Energy Choice Matters

April 13, 2010

National Grid N.Y. LDCs Request to File Monthly GAC Later to Provide More Accurate Price

Niagara Mohawk, KeySpan New York and KeySpan Long Island have petitioned the New York PSC for a limited waiver of Section 720-6.5(b) of the Commission's Gas Cost Adjustment Clause regulations to allow for the submission of the companies' GAC statements on fewer than three days' notice.

Section 720-6.5(b) requires that cost of gas statements be filed three days prior to the date on which they take effect.

The National Grid LDCs said that the waiver of this requirement, "will benefit the Companies and their customers, as well as Energy Service Companies ('ESCOs') operating in the Companies' service territories, by enabling the Companies to set a commodity price of gas on their monthly GAC statements that is more reflective of their actual gas purchase costs."

National Grid said that it purchases a substantial amount of its natural gas supplies at first-of-the-month price indices reported in industry publications that are issued at the beginning of each month. The closing price of natural gas futures contracts traded on the New York Mercantile Exchange is the best indicator of the market price of natural gas as reported in various industry publications for the upcoming month. However, the NYMEX natural gas futures contract closing price is not set until three business days prior to the end of the month. As a result, to remain consistent with the regulations and file its GAC statements three days prior to the first-of-the-month effective date,

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NEEA Report Cites Benefits of Connecticut Restructuring

Electric restructuring in Connecticut has resulted in substantial benefits for the state, including, "significant additions of cleaner electricity generation; increased energy efficiency across all customer segments; more in-state renewable energy resources; and an increasingly competitive and robust retail market that enables customers to shop for lower electricity prices," the New England Energy Alliance (NEEA) said yesterday in releasing an assessment of Connecticut's experience with electric deregulation.

"These findings should guide the legislative policy debate underway in Connecticut on lowering the price of electricity. Under legislative consideration are a number of proposals that would radically change the electricity market in Connecticut, curtailing consumer choice and market competition," NEEA said.

Among other things, HB 5507 would eliminate purchase of receivables, impose a fee for utility consolidated billing, eliminate the customer referral program, institute various requirements for solicitations, prohibit telephonic and electronic enrollments except in cases where the customer has first received a written contract, and would require the licensing of brokers. The bill was reported out of the Legislative Commissioners' Office yesterday with a favorable report.

HB 5505 would establish a state generation procurement authority, allow the procurement of Standard Service supplies on a portfolio basis, and permit the procurement authority to build and

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Briefly:

Energy Plus Holdings LLC Begins Marketing to PPL Residential Customers

Energy Plus Holdings LLC has begun marketing electricity to residential customers at PPL Electric, offering a monthly variable rate currently priced at 9.403¢/kWh. The lowest variable rate (and lowest overall) in the PPL market is currently offered by Viridian Energy (9.299¢), while Washington Gas Energy Services offers the lowest fixed rate (9.30¢). Energy Plus Holdings' entry, which was first reported by *Matters* (Only in Matters, 1/15/10), brings the number of suppliers serving residential customers at PPL to 11, though two suppliers, Liberty Power and Anthracite Power & Light, are not currently marketing residential offers broadly. As previously reported, BlueStar Energy Services said it expects to begin serving PPL residential customers this month, while several other suppliers have licenses or license amendments pending (such as Champion Energy Services, Energetix, Clearview Electric).

RJT Energy Consultants Seeks Conn. Aggregation License

Start-up RJT Energy Consultants, LLC applied for a Connecticut electric aggregator certificate to serve all customer classes. RJT said in its application that it also intends to aggregate customers for gas supply. Co-founders John Abella and Thomas O'Connell own DDI Leasing of New England, a company that designs, develops, and administers vendor leasing programs for technology equipment resellers and distributors. Richard Katz is also a Member of RJT Energy Consultants, LLC and serves as vice president of sales. Katz previously procured energy commodity supply as vice president for Matlaw's Food Products.

