Energy Choice Matters

June 19, 2009

Suppliers Call October Deadline for Maryland Residential Growth Unrealistic

An October 1 deadline to see appreciable migration among Maryland residential customers is a "random" date that doesn't serve as a realistic milestone to gauge the success of the retail market, Jeffrey Levine, director of state regulatory affairs for GDF Suez Energy Resources N.A., said during a Maryland supplier forum.

PSC Chairman Douglas Nazarian, speaking before lawmakers earlier this week, was among those who have said that if retail suppliers cannot win a significant amount of customers this summer, given low market prices but high (due to the blending process) SOS prices, the future of the market may be in doubt (Matters, 6/17/09).

Nazarian echoed those comments in opening the supplier forum, which he described as a means to bring down "perceived" barriers to supplier entry. Calling the next 12 months a "very important year," Nazarian said that there is a "real question" in policymakers' minds whether customer choice has worked, with lawmakers looking to see what choices are available to their constituents some 10 years after the market was restructured.

Levine noted, however, that several measures to reduce barriers which prevent suppliers from reaching and enrolling customers will not be implemented until well after October 1. Among them are Purchase of Receivables programs, which mitigate potential bad debt. Depending on the utility, POR will not be in place until either December 2009 or March/April 2010. Likewise, Rana Ghosh, senior director for Direct Energy Business, said that he could not emphasize enough how important POR is in allowing suppliers to vigorously pursue residential customers.

Ghosh cited several other policies which can mitigate acquisition costs that hinder the pursuit of small customers. Among them, Ghosh highlighted municipal opt-out aggregation programs, calling

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IDT Energy Weighing Expansion to New Jersey, Pennsylvania, Maryland

New Jersey, Pennsylvania, and the developing Maryland market are areas which IDT Energy is currently evaluating for potential expansion, IDT Energy Chief Commercial Officer Jeff Hendler said during a Maryland supplier forum yesterday.

During a recent earnings call, IDT management had said it was encouraged by developments in several states, and is working on geographic expansion from its sole market, New York (Only in Matters, 6/9/09). Hendler said that management has always wanted to employ a national rollout on energy, but senior staff have dissuaded such a strategy because some markets do not have sufficient opportunities based on market rules.

However, Hendler cited New Jersey and Pennsylvania as areas IDT is evaluating for expansion, along with Maryland if positive developments continue. The impending Purchase of Receivables programs on both electric and gas are a big part of IDT's interest in Maryland. Hendler was also impressed with rules in Maryland for capacity following the customer and virtual storage, noting many other healthy gas markets lack such supplier-friendly provisions.

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PUC Approves PPL Post 2010 Default Service Settlement

The Pennsylvania PUC approved a settlement establishing default service procurement at PPL for the period January 1, 2011 through May 31, 2013, under which PPL will procure all non-residential supply under load following, full requirements contracts (Matters, 3/13/09). The final order also grants an exception raised by Constellation Energy Commodities Group on one of the few issues litigated in the case, and directs PPL to implement an industry-standard two-way termination provision in the Supply Master Agreement (SMA).

Under the approved plan, residential customers will be served on a mix of full requirements contracts, and blocks of power. The portfolio will include 200 MW from one-year blocks, 100 MW from five-year blocks, and 50 MW from a 10-year unit entitlement. All blocks will be for "around the clock" power.

Remaining residential supplies will be bought on load following, full requirements contracts. Contracts laddered over two years will make up 90% of the full requirements supplies, with 10% purchased in the spot market. Procurements will be conducted quarterly, approximately three months before delivery, with each procurement representing about 17% of PPL's full requirements supply needs. Suppliers will be limited to an 85% load cap in each individual procurement (except for the five- and 10-year blocks), and will be subject to an aggregate residential class load cap of 70%.

In the small commercial and industrial class (under 500 kW), the settlement removes PPL's petition to use blocks and long-term contracts to supplement full requirements contracts. Settling parties agreed that with the expected higher level of migration in the small non-residential class, blocks of power were not appropriate, since they could be out-of-market and result in higher, possibly stranded, costs.

Some 90% of small C&I supplies will be bought on load following, full requirements contracts, with half of the contracts for one-year, and half for two years. The remaining 10% of supplies will be procured from the spot market. Procurements will be held quarterly, about three months before delivery, for about 17% of supply needs in each solicitation.

