Energy Choice Matters

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New England Governors Blueprint Favors Aggregating Long-Term Renewable Procurements

"Interstate coordinaton [sic] to aggregate the [New England] states' supply needs and contracting authority would strengthen the region's ability to support those renewable generation projects most able to serve New England consumers cost effectively," says the New England Governors' Renewable Energy Blueprint, developed by the New England States Committee On Electricity.

"Bringing New England's untapped renewable resources to market requires developers and investors to have confidence that there will be committed buyer(s) for a renewable facility's output over the long term. One means to provide some of that assurance in New England is each state's current authority over the procurement and contracting for some combination of capacity, energy and Renewable Energy Credits (RECs)," the blueprint said.

Reviewing various provisions or carve-outs in each state's supply procurement policies that allow for the long-term contracting of RECs or renewable energy or capacity, the blueprint finds that, "sufficient contracting mechanisms and commonality of purpose exist across New England to enable some degree of synchronized procurement."

"Every New England state has current statutory authority to approve long-term contracts for capacity, energy and/or RECs," the blueprint said, adding that the states also generally have authority to determine appropriate contract term lengths.

Aside from one or two programs, a majority of the New England states, including New Hampshire, Massachusetts, Maine, Vermont and Connecticut, "appear to have significant flexibility with respect

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RESA: Same-Day Review of Bilateral Connecticut Contracts Insufficient to Protect Customers

The Connecticut DPUC has, "no basis upon which to believe that the [Electric Distribution Companies] will actually procure Standard Service power through bilateral agreements at a cost that is less than that currently derived from the procurement of full requirements contracts," the Retail Energy Supply Association said in exceptions to a draft decision which would set parameters governing bilateral contracting for Standard Service.

As only reported by *Matters*, the draft decision would maintain the 20% cap on bilateral supplies, and would also require the use of a competitive RFP to obtain any long-term contracts (Only in Matters, 9/2/09).

However, the proposed decision would also create a one-day approval process for bilateral energy-only contracts two to five years in length that are benchmarked against forward energy prices.

RESA objected to such a quick review, based on the understanding that the DPUC will simply compare the RFP results versus forward market prices on that particular day. However, RESA stressed that forward market prices are only a snapshot of expectations, and have no impact on how ratepayers will fare under the bilateral contracts versus the current full requirements contracts.

RESA cited the example of market conditions after Hurricane Katrina. Had the DPUC evaluated an RFP conducted during that period of high prices, and compared RFP results only against

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ComEd Says Supplier Concerns in Smart Grid Pilot Unsupported

Commonwealth Edison said that there is "no support" for claims from competitive suppliers that ComEd's proposed smart grid pilots are anticompetitive, noting that the Illinois Competitive Energy Association did not provide witnesses to substantiate suppliers' concerns, and that ComEd, "has had no opportunity to respond with evidence to debunk them." ComEd therefore urged the Illinois Commerce Commission to reject a host of provisions that ICEA requested be placed on ComEd's smart grid plan (Only in Matters, 9/9/09)

Among other things, ICEA had recommended that ComEd be required to inform all customers in the areas in which the smart grid pilot would be conducted of their competitive options, to mitigate the impact of ComEd actively marketing its smart grid pilot which requires a customer to be on ComEd supply service.

"There is no indication that any customer has difficulty in ascertaining exactly what its competitive options are. Nor is there any evidence - or rational reason to believe - that the difficulty or costs of that effort will increase because of the AMI Pilot, let alone about whether messaging about other options might actually be more confusing than helpful when included in messaging concerning the AMI Pilot," ComEd said.

Regarding customer incentives paid to customers who participate in the pilot, ComEd replied that, "ICEA cannot explain why it is anti-competitive to link participation incentives to participation."

"ComEd is proposing a rigorous and comprehensive AMI systems pilot; not a plan to distribute subsidized [in-home devices] for competitive reasons," the utility added.

In its post-hearing brief, "for the first time, ICEA astonishingly requests that [retail suppliers'] beyond the meter offerings should be subsidized by ComEd," ComEd noted.

"Again, there exists no basis in the record for the Commission to grant this extraordinary request ... Moreover, ICEA does not and cannot explain why an AMI Pilot designed to gain information that will benefit all market participants should trigger this extraordinary subsidy of particular [retail supplier] offerings," ComEd said.

Michigan PSC Orders Detroit Edison to Not Perform October Deskewing Adjustment

Detroit Edison shall not implement the next phase of commercial and industrial rate deskewing on October 1, 2009 as scheduled in a December 2008 rate order, because Edison's subsequent filing of a new rate case supersedes the December requirement, the Michigan PSC ruled yesterday.

