Energy Choice Matters

May 17, 2010

Mass. DPU Opens Long-Awaited Review of Electric POR, Pursues Model T&Cs

Nearly two years after the enactment of a law mandating the purchase of receivables by electric distribution companies, the Massachusetts DPU has opened an investigation to develop model POR terms and conditions, in an order made public Friday (Docket 10-53).

The distribution companies filed POR compliance plans in October 2008, which have been sitting at the DPU since then (Only in Matters, 10/16/08). The DPU said that, "[w]hile these plans are consistent in some areas, there are also many differences in the methods by which each Company proposes to implement its plan."

"The Department believes that customers and the competitive market will be best served by attaining as much uniformity as reasonable among the Companies' POR plans," the Department said in opening the investigation.

"The Department expects that each Company will use the model POR terms and conditions as the basis for its specific POR terms and conditions," the DPU added.

As an initial step, the Department directed the distribution companies to work together on a collaborative basis to develop proposed model POR terms and conditions for the Department's review and approval. "We suggest but do not require that the Companies seek input from interested competitive suppliers," the DPU said. The distribution companies' collaborative proposal for model terms and conditions is to be filed by June 7, 2010.

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Record High Capacity Prices for Constrained Eastern Regions in RPM Auction

PJM's Reliability Pricing Model Base Residual Auction for capacity for the 2013-14 delivery year produced record high prices for several constrained zones in Eastern PJM while also seeing a higher clearing price for the rest of PJM region.

For the non-constrained regions, the RPM market cleared at $27.73/MW-day, about $11 higher than the 2012-13 BRA's price of $16.46/MW-day.

For the 2013-14 delivery year, MAAC, EMAAC, and PEPCO were binding constraints that resulted in Locational Price Adders. The MAAC clearing price was $226.15/MW-day, an increase of $92.78/MW-day versus last year's auction. The EMAAC clearing price was $245.00/MW-day, an increase of $105.27/MW-day. The PEPCO clearing price was $247.14/MW-day. The PEPCO zone was modeled for the first time in the 2013-14 auction as a binding Locational Deliverability Area.

PJM attributed the price increases in the three constrained zones to reduced capacity transfer margin into these regions and, to a lesser extent, an increase in the net Cost of New Entry.

The MAAC price applies to the transmission zones of Baltimore Gas and Electric, Met-Ed, Penelec, and PPL Electric Utilities. The Eastern MAAC price applies to the transmission zones of Atlantic City Electric, Delmarva Power, Jersey Central Power and Light, PECO, Public Service Electric and Gas, and Rockland Electric.

Mitigated supply offers were used to clear the 2013-14 Base Residual Auction, as all market

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CL&P, UI Post Last Resort Service Rates

Connecticut Light and Power and United Illuminating have posted Last Resort Service rates for the three-month period beginning July 1, 2010.

Connecticut Light and Power
Rates^ 21, 39, 41, 55, 56, 57, 58 (¢/kWh)

	GSC	FMCC-Generation	Total
July	6.226	0.300	6.526
August	6.277	0.300	6.577
September	6.004	0.300	6.304

^ For customers above 500 kW in these classes, no differentiation in peak/off peak rates

United Illuminating
Rates GST, LPT* & NUS (¢/kWh)

	On Peak	Off Peak
July	7.6462	7.6462
August	7.6942	7.6942
September	7.3482	7.3482

** Rate LPT Shoulder & Off-peak price is the same*

Kentucky PSC Opens Small Volume Gas Choice Investigation

Acting on a directive from the state legislature, the Kentucky PSC has opened an evaluation of retail natural gas competition (2010-00146).

Currently, Columbia Gas offers the only small volume choice program in Kentucky, which has been approved and periodically renewed on a pilot basis.

After legislation which would have mandated small volume gas choice programs failed in 2009, the legislature in 2010 directed the PSC to, "commence a collaborative study of natural gas retail competition programs to determine if benefits could be derived from these programs, and to determine whether natural gas retail competition programs could be crafted to benefit Kentucky consumers."

The evaluation is to consider the entire range of inputs to a choice program and retail unbundling, including: the role of the Commission in a competitive marketplace; the obligation to serve; the supplier of last resort; alternative commodity procurement procedures; non-discriminatory access to services offered; codes of conduct for marketers and affiliates of regulated utilities; billing which should include the desirability of the purchase of receivables; certification of suppliers; transition costs; stranded costs; uncollectibles; disconnections; steps necessary to maintain system integrity; access to pipeline storage capacity; and impacts of new natural gas retail competition programs on existing utility services and customers.

The PSC designated each jurisdictional natural gas distribution utility with 15,000 or more customers in Kentucky as a party to the proceeding. Such distribution companies include Columbia, Atmos Energy, Duke Energy Kentucky, Louisville Gas & Electric, and Delta Natural Gas.