Large commercial and industrial customers (above 500 kW) will receive hourly pricing for default service. However, a collaborative will be established to investigate creating an alternative monthly or quarterly fixed-price product for large C&Is.

The Generation Supply Charge (GSC) for residential and small C&Is will be reconciled quarterly, and will be based on kWh usage. The GSC for large C&Is will include both a usage (kWh) and capacity (kW) charge.

The settlement calls for PPL to file a non-recourse Purchase of Receivables plan to be implemented by January 1, 2011; however, the Commission has since moved (with final adoption pending) to accelerate POR implementation so it is available upon the expiration of rate caps on January 1, 2010.

A collaborative will also be established to study a potential direct mail customer referral program, and residential aggregation programs.

The Commission ruled that PPL's Supply Master Agreement shall contain two-way termination provisions as requested by Constellation. Chairman James Cawley said that PPL had not shown why departing from the more widely used two-way termination provision is beneficial. Constellation had noted Penn Power, West Penn Power, and PECO Energy, as well as utilities in Maryland, Delaware, New Jersey, and the District of Columbia, use a two-way termination provision. Meanwhile, PPL could only point to Connecticut and New Hampshire as not using the two-way termination provision.

Accordingly, not adopting the industry standard two-way termination provision could result in either less bidding or less aggressive bidding by default service suppliers, Cawley concluded.

While PPL argued a defaulting supplier under the two-way provision would obtain a "financial windfall," Cawley said that consumers will be left no worse off, since the collateral provided by the default service supplier will ensure that consumers will be kept whole to the original agreement in the unlikely event of default. A two-way termination provision does not provide an incentive for default, Cawley added, since any defaulting supplier, "would be placing at risk its entire credibility as a future default service supplier in Pennsylvania."

Vice Chairman Tyrone Christy dissented from the Commission's vote, reiterating concerns raised in similar default service plans. Christy argued that the full requirements approach to obtaining power supply, "will not lead to a good result, and that a managed portfolio plan would be a better approach to obtaining reasonably priced electricity." Christy also said that the limited long-term purchases under PPL's plan does not fully comply with Act 129 of 2008.

PUCT to Review Measures That Came Close to Passing Legislature

The PUCT plans to have a "robust discussion" regarding legislative proposals that came close to passing in the 2009 session but just fell short, Commissioners said at yesterday's open meeting.

At either its next open meeting, or the following meeting, the Commission will examine whether any such measures, or portions of them, can be implemented under its current authority.

Commissioners also discussed additional rulemakings which will be required to implement legislation which did pass. Several dockets have already been opened, including a proceeding to govern the development of terms common to REP billing, and a likely re-opening of the recently adopted new REP disclosure rule (35768), to accommodate recent legislation (HB 1822) which sets parameters for fixed-price contract expiration notices that differ in some respects from what is in the rule, including with respect to the notification timeline (Matters, 6/3/09).

Additionally, Staff said that the rules regarding the introduction of competition at SWEPCO may need to be adjusted to reflect the indefinite delay of competition in the territory, and the specific conditions enumerated in legislation that would be required before competition can be introduced.

The required internet broadcasting of ERCOT meetings under HB 1783 will be challenging, PUCT Chairman Barry Smitherman noted, especially if the law is interpreted as including all subcommittee meetings, which number in the hundreds. HB 1783 also permits the PUCT to recover the cost of freely broadcasting its open meetings via a surcharge imposed on several industry participants, including retail electric providers that serve more than 250,000 customers, and power generation companies that own more than 5,000 megawatts of installed capacity in Texas.

Briefly:

BGE Running Ads on Customer Choice

Baltimore Gas & Electric will be running an advertising campaign emphasizing customers' ability to choose their energy provider. BGE reported that the campaign will include print and radio ads from now through September, with television ads following in the September through November period. The ads are timely, as Maryland PSC Assistant Executive Director Calvin Timmerman announced at a supplier forum that public expenditures on choice education are unlikely, even though residential customers can currently save up to 15% off the SOS price by switching.