As exclusively reported in *Matters*, Detroit Edison had asked for clarification of whether the originally scheduled 1.7% rate realignment should occur on October 1, after Staff testimony suggested that Edison's filing for a new rate case pre-empted the original schedule (Only in Matters, 9/14/09). The realignment is meant to remove the current subsidy paid by non-residential bundled service customers to residential service. The Association of Businesses Advocating Tariff Equity (ABATE) argued that the realignment should proceed as scheduled; otherwise, the Commission may not be able to accomplish the end of deskewing within five years as required by legislation.

However, the Commission agreed with Staff that the intent of its December order was that the filing of a rate case by Detroit Edison, regardless of whether a final order in the new case has been issued, should stop the automatic 1.7% annual realignment.

Generators, Others File Proposed Language for CREZ Financial Commitment Test

Nearly 20 generators and transmission owners jointly filed draft language reflecting a compromise to modify the proposed financial commitment test under PUC Subst. R. 25.174 that will need to be met prior to any Commission approval of the Competitive Renewable Energy Zone (CREZ) CCNs (34577).

The proposal keeps (with modifications) the currently drafted three-tier financial commitment approach contained in a pending proposal for publication (Only in Matters, 6/26/09)

However, the joint proposal would also grant the Commission the authority to consider additional factors to certify the requisite financial commitment, even if conditions under any of the three tiers are not met.

Specifically, the proposed language states that if none of the tier standards are met, the Commission may determine if the level of financial commitment for a CREZ is sufficient after taking into consideration the following additional factors: the MW capacity of planned generation projects by entities that have already developed wind projects in ERCOT; the MW capacity of planned expansions of installed generation facilities; and the level of investment already made in planned generation projects.

Furthermore, the Commission would be permitted to evaluate if the level of financial commitment is sufficient to grant one or more specific CCNs related to a CREZ based on the otherwise applicable criteria, even if the financial commitment test cannot be met for the entire CREZ.

Signing the joint language were BNB Renewable Energy, CPV Renewable Energy, Duke Energy, Edison Mission Energy, E.ON Climate & Renewables North America, Eurus Energy America, Iberdrola Renewables, Invenergy Wind North America, John Deere Wind Energy, Lone Star Transmission, Longfellow Ranch Partners, NextEra Energy Resources, Oncor Electric Delivery, Pattern Renewables, Penn Real Estate Group, RES America Developments, Sharyland Utilities, and Worldwide Energy.

Joint supporters said that the following entities do not oppose the language: Austin Energy, CPS Energy, Cross Texas Transmission, Electric Transmission Texas, LCRA, and Wind Energy Transmission Texas.

ERCOT to Submit PRR to Eliminate "Superfluous" Report

ERCOT intends to submit a Protocol Revision Request to eliminate a "superfluous" Schedule Control Error report required by the Protocols but which has never been produced in seven years, ERCOT said in a notice of Protocol violation.

Protocol Section 12.4.4.2.3.3(1) states, "Seven (7) days after the applicable Operating Day, ERCOT shall publicly post on its MIS [Market Information System] the Schedule Control Error, as calculated by ERCOT and integrated over each Settlement Interval, for each QSE for each Settlement Interval of the applicable Operating Day."

ERCOT recently discovered that it has not provided this daily report to the market since its effective date in July 2002. During that time, ERCOT said that, "no one noticed that this report has not been provided over the last seven years."

A monthly version of the report has been produced by the Texas Regional Entity since February 2002, ERCOT said. Furthermore, the report is not required in the nodal market and therefore will have no value after December 1, 2010.

Given the lack of apparent demand for a daily report and the TRE's monthly report, ERCOT said that it intends to submit a Protocol Revision Request to remove the daily reporting requirement from Section 12.4.4.2.3.3, noting that complying with the requirement would take upwards of four days to prepare the daily reports, and that ERCOT has more pressing priorities.

PUCO Affirms AEP Ohio Not Entitled to POLR Revenue from Ormet Arrangement

The Public Utilities Commission of Ohio, in a rehearing order, affirmed that AEP-Ohio is not entitled to POLR revenues for serving Ormet Primary Aluminum on a reasonable arrangement (Matters, 7/16/09).

AEP had argued that it should receive POLR revenues since it bears migration risk from Ormet, but PUCO noted that Ormet has agreed to be served by AEP as its exclusive supplier for 10 years under the arrangement, negating any such risk. POLR charges collected by AEP are to be fully refunded to ratepayers (with no discount as suggested by AEP) through the economic development rider.

PUCO also clarified that the relevant period when Ormet cannot shop is the duration of AEP-Ohio's current approved electric security plan (which runs through December 2011). "It is not necessary to reach the question of whether

Ormet can shop beyond the duration of the current ESP because no determination has been made whether future standard services offers will include a comparable POLR charge," PUCO said.

The Ohio Consumer Counsel estimated that customers will save approximately $10 million in 2009 and $11 million in 2010 through the elimination of the POLR portion of the Ormet subsidy.

