

# Energy Choice *Matters*

*February 9, 2010*

## **NYSEG, RG&E, O&R Request that ESCOs Fund Contest Period Implementation**

All ESCOs should be required to pay for the implementation of a contest period, NYSEG, Rochester Gas & Electric and Orange & Rockland said in comments to the New York PSC (98-M-1343).

As only reported in *Matters*, the PSC has ordered the development of a contest period to provide an opportunity for a customer's existing (or incumbent) ESCO to retain a customer scheduled to be switched to another ESCO, and, with customer authorization, retain the customer without losing the customer for a billing cycle (Only in *Matters*, 9/23/09). The utilities were commenting on revised EDI protocols submitted by Consolidated Edison to implement the contest period (Only in *Matters*, 11/9/09).

NYSEG and RG&E argued that, "[t]he creation of a contest period encourages ESCOs to promote themselves to customers who are thinking of switching to other ESCOs, because the incumbent ESCO has the opportunity to directly reverse a pending switch to another ESCO."

"Since this change supports ESCO promotional programs as discussed in the Commission's October 27, 2008 Order in Case 07-M-0458 ... the Companies believe that all currently qualified ESCOs should fund these changes," NYSEG and RG&E said. The utilities stressed that in the October 27, 2008 order, the Commission held that, "it is no longer appropriate to spend ratepayer funds to promote retail access."

"Even if the ESCO is deemed to be acting as the customer's agent in this instance [under a contest period], the Commission required that ESCOs would have to receive authorization from the customer to reverse a switch to another ESCO. In order to receive this authorization, the incumbent ESCO will have to contact the customer and convince them that they, the incumbent ESCO, are the company with whom the customer wishes to stay. It is not unreasonable to assume that the ESCO

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## **Maryland Staff Recommends Hearing on BGE SOS Cash Working Capital Recovery Request**

Maryland PSC Staff has recommended that Baltimore Gas & Electric's application to increase the SOS-related working capital costs collected from non-residential customers be set for hearing, noting that BGE's proposal to recover the costs through the nonbypassable Administrative Cost Adjustment is inconsistent with BGE's calculations that show only SOS customers will be paying for the additional carrying costs (Only in *Matters*, 12/31/09).

BGE has sought to increase its allowed recovery of working capital costs due to the implementation of weekly billing in PJM. Cost recovery is currently capped per the Case 8908 SOS Settlement Agreements. BGE's proposal would only raise working capital costs recovered from non-residential customers, as the settlement agreements related to residential SOS run through May 2010.

As only reported in *Matters*, BGE proposed that its full cash working capital revenue requirement shall be recovered as an SOS-related cost through Rider 10 (Administrative Cost Adjustment), a nonbypassable charge.

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## Calif. ALJs Seek Comment on Funding Planning Reserve Margin Study

Two California ALJs have sought comments on possible funding mechanisms to support the modeling of Planning Reserve Margin requirements and options, including the potential requirement for utilities to fund such modeling with costs recovered from both bundled and competitive supply customers (R. 08-04-012).

Originally, the instant rulemaking was to facilitate greater analytical rigor and transparency in the establishment of the planning reserve margin (PRM), using sophisticated computer modeling software and expertise. The process was to be integrated with a California ISO study to be performed by General Electric Energy using GE Energy's Multi-Area Reliability Simulation (MARS) Software. However, CAISO funding for the study was exhausted, and the PUC suspended the rulemaking.

The ALJs said that the rulemaking should now either be reactivated, if funding for necessary modeling work can be secured, or closed in the absence of such funding.

"One option, upon which this ruling seeks comment, is to require that the three large regulated investor-owned utilities (IOUs) provide such funding subject to rate recovery from both bundled and unbundled customers. Under this approach, the IOUs would file advice letters to establish memorandum accounts in which the costs of providing funding for modeling would be tracked. Costs could be allocated among the IOUs on a revenue share basis, as is done in the case of intervenor compensation awards in multi-utility proceedings," the ALJs said.

