Energy Choice Matters

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WMECO, FG&E Filings Would Add Switching Restriction, Nat'l Grid Does Not Oppose Addition

Following the strict letter of a Massachusetts DPU redline containing revisions to the Model Terms and Conditions for Competitive Electric Suppliers, Fitchburg Gas & Electric and Western Massachusetts Electric Company have filed new tariffs containing not only language relating to a supplier referral program, but language adding a switching restriction applicable to customers returning to basic service (09-46).

Specifically, both utilities filed to include the following language in their Terms and Conditions for Competitive Suppliers:

"[W]hen a Customer changes from a Competitive Supplier to Basic Service, unless the Customer or the Customer's applicable Competitive Supplier can demonstrate to the Company's reasonable satisfaction that the Customer has been placed on Basic Service upon the expiration of a contract with such Competitive Supplier, the Customer is not permitted to return to the same Competitive Supplier for a period of six (6) months from the effective date of the change. Customers are permitted to switch from Basic Service to a different Competitive Supplier who has not supplied the Customer with Generation Service in the same six (6) month period."

The language reflects a switching provision currently, and only, in effect at Nstar.

FG&E's and WMECO's revised Terms and Conditions came in response to a DPU order implementing an electric supplier referral program. As part of the order, the DPU issued a redline of

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ConEdison Solutions Formally Announces PPL Residential Market Entry

ConEdison Solutions formally announced its entry into the PPL residential market yesterday, with a 12-month fixed rate of 9.38¢/kWh. ConEdison Solutions' market entry was first reported in *Matters* last week (Matters, 12/8/09).

ConEdison Solutions' price, which is 13% off the latest estimate of the PPL price to compare, is the lowest publicly quoted residential price for a 12-month fixed contract in the PPL territory. Direct Energy is offering an introductory rate 8.99¢/kWh for the first three months of a 12-month product, with a rate of 9.49¢/kWh for the remaining months.

ConEdison Solutions' 12-month product does not include an early termination fee.

ConEdison Solutions CEO Jorge Lopez said that the retailer will evaluate its pricing and the addition of different products over time in response to customer feedback, as early as February.

Lopez also said that ConEdison Solutions will use a variety of sales channels, including aggregators and brokers.

As part of its residential market entry, ConEdison Solutions launched an affinity program under which it will donate $5 to the Ronald McDonald House for every PPL customer enrolling with ConEdison Solutions before January 31, 2010.

ConEdison Solutions has been serving Pennsylvania residential customers at Pike County Light and Power since 2006. ConEdison Solutions presently serves more than 200,000 residential and

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Suppliers Urge PUC to Reject Zip +4 Requirement in Columbia Gas of Pa. POR Plan

Interstate Gas Supply, Shipley Energy Company and Dominion Retail renewed calls to strike a provision imposing a new requirement on suppliers enrolling customers at Columbia Gas of Pennsylvania which is included in Columbia's pending pro forma tariff sheets to implement a revised purchase of receivables program (Only in Matters, 4/6/09).

As only reported in *Matters*, Columbia has proposed to revise its current POR plan so that the discount rate it lowered from 5% to 2.25%, reflecting a 1.86% discount on commodity charges (identical to the uncollectible rate in its price to compare) and a 0.39% administrative adder to recover implementation costs (P-2009-2099333).

Though not discussed in Columbia's petition, its attached pro forma tariff sheets would require suppliers enrolling customers telephonically to record the customer reciting their four-digit zip code extension. The four-digit zip code requirement would be in addition to the current requirements for telephonic enrollment, which include customer recitation of their name, account number, service address, mailing address, date of enrollment, and confirmation of the customer's intent to switch (Only in Matters, 4/22/09).

In a prehearing memo, Interstate Gas Supply, Shipley Energy Company and Dominion Retail first sought clarification of the zip code proposal, noting that such a requirement is not currently part of the Commission's regulations or guidelines, and was not justified, or even cited, in Columbia's petition. The suppliers asked that the change be rejected or withdrawn.

An initial prehearing conference regarding Columbia's revised POR plan had been scheduled for December 17, but an ALJ granted Columbia's unopposed request to continue the proceeding until January 14, 2010. Columbia noted that many of the elements of its POR design, particularly its ability to terminate customers for non-payment of competitive supply charges in excess of default service charges, were recently addressed with respect to the electricity industry in the PUC's order on PPL's POR program. Columbia noted that parties have until December 21 to appeal the determinations made in the PPL case, and said that conducting the prehearing conference while a Commission order on a similar POR design is still appealable would waste resources.

In granting the continuance, the ALJ stressed that, "I caution everyone that this case cannot be indefinitely postponed and that the next scheduled prehearing conference date must be adhered to, absent extremely urgent circumstances."