Novec Energy Solutions Seeks Ohio Gas License

Novec Energy Solutions LLC applied for an Ohio natural gas broker license to serve residential and small commercial customers at Columbia Gas, though its application suggests that it wishes to be a competitive supplier and not simply a broker. Novec Energy Solutions is seeking to enroll approximately 2,000 residential and small commercial choice customers via telemarketing. Novec Energy Solutions currently has 22,000 customers in Virginia, Maryland, the District of Columbia, and Pennsylvania, with annual usage of 2.5 Bcf.

Columbia Gas of Ohio Names SSO Suppliers

Columbia Gas of Ohio reported that the winning suppliers in its recent Standard Service Offer auction were Virginia Power Energy Marketing, Inc; MXenergy, Inc.; DTE Energy Trading, Inc.; BP Energy Company; Sempra Energy Trading, LLC; J. P. Morgan Ventures Energy Corporation; and Hess Corporation (Matters, 2/25/10).

ResCom Energy Receives Credit Facility

First Capital announced that it has provided a $5 million senior secured facility to Connecticut electric supplier ResCom Energy, LLC, which will support ResCom's immediate and future business opportunities.

White Columns Office Solutions Seeks N.H. Aggregator License

White Columns Office Solutions of New England has registered as a New Hampshire electric aggregator to serve customers in all service areas. White Columns Office Solutions offers voice and data solutions for small businesses.

Dominion Retail to Drop Unused Prairie State Electric & Gas Trade Name

Dominion Retail has requested that the Illinois Commerce Commission add the trade name Dominion Energy Solutions to both its alternative retail electric and alternative gas supplier licenses, while also removing the trade name Prairie State Electric & Gas Corporation from each license, which Dominion Retail has never used to market supply in Illinois.

Boston Generating LLC Initiates Strategic Sale Process

Boston Generating LLC, a wholly-owned, indirect subsidiary of USPower Generating Company, announced yesterday that it is initiating of a strategic sale process as part of its continued effort to restructure the company. BostonGen has retained J.P. Morgan Securities Inc. to act as its financial advisor in connection with the auction process. BostonGen's generation fleet is the third largest in New England, serving the Boston metropolitan area with approximately 2,942 MW of competitive merchant generation capacity. Approximately 80% of the company's generating capacity is comprised of natural gas-fired, combined-cycle generating plants.

CRA International Announces First Bidder Session for Auction Under Still-Pending FirstEnergy Ohio Utilities ESP

CRA International, Inc. announced that it will host the first bidder information session on April 15 for the potential full requirements competitive bid process called for under the stipulated electric security plan for Cleveland Electric Illuminating, Toledo Edison, and Ohio Edison, which is pending before the Public Utilities Commission of Ohio (www.firstenergycbp.com). The plan still requires PUCO approval. The FirstEnergy utilities hope to conduct the first auction for supplies for the period June 1, 2011 through May 31, 2014 during July 2010.

Md. PSC Approves Revised BGE Low-Income Pilots

The Maryland PSC has approved Baltimore Gas & Electric's revised limited income bill management pilot programs (Matters, 3/1/10). As previously reported, one of the pilots is a competitively neutral Graduated Rate Discount program that will provide usage-based bill discounts to limited income electric and gas customers in order to determine if such discounts will provide an incentive to limited income customers to conserve energy and encourage more on-time bill payment, resulting in a more manageable energy bill. The discounts, applied as a varying percent of off the total bill depending on the usage reduction (up to 40%), will be available to income-eligible customers regardless of whether they obtain their commodity from a competitive supplier or from BGE. Competitive suppliers will still be paid the full amount billed for their commodity (subject to a potential purchase of receivables discount).

No Divestitures Planned for Mirant, RRI

GenOn Energy, the combination of Mirant and RRI Energy, has no plans to divest any assets as a result of the combination, executives said during analysts meetings yesterday (Matters, 4/12/10).

Executives do not think any asset sales will be required for regulatory reasons, given the limited overlap in the generators' fleets. GenOn Energy also has no plans to pursue any asset sales, or retire any plants, independent of any regulatory findings, executives said.

