

NEXT™ Markets

A daily look at the forces shaping retail services

E-COMMERCE

Marketers seek national policy for Web energy sales

The National Energy Marketers Assn. is worried that the absence of a uniform policy governing energy sales over the Internet is preventing the development of a national market and keeping energy prices higher than they should be.

Now, it wants to find a solution.

The Washington-based organization yesterday said it will bring leading industry experts to its summer policy meeting, scheduled for July 20-21 in Syracuse, N.Y., to identify issues and propose "cutting edge" solutions to the problem.

"There is no way you can go into the energy service provider business and acquire national economies of scale without the Internet," Craig Goodman, the association's president, told *NEXTMarkets*.

Therein lies the problem. Goodman said the lack of a single national policy means that there is no agreement among states with retail competition on whether or how customers can be enrolled on the Internet. Add to that the fact that every utility has different ways of communicating customer information and many of those are not compatible with the Internet, he said.

A national policy is "absolutely a critical step in providing low-cost energy. We have been waiting patiently for a consensus to form, but time is incredibly important."

The organization has decided it can't wait any longer and plans to use next month's meeting to begin the process of identifying the problems and devising solutions. "We plan on coming up with the best practices and taking them to each single state. We have to stop dithering," Goodman added.

Although Goodman said the agenda is still subject to change, the group has

(continued on page 2)

Dominion builds on telecom ambitions: inks deal with Alcatel to install high-speed network in East

Dominion, which has set its sights on providing electric and natural gas service in the heavily populated triangle between Illinois, Maine and North Carolina, said it plans to become a player in high-speed telecommunications in the region as well.

The corporate parent of Virginia Power said Wednesday that the utility's VPS Communications unit has formed "a strategic relationship" with French telecom giant Alcatel to design, install and manage a high-speed network in the Eastern U.S.

The utility did not disclose specifics about the network's location, reach and cost, but said the investment was "very significant" and is one of several VPS Communications is likely to make in the "MAIN to Maine" region over the next two years.

An Alcatel spokesman said the fiber network will be owned by VPS Communications; Alcatel will provide equipment to

optimize the cable usage, plus technical and managerial support. The network will use Alcatel's long-haul Dense Wavelength Division Multiplexing (DWDM) fiber optic system, which allows each fiber strand in the network to carry more than 5 million voice circuits at a time.

Gregg Kamper, vice president-telecommunications at VPS Communications, said that will enable his company to "significantly expand our capacity to handle a variety of traffic and increase our ability to offer our customers enhanced broadband services."

VPS Communications, an inter-exchange carrier, owns a 700-mile fiber optic network that fans out from Richmond in four directions: to Charlottesville, Va.; to Arlington, Va., near Washington, D.C.; to Norfolk, Va.; and to Raleigh, N.C. In Raleigh it connects with CFN FiberNet,

(continued on page 2)

Bliley draft would add to FERC muscle on transmission issues

House Commerce Committee Chairman Thomas Bliley (R-Va.) yesterday handed committee members a discussion draft of electricity restructuring language to begin considering in anticipation of debate and a vote next Wednesday.

The language deals only with transmission issues and will essentially replace the transmission language in a bill (H.R. 2944) approved last year by the energy and power subcommittee.

The draft takes on a contentious issue among industry groups: it would extend Federal Energy Regulatory Commission authority to the sale of bundled transmis-

(continued on page 2)

Unitil converts Usource into LLC to attract private capital

Since it began operating about a year ago, Unitil Corp.'s Usource Internet-based retail energy procurement business has grown by leaps and bounds.

Now, the parent company has decided to convert the company into a limited liability corporation that it hopes will allow it to attract the private capital from outside investors that it needs to expand.

Usource until now has been a business unit of Unitil Resources Inc., a wholly owned subsidiary that oversees all of Unitil's non-regulated businesses. Unitil wants to change that and announced Wednesday that URI will be the

(continued on page 2)

Clean hands? The Georgia PSC's Website lists the number of times it was contacted in April in reference to deceptive marketing for each active marketer. Here are the contenders: Shell Energy Service, 9; Georgia Natural Gas Services, 3; SCANA Energy Marketing, 10; Columbia Energy Services, 11; Energy America, 17; GasKey, 18; United Gas Management of Georgia, 5.

Dominion...begins page 1

whose network extends throughout North Carolina, South Carolina, and Georgia.

This year, VPS is expanding its network to include a direct line between Norfolk and Raleigh, as well as a ring of lines from Washington to New York City, Albany, Buffalo, Cleveland, Pittsburgh, and Harrisburg, Pa., and back to the nation's capital.