N.Y. PSC Adopts Rules for Temporary 18-a Assessment

The New York PSC adopted regulations to govern the expanded Section 18-a assessment, which now includes revenues from ESCOs. An order was not available, and the Commission's discussion at its regular session yesterday focused on utility cash flow issues. Staff did say that collections of the temporary assessment will occur through a separate surcharge at each distribution utility. The Commission's discussion did not address Staff's recommendation, supported by most stakeholders, to collect the ESCO portion of the assessment by directing distribution utilities to estimate ESCO revenues by applying their default service rate to the volumes of gas or electricity sold by ESCOs, rather than requiring ESCOs to file actual revenue data. Only two parties (Multiple Intervenors and the Public Utility Law Project) filed comments opposing Staff's methodology. Commissioner Maureen Harris called the $540 million levy on ratepayers to fill a state budget gap, "outrageous."

Pa. PUC Clarifies Citizens'/Wellsboro Default Service Plan

The Pennsylvania PUC granted a petition from Citizens' Electric Company and Wellsboro Electric Company clarifying that the companies should fill 25 MW of their base load default service supplies in the first five months of 2010 through monthly purchases, as opposed to an annual product.

New Rates Approved for Citizens'/Wellsboro

The Pennsylvania PUC approved new default service rates for Citizens' Electric Company and Wellsboro Electric Company. Citizens' Generation Supply Service Rate (GSSR) will be $.0742 per kWh, a decrease of about $.0138 per kWh (15.74 percent). Wellsboro's GSSR will be $.0775 per kWh, an increase of about $.0009 per kWh (1.23 percent). Both rates take effect July 1.

PUCT Adopts Interim REP Certification Form

The PUCT approved a new REP certification form to be used on an interim basis as proposed by Staff in docket 37053, and will accept comments on the form to develop a final new certification form that reflects various new REP financial and managerial certification requirements. Staff also reported that it is working to develop new REP semi-annual report forms, and intends to implement a website that will allow REPs to file the compliance reports online.

Smitherman Asks for Reserve Margin Data Absent New Fossil Plants

PUCT Chairman Barry Smitherman requested that ERCOT prepare a study of what its projected reserve margins would look like if several new coal and gas-fired generators were not in late stage development and not scheduled to come online in the near future. Smitherman noted that if you remove such fossil generation from ERCOT's reserve margin calculations (which show adequate capacity through 2014, see Matters, 6/1/09), the projections may not look as robust, emphasizing the important role fossil-fuel baseload power will continue to play in the market.

TexasElectricityRatings.com Launches Comparison Site

Online power shopping and comparison website TexasElectricityRatings.com, which gives customers an opportunity to rate their provider in addition to viewing rankings and shopping for a rate, has officially launched. Reviews submitted by customers rank REPs in five categories: (1) Price, Plans and Promotions; (2) Order Experience; (3) Customer Service; (4) Billing and Account Management; and (5) How likely are you to recommend. Customers are also given an opportunity to make specific comments about their provider. Texas Electricity Ratings also said it incorporates the PUCT's published complaint data in its rankings. The shopping side of the site is similar to other online brokers in the market, separating plans by rate type, and listing any special features or conveniences (i.e., reward points/miles, online bill pay, etc.).

Calif. PUC Approves 500 MW for SCE Solar Program

The California PUC approved an expanded version of Southern California Edison's solar photovoltaic program, increasing the size of the program to 500 MW and splitting the capacity equally among merchants and SCE, as outlined in an alternate proposed decision (Matters, 6/11/09). The five-year program will allow SCE to install 250 MW of distributed, 1-2 MW solar generation, with another 250 MW available for merchant developers via RFP.

PUCT Approves New LIDA Discount

The PUCT approved Staff's recommendation to increase the current 15.5% Low-Income Discount Percentage to 17% effective for August 2009. The Commission also maintained the current $0.65 per megawatt-hour System Benefit Fee (Matters, 6/12/09).

FERC Denies RPM Buyers' Rehearing Request

FERC denied a rehearing request and motion for oral argument filed by several load interests filing as the RPM Buyers, in connection with the Commission's September dismissal of the RPM Buyers' complaint against PJM regarding the Reliability Pricing Model transition period (Matters, 9/22/08). FERC affirmed its earlier finding that no tariff violations occurred in the protested transitional auctions, and said "RPM Buyers are arguing, in essence, that even though the transition auctions were conducted in compliance with the tariff, the Commission should nonetheless grant relief because the results of applying the tariff are not what RPM Buyers expected."