Briefly:

Bob Kahn to Step Down as ERCOT CEO

ERCOT CEO Bob Kahn, announced at yesterday's board meeting his plan to step down in November. "I feel good about where the organization is now and can leave knowing that ERCOT is on solid ground and looking good for the future and for the launch of the nodal market in 2010," Kahn said. No decision on an interim CEO or search plans for a permanent successor have been made yet.

North Shore Energy Consulting Seeks Ohio Broker License

North Shore Energy Consulting applied for an Ohio electric broker/aggregator license to serve commercial, mercantile and industrial customers at the three FirstEnergy utilities and Duke Energy. Principal Gary Greulich formerly worked in sales at FirstEnergy Solutions.

PUCO Approves Continental Energy Broker License

The Public Utilities Commission of Ohio approved the broker/aggregator application of Continental Energy Group (Only in Matters, 8/11/09).

Qvinta Energy Seeks D.C. License

Qvinta Energy Services applied for an electric broker license at the District of Columbia PSC to serve all classes of customers. Qvinta is a licensed gas and electric broker in Maryland.

Draft Would Grant Energy New England Conn. Aggregator License

The Connecticut DPUC would grant Energy New England LLC an electric aggregator certificate to serve all classes of customers under a draft decision (Matters, 7/24/09).

Oncor Nears 300,000 Advanced Meters

Oncor said it has installed 293,838 advanced meters as of August 31 in its monthly AMS report. CenterPoint said it has installed 69,240 as of August 31. Oncor said that, in conjunction with PUCT Staff, it has decided to postpone choosing a vendor for the low-income in-home monitors to be provided under the AMS program at this time. "Oncor and Staff decided to delay these efforts until potentially the Summer of 2010 to allow time for the market for in-home monitors to mature (potentially driving down unit prices) and to let the Oncor and CenterPoint AMS systems, including the common web portal, roll out and gain operating experience," Oncor said.

New Era Energy Receives Texas Aggregation Certificate

The PUCT granted New Era Energy an electric aggregator license (Only in Matters, 8/24/09). Sole proprietor Bruce Ewing formerly was a sales agent for TXU Energy and several of its contractors, including Andexco and Spherion.

Nstar Files Lower Winter Gas Commodity Rate

Nstar has filed to lower its winter commodity cost of gas to $0.7703 per therm effective November 1, versus $1.2424 per therm a year ago. Nstar said that the rate is the lowest supply price since January 2003. Nstar also applied to set the commodity rate of its fixed price option at $0.7903 per therm for November through April.

NYISO Seeks to Use RNA Load Forecast in Interconnection Facilities Study

The New York ISO requested a one-time tariff waiver at FERC so that it may use the load forecast from the 2009 Reliability Needs Assessment for the Class Year 2008 Interconnection Facilities Study, rather than the forecast used in the annual Load and Capacity Data Report (Gold Book). NYISO said the RNA forecast includes the expected impact of the New York PSC's energy efficiency portfolio standard, which had not been approved when the 2008 Gold Book was completed. The 2008 Gold Book noted that the PSC had an efficiency portfolio standard pending, and stated that future reports would incorporate results from the efficiency standard.

Mich. PSC Approves Deferral of Consumers' Choice Incentive Mechanism Reconciliation

The Michigan PSC approved Consumers Energy's request to defer the reconciliation of Consumers' electric choice incentive mechanism for the period June 20, 2008 through December 31, 2008 until the reconciliation to be filed on April 1, 2010. Consumers asked for the deferral because reconciliation of the shortened 2008 period would result in relatively small adjustments compared to total class revenues.

FERC Asks for Comments on Need for CAISO BPM Technical Conference

FERC issued a request that stakeholders comment on whether a technical conference is needed to provide parties with a final opportunity to identify any details in new or revised Business Practice Manual language developed after November 15, 2007, which parties believe should be included in the California ISO Market Redesign and Technology Upgrade tariff. Comments are due Sept. 22.

PUCT Grants Withdrawal of Energy Services Providers Certificate

The PUCT granted the request of Energy Services Providers of Texas to withdraw its REP certificate, as the REP has never served load in ERCOT. As only reported in *Matters*, Energy Services Providers was recently purchased by U.S. Gas & Electric (Only in Matters, 8/4/09).

MXenergy Extends Exchange Offer Deadline

MXenergy Holdings again extended the expiration of its Exchange Offer and Consent Solicitation (until midnight September 19) of its outstanding Floating Rate Senior Notes due 2011 (Matters, 7/2/09). MXenergy also made several other amendments to the offer, but none which impacted the economic or other material terms of the offer as previously amended in August (Matters, 8/18/09).