In November 2008, the PSC enumerated to the legislature 21 specific safeguards that should be included in any competitive market structure. Aside from the boiler plate conditions seen in any choice program, noteworthy safeguards proposed by the PSC included:

- Marketers should be required to file a code of conduct in a filed tariff or follow a code of conduct established and approved by the Commission and set forth in the utility's tariff
- Marketers must be prohibited from transferring certificates to operate as a marketer without Commission approval
- Marketers must be prohibited from transferring customers without customer approval
- Marketers must be prohibited from abandoning or terminating contracts with a utility without providing at least 60 days' notice to the Commission, and the Commission must grant approval of such termination
- The utility should be allowed to require the marketer to post a performance bond or other evidence of financial security in the event of abandonment. The method for calculating the amount of the bond should be set forth by statute or regulation
- Marketers must be required to file monthly rates with the Commission and the rates must be made available to customers
- Marketers should be required to clearly list and advertise all price offerings

- The Actual Cost Adjustment (the over- or under-recovery of the utility's Expected Gas Cost) should continue for choice customers for 12 months after the switch to a marketer

ConEd Asks for Permanent Approval, Expansion of Direct Load Control Program

Consolidated Edison has petitioned the New York PSC to permanently approve, and expand, its residential and small commercial customer direct load control program, with cost recovery achieved through the nonbypassable Monthly Adjustment Clause (00-E-2054).

Currently, ConEd has 16,500 residential customers and 5,600 small commercial customers in its central air-conditioner direct load control (DLC) program. ConEd is seeking to initially expand the program by 3,000 residential customers (3.6 MW annual peak reduction) and 500 small business customers (0.75 MW), further requesting that the PSC approve the program as an ongoing demand response program similar to the Distribution Load Relief Program rather than a pilot, in which case ConEd would not need to seek specific approvals for future expansions in the direct load control program.

Under the direct load control program, ConEd provides and installs, without charge to the enrolling customer, a programmable thermostat with internet-enabled technology that will operate the customer's central air conditioning unit(s).

For the residential direct load control program, ConEd said that the installation cost for the thermostat is $620 per unit, which includes the first year's operating costs, or approximately $517 per kW (1.2 kW per thermostat). The cost to install the additional 500 small business thermostats annually is approximately $470 per kW, ConEd said. ConEd noted that the New York ISO has recently estimated that the cost to add a new peaking unit in the New York City metropolitan area ranges from $1,275-1,540 per kW.

Briefly:

Summit Energy Services Seeks Ohio Broker License

Summit Energy Services, Inc. has applied for an Ohio electric broker/aggregator license to serve commercial, mercantile, and industrial customers in all service areas.

AEP Retail Energy Partners Tweaks Trade Name

Competitive electric supplier AEP Retail Energy Partners LLC informed the Public Utilities Commission of Ohio that it will do business as AEP Retail Energy.

PUCT Affirms Pricing Order on Power to Choose

PUCT Commissioners affirmed Friday that the default view for the Power to Choose website will list REP offers in ascending price order, with the lowest offers at the top of the chart. The site had listed offers in ascending price order since late 2008, at the urging of Commissioner Donna Nelson after discussion at a November open meeting (Matters, 11/21/08). After recent updates to the site by Staff, the site was briefly reverted to listing offers in a random order for the default view, which is how the site had been designed prior to November 2008. The recent change away from ascending price order prompted customer complaints, and the change back to ascending price order has already been implemented. Customers can still filter the offers by contract type and REP. The Commission also said that the removal of the "Go directly to offers" link on the main home page was inadvertent, and it has since been restored.

AEP Texas Begins AMS Deployments

As of April 30, 2010, Oncor has installed 910,908 advanced meters and CenterPoint has installed 341,779 advanced meters. The AEP Texas utilities also deployed their first non-pilot advanced meters during April, and have deployed 2,695 advanced meters as of April 30, 2010. The AEP companies reported that they are still on schedule to provide 15-minute interval data to ERCOT for settlement purposes for those advanced meters provisioned after April 1, 2010. It is anticipated that the first settlement quality usage data provided to ERCOT by AEP Texas will be in June 2010. The AEP companies are also on track to provide meter data to the Smart Meter Texas Portal in June 2010. As of April 30, 2010, AEP Texas anticipates that it will be later this summer before the service orders that are initiated by various market EDI transactions will be fully automated for provisioned smart meters. AEP Texas also anticipates that it will be this summer before it can support prepaid service for provisioned advanced meters through the automated activation of remote disconnect and connect features triggered by market EDI transactions. The AEP companies further reported that the automation of HAN functionality will not be available in the second quarter of this year as originally planned, but an interim solution is being pursued.