Pa. PUC Sets Smart Metering Standards

The Pennsylvania PUC yesterday established smart meter technology procurement standards that the state's large electric distribution companies (EDCs) must meet (Docket No. M-2009-2092655). The Commission established minimum smart meter capabilities, guidance on deployment of smart meter technology, requirements for cost data and a timeline for implementation of the EDC plans. A stakeholder meeting will be held by July 17, 2009, to facilitate the discussion on the cost of smart meter technology versus the benefits. In a statement supporting the PUC's order, Commissioner Robert Powelson said that well-constructed Time-of-Use and real-time rates will offer residential and small commercial customers an opportunity to alter their behavior in response to the cost of electricity. Powelson said it was "pointless" to implement smart meters if rates remain, "dumb."

Ohio Supreme Court Denies OCC Request to Block Retroactive Portion of AEP Security Plan

The Supreme Court of Ohio has denied a request from the Office of the Ohio Consumers' Counsel (OCC) to block Columbus Southern Power and Ohio Power from continuing to collect the retroactive portion of their recent rate increase under the electric security plan. In its security plan order, the Public Utilities Commission of Ohio allowed the AEP utilities to collect a full year's worth of rates over nine months. OCC renewed its request for the Public Utilities Commission of Ohio to take a second look at its original decision. The Court's decision does not prevent the case from returning to the Supreme Court of Ohio.

Technical Conference on AEP Texas Advanced Metering Set

A technical conference will be held on July 8 regarding AEP Texas Central and Texas North's application for an Advanced Metering System in Texas (docket 36928), to afford parties the opportunity to pose questions to several AEP witnesses.

Duke Announces Ohio Nuclear Plant

Duke Energy announced an alliance to evaluate the U.S. Department of Energy's Portsmouth site in Piketon, Ohio, as a potential location for a new nuclear power plant. If ultimately pursued, the plant is intended to be placed into the ratebase. AREVA, USEC and UniStar Nuclear Energy are partners in the alliance with Duke.

FERC Clarifies Market Based Rate Order

FERC yesterday clarified its Market Based Rate rule with new reporting requirements on acquisition of sites for new generation capacity development, issuing Order No. 697-C on rehearing and clarification (RM04-7-006). The new requirements address wind developers' concerns regarding the burden of the existing requirements as well as provide FERC with the information necessary to evaluate a seller's ability to erect barriers to market entry while preserving commercially sensitive information about future development of sites for power generating plants. Under the rule, a seller must file a report for those sites where site control has been demonstrated in the interconnection process. In addition, the order establishes a reporting requirement for land that has been held for three years to allow FERC to evaluate a seller's ability to erect barriers to entry to the development of generation projects.

FERC OKs KCP&L-GMO Agreements with SPP

FERC approved an executed Network Operating Agreement and Network Integration Transmission Service Agreement between the Southwest Power Pool and Kansas City Power & Light Greater Missouri Operations Company, which establish KCP&L-GMO as a transmission owner in the SPP regional transmission organization (ER09-1004).

FERC Names New Enforcement Head

FERC named Norman Bay to head the Commission's Office of Enforcement. Bay is a former U.S. Attorney for New Mexico, and an associate professor of law at the University of New Mexico, where he has taught criminal law, evidence, constitutional law, legislative and administrative processes, and national security law.

PSC Approves Central Hudson Rate Plan

The New York PSC approved a delivery rate increase for Central Hudson at yesterday's regular session. As the Commission has not issued a written order, the disposition of ESCO-related items in the rate case, including a proposal to rebundle retail access lost revenues, is not known (Matters, 4/13/09).

FERC Denies Negotiated Rates for Mountain States Transmission Intertie Over Affiliate Concerns

Citing affiliate abuse concerns, FERC denied a request for negotiated rate authority for a merchant transmission line to be developed by Mountain States Transmission Intertie (MSTI), which will be located in the service area of its affiliate, NorthWestern Corp. (EL09-30).

The MSTI Project is an approximately 433-mile, 500 kV AC transmission line with estimated capacity of 1,500 MW, extending from Townsend, Montana, on NorthWestern's system, to an interconnection point with Idaho Power Company at or near the Midpoint or Borah substations in southern Idaho.