Choice Energy Services to Start Brokering PPL Load

Choice Energy Services announced the extension of its broker services to Pennsylvania yesterday, specifically to the PPL territory.

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to contracting for resources whether located within or out of state," the blueprint noted.

"A common goal reflected in each New England state's authority to approve long-term contracts relates to securing low cost, cost-effective or cost-stabilizing power," the blueprint says.

"Together, the states' mutual authority, competitive solicitation processes, and universal focus on cost to consumers provides the foundation for a multi-state or regionally synchronized approach to support those renewable resources able to serve New England consumers most cost effectively. Specific means will require detailed review and discussion by and between the states in the coming months, with input from effected [sic] participants including, for example, load serving entities that procure power and renewable energy project proponents," the blueprint concludes.

In other findings, the blueprint found that New England has more than 10,000 MW of onshore and offshore wind power potential.

In a companion report prepared by ISO New England, the ISO said that approximately 12,000 MW of potential wind resources in New England could be added to the system with appropriate transmission expansion. Focusing on offshore wind resource integration would result in the most cost effective use of new and existing transmission, the ISO reported.

The ISO forecast that annual wholesale electric energy prices would generally be lower under scenarios that add renewable resources with low energy costs (such as the higher wind penetration cases), or that remove energy from the system (such as the higher demand-resource penetration cases). Cases that retire large amounts of fossil fuel generators and replace those resources with the most efficient advanced combined-cycle natural-gas-fired generators also tend to produce lower energy prices, the ISO said.

In evaluating only net energy market revenues for each resource type, the ISO study shows that a typical wind resource and a typical natural-gas-fired combined-cycle resource would realize lower revenues in the high wind penetration cases (those cases with the lowest overall energy prices). "As with all resources, the lower prices overall reduce the contribution of energy market revenues toward the resources' fixed costs and raises concerns about the adequacy of the revenue streams available to support some resources," the ISO said.

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contemporary forward prices, the DPUC might have approved long-term contracts that were marginally lower than forward prices, but which would have ended up substantially higher than actual market prices in subsequent years.

Furthermore, RESA noted that there is no reason to expect generators to offer a meaningful discount off of forward prices if such prices are their expectation of future revenues. Announcing that the Department, as it essentially would in the draft, will merely compare the RFP results to forward prices would open the door for generators to opportunistically bid prices a mere 1-2% lower than that day's forward price to win load, rather than submitting a truly competitive bid, RESA noted.

Accordingly, RESA encouraged the Department to conduct a full review of all RFP results, regardless of length and product type. In particular, the DPUC should conduct a migration study to evaluate stranded costs and migration risks associated with procuring load bilaterally, RESA said, a step which the draft decision would not require.

RESA also urged the DPUC to affirm that the 20% cap on bilateral supplies applies to the Standard Service load actually served by the utilities, not the amount of eligible Standard Service load, in order to reduce the risk of stranded costs.

Regardless of the price produced by the competitive RFP, RESA argued that the presence of bilaterally served load will increase Standard Service prices, since it will increase migration risk premiums in the full requirements contracts. As more Standard Service load is locked up bilaterally, the full requirements suppliers will bear 100% of migration risk from a dwindling pool of Standard Service customers, as shopping continues to grow in Connecticut.

RESA recommended that bilateral supplies not be used to directly serve Standard Service customers, and instead be sold into the wholesale market with credit or charges applied on a nonbypassable basis.

RESA further stressed that bilateral suppliers must be required to provide credit support to assure performance, as otherwise there would be no consequence of default, and customers would not be assured of getting a fixed price for supplies. Indeed, RESA said that without a requirement for credit support to cover a default, generators have no reason not to sell their supplies into the market if market prices rise above the price in their bilateral Standard Service contract, which in turn requires more expensive replacement power to be procured to serve customers.

Constellation Energy urged the DPUC to include a pre-bid technical session for any bilateral RFPs, in order to define the product and selection criteria so suppliers may better respond to the RFP. The draft would not require pre-bid conferences.

The draft decision states that the intent of the bilateral contracts is to lower Standard Service rates. While the Office of Consumer Counsel called the goal laudable, OCC said such a goal may be setting the bar too high, ignoring contracts which could offer customers more stable Standard Service rates, even if not at a lower price.

Under the proposed decision, the DPUC would not prohibit the use of bilateral contracts which pass through the price of fuels to ratepayers, essentially transferring this risk to customers (although the draft says the DPUC doubts these contracts will be beneficial). OCC asked that, while the Department may not wish to impose a prohibition on any contract type itself, it should affirm that the utilities may choose to develop RFPs which preclude the use of contracts which pass the price of natural gas through to ratepayers, if the utilities feel such contracts are not in customers' interests.

Connecticut Light & Power continued to ask that utilities be allowed to present contracts negotiated outside of a competitive RFP process for DPUC approval.