Gexa Offers Refund, Seeks Dismissal of Variable Rate Complaint

Gexa Energy has moved to dismiss a complaint at the PUCT concerning its variable rate pricing, stating that it has sent the complainant a check for $914.85, which Gexa said represents the maximum possible "overcharge" alleged by the complainant plus a refund of applicable taxes and interest at the Commission-prescribed rate (37569). "While Gexa continues to dispute that Gexa breached its contract with [complainant] Upham or that it violated any Commission rules in its dealings with Upham, Gexa tenders the stated amount in order to put an end to this case in the interests of judicial economy and mitigation of expense," Gexa said. The complaint has implicated issues with potential market-wide impact, such as the requirements for REPs under the Uniform Commercial Code if REPs incorporate the UCC into their contracts (see Matters, 3/4/10). The complainant had alleged that the UCC required Gexa to set its variable rate contemporaneously to changes in the wholesale price of energy.

PUCT to Send Just Energy-TEZ Dispute to SOAH But Not As Declaratory Order Petition

The PUCT found that a declaratory order is not the appropriate mechanism to address a dispute between Just Energy and customer Taqueria El Zarape; however, the Commission said that Just Energy could re-file the matter as a petition for the Commission to resolve its billing dispute with TEZ, with the Commission intending to refer to matter to the State Office of Administrative Hearings (37891). The dispute raises an issue of market-wide concern as it may address, depending on complainants' fluid claims, how a REP may pass-through ERCOT charges to customers (see Matters, 4/16/10).

PUCT to Open Rulemaking on Jurisdiction Over ERCOT

At the request of Commissioner Donna Nelson, the PUCT will open a rulemaking regarding its jurisdiction over ERCOT pursuant to PURA § 39.151(d), which vests the Commission with, "complete authority to oversee and investigate the organization's finances, budget, and operations as necessary to ensure the organization's accountability and to ensure that the organization adequately performs the organization's functions and duties." Commissioners noted that the Sunset Staff report recommends granting the Commission additional statutory authority over ERCOT (Matters, 4/26/10). Nelson noted that there are occasionally disputes regarding the Commission's authority over ERCOT, and the rulemaking is meant to further delineate what §39.151(d) means.

ERCOT Reports Voluntary REC Retirements Again Outpace Compliance Retirements

ERCOT reported that REPs retired 6.79 million RECs for the 2009 compliance year to meet their RPS obligations, while an additional 8.94 million RECs were retired in the voluntary market. It's the second consecutive year voluntary retirements have exceeded retirements for RPS obligations. ERCOT said that 90 ESI IDs are currently opting-out of the RPS program, versus 93 for 2008. Transmission-level voltage customers received the ability to opt-out in 2007. ERCOT's annual RPS report, filed in PUCT Project 27706, also discloses the 2008 REC requirements and voluntary REC retirements of each individual REP, as the confidentiality of such information has expired.

MC Squared Energy Services Opens Suburban Chicago Office

MC Squared Energy Services, LLC has opened a suburban Chicago office in Oakbrook Terrace. MC Squared Energy Services said that it serves more than 1,400 non-residential electricity accounts in the Commonwealth Edison territory.

Calpine PowerAmerica REP Certificate Changed to Option 2

The PUCT granted Calpine PowerAmerica's request to transition from an Option 1 REP to an Option 2 REP serving only a registered list of customers.

IMM Finds Most PJM Markets Competitive in Q1

The first quarter of 2010 report on the state of the PJM markets from the Independent Market Monitor produced no surprises, as all markets were found to be competitive except for the Regulation Market (due to structural market design issues), consistent with the 2009 annual findings.

CUB Seeks Rehearing of Just Energy Complaint Order

The Citizens Utility Board and AARP have sought rehearing of the Illinois Commerce Commission's recent order on the groups' complaint against Just Energy (08-0175, Matters, 4/15/10). Aside from repeating arguments made during the case that Just Energy's license should be revoked, the groups contended that the ICC's order, which rebuked CUB's interference in the handling of competitive supplier complaints, is contrary to CUB's statutory authority to handle complaints. CUB claimed that handling disputes is within its statutory mandate, though the term dispute is notably absent from the statutory language even quoted by CUB, which states CUB shall, "represent and protect the interests of the residential consumers of this state," (220 ILCS 10/5(a)), and, "provide information and advice to utility consumers on any matter with respect to utility service" (220 ILCS 10/5(i))." CUB also petitioned the ICC to make Just Energy's required audit plan and final audit report publicly available.