## CAPP Steps Up PR Effort Against Texas Competition

The Cities Aggregation Power Project (CAPP) has named Ariamedia as its public relations and marketing agency of record, to expand public awareness of CAPP and, "building grassroots support for its efforts to lower the cost of electricity in Texas by influencing public policy

on energy deregulation."

CAPP said yesterday that, "[a] wealth of reputable public data conclusively supports CAPP's case that Texas deregulation has failed to live up to its promise." CAPP cited a survey by WhiteFence which CAPP said, "has found that Houston and Dallas ranked second and fourth respectively for highest *priced* electricity among major U.S. cities" (emphasis supplied).

CAPP was referring to WhiteFence's average bill comparison, which only compares total monthly spend of customers without adjusting for usage, and does not provide a comparison of underlying rates or "price."

For example, WhiteFence's November 2009 average bill comparisons (which shows Houston and Dallas as second and fourth most expensive, respectively, consistent with the data CAPP cites) show New York City with an average monthly electric bill of \$70.55, versus \$108.60 for Dallas and \$115.34 for Houston. Consolidated Edison's Market Supply Charge for SC1 residential customers for February 2010 is 9.025¢/kWh, with energy delivery charges another 6¢/kWh on top of that, plus various assessments and surcharges. Ignoring any other surcharges and taking a minimum rate of 15¢/kWh at ConEd, for an average bill to be \$70.55, usage would be about 470 kWh, while typical monthly usage in Texas is 1,000 kWh, explaining the high spend on a total bill basis. Monthly spend on electricity in New York City is reduced, not because of kilowatt-hour rate, but because of lower usage, such as (in this case as the data is from November) due to the prevalence of non-electric heating sources (oil, steam, gas) and the larger dwellings found in the sprawling Texas metro areas.

The all-in rate for a fixed product in Dallas and Houston is in the 10-11¢ range, which is exactly what the WhiteFence data shows for a 1,000 kWh bill.

There are also variable rates in both Houston and Dallas for less than 9¢. In other words, these all-in rates (commodity & delivery) in ERCOT are lower than the supply rate at ConEd, though CAPP touts the WhiteFence study as showing Texas with higher prices.

CAPP next says that "[t]most recent federal data cites average residential rates in Texas as 53.1 percent higher than in Louisiana, and 44.7

percent higher than in Oklahoma." Presumably CAPP is referring to Energy Information Administration statistics, which have most recently be criticized by the Texas Public Policy Foundation (Only in Matters, 1/28/10).

CAPP further said that, "[t]he Texas Public Utility Commission has reported in a recent study that residential electricity prices among deregulated Texas suppliers were nearly 30 percent higher than the national average," citing the PUCT's self-evaluation to the Sunset Advisory Commission. The pricing data used in the comparison was for fiscal 2008.

### **Direct Energy Enters into Marketing Agreement with Wethersfield, Conn.**

Direct Energy has entered into a marketing agreement with the Town of Wethersfield, Connecticut, under which residential and small commercial customers can enroll onto a 12-month fixed price product for 9.79¢/kWh.

Direct called the "Direct Choice" program the first co-branded residential and commercial electricity offer in Connecticut. Direct has entered into similar marketing agreements with several Ohio communities for natural gas supply, but in such cases Direct also typically serves as the supplier for that Ohio community's opt-out aggregation.

Direct's Wethersfield rate is the second lowest in the Connecticut Light and Power territory (in which Wethersfield is located), and the lowest among fixed rate offers. For comparison, Direct's standard 12-month rate at CL&P is 10.19¢/kWh, while CL&P's generation service charge is 11.051¢/kWh.

Direct's Wethersfield program also offers a discounted senior citizen rate of 8.81¢/kWh.

Direct Energy was selected through a bid process conducted by the town. Direct will make a contribution to the town's Energy Fund for every customer enrollment.

Letters announcing the program will be sent to residents and small businesses.

In 2009, Direct Energy said that it saved its residential and small business customers approximately \$5.9 million in electric generation costs through its offers in both the United

Illuminating and Connecticut Light & Power service territories. The total was calculated by comparing the volume weighted-average rates paid by Direct Energy customers in 2009 against the 2009 published utility rates of United Illuminating and Connecticut Light & Power multiplied by the billed electric usage of Direct Energy customers for 2009.

