Energy Choice Matters
June 11, 2009

Md. SOS Auction Sees Improved Bidder Interest, but Too Early to Judge Trend

While a June Maryland SOS procurement filled all available tranches and is certainly "good news," PSC bid monitor Liberty Consulting Group cautioned that is impossible to conclude based on one procurement that the problems of previous auctions are gone, the consultant said in testimony on the utilities' June 8 procurement.

The June solicitation was mainly for Type II service at all four investor-owned utilities, but also included two Allegheny Power residential blocks, and a single Baltimore Gas & Electric Type I non-residential block (which was not filled in the April procurement).

The June 8 procurement saw increased bidder response, zero unfilled blocks, and fewer administrative problems. Additionally, the large risk premiums seen in solicitations during the fall of 2008 and winter of 2009, mostly attributed to the credit crisis, were not present in the June procurement, and the Price Anomaly Threshold was not triggered (Matters, 4/27/09). All 26 blocks were successfully filled.

While the June 2009 procurement certainly represents a positive step in the right direction, Liberty Consulting noted that the auction was relatively small, and only included residential load for one utility (Allegheny Power). It was the lack of bidder interest in small customer load at Allegheny and BGE that was most worrisome in the April procurement. As only a few blocks of small customer load were offered in the current procurement, conclusions cannot be drawn.

Still, in the June auction, Allegheny's 12-month block saw six bidders competing, while its

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FERC Orders New Brunswick Power to Submit Maritimes Market Power Analysis Within 60 Days

New Brunswick Power Generation Corporation must demonstrate that it does not have horizontal market power in the New Brunswick System Operator (Maritimes) balancing authority area if it wishes to retain its market-based rate authority in the U.S. portion of the Maritimes area, FERC said in accepting in part and denying in part a complaint from Integrys Energy Services (EL09-32, Matters, 2/4/09).

However, FERC did not immediately order New Brunswick Power to cease any market-based sales in the Northern Maine Independent System Administrator region (the part of the Maritimes area which lies in the U.S. and is under FERC jurisdiction). Rather, the Commission directed New Brunswick Power to file a horizontal market power analysis, including the pivotal supplier and wholesale market share screens, for the Maritimes balancing authority area, within 60 days.

New Brunswick Power currently serves residential and small and medium commercial Standard Offer retail customers at Maine Public Service in the Northern Maine Independent System Administrator region. To the extent that the complaint challenged New Brunswick Power's authority to make retail sales in northern Maine, FERC dismissed the complaint as beyond the Commission's jurisdiction.

The complaint arose because New Brunswick Power's most recent application for market-based

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BGE Customer List Proposal Superior to Previous RM 17 Provisions, WGES Says

Baltimore Gas and Electric's new proposal to make customer lists available to competitive suppliers is superior to a customer list provision removed from the final version of RM 17, and should be adopted, Washington Gas Energy Services said in comments at the Maryland PSC.

BGE's lists would contain the customer's name, billing address, service address, account number, rate class, historical usage for the prior twelve months, Standard Offer Service (SOS) type, and fuel type (Only in Matters, 5/4/09).

Providing such lists would be superior to the information that would have been provided under the stricken RM 17 customer list provision, WGES said, because BGE's latest proposal contains customer usage, which was not required under the RM 17 lists. Additionally, the RM 17 lists would have included the customer's phone number, which was one of the items the Office of People's Counsel objected to, eventually stalling the customer list provisions. BGE's new filing omits the customer's phone number from the customer lists.

Additionally, BGE would not charge suppliers for its new customer lists, while RM 17 would have required suppliers to pay for any lists.

WGES did suggest one change to BGE's proposal, requesting that customers who opt-out of being included on the customer list be allowed to opt back onto the list if they so desire.

WGES said that the Commission has the authority to approve BGE's request to offer the customer lists to suppliers, and noted BGE's latest proposal contains greater consumer protections than those contained in three previous Commission orders which allowed the distribution of customer lists.

Md. PSC to Consider REC Eligibility Issue under Long-Term Solar Contracts

The Maryland PSC scheduled a rulemaking session for July 14 to consider final adoption of additional refinements to its solar REC rules under RM 36 (Matters, 11/19/09).