Interstate Gas Supply, Shipley Energy Company and Dominion Retail also sought, in their prehearing memo, additional justification for Columbia's proposed 0.39% administrative adder in the discount rate. The suppliers requested that Columbia identify the categories of costs to be included in the adder, estimate the level of the cost to be included in the adder, and give some estimate of the amount of time it will take to eliminate the adder, which Columbia said would expire once start-up costs are recovered.

Additionally, the suppliers noted that there is a pending rulemaking before the PUC regarding competitive gas issues, including POR and unbundling. One element of the rulemaking would require LDCs to unbundle all costs associated with natural gas procurement. In its POR petition, Columbia has reserved the right to withdraw the POR program if the LDC is required to further unbundle costs. The suppliers, "seek to avoid the scenario where a POR program is implemented only to be negated by the subsequent enactment of regulations."

Final N.Y. State Energy Plan Softens Recommendation on Mandatory Real-Time Pricing

A final New York State Energy Plan softens a draft recommendation to authorize the PSC to implement mandatory real-time pricing for all customers (Only in Matters, 8/11/09).

As only reported in *Matters*, the draft plan recommended that the PSC, "should be authorized to require that electricity be priced on a time of use basis for all customers, upon a finding that it is in the public interest to do so."

The final plan deletes this recommendation for such authorization. Instead, the adopted plan merely recommends that policymakers, "[s]tudy [a] potential requirement that electricity be priced on a time of use basis for all customers." As under the draft, any examination of mandatory real-time pricing must address practical hardships and difficulties related to implementing time of use rates for residential customers; possible means to mitigate any such hardships; and alternative rate regimes based on voluntary participation of residential customers.

An electric industry assessment accompanying the energy plan does note that giving the PSC authority to implement mandatory time of use pricing for all classes could improve system efficiency and allow customers to better manage their energy costs. Mandatory time-varying rates for residential customers are currently prohibited by law.

The state energy plan does recommend implementing rate structures (though not explicitly mandatory) and metering requirements for non-residential customers that encourage shifting use of electricity to off-peak hours. The plan also generally backs additional advanced metering and smart grid investment.

Plans Endorses Bilateral Contracts for Renewables

The final plan retains a draft recommendation which encourages the Long Island Power Authority and New York Power Authority, "with utilities and other partners," to issue an RFP for the private development of offshore wind resources. The plan does not address, should a utility be a party to any resulting PPA, how such power (and costs/benefits) would be allocated to its customers.

The plan also encourages bilateral contracts as a mechanism to attract private investment in renewable resources, though most of the recommendations for bilateral contracts relate to state authorities and not the distribution utilities.

In other renewable recommendations, the plan supports development of a REC tracking system and expansion of the RPS to 30%. Additionally, though not cited on point, the plan supports more frequent Main Tier RPS solicitations, suggesting an endorsement of the central procurement model, rather than an LSE-based compliance model.

Wholesale Markets and Generation

The adopted energy plan generally retains the draft's praise of the New York ISO competitive wholesale market. The NYISO uniform clearing price market, heavily criticized by some state politicians, "provides an economic incentive to power plant operators to run as efficiently as possible," the state energy plan finds. Under the single clearing price auction, "[m]ore efficient, i.e., lower heat rate, resources are attracted to competitive markets where they can profit by competing against less efficient producers, an incentive that does not exist in non-market regions," the plan notes. "The market structure also encourages plants to run more consistently. Average plant availability in New York increased from 87.5 percent in the 1992 to 1999 timeframe to 94.4 percent in the 2000 to 2007 timeframe," the plan adds.

An electric industry assessment accompanying the plan refutes calls for an alternate pricing methodology, such as pay-as-bid. The assessment notes that paying a resource its bid price will simply encourage a resource to bid at the expected price for the marginal generator, and thus would not produce any lower pricing. Instead, the imprecise calculations required to estimate the price of the marginal generator will lead to inefficient dispatch, the assessment concludes, resulting in higher total production costs and higher costs to consumers.

"As long as markets are competitive, the uniform clearing price auction will provide the most efficient result," the market assessment found. The state plan also concludes that electric prices are driven largely by fuel prices, "and thus New York prices were high prior to restructuring, and remained high after restructuring although they have recently been falling significantly."

Citing the NYISO's 2009 Comprehensive Reliability Plan, the state energy plan concludes that, "markets and expected prices appear to be sufficient at this time to provide for generation and transmission resources to maintain reliability on a statewide basis throughout the Plan's 10-year planning horizon."

"The market's locational prices have provided transparent price signals, which in a competitive environment have induced investment in newer and more efficient generation, as well as new transmission and demand response resources, in the locations where the resources are most valued," the plan finds.