PPL EnergyPlus had protested MSTI's application for negotiated rates, noting it had requested transmission service as part of NorthWestern's 2004 open season and that it has maintained its position in NorthWestern's transmission service queue since that time. PPL argued that rather than process its transmission service request, NorthWestern is seeking to force PPL to compete for transmission service as part of a second open season conducted by MSTI.

PPL also noted that NorthWestern is an active participant in the Montana energy markets, and an important user of its own transmission system. Therefore, NorthWestern has a financial incentive to prevent the costs of the new transmission facilities from being borne by existing customers, PPL said.

While not addressing the particulars of the 2004 open season, FERC broadly agreed with PPL's concerns.

Although the Commission remains flexible in evaluating new proposals for transmission development and pricing, "[t]his flexibility, however, cannot compromise consumer protections by exceeding the bounds of the Federal Power Act or the Commission's open access requirements."

FERC ruled that the record indicates that NorthWestern played a substantial role in the preliminary development stages of the MSTI Project, which undermines Petitioners' assertion that MSTI has assumed the full risk of the MSTI Project. NorthWestern has thus far conducted and funded the preliminary siting, planning and environmental work. Although Petitioners state that NorthWestern is conducting such work at its own expense, it appears that MSTI would enjoy an undue preference not available to others as a result of NorthWestern's preliminary work and its status as an incumbent utility, FERC held. "Indeed, NorthWestern indicates that it may yet exercise eminent domain rights through the MSTI Project," FERC added.

"[W]e cannot ignore the strong incentives not to compete among affiliates, especially when those affiliates are interconnected. Petitioners have not addressed such competitive disincentives in a way that ensures that MSTI will not benefit from its proximity to and affiliation with NorthWestern, or vice versa. Due to the absence of meaningful competition between NorthWestern and MSTI in light of the affiliate relationship, the MSTI Project would concentrate the combined affiliates' control over transmission in and around Montana and potentially increase their market power. Such a potential increase in market power by the incumbent utility indicates that granting negotiated rate authority to MSTI is not warranted here," the Commission ruled.

"[W]e note that Petitioners' request for negotiated rate authority on the MSTI Project establishes an undesirable incentive vis-à-vis

NorthWestern's obligation to expand its system at cost-based rates pursuant to its OATT. Despite this obligation, the affiliate relationship between NorthWestern and MSTI creates the incentive for NorthWestern to withhold capacity and/or to delay the timely expansion of its facilities in response to requests for service under its OATT as a means of favoring its affiliate project ... [I]n light of the comments filed by PPL in this proceeding, it appears that longstanding requests for transmission service on NorthWestern have not led to the construction of new capacity," FERC added.

The Commission said that the objectives of the MSTI proposal can be accomplished on a cost-of-service basis.

Exelon Announces Workforce Reduction, Spending Cuts

Exelon announced a series of spending cuts which will achieve approximately $350 million in operations and maintenance (O&M) savings in 2010, a nearly 3.5% reduction in O&M spending from 2009 levels. Included in the spending cuts will be the elimination of approximately 500 positions, mostly in corporate support functions.

The company will operate with a significantly smaller corporate staff. Approximately 400 corporate support jobs, mostly located at corporate headquarters, will be eliminated. Commonwealth Edison will eliminate 100 management level positions.

Exelon projects a nearly 3.5% decrease in year-over-year O&M spending, from approximately $4.5 billion in 2009 to $4.35 billion in 2010. These reductions represent over $350 million of O&M savings in 2010, as Exelon anticipated a 4% increase in O&M absent these actions. The company expects over half of these cost savings to be sustainable.

Exelon also announced a reorganized senior executive team and structure to reflect a leaner corporate management model. "These and related changes are driven by economic challenges confronting all parts of Exelon's business and industry, including the need for continued focus on cost management through enhanced efficiency and productivity, as well as the need to reflect the commodity-driven nature of Exelon Generation's markets," Exelon said.

Among the changes is that Christopher Crane, in addition to his current responsibilities as president and COO, Exelon Corporation, and president, Exelon Generation, will assume responsibility for Power Team. Kenneth Cornew, senior vice president, Exelon Corporation and president, Exelon Power Team, will report to Crane.

Ian McLean, executive vice president, Development, Exelon Corporation, will direct a newly integrated business development function, including both merger and acquisition work, as well as other new business and generation development opportunities.