Dominion executives said at the company's May annual meeting that their goal was to have 4,500 network miles in place by the end of this year, 6,100 by the end of 2001, and 7,100 by the end of 2002. By then, VPS Communications' network could stretch from Chicago to Montreal to Atlanta.

Dominion in January completed its acquisition of Pittsburgh-based Consolidated Natural Gas to become what it says is the largest integrated electric and gas company in the U.S. Dominion owns about 20,000 MW of generating capacity in Virginia, West Virginia and Illinois; is developing gas-fired merchant plants in Illinois, Ohio, Pennsylvania, and West Virginia; and is seeking opportunities to buy existing nuclear and other plants in the Northeast and

Midwest.

The company has said it plans to become a major player in wholesale electricity and gas markets in the northeastern quadrant of the U.S., and to cross-sell electricity and gas to its existing 4 million electric and gas customers.

Dominion executives noted at the annual meeting last month that the company has several things working for it as it expands into telecom, including rights-of-way along 7,600 miles of gas pipelines and 6,000 miles of electric transmission lines, and existing relationships with millions of retail customers.

Marketers group...begins page 1

established four "development teams" that will examine Internet policy, including security, sign-up procedures, privacy, and consumer protection for online sales of energy and related services; energy technology policy, including billing, back-office and customer-care solutions; metering technology policy, including standards, calibration requirements, rights of access, installation and maintenance issues; and

telecom and broadband convergence policy.

The group also plans raise its concerns when it meets this summer with the Federal Energy Regulatory Commission, Goodman said.

Bliley...begins page 1

sion services, essentially retail sales now under state regulatory authority. The subcommittee-approved bill had limited FERC jurisdiction to unbundled transmission services, which pro-competitive groups claimed would allow utilities to favor their own generation.

The new language would also extend FERC jurisdiction to cover all transmission-owning utilities, including municipalities, power marketing administrations, rural electric cooperatives and the Tennessee Valley Authority.

Usource...begins page 1

sole owner of Usource Inc., which will be the managing partner of the new group called Usource LLC.

Unitil officials said the change will make Usource independent of Unitil's utility operations in New Hampshire and

Here comes the sun. A strong solar flare expected today and Friday could cause isolated disruptions of the grid and affect satellite communication systems, the National Oceanic and Atmospheric Administration said Wednesday. The flare will eject billions of tons of plasma toward Earth, but power systems should only experience isolated effects, the agency said. The geomagnetic storm is expected to be much smaller than one in 1989 that knocked out power to Quebec and destroyed a large transformer in New Jersey.

Mum's the word. Neither GPU nor the U.K.'s National Grid Group would talk yesterday about British press reports that National Grid is considering making an offer to acquire the U.S. utility holding company. National Grid, which just closed its acquisition of New England Electric System, said earlier this month that it will look to expand its U.S. utility holdings as soon as possible.

Getting closer. LG&E Energy shareholders Wednesday overwhelmingly approved the company's proposed merger with PowerGen PLC, a leading U.K. power generator. The Kentucky-based utility said more than 89% of all shares outstanding

NEWS SNAPSHOT

were voted in favor of the deal. PowerGen shareholders on Monday approved the transaction. The \$5.4-billion deal must still win approval from FERC and the SEC.

Putting a lid on it. New York ISO board members, worried about a volatile summer in the wholesale power market, will vote June 20 on a proposal to set a \$1,000/MWh cap on energy and ancillary services through Oct. 31. The cap also needs FERC approval before it can go into effect. New York regulators pressed the idea on the ISO board, citing a number of "significant start-up problems, the resolutions to which have not yet been fully tested and implemented, and an expected tight energy market," including the potential that one or more generators could exercise market power.

For sale. Wisconsin Energy's venture capital subsidiary Witech Corp. is trying to sell Thor Technology Inc., a manufacturer of circuit boards and electrical motor drives, the Milwaukee *Journal Sentinel* reports. "Their sales have not been strong, and the company hasn't performed well," a utility spokesman told the paper.

Meter aid. Utility Systems & Applications, a Salem, Ore., firm that has performed field-metering services for electric utilities on the West Coast for the last 20 years, is going national. The company, which installs, tests, and calibrates utility meters, believes cost pressures have forced utilities to abandon in-house programs to train new meter technicians. The companies are losing experienced employees to retirements, and US&A says it can supply the lost expertise.

Falling behind. The Clinton administration is lagging behind in carrying out last year's executive order on energy efficiency, a gas industry trade group has complained to the president. The American Gas Assn., in a letter to Clinton released Wednesday, said it is "disappointed that many of the action steps in the order have apparently slipped past their target dates. Moreover, it is our understanding that several federal agencies have not moved forward as rapidly as the order directs." AGA supports the order, in part because it "recognizes the merits of measuring energy efficiency on a total life-cycle basis—not just at the site where energy is consumed." It also encourages greater use of natural gas to reduce greenhouse gas emissions.