The plan notes that over 7,600 MW of generation have been added in New York since 2000. While about 3,800 MW of the total is the result of merchant development relying on market-based revenue streams, the plan does note that a significant portion of the new generation (3,800 MW) has been added by the New York Power Authority or supported by long-term contracts with Consolidated Edison, NYPA, or LIPA, representing the bulk of asset additions downstate.

The electric industry assessment found that while New York's electricity markets and associated planning processes have in large part been successful in achieving their objectives, "improvements can be made to benefit both end-use customers and market participants."

"Continued monitoring and evaluation of the markets by the State is needed to ensure that the expectations of the competitive market structure are met," the assessment says. Among other things, the assessment notes that there continue to be market power concerns in New York City.

Among several recommendations relating to electric generation development, the plan recommends, "encouraging the repowering of existing facilities to improve the efficiency of the electricity system."

Though the plan recommends supporting repowering and replacement of existing units with new facilities "when such actions can be justified by their reliability, economic and environmental benefits," specific policies to achieve this objective are not enumerated. The Independent Power Producers of New York have suggested creating a tier in the RPS for repowered assets which reduce certain emissions, with repowerings supported by long-term contracts (Only in Matters, 11/27/09).

The plan also favors a fuel neutral power plant siting law to provide greater market certainty to developers and investors. Governor David Paterson said that he will propose specific siting law legislation in 2010.

RESA Announces 2010 Officers, Chairs

The Retail Energy Supply Association named its elected officers and appointed state chairs for 2010:

President: Jay Kooper (Hess Corporation)

First Vice President: Ron Cerniglia (Direct Energy Services)

Second Vice President: Melissa Lauderdale (Integrys Energy Services)

Secretary: Stephen Bennett (Exelon Energy Company)

Treasurer: Roy Boston (Sempra Energy Solutions)

Electric State Chairs:

Federal: Melissa Lauderdale (Integrys Energy Services)

Illinois: Roy Boston (Sempra Energy Solutions)

Maryland/DC/Delaware: Becky Merola (Sempra Energy Solutions)

New England: Chris Kallaher (Direct Energy Services)

New Jersey: Marc Hanks (Direct Energy Services)

New York: Steve Wemple (ConEdison Solutions)

Ohio: Teresa Ringenbach (Direct Energy Services)

Pennsylvania: Richard Hudson (ConEdison Solutions)

Gas State Chairs

Illinois: Stephen Bennett (Exelon Energy Company)

New York: Debra Rednik (Hess Corporation)

Ohio: Teresa Ringenbach (Direct Energy Services)

Pennsylvania: Debra Rednik (Hess Corporation)

Ohio coverage represents a new addition to the RESA gas caucus. RESA said it will continue to monitor the Michigan gas market, with a state chair to be announced at a later date. The federal chair also represents a new position for RESA, though its details are still being finalized.

FERC Accepts Limits on GFAs for New MISO Transmission Owners

FERC accepted, with modifications, the Midwest ISO's proposal to eliminate the availability of carved-out grandfathered agreement (GFA) status for existing agreements between a new transmission owner and its affiliates and/or owner-members, and denied a related complaint from Dairyland Power Cooperative regarding the proposal (ER10-73). The decision does not impact the GFAs of existing transmission owners.

As part of joining MISO as a transmission owner, Dairyland sought approximately 700 MW in carved-out GFAs - more than 10 percent of the 6,786 MW currently carved out of the Midwest ISO markets. MISO said that the proposed changes are meant to reduce the use of GFAs since GFAs inhibit reliable operation of the MISO system and unfairly shift costs to other MISO members.

FERC said that limiting GFA status for new transmission owners is consistent with its policy that GFAs are to be limited, and that their volume is to be reduced over time.

Although FERC accepted the Midwest ISO's proposal to limit availability of carved-out treatment for agreements between a new transmission owner and an affiliate or owner-member, that are not already included in Attachment P of the tariff, it rejected MISO's proposal to eliminate the availability of carve-out GFA status for existing agreements between a prospective new member and another transmission owner. Unlike existing agreements between a prospective member and its affiliates or owner-members, which are not currently listed in Attachment P, many existing agreements between prospective members and existing transmission owners are already listed in Attachment P, FERC noted.

Briefly:

PUCT Staff Says Smart Meter Web Portal Will Implement First Set of Business Requirements in Late January

PUCT Staff informed REPs yesterday that the Smart Meter Texas (SMT) Portal will implement the first set of business requirements produced by the Advanced Meter Implementation Team (AMIT) project on or about January 31, 2010. The portal will allow REPs, customers, and TDSPs to access data from advanced meters, and will support Home Area Network (HAN) commands. Staff reported that although use of the portal for most purposes is readily available upon registration to the portal, additional coordination is required to integrate a REP with the portal's additional advanced functionality via the API and FTP interfaces. To support these set-up and security access requirements, Staff announced a first-come, first-served sign-up starting in early February via the PUCT website. The SMT FTP will be the means for the TDSPs in ERCOT to provide interval data from the advanced meters. In early 2010, the interval data currently available directly from the TDSPs' FTP will be replaced by accessing the data from the SMT FTP. A training session is scheduled for January 20, 2010 in Houston. Additional documents relating to the SMT portal are available on the PUCT's AMIT webpage.