Mirant CEO Edward Muller, who will assume the role of CEO of GenOn Energy, said that GenOn will continue to be interested in additional transactions, asset purchases, and brownfield developments, but stressed that, as Mirant and RRI have been to date, GenOn will be "disciplined" in any activity.

Executives further said that Mirant and RRI saw no other possible transactions that would create comparable value to their merger.

The combined fleet's 24,650 MW would be the second largest portfolio of merchant generation behind Exelon (31,000 MW), and just ahead of Calpine (24,300 MW).

Executives reported that GenOn's hedging strategy will resemble Mirant's more than RRI's. RRI has engaged in limited hedging while maintaining an open book.

The merger agreement contains certain termination rights for both RRI Energy and Mirant and further provides that, upon termination of the merger agreement under specified circumstances, RRI Energy or Mirant may be required to pay the other party a termination fee of either $37.15 million or $57.78 million.

PJM Alleges MISO Use of Substitute RCFs Violates JOA

The Midwest ISO's use of unconstrained "substitute" Reciprocal Coordinated Flowgates below the established ratings for those facilities, and MISO's initiation of market-to-market coordination and the financial settlement process in such instances, is in violation of the

Joint Operating Agreement between PJM and the Midwest ISO, PJM alleged in a complaint at FERC, following MISO's own complaints against PJM regarding market-to-market coordination.

As first reported by *Matters*, MISO has filed two complaints against PJM (EL10-45, EL10-46), alleging that PJM under-reported market flows from 2005-2009 under the Joint Operating Agreement (JOA), and alleging that there are times in which PJM appears to have bound a Reciprocal Coordinated Flowgate, but failed to initiate the market-to-market process, which MISO said is in contravention of the JOA (Matters, 3/9/10).

Pursuant to the JOA, PJM and MISO employ generation redispatch to resolve congestion at the operating seam between them. Under the framework of the JOA, the parties establish agreed upon flowgates, called Reciprocal Coordinated Flowgates (RCFs), for which they monitor congestion and jointly dispatch their systems when the particular facilities are constrained.

PJM alleged that MISO violated the terms of the JOA by: (i) initiating the market-to-market coordination and financial settlement process to control facilities that are not designated RCFs by setting limits on other, unconstrained "substitute" or "proxy" RCFs below the established ratings for those facilities; and (ii) initiating the market-to-market coordination and financial settlement process by setting limits on unconstrained "substitute" RCFs below their ratings in order to indirectly control the flows on other RCFs that should have been monitored and coordinated directly under the JOA.

"In both instances, Midwest ISO limited flows on facilities when they were not congested, and then obtained financial settlements for the flows on these facilities under the JOA's market-to-market settlement provisions. Upon information and belief, these violations are ongoing," PJM said.

"As a result of Midwest ISO's apparently persistent reliance on substitute or proxy flowgates in the market-to-market coordination process, PJM has overpaid, and continues to overpay, Midwest ISO in the JOA market-to-market settlements," PJM said, estimating its overpayments as in excess of $25 million for the period April 2005 to June 2009.

The Midwest ISO defends its use of substitute flowgates principally by citing to section 3.2.5 of the Congestion Management Process (CMP). MISO contends that this section, "provides for the use of substitute flowgates during an interim period while the four studies referenced therein are being performed on a new RCF."

However, PJM countered that the cited provision, "in fact demonstrates that substitute flowgates may not be used in market-to-market settlements."

"Section 3.2.5 of the CMP permits the use of a 'temporary Flowgate ... on the fly' pending the required four studies for designating a facility as an RCF," PJM stressed. In such cases, temporary flowgates are used in the Transmission Loading Relief (TLR) process, not in market-to-market coordination, PJM argued.

Section 3.2.5 of the CMP, PJM said, specifically references the North American Electric Reliability Corp. Interchange Distribution Calculator which specifies that, when using a substitute flowgate, the monitoring RTO shall use internal redispatch and TLR, not market-to-market coordination, until the required JOA tests are completed. "This section in no way extends the use of substitute flowgates beyond the TLR process to the market-to-market process (which is nowhere mentioned in this section) that is reserved for RCFs that have been jointly studied," PJM said.