FERC Denies Dartmouth Power ICAP Payment Complaint

FERC denied a complaint from Dartmouth Power Associates Limited Partnership against ISO New England, finding that ISO-NE properly withheld capacity payments from Dartmouth for failure to meet various tariff obligations in connection with a forced outage (EL09-42, Matters, 3/23/09).

Dartmouth Power owns a 74.1 MW natural gas-fired, combined-cycle cogeneration facility located in Dartmouth, Massachusetts. In June 2008, the plant was conducting shadow maintenance which it believed could be completed before the next available time which the plant could be dispatched by the ISO. However, during repairs a weld bead did not hold, prompting more extensive repairs and a forced outage.

ISO-NE revoked Dartmouth's June 2008 ICAP payments in the amount of $231,952.50 for, among other reasons, what ISO-NE said was failure to notify ISO-NE of an unscheduled outage within a reasonable period of time.

Dartmouth filed a complaint arguing that the unanticipated nature of the forced outage precluded its compliance with the ISO tariff, and that it should not be penalized as it did not have the power to prevent a forced outage.

However, FERC noted that although the outage was prompted by a component failure during testing of completed maintenance work at 10 a.m. on June 14, Dartmouth did not notify the ISO of the outage until ISO dispatch called at 10:37 a.m. Furthermore, FERC said that

Dartmouth was aware at 7 a.m. that it was engaging in repairs that could result in the facility being unable to respond to dispatch, and was aware as early as June 1 that the facility had developed a boiler tube leak in its heat recovery steam generator that would require repair.

Although Dartmouth claimed the outage was directly prompted by the testing failure at 10 a.m., FERC concluded that, "the repairs - repairing a boiler tube leak - are not the type of work that can be completed while a generating unit is undergoing normal start-up procedures."

"In general, welding work to fix a boiler tube leak renders a unit unable to commence the normal start-up process until after the repair is complete, and therefore creates an outage," FERC said.

Rules require operators to schedule such maintenance outages with ISO-NE before taking the facility out of service to commence repairs, FERC noted.

The Commission also agreed with ISO-NE that Dartmouth's actions, "created the potential for adverse consequences for regional reliability."

Mandatory Dynamic Pricing Required to Maximize Demand Response Potential, FERC Says

Dynamic pricing tariffs should be implemented nationwide if policymakers wish to achieve the maximum demand response potential of the U.S., FERC Staff said in a national assessment of demand response that estimates the potential for demand response, both nationally and for each state, through 2019.

The study, A National Assessment of Demand Response Potential, finds the potential for peak electricity demand reductions across the country is between 38 gigawatts (GW) and 188 GW, up to 20 percent of national peak demand, depending on a number of policies.

For example, if dynamic pricing is implemented as an "opt-out" tariff with somewhere between 60% and 75% of customers participating in dynamic pricing, Staff projects that 138 GW of demand response is achievable.

If dynamic pricing is considered mandatory, with 100% participation, 188 GW of demand response is achievable.

Staff pointed to the lack of a direct connection between wholesale and retail prices, with retail prices the domain of the states.

For less ambitious demand reduction potential, Staff suggested that demand response programs at the wholesale and retail level should be coordinated so that wholesale and retail market prices are consistent, possibly through the NARUC-FERC Collaborative Dialogue on Demand Response process.

FERC Approves More Cost Socialization for SPP Wind Integration

FERC approved a transmission cost allocation mechanism in the Southwest Power Pool that will socialize a greater amount of the cost to integrate certain wind generation (ER09-1039).

Prior to FERC's order, network upgrades were eligible for cost socialization under SPP's "base plan funding" if, among other things, the costs are less than or equal to a safe harbor limit, which is set at $180,000/MW times the lesser of (a) the planned maximum net dependable capacity of the resource to be designated applicable to the transmission customer, or (b) the requested capacity of the customer's designation.

Under that approach, network upgrade costs below the safe harbor threshold are allocated as follows: 33 percent are allocated to the entire SPP region on a postage stamp basis, and the remaining 67 percent are allocated on a MW-mile basis to the SPP pricing zone or zones that are affected by the network upgrade based on a power flow analysis. Costs that exceed a safe harbor limit and are not eligible for base plan funding are directly assigned to the transmission customer.

