the internal monitor said, "since competitive offers by new entrants should provide a competitive cap."

The internal monitor supports the expiration, as scheduled, of the FCM price collar, but supports additional changes to the Alternative Price Rule to offer some price certainty to existing resources when the price is artificially depressed by out-of-market resources. For example, applying a price floor only when the Alternative Price Rule is triggered is superior to a price collar that affects all auctions, because it achieves the same objective of protecting existing capacity against extremely low prices while allowing new capacity to competitively set the price below the price floor.

Additionally, the internal monitor recommended that the FCM descending-clock auction should start at $15.00/kW-month, instead of the lower Cost of New Entry value, to ensure sufficient competition in the auction.

Demand Response

While the internal monitor found that demand and generation resources have comparable performance requirements and penalty structures, the monitor determined that generation has stronger performance incentives.

Generation resources that do not respond during shortage conditions face losses of both capacity and energy revenues. Moreover, generation resources are subject to a peak energy rent (PER) deduction whereby their capacity payments are reduced by the difference between the locational marginal price (LMP) and the peak energy rent threshold (i.e., strike) price for all hours when the LMP exceeds the threshold price. Thus, generators that are not available when the LMP exceeds the peak energy rent threshold price lose both capacity revenues and energy revenues.

Demand resources that fail to reduce load during shortage conditions face the loss of capacity revenues similar to the losses that generation resources face. However, demand resources do not currently participate in the electric energy markets, and the capacity payments to demand resources are not reduced by the peak energy rent deduction. Thus, demand resources are not subject to the same financial incentives as generation, and have weaker incentive to perform, the internal monitor concluded.

To improve the efficiency of the market, the internal monitor recommends adopting the peak energy rent deduction for all demand resources and enabling these resources to participate in the electric energy market. Under the recommendation, demand resources would be permitted to offer into the electric energy market, and they would be paid for the energy they reduce at a price that would result in efficient energy market outcomes - generally the LMP minus the resource's retail rate.

Capacity Zones

In order for the FCM's locational signals to work correctly, the internal monitor recommended that the reliability criterion used in determining the FCM zones be the same as the zonal reliability criteria that the ISO uses to review delist bids in the auction. If these criteria are not the same (for example, in the first forward capacity auction, the ISO reliability review criterion used to review delist bids was more stringent than the criterion used to determine whether Connecticut should be a zone in the auction), resources will likely be paid out of market to maintain reliability. This undermines one of FCM's objectives of minimizing out-of-market payments and relying on market prices to ensure adequate resources, the internal monitor noted.

Additionally, the internal monitor favors allowing permanent delist bids to affect the creation and pricing of zones in the forward capacity auction to improve zonal price formation.