Massachusetts. The new capital will go into product development, including an automated enrollment feature for customers that was introduced in the Philadelphia market last week.

Usource also said it expects to expand its fuel-procurement offerings beyond electricity and gas and offer its clients more online information systems.

The company allows retail energy buyers to bid for supplies from national and regional electricity and gas energy sellers using the Enermetrix energy commodity exchange system. Usource acts as a broker to lease the Enermetrix system and makes it available to its customers with related services.

The company started offering its services in New England in mid-1999 and has since moved into New York and Pennsylvania. A spokesman said the company expects to be operating in New Jersey shortly and will expand into other states as deregulation advances.

Starting from zero a year ago, Usource said it has picked up major new business, particularly over the last six months, and now has \$110-million of sales under management. The company arrives at the figure by projecting likely sales volume of all clients under contract for two years out. The energy accounts primarily involve gas with electricity as a growing component, Collin said.

Karl Jessen, an analyst with Boston-based Yankee Group, said the decision to move Usource out from under the utility's organization makes sense. "They may want this to look more like a dot-com kind of thing and they needed to get it out where it could get some exposure."

Jessen said Usource has a number of competitors, and though it is still somewhat unclear how it intends to differentiate itself, he believes the company's emphasis on simplifying the energy buying process and allowing companies to manage the data is a plus.

GreenMountain tells N.J., Pa. users: 'We won't dump you'

GreenMountain.com Wednesday assured New Jersey and Pennsylvania consumers that it will continue to serve and enroll customers throughout the summer regardless of how high wholesale market prices rise.

The company, which sells renewable power largely to residential customers, said it made the pledge in response to

growing concerns that some suppliers may dump customers or abandon deregulated retail markets as power costs increase.

Wholesale market prices in the PJM Interconnection are twice what they were two years ago, the company said.

"Electricity customers should not be deprived of choice because of anticipated summer heat waves or seasonal wholesale energy price fluctuations," Clifton Payne, president of the company's Mid-Atlantic region, said in a statement. "We intend to sign up and serve customers all summer long."

While GreenMountain.com's concern over customer choice is admirable, its position may be equally driven by the fact that it has access to relatively low cost power. The company said it is has secured long-term supply contracts that allow it "to maintain its prices regardless of seasonal fluctuations."

New CEO seen aiding image of dot-com headed toward IPO

Essential.com, the energy and telecom e-tailer that plans to go public this year, has brought in an IBM executive as its new CEO.

The company Wednesday said Paul Lewis, former general manager of the IBM Global Services Consulting Group, has come aboard as president and CEO.

The news was seen as a smart step by several energy e-commerce watchers, who said the IBM name may help boost the company's credibility among potential investors. Essential.com, which bills itself as the Web's first superstore for energy, communications and all essential services, filed with the Securities and Exchange Commission in mid-April for an IPO to raise up to \$86.25-million

"Mr. Lewis has focused on the strategic use of information technology and its effect on the transformation of organizations, business processes and industries," Essential.com said in a statement. Lewis was

a founding member of IBM's consulting business in 1991 and most recently led a team of consultants in the Americas, Europe and Asia Pacific. Akhil Garland, Essential.com's founder and former CEO, will stay as chairman of the board.

The announcement comes as the dot-com's progress toward an IPO is being closely watched in the emerging energy e-commerce field. Because GreenMountain.com has withdrawn its IPO filing, Essential.com may be the first dot-com targeting the mass market for energy to hold an IPO.

While its energy sales have paled in comparison to telecom sales, Essential.com has stood out among energy e-tailers for the number of overall customers it has attracted. It also drew attention earlier this year for the trouble it had keeping its customer service operations up to speed with its soaring growth.

Rich Barnes with Xenergy said the new CEO helps boost Essential.com's credibility at a time when it faces a big new player in its e-commerce space—The New Power Company, unveiled by Enron, AOL and IBM in mid-May.

"The bar has been raised with those players coming into the game," he said. "It is all about credibility. IBM is a pretty well-known, established name. ...Up until that point and time, who were they?," he asked of the Essential.com's management team.

E SOURCE's Karen George sees the hiring as linked to Essential.com's preparations for the IPO because it could enhance "their valuation and [prepare] for the time when they are hoping to have millions if not billions of dollars to spend."

"Your CEO is a huge factor in how people value your company," and since the company had back-office problems in the past, it helps to bring on someone from IBM "with a reputation for dealing with these sorts of things," she said.

The
McGraw-Hill
Companies



NEXTMarkets is published daily by The McGraw-Hill Companies
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Washington, D.C. 20005

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