However, SPP said due to wind's intermittent nature, it generally assigns wind resources a net dependable capacity of 10 percent of their nameplate capacity to calculate the safe harbor limit for network upgrade costs associated with wind resources. Therefore, the level of network upgrade costs associated with wind resources that are eligible for base plan socialized funding is significantly less than that for other types of generating resources.

According to SPP, the cost allocation plan often resulted in the host zone and other zones whose load was not served by the wind resource being allocated a disproportionate share of the costs of transmission.

SPP thus proposed to remove net dependable capacity from the safe harbor limit calculation for wind resources and instead use the customer's requested capacity to calculate a safe harbor limit for network upgrade costs associated with designating a wind resource. SPP stated that under its proposed cost allocation methodology, it is likely that the full amount of network upgrades would be eligible for socialized base plan funding because the safe harbor limit calculation would be based on the capacity requested by the customer from the wind resource (i.e., up to 100 percent of nameplate capacity) and not the net dependable capacity (i.e., 10 percent of nameplate capacity).

SPP also requested that the cost of network upgrades needed for a wind resource to serve load in another zone should be allocated as follows: 67 percent of the costs will be allocated to the entire SPP region on a postage stamp basis, and 33 percent of the costs will be directly assigned to the transmission customer, to remedy the disproportionate amount of costs customers in the host zone may pay for network upgrades that are needed to serve loads in other zones.

FERC accepted both changes, noting that although the changes establish a different socialized cost recovery rule for wind, "Dissimilar treatment of dissimilar resources does not in and of itself constitute undue discrimination, and we find SPP's distinct treatment of these location-constrained resources is not unduly discriminatory given the facts and circumstances of this case."

The Commission also approved, as an initial cap, SPP's proposal to limit base socialized funding eligibility to network upgrade costs associated with wind resources with reserved capacity up to 20 percent of the customer's system peak responsibility. SPP said that the limit is reasonable based on operational challenges of integrating large amounts of intermittent generation such as wind into the SPP system based on the potential for a sudden loss of wind and a resultant need for substitute generation.

"However, SPP provided no study or evidence supporting its choice of this particular percentage," FERC said, stating its concern that SPP's proposed limit could place transmission customers serving smaller loads at a disadvantage relative to transmission customers serving larger loads.

Accordingly, the 20 percent limit was approved for only one year, as the Commission directed SPP to study (1) the operational challenges it identifies due to the integration of wind generating resources into its system, and (2) whether the 20 percent limit places transmission customers with smaller loads at a competitive disadvantage with customers serving larger loads with dedicated wind resources.

Maryland ... from 1

the pools "wildly successful" in other markets such as Ohio.

Levine noted that GDF-Suez globally has over $100 billion in annual revenue from 200 million customers. Accordingly, various divisions within that empire compete for capital and resources. While Levine says Suez is committed to the Maryland market, the constant legislative crises make it hard for him to convince Suez's management across the pond that Maryland is worth investing in five years down the road.

Meanwhile, away from the political theatre, Levine pointed to the robust commercial and industrial market in the state, reporting Suez, which typically markets to mid-merit and larger C&I customers, has "hundreds" of smaller customers under 60 kW in Maryland because all customers in the state above 25 kW receive quarterly (or hourly if above 600 kW) SOS pricing.

The state is seeing a noticeable uptick in residential switching activity, driven by the pricing advantage retail suppliers have over the current SOS rates. PSC Staff reported there were some 7,000 residential switches in April, with similar numbers for May (though final May data is not yet posted). Baltimore Gas & Electric reported it has seen 3,000 residential switches thus far in June.

IDT ... from 1

Hendler said IDT has been interested in Connecticut as well, but cited a House bill which would end mass market choice as a barrier.

IDT is not interested in the ERCOT market, Hendler added, calling it a, "free for all." Unless you have big pockets, you won't survive in Texas, especially without generation, Hendler said.

In New York, IDT has focused on variable priced products, because of the concern that, during periods such as now when prices drop precipitously, customers who opted for security during a high-priced time by signing a fixed-price contract will still leave mid-term to follow a lower rate, Hendler reported.

Hendler also suggested that retailers can become service companies, offering efficiency or conservation value to the customer, prior to the rollout of advanced meters. Hendler noted customers interact with the thermostat, not the meter, and that smart thermostats are available in the market now.