### **TexRep6 Purchased by Smartcom Energy Technologies**

TexRep6 LLC filed for an amendment to its REP certificate at the PUCT to reflect the purchase of the certificate by IC&T Americas, LLC, which is now known as Smartcom Energy Technologies, LLC. The certificate was purchased from Energy Services Group.

According to its application for an amended certificate, in September of 2009, TexRep6 LLC was purchased by IC&T Americas, LLC. Subsequent to the purchase, TexRep6 LLC's name was changed in its jurisdiction of formation to Smartcom Energy Technologies, LLC a subsidiary of IC&T Americas, LLC. As a result of the new ownership, TexRep6 sought to change its certified name to Smartcom Energy Technologies, LLC, and to add the trade name Smart Power to its REP certificate. The trade name SmartPay Power is currently registered by StarTex. TexRep6 will also delete the trade name Illumination Power from its certificate.

IC&T Group is an information management and technology firm founded in Nigeria and which has specialized in electricity transmission, distribution management and oil pipeline network integrity management. Among its services is distribution of electronic prepaid and credit meters, GIS mapping & consumer indexing, asset management, meter management, billing & revenue management, work flow management, and sub station automation.

Energy Services Group will provide billing, customer information system, forecasting, scheduling, and settlement services to Smartcom Energy.

## **Briefly:**

### **GearyEnergy Seeks Michigan Electric License**

GearyEnergy sought to expand its electricity marketing footprint by applying for a Michigan alternative retail electric supplier license. A natural gas marketer for over a decade, GearyEnergy expanded into electricity last year, entering the Massachusetts market, which is its only current electric territory. GearyEnergy said that Constellation NewEnergy will act as a subcontractor performing various functions related to retail supply. GearyEnergy reported that, "it is contemplated that CNE will enroll the accounts of Geary's customers with the appropriate EDC ... and will coordinate the appropriate supply of electricity for those accounts with the MISO transmission system or power pool."

### **Unified Energy Services Seeks Ohio Electric Broker License**

Unified Energy Services applied for an Ohio electric broker/aggregator license to serve all classes of customers in all service areas. Unified Energy Services said that it expects to receive licenses in Massachusetts, Pennsylvania and Maryland in the near future (Only in Matters, 11/4/09).

### **UI Revises January Migration Report**

United Illuminating corrected its January migration report, reporting that in its original report it erroneously attributed customers to Palmco Power, which as only reported in *Matters* has not yet received a Connecticut license. However, UI created more confusion regarding to whom those customers belong. In a letter accompanying its report, UI said that the 47 customers in question (40 residential, 7 business) are with Positive Energy. However, Positive Energy is registered as an aggregator and not a load serving supplier (according to the DPUC-supported CTEnergyInfo rate comparison website, "Positive Energy is a Registered Aggregator and is marketing for an electric supplier, ResCom Energy LLC"). UI's revised migration spreadsheet instead attributes the 47 customers to Discount Power. All other data in UI's original Feb. 3 filing is correct and is

not affected (Only in Matters, 2/4/10).

### **Shell to Pay \$2,000 for LaaR Violation**

PUCT Staff and Shell Energy North America have filed a settlement under which Shell would pay \$2,000 to resolve a violation of ERCOT Protocol § 6.10.5.4, relating to Load acting as Resource (LaaR) obligations. According to the settlement, on the August 11, 2008, Shell failed to deploy 95% of its 3 MW of scheduled LaaRs within 10 minutes of ERCOT instruction, deploying only 2.4 MW within that timeframe.

### **PUCT Opens Electric Vehicle Docket**

The PUCT opened project 37953 for an investigation of issues relating to electric vehicles.