LSEs currently must meet a carved-out solar mandate, and may do so through spot purchases of RECs from brokers, or by contracting directly with solar generation facilities (or through a compliance payment). However, if an electricity supplier elects to contract with a Level 1 solar generator, statute mandates that the electric supplier must enter a minimum contract term of 15 years, and must make an up-front, lump sum payment for all RECs to be generated under the life of the contract.

Baltimore Gas & Electric has raised concerns about the up-front payment, if the solar facility is later de-certified as an eligible renewable energy facility during the term of the contract.

The current draft revisions to the Code of Maryland Regulations (COMAR) 20.61 under RM 36 would allow electric suppliers contracting with a Level 1 solar facility for the statutory minimum of 15 years to use RECs procured under that contract even if the facility is later de-certified.

Sol Systems Says D.C. PSC Underestimating Solar REC Production

Solar financier and developer Sol Systems has urged the District of Columbia PSC to adjust the derate factor applied to solar facilities, as the solar developer argued that the current factor is underestimating energy production.

Rather than submitting actual production data to the PSC, solar facilities under 10 kW may elect an "automated production" process administered by PJM GATS to determine their output, which estimates the energy production (and thus REC production) based on a unit's size, location, vertical tilt, and azimuth. The automated process saves system owners a considerable amount of time in terms of uploading energy production for each individual system.

The current derate factor under the automated production system is 0.77, which downgrades estimated energy production by 23%. The derate factor is a measure of the loss of energy within a solar energy system upon the transfer of energy from direct current (which is how electrical energy is produced in a solar module) to alternating current (which is how electricity is transported generally).

However, Sol Systems argued that a loss of 8-10% is a far more accurate estimation. "This estimation is backed up by anecdotal evidence from a wide number of solar installers who report that actual production of most solar installations significantly exceeds the quantity provided for in current PSC derate regulations," Sol Systems said.

Sol Systems asked that the derate factor be adjusted to between 0.90-0.92 to account for the fewer losses.

Consumers Decry Expansion of SCE Solar Program Under Bohn Alternate

An alternate proposed decision regarding Southern California Edison's solar photovoltaic program from Commissioner John Bohn, "gives shortest shift to the interests of ratepayers," The Utility Reform Network and other load interests agreed (A. 08-03-015).

Bohn's alternate would expand SCE's program for 1-2 MW distributed solar installations from 250 MW to 500 MW, with the capacity evenly divided between SCE and merchant developers. The expansion maintains economies of scale for SCE's utility-owned projects while giving an equal share of the program to independent power producers, Bohn said (Only in Matters, 5/20/09).

However, since energy under the distributed solar program will cost double the current Market Price Referent, TURN, the Division of Ratepayer Advocates (DRA), and California Large Energy Consumers Association (CLECA) opposed any expansion of the megawatts installed under the program. TURN and CLECA suggested limiting the program to a 50 MW demonstration pilot.

SCE's solar installations are to produce power at 27¢/kWh, which will also serve as a cap on merchant development under the Bohn alternate draft. That's double the current Market Price Referent of 13.5¢/kWh, though the Bohn alternate attempts to address the disparity by stating the distributed nature of the solar projects will save on transmission costs.

However, the Bohn alternate provides no quantification of these transmission costs or any citation to record evidence in "boldly asserting" transmission and line losses will recoup the 13.5¢/kWh difference, CLECA argued.

DRA also dismissed economies of scale as justifying the expansion of the SCE share of the program to 250 MW, as SCE has almost reached its five-year cost projection in the first year with only a 2 MW installation.

CLECA said that if the solar photovoltaic program installations were permitted to count towards the more expensive mandate of the California Solar Initiative (for installations under 1 MW), it would support the program. However, the Bohn draft precludes using the solar photovoltaic program megawatts in meeting the California Solar Initiative goals.

"In sum, the ultimate rationale for approval of the program [under the Bohn alternate] appears to be that 'we need more renewable generation, and we're prepared to have ratepayers pay any price for it,'" CLECA concluded.

SCE generally supported the Bohn alternate, but recommended that merchant bids not be capped at the utility-owned generation levelized cost, as merchant development differs from utility-owned resources. The merchant projects will be selected through a competitive process, and the market should determine the most competitive contracting opportunities, SCE said, expressing concern that a price cap will become a target at which all developers will price their bids. The Commission will have the ability to deny approval of any or all merchant contracts without the need for a price cap, SCE said.