Oncor Surpasses 500,000 Smart Meter Installations

Oncor said that it has installed 511,014 advanced meters as of November 30, 2009, in its monthly report to the PUCT. However, Oncor reported that in November, issues with its work management system negatively impacted its ability to install the number of meters necessary to meet its year-end goal of having 691,000 advanced meters installed, and at this time, Oncor anticipates that it may not have that number of advanced meters installed by December 31, 2009. If Oncor does not reach the target by end of 2009, Oncor will reach the 691,000 target in early January 2010. CenterPoint Energy reported that as of November 30, 2009, it has installed 134,009 advanced meters.

U.S. Sun Energy Seeks Maine Broker License

U.S. Sun Energy Inc. applied for a Maine electric broker/aggregator license to serve all sizes of non-residential customers in all service areas. As previously reported, U.S. Sun Energy has a pending Connecticut electric license, part of its expansion to serve national hotel chains in additional states aside from Texas, where an affiliate currently operates (Only in Matters, 12/8/09).

DPUC Draft Would Grant Starion Energy Electric License

A draft Connecticut DPUC decision would grant Starion Energy an electric supplier license to serve residential, commercial, and industrial customers (Only in Matters, 10/8/09).

Central Hudson Again Calls for Utility-Owned Tier in RPS

Central Hudson Gas & Electric issued a position statement yesterday outlining its previously reported desire for a utility-owned resource tier in the New York RPS. Central Hudson's proposed utility-sited solar tier was first reported by Matters over a year ago (Only in Matters, 11/18/08), and also last month as Central Hudson filed additional comments on the RPS at the PSC (Only in Matters, 11/27/09). As only reported in *Matters*, PSC Staff has opposed a utility resource tier (Only in Matters, 10/28/09).

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revisions to the Model Terms and Conditions in order to implement provisions governing the referral program. In doing so, the DPU used Nstar's Terms and Conditions as a baseline, which already contained the switching restriction. Thus the DPU used as its model, to be copied by utilities in their compliance filings, a tariff containing a switching restriction, even though no other distribution company aside from Nstar has included such a switching restriction in its tariff to date.

The DPU's order made no mention of its desire to expand the switching restriction beyond Nstar.

National Grid, in fact, omitted the switching restriction language from its compliance filing, even though the language was included in the DPU's revised Model Terms and Conditions.

That prompted the DPU to issue an interrogatory directing National Grid to explain why it omitted the switching restriction language from its tariff.

In response, National Grid noted that the switching restriction included in Nstar's tariff is not currently included in National Grid's Terms and Conditions. "In Docket No. D.T.E. 05-84, NSTAR requested approval of a provision designed to address load volatility relating to the practice of certain competitive suppliers switching large commercial and industrial customers on and off of Basic Service multiple times within a short period of time. The Department approved the inclusion of the provision contained in § 3.A of NSTAR's T&Cs. Following the issuance of the Department's order in Docket No. 05-84, [National Grid] evaluated similar customer switching activity and found it did not have the same level of similar activity as NSTAR and, therefore, did not file to revise its T&Cs to include the same provision," National Grid explained.

National Grid said that it understood that it was only to revise its tariff to include the language implementing the supplier referral program, and thus did not include other unique aspects of Nstar's Model Terms and Conditions in its compliance filing.

"However, [National Grid] would not object if the Department would like the Company to include the [switching restriction] provision in § 3.A in its revised T&Cs," National Grid said.

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small commercial accounts in New York, Connecticut, Pennsylvania and Massachusetts.

ConEdison Solutions is the sixth supplier to actively market in the PPL residential market, joining Dominion Retail, Direct Energy Services, Liberty Power, MXenergy, and Anthracite Power & Light. At least five more are due to enter the market in the early part of 2010, most notably Gateway Energy Services, Washington Gas Energy Services, Champion Energy Services, and BlueStar Energy Services (all of whom except for WGES have pending licenses or license amendments; WGES is currently licensed for residential customers). As only reported in *Matters*, Energetix, Energy Plus Holdings, IDT Energy, and Public Power & Utility all have pending applications to serve residential customers in Pennsylvania, though unlike the previous four suppliers, have given no indication of whether they will enter the market immediately upon licensing.