### **Mich. PSC Opens Docket on Separation of Generation, Distribution**

The Michigan PSC opened Case No. U-16196 to receive comments on issues relating to the advisability of separating electric distribution and generation within electric utilities. Public Act 286 of 2008 requires the PSC to conduct a study, "on the advisability of separating electric distribution and generation within electric utilities, taking into account the costs, benefits, efficiencies to be gained or lost, effects on customers, effects on reliability or quality of service, and other factors which the commission determines are appropriate." The report shall include, but is not limited to, the advisability of locating within separate departments of the utility the personnel responsible for the day-to-day management of electric distribution and generation, and maintaining separate books and records for electric distribution and generation.

### **Mich. PSC Opens Docket on State Power Pool**

The Michigan PSC opened Case No. U-16197 to receive comments on whether the state would benefit from the creation of an electric generation purchasing pool. Public Act 286 of 2008 requires the PSC to conduct a study of, "whether the state would benefit from the creation of a purchasing pool in which electric generation in this state is purchased and then resold." The report shall include, but is not limited to, whether the purchasing pool shall be a separate entity from electric utilities, the impact of such a pool on electric utilities'

management of their electrical generating assets, and whether ratepayers would benefit from spreading the cost of new electric generation across all or a portion of the state.

### **Mich. PSC Opens Docket on Load Management**

The Michigan PSC opened Case No. U-16198 to receive comments on efforts to promote load management and reduce peak demand and offer recommendations for legislative action, if needed. Public Act 295 of 2008 requires the Commission to:

(a) Promote load management in appropriate circumstances.

(b) Actively pursue increasing public awareness of load management techniques.

(c) Engage in regional load management efforts to reduce the annual demand for energy whenever possible.

(d) Work with residential, commercial, and industrial customers to reduce annual demand and conserve energy through load management techniques and other activities it considers appropriate.

The Commission shall file a report with the legislature by December 31, 2010 on the effort to reduce peak demand.

### **Contest Period ... from 1**

will have to make a promotional sales pitch to customers to convince them to stay with the ESCO. As a result, the contest period is an extension of the ESCO promotional program and should be funded by ESCOs," NYSEG and RG&E added.

"Asking the utilities to fund this change is not reasonable since an existing methodology already exists - i.e. the customer can call the utility and cancel the pending switch," the utilities noted.

Orange and Rockland, "believes that the revisions to its EDI transactions are unnecessary, will be time-consuming to implement and test, and will require the Company to incur incremental costs at a time when the Commission is urging austerity."

"The purpose of the contest period is to allow customers to change their mind about switching ESCOs. Orange and Rockland has been

receiving and processing these customer requests through its call center without complaint. If ESCOs believe that this process is not adequate, they should be required to underwrite the Company's costs to revise and test its existing EDI transactions," O&R added.

NYSEG and RG&E estimated that the total cost to implement the contest period will be \$38,500. O&R estimated that implementation and testing of the revised EDI transactions will cost about \$25,000.

NYSEG and RG&E proposed that all ESCOs pay for such costs, with the costs divided equally among all ESCOs. ESCOs would be required to pay up-front prior to entering required Phase 3 testing for the new EDI procedures. NYSEG and RG&E said that they will wait until all ESCOs have paid for the full cost of the contest period changes before testing.

Subsequent new ESCOs will not have to pay for the cost of testing. However, NYSEG and RG&E said that they are willing to entertain proposals about how the costs can be split among new and existing ESCOs to remove subsidies.

### **Cancellations After Close of Window**

Direct Energy protested a section of the proposed EDI revisions that would drop a customer to bundled utility service after one billing cycle if a contesting ESCO does not submit a cancellation of the pending switch prior to three business days before the switch. Specifically, the proposed revisions state that, "[u]pon receipt of [notice of a customer's] cancellation, the distribution utility shall cancel the pending enrollment and reinstate the customer with the incumbent ESCO, if any, or the distribution utility, provided that no less than three business days remain before the planned effective date. If less than three business days remain, the change to the new provider shall occur and remain effective for one billing cycle. The customer shall return to full utility service at the end of the next switching cycle, unless the customer is enrolled by another ESCO at least 15 days before the beginning of the next switching cycle."