The Independent Energy Producers Association also supported the Bohn alternate's ultimate outcome, but was concerned at several conclusions in the proposal concerning the PUC's policy towards utility-owned generation. The alternate, IEP said, engages in a discussion that leaves the impression that it is setting a new policy on renewable utility-owned generation, even though full vetting of the issue was not performed in the proceeding.

"The suggestion that a new policy on renewable [utility-owned generation] is being established creates an uncertainty that could discourage investment in renewable generation," IEP cautioned.

FirstEnergy Moves to Dismiss Ohio Interconnection Complaint

FirstEnergy Corp. moved to dismiss an interconnection complaint filed at the Public Utilities Commission of Ohio by Renewable Energy Services of Ohio, arguing that the interconnection request involves wholesale power sales and is within the jurisdiction of FERC. FirstEnergy Corp. also moved to dismiss because the complaint was filed against the corporate holding company, rather than Ohio Edison (Matters, 5/25/09).

At issue is an interconnection request filed by Renewable Energy Services and Bio-Gas Technologies for a landfill methane gas generating unit. Renewable Energy Services alleged that FirstEnergy has not processed the application in a timely manner as required by various sections of the Ohio code.

However, FirstEnergy argued that the project cannot be governed by retail interconnection standards. Although interconnection was requested to the distribution (not transmission) system, Bio-Gas executed a wholesale energy PPA with American Municipal Power-Ohio for output from the plant, and the plant is also a Qualifying Facility under PURPA. The interconnection of a Qualifying Facility to distribution facilities in order to facilitate a wholesale power transaction is within the exclusive jurisdiction of FERC, FirstEnergy said.

FirstEnergy countered claims that it has intentionally delayed the interconnection request, stating that Ohio Edison has been working on the wholesale generator interconnection process. However, Ohio Edison's investigation was complicated by the unwillingness of the Midwest ISO to process the proposed Bio-Gas application under its tariff due to the small size of the generator (under 5 MW) and its proposed interconnection to Ohio Edison distribution facilities.

Ohio Edison determined that the requested point of interconnection was not feasible on the existing Pike-North distribution circuit due to a protection coordination issue. It proposed two alternatives to Bio-Gas in November 2008, but both were rejected due to cost, FirstEnergy said.

At Bio-Gas' request, Ohio Edison explored less expensive options, and agreed to conduct a engineering study to connect the facility to the existing distribution circuit, with smaller modifications, if Bio-Gas agreed to install a transformer no larger than 1,500 kVA. FirstEnergy said that the engineering study was completed this month, and that it will report the results to Bio-Gas next week.

Briefly:

NOPEC Offering 12% Residential Discount Starting in August

The Northeast Ohio Public Energy Council's supply agreement with Gexa Energy will produce a 12% discount off the applicable Ohio Edison or Cleveland Electric Illuminating Standard Service Offer starting in August and running through the rest of the year (Matters, 4/7/09). The residential discount will drop to 8% for the first six months of 2010, with future rates (through May 31, 2011) dependent upon further negotiations. Small non-residential customers will see a 9% generation discount this year and a 5.5% discount for the first six months of 2010.

Bounce Energy Offers First Fixed Product

Texas retailer Bounce Energy, which has focused on several variable rate offers in its first year of operations, has added a fixed-price offer to its suite by offering a four-month fixed product. It has also adjusted its variable renewable plan to be indexed, with any monthly rate change capped at 10% of the previous month's rate.

Pa. ALJ Recommends Approval of Settlement on PPL Green Product

A Pennsylvania ALJ has recommended approval of a settlement that would implement a voluntary renewable energy product for mass market customers at PPL (Matters, 6/2/09). A settlement among PUC Staff, the Office of Consumer Advocate, and the Office of Small Business Advocate would allow PPL to partner with Community Energy to offer residential and small commercial customers 100 kWh blocks of renewable energy, for $2.50 per block.

DPUC Draft Would Approve UnitedEnergyPartners Aggregation License

The Connecticut DPUC would grant UnitedEnergyPartners LLC an electricity aggregator license under a draft decision issued yesterday (Matters, 5/1/09).