PJM Answer to MISO Complaints

In addition to filing its own complaint, PJM urged FERC to dismiss the two MISO complaints. Among other things, PJM said that, with respect to MISO's allegation of under-reported market flows due to PJM's alleged error, Section 18.3.3.1 of the JOA provides that neither party to the agreement shall be liable to the other for a "failure to perform" under the agreement "unless such failure ... was malicious or reckless." Furthermore, MISO's requested refunds are barred by the two-year limit for billing adjustments under Section 10.4 of the PJM Open Access Transmission Tariff, PJM argued.

MISO, for its part, moved to dismiss PJM's answers to its complaints, and asked FERC to find PJM in default for not filing a timely answer.

MISO noted that while FERC extended the "comment" period for the complaints until April 12, the day on which PJM filed its answer, FERC's order did not extend the period during which answers could be filed to April 12.

N.Y. ... *from 1*

National Grid must estimate its commodity price of gas before the NYMEX futures contract closing price is known.

As a consequence, the estimated price of gas reflected on the GAC statement is not as closely aligned with the LDCs' actual gas costs as it could be. "Gaps between the Companies' estimates and actual gas prices distort the monthly price comparison for National Grid's gas transportation customers who may be purchasing commodity from ESCOs that benchmark their gas sales prices to the prices reflected in the Companies' GAC statements," National Grid said.

"Furthermore, the variances between the price set on the GAC statement and National Grid's actual gas costs can increase the Companies' under recovery or over recovery of costs from sales customers during the GAC reconciliation year, which can result in larger gas cost imbalances at the end of the GAC year. These imbalances, in turn, are credited or surcharged to sales customers the following year, which further distorts the price paid by sales customers as compared to market prices, and can unduly burden rates," National Grid added.

The limited waiver requested by National Grid will enable the LDCs to file their GAC statements before their effective dates but following the monthly close of the NYMEX market so the GAC statements can more accurately reflect the actual cost of gas, the LDCs said.

Conn. ... *from 1*

finance power plants, with supplies from such plants used for Standard Service and Last Resort Service. The bill was reported out of the Legislative Commissioners' Office yesterday with a favorable report.

"High electricity rates are a concern and should be addressed, but not at the expense of consumer choice and market competition," said Paul Afonso, Executive Director of NEEA and former Chairman of the Massachusetts Department of Telecommunications and Energy. "Our assessment indicates the best approach to more reliable and affordable electricity is to stay the course and keep building on the considerable progress that has been achieved under electricity restructuring," Afonso said.

NEEA's analysis found that there are currently more than 4,000 MW of new generation in various stages of development in Connecticut. "If eventually constructed, the state's total electricity generation capacity would increase by 50% -- increasing competition, lowering electricity prices and creating much needed jobs," NEEA said.

NEEA focused in particular on the growth in the competitive retail market since legislation mandated the purchase of receivables, a customer referral program, and other market enhancements.

For example, since December 2006, residential customer migration has grown from about 40,000 to 210,000. Across all customer classes, competitive suppliers now serve almost 20% of customers and supply half of all electricity sold.

The number of active alternative suppliers has grown from about five in 2006 to about 30. These 30 suppliers, "are investing substantial capital in the state and employing hundreds of residents," NEEA said.

NEEA noted that while Connecticut does have the highest rates in New England, the disparity can largely be traced to non-generation factors, such as transmission and distribution. For example, citing EEI data from the summer of 2009, Connecticut and Massachusetts both have average generation rates of 12.1¢/kWh, but Connecticut has distribution charges of 5.0¢ and transmission charges of 1.5¢, compared with distribution charges of 3.8¢ and transmission charges of 1.1¢ at Massachusetts.

The report was prepared for NEEA by ESAI Power LLC and was sponsored by Constellation Energy, Dominion Resources Exelon Corporation, GDF Suez Energy North America, Hess Corporation, NRG Energy, and TransCanada Corporation.