"The justification for this work flow is not apparent, as it results in a customer who has been enrolled by two ESCOs (and for whom the

intention regarding the ESCO they wish to be enrolled with is reasonably clear) being returned to utility service," Direct said.

Direct said that a better course would be to allow the incumbent ESCO to resend the drop code in the next month or to have the customer remain indefinitely with the new ESCO to which the customer is switched.

### **Authorization to Cancel Switch Request**

The proposed contest period language states that the incumbent ESCO, "must obtain written or electronic authorization of the customer," to cancel a pending switch request. Such language appears to omit the use of telephonic third party verification, Direct noted. The PSC's contest period order does not address the means of authorization on point, but says that verifiable authorization must be retained for a period as provided in UBP Section 5.K.3, which sets forth the requirements that authorizations must meet when using written, electronic, or TPV authorization.

### **Reference Codes**

Regarding ConEd's revisions to the EDI guides to implement the contest period, NYSEG and RG&E sought clarification from the PSC regarding the proper use of the "CHA" reference identifier in the REF segment. NYSEG and RG&E noted that currently, the "CHA" code can be used in an inbound EDI 814 drop transaction from the ESCO. ESCOs also can use "020" (customer moved), "A13" (other), or "B38" (dropped) transactions to drop the customer. However, the proposed change would use the CHA for two different purposes. NYSEG and RG&E sought clarification whether the CHA reference identifier will now be repurposed to accommodate the contest period and will not be used for its original purpose of identifying a customer-initiated drop.

"The reason that the Companies seek this clarification is that we believe that the use of the 'CHA' reference identification may lead to the ESCO's purpose being misinterpreted. An ESCO can send the CHA reference to drop a customer or reverse a drop. If we received the CHA for one of their customers, we would have to determine if the ESCO meant to drop the customer or contest the pending switch. Requiring utilities and ESCOs to use the CHA as

the reference identifier will increase the risk of customers being dropped by accident instead of reversing a switch," NYSEG and RG&E said.

Instead, NYSEG and RG&E recommended that an unused reference identifier of "CON" be used for the EDI drop transaction to identify that an ESCO is invoking the contest period. "The CON reference identifier can be found from the master list of EDI codes, so it would not be an extensive change," NYSEG and RG&E added.

National Fuel Gas Distribution similarly recommended use of the CON reference identifier to avoid possible confusion and misinterpretation of an EDI transaction.

NYSEG and RG&E reported that they will have to alter their existing customer care system (CCS) to implement the contest period, at an estimated cost of \$18,700. Modified Phase 3 testing with ESCOs after updating the customer care system will cost about \$19,800, and take roughly 360 hours. The scheduling and testing with ESCOs will have to be done outside of normal EDI test batches, NYSEG and RG&E noted. Given the updates to the customer care system and subsequent testing schedule, NYSEG and RG&E asked that the Commission provide no fewer than 190 days from the date of an order approving revised EDI protocols to complete implementation.

### ***BGE ... from 1***

Staff noted that, "BGE's current proposal is to use the Rider 10 Administrative Cost Adjustment to recover the increase in costs. However, Rider 10 is currently a credit applied to all distribution customers, meaning that non-SOS customers would be paying for the carrying costs of SOS customers. BGE's calculations assume that only SOS customers will be paying for the additional carrying costs, which does not match their Rider 10 proposal."

Staff also said that the following issues should be addressed in a hearing:

- The appropriate rate of return
- Whether transmission costs should be treated the same as commodity costs
- An examination of the specific cost-recovery mechanism
- The details of BGE's average daily expense and revenue lag-days calculations

BGE is proposing to increase the amount recovered for cash working capital from \$0.15/MWh to \$1.07/MWh. Staff estimated that the increase in working capital costs would increase the Administrative Charge as follows:

| <b>Customer Type</b>                              | <b>Type I</b> | <b>Type II</b> | <b>Hourly SOS</b> |
|---|---------------|----------------|-------------------|
| Current Administrative Charge (Cents/kWh)         | 0.55          | 0.60           | 0.30              |
| Estimate of New Administrative Charge (Cents/kWh) | 0.65          | 0.70           | 0.40              |