PUCO Approves Total Gas & Power as Duke PIPP Supplier

The Public Utilities Commission of Ohio approved Duke Energy Ohio's selection of Total Gas & Power North America as the supplier for Percentage of Income Payment Plan (PIPP) customers (Matters, 3/3/09). Duke sent an RFP for PIPP supply to 31 suppliers and received two responses for the one-year contract. Total Gas & Power offered the highest bid credit ($0.0151/Dkt) for the program and was selected over BP Energy Company (which bid a credit of $0.013/Dkt).

Poco Energy Group Receives Texas Aggregator Certificate

The PUCT approved an aggregator certificate for Poco Energy Group to serve commercial and industrial customers. The broker, now part of Summit Energy Services, previously held a Texas aggregator certificate from 2001-2006, but relinquished it as customer demand for aggregation waned.

FERC Rejects CAISO Plan to Relax Constraints

FERC rejected a California ISO proposal to modify part of its Market Redesign and Technology Upgrade tariff so that the CAISO is not required to enforce all transmission constraints at all times, because the changes were outside the scope of a compliance filing (ER09-240-002). The changes, which included relaxing constraints when those constraints would commit certain use-limited resources in the day-ahead market that, according to the CAISO, would typically not be required in real-time, had been opposed by the Western Power Trading Forum (Matters, 4/14/09). WPTF protested that the changes would move congestion management away from the day-ahead timeframe, and was concerned about the potential to depress day-ahead prices.

LPB in Partnership with e2 Solutions

Broker-consultant LPB Energy Management said it has entered a partnership with Canadian energy management firm e2 Solutions, Inc. to provide a portfolio of back-end services to e2, including invoice verification and processing. Among other things, e2 offers demand response and carbon management solutions.

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24-month block saw four bidders competing, compared with only a single bidder contesting Allegheny's residential load in the April auction. BGE's two Type I blocks in the April auction saw only two bidders, with only one bid for each block, while the June auction saw three bidders vie for the single Type I block.

While most of the administrative and process errors committed by bidders witnessed in the April auction were not repeated, Liberty Consulting said that the Pepco utilities' system, which collects and transmits the actual bid forms as well as summary data on individual bids, again experienced inconsistencies. For a few bids, but not all, the price reported on a summary level differed from the actual bids on the submitted bid form spreadsheets, an error that was also observed in April and should have been corrected, Liberty Consulting said.

"This error does not directly affect the process in that we work from the actual bid forms and these were verified as correct. But this raises questions on the overall quality of the system and leaves us to wonder what 'glitch' might occur next time," Liberty Consulting noted.

The Pepco utilities' system also suffered through periods where it slowed to an "intolerable" level, Liberty Consulting added.

"Given the repetitive nature of the problems and the fact that there can be no assurance that the next problem will not have serious consequences, we recommend to PHI and the Commission that the system be replaced," Liberty said.

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rates (approved in October 2008) did not contain a study of the Maritimes balancing authority area.

FERC agreed that a horizontal market power analysis of the Maritimes area should have been submitted, and is required, for New Brunswick Power to hold market-based rate authority. The Commission noted it has previously held that, where generation facilities are located outside of the United States and are directly interconnected to the United States, they should be studied. Because New Brunswick Power owns generation in the Maritimes balancing authority area, the area is one of New Brunswick Power's relevant geographic markets.

The Commission disagreed with New Brunswick Power's claim that wholesale sales into northern Maine are non-jurisdictional, distinguishing the complaint from a case involving an interconnection between Sharyland Utilities and Mexico, as the Sharyland case did not feature a direct interconnection to the interstate grid.

"As a result, we disagree with New Brunswick Power's claim that wholesale sales into northern Maine are non-jurisdictional because the northern Maine electric grid interconnects only with the New Brunswick, Canada grid and therefore there is a lack of transmission or sales for resale of electric energy in interstate commerce. Northern Maine is in interstate commerce by virtue of its connection with the rest of the United States through the transmission facilities of New Brunswick's affiliate, NP [sic] Power Transmission. Moreover, the lines linking northern Maine with New Brunswick are frequently and intentionally used to transmit power between northern Maine and ISO New England by way of New Brunswick," FERC noted.

The Commission held that the complaint was not a collateral attack on its October order granting market-based rates, since New Brunswick Power did not state in its application that a portion of the Maritimes balancing authority area is in the United States. Therefore, the Commission has not yet reviewed whether New Brunswick Power has horizontal market power within the Maritimes area.