MISO Again Seeks SECA Payment from Green Mountain Energy

The Midwest ISO has again demanded that Green Mountain Energy pay outstanding Seams Elimination Charge Adjustments immediately. Green Mountain disputes its liability for any such charges since it has never been a transmission (or any other) customer of MISO, or a participant in the MISO energy markets. Dayton Power & Light had requested from MISO an update on the status of MISO's collection efforts, and filed MISO's response with FERC. MISO reported that it is seeking $31.6 million in SECA fees plus $10 million in interest from Green Mountain.

Mass. POR ... from 1

Compliance Plans

As the DPU noted, the utilities' compliance plans were inconsistent in several respects, as distribution companies sought to implement POR differently.

Chief among these differences is National Grid's compliance plan which would impose an all-in/all-out requirement on suppliers for participation in POR, citing the risk of suppliers cherry-picking good credit customers for dual billing. National Grid was the only distribution company to explicitly include an all-in/all-out requirement in its proposal.

National Grid proposed calculating individual POR discount factors for the residential, commercial, and industrial customer classes, reconciled on an annual basis to account for actual experience, with an annual update to the discount rate on November 1, coincident with the implementation of new Basic Service rates. The discount would include bad debt as well as administrative costs.

National Grid further said that it will only purchase the receivables, "for those Supplier charges for which the Department deems the Company can terminate service if the customer fails to pay."

At Nstar, the discount rate would include bad debt, IT costs, other operating costs, and a component to cover carrying costs and collection risk. The latter component will reflect carrying charges and the true-up of POR bad debt. "This adjustment will benefit suppliers by removing the necessity of incorporating a risk premium into the purchase price of receivables and by ensuring that the purchase price reflects actual bad debt experience so that suppliers are charged no more or no less than the cost actually generated by commodity-service customers," Nstar said.

A unique discount rate would be developed for the Nstar residential, small commercial and industrial, and large commercial and industrial classes. The bad debt component would be adjusted more frequently than annually, based on changes in the basic service price (every three months for large customers, and every six months for small customers).

Nstar proposed an operating cost discount component of 0.15 percent to collect costs of running the program, including dispute resolution costs which may be necessary to resolve issues between suppliers and Nstar.

Fitchburg Gas and Electric proposed a specific discount rate, applicable to all customer classes, in its compliance plan, though the bad debt portion is now out of date. As originally proposed, Fitchburg Gas and Electric calculated a discount rate of 5.70%, which includes a rate for uncollectible costs of 2.77%, development costs of 0.84%, and annual operating costs of 2.09%. As noted, the discount rate would not vary by customer class.

The 0.84% development component is based on a three-year amortization of Fitchburg Gas and Electric's estimated labor costs directly associated with program implementation. The 2.09% rate for ongoing operating costs is based on actual historical customer accounting costs for the twelve-month period ending August 2008, estimated costs for supplier remittance processing, and estimated wire transfer charges.

Fitchburg Gas and Electric explicitly stated that suppliers using POR may continue to dual bill other select customers, though such dual billed receivables would not be purchased by the utility.

Western Massachusetts Electric Company's proposed discount rates only included uncollectible costs (based on 2007-08 data which is now out of date), but WMECO noted that statute permits distribution companies to include other reasonable development, operating, or carrying costs in the discount rate, although it made no specific proposals regarding these costs.

If a particular supplier's actual losses are substantially above the applicable uncollectible factor, WMECO requested permission to directly bill the supplier for actual losses, and proposed a threshold for triggering this provision of 5% above the approved discount factor or $25,000 (whichever is greater, on an annual basis). WMECO was the only distribution company to explicitly ask for such authority to recover incremental costs above the discount rate from individual suppliers.

WMECO was also the only utility to address receivables which are outstanding at the time of POR implementation. WMECO proposed to purchase existing receivables at the composite discount rate in effect at the time of purchase, and to lag the payment for those receivables based on its composite lag of 41 days subject to the same actual loss factor issues applicable to new receivables.

RPM ... from 1

participants failed the Market Structure Test for the RTO and were subject to offer capping for existing resources.

Of the 152,743 MW of capacity that cleared in the auction, 142,782 MW were from generation capacity, 9,282 MW were from Demand Resources, and 679 MW were from Energy Efficiency Resources.

A total of 12,953 MW of demand response had been offered into the auction. Of the nearly 9,300 MW that cleared, 5,871 MW (63%) was located in the constrained regions.

PJM said that the auction saw a net increase of 2,908 MW of incrementally new capacity available to the RTO. The auction saw 4,832 MW in gross incremental additions, partially offset by retirements.

For the 2013-14 delivery year, RPM saw a net decrease in physical generation capacity (e.g. excluding demand response and energy efficiency) of about 200 MW, as PJM recorded a gross 1,924 MW decrease in generation capacity, that was only partially offset by 1,738 MW in new generation. The majority of the generation decreases were in MAAC (1,549 MW), particularly its EMAAC sub-region (1,149 MW).