Restructuring
TODAY

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Entergy excused from Texas free market forces

Texas' PUC officially excused SERC sections of the Lone Star state from the rigors of SB 7, the competitive retail electric market starting Jan 1 (60 days from today).

The commission as expected adopted terms of a settlement agreement that puts off customer choice for Entergy parts of the state -- mainly a thin sliver of land just west of Louisiana "no sooner than Sept 15."

The area in question is thought not to have a wholesale market so that retail competitors are not about to be attracted. The accord has a process for people in the area to promote competition in a way that allows the PUC to figure out when the market can support competition.

"All the evidence shows that Entergy customers cannot enjoy the benefits of competition by Jan 1," said PUC Chairman Max Yzaguirre.

How a wholesale market will be fostered is not clear. That job falls to Texas' top energy regulator, Pat Wood, the FERC chairman and his colleagues.

Entergy serves some 340,000 customers in 24 counties of southeast Texas including Beaumont, Conroe, Huntsville, Orange and Port Arthur.

The SERC reliability organization gets into 13 states including Missouri, Kansas, Arkansas, Louisiana.

It's announced a merger with the Midwest ISO.

Qwest gets $50,000 cramming penalty: Cramming in this case refers to billing customers for a service they didn't agree to rather than involuntary switching. The Texas PUC ordered Qwest Communications to pay a $50,000 penalty for 22 validated complaints. Qwest has to resolve the pending complaints within 45 days and fix the procedure that led to the complaints. The PUC wants a report from Qwest about why it took them so long to respond to the 22 customers. Add to that, a letter is to go to all Texas customers explaining them their rights.

Marketers seek new antitrust disclaimer

The National Energy Marketers response to Trigen vs Oklahoma Gas & Electric's not getting a Supreme Court review is to encourage NARUC members to adopt a standard disclaimer for contracts with utilities.

The disclaimer warns utilities that they may lose immunity to antitrust liability. NEM President Craig Goodman calls the disclaimer another tool for ending monopoly abuse.

Goodman thinks it would be wise if each utility commissioner favors adopting a standard disclaimer that puts utilities on notice that anti-competitive conduct pursuant to any published tariff or commission does not necessarily entitle the utility to antitrust immunity, Goodman suggested.

Any industry player who has been hurt by unfair conduct should call him, he urged, at 202-333-3288, visit their website at www.energymarketers.com or email cgoodman@energymarketers.com.

80% of gas market has competition?

AGA has a new study showing almost everyone in natural gas buying can shop for the commodity with someone other than their LDC. From 1998 to 1999 the number of commercial customers who bought from non-utilities leaped 60%, AGA reported, but actual volumes used by customers who buy gas supplies from a non-utility only rose slightly.

AGA sees in that an increasing number of small businesses taking advantage of a customer choice option.

The big picture to AGA is that more than 80% of the total volume of natural gas consumed in the US in 1999 *could be* bought from a source other than the local gas company.

The big swing to gas by electric generators may have been a factor.

Customer shopping does not hurt local gas utilities, AGA notes, since utilities don't mark up gas prices.

They make their money on distribution no matter who sells the gas.

What about residential customers?

AGA puts the number of customers with a choice option at 26 million of 57 million or so households with gas service. Low participation in such choice programs was blamed on customer satisfaction with their local utility and hesitation to make a change.

Merchant plant boom taking market supply to 320 gw this year

That's a four-fold increase from 1997, according to EPSA's tally.

They expect the capacity to hit 319.5 gigawatts by the end of 2001 and that's only 60 days away.

That means too that by then more than a third (36%) of the nation's capacity will be competitive while this time last year 25% seemed optimistic, said Lynn Church, EPSA president.

Meanwhile wholesale marketing and trading sales rose to 4.5 billion megawatt hours last year from 2.6 billion mwh in 1999.

Just in the first six months of this year wholesale transactions at 2.9 billion mwh were up 47% from the like period last year.

The 36% compares with 8.5% in 1997.

The trend is based on building but includes lots of divestitures of capacity converting it from ratebase to free market.

Of the additions, 61 gw is gas-fired.

"Since the third quarter is traditionally the highest sales quarter, that means total wholesale transactions for the year could easily exceed 6 billion mwh and perhaps approach 7 billion mwh," Church said.

And that makes for added market liquidity, price transparency, risk-management and other customized products and services with corresponding downward pressure on prices, she added.

Northwest planning council did a plan

The Northwest Power Planning Council early last year upset many with its prediction in March that unless more generation capacity gets created, the region faces a 24% probability of supply falling below demand by an unacceptably large amount.

The 24% possibility has a name -- loss of load probability (LOLP), a measure of the likelihood of some generation shortfall over a specified period of time.

Traditionally utilities figure the standard at 5% in the US or one event in 20 years. But early last year the numbers showed a likelihood of interruption almost five times higher than the traditional standard. We suspect the formula hadn't a calculation for California's incredible succession of policy blunders and follow up reblundering.

To protect the Northwest, planners figured they would need an added 3,000 mw of new capacity by 2003 and that's the number that got people talking.

Fortunately for the region, BPA was able to cut demand by 3,000 mw with various plans to manage demand most notably by getting aluminum plants off the system at what may seem to some to be a very high cost.

Back 10 years ago the seers predicted shortfalls of 2,000 mw or greater by the year 2000:

"If the region fails to add resources by the turn of the century there is enough electricity in only 17% of the estimated futures. In 83% of the possible futures, the region will be (in) deficit. In 65% of the cases, the region's deficit is 2,000 mw or greater."

Calif experimented with expanded government

If you step back a bit and look at California you can get some unusual perspectives.

That's what Robert McCullough specializes in.

You've heard the dishonest say that the free market experiment in California didn't work.

McCullough noticed that "since April Fools Day 1998 we've seen an unparalleled governmental intervention in West Coast power markets often in the name of deregulation."

He's the managing partner at McCullough Research in Portland, Ore.

Did we forget that decentralized open markets were replaced by centrally directed, administered markets?

BPA in his view has succeeded in cutting back on market options.

Then FERC "at first clumsily and finally effectively" has had price controls in place for many months.

McCullough, an economist, sees the Canadian and US West Coast as a single integrated electric market with prices driven by California from Edmonton to Tijuana making transmission costs insignificant.

He sees AB 1890, the law creating California's ills, as one of the most comprehensive interventions of government into business in US history.

With charts and graphs he shows that in crisis, generators don't run flat out and that leads him to suspect some market manipulation.

Dispatch "doesn't even approach nameplate (capacity) during system peaks" while "actual dispatch averages only 50% of nameplate capacity," he reported.

One grim result is that more governmental intervention in California is on the way, he forecast.

"Social engineering," he added, "is very, very, very expensive," McCullough observed.

UT dean to probe Enron financing

Enron Corp share value turned around and moved up yesterday closing at almost $14 on reports that the company has become a takeover target -- recouping the 20% loss a day earlier and rising 25% but then headed down again today.

Shares stayed above eight-year lows set Tuesday.

Enron's board created a special committee to investigate "related party transactions" as has the SEC.

They named William Powers, dean of the University of Texas Law School, to the board and put him in charge of it.

On another front Enron gained another $1 billion loan today to help with liquidity.

JP Morgan and Salomon Smith Barney handled it.

Low gas prices just can't make it Questar predicts

Don Cash is dismayed.

He's seen over his 36 years in the business markets boom and bust but is perplexed at the commodity price for natural gas and stock values of energy firms.

He's CEO of Questar in Salt Lake City.

Today's gas price below $3 is as "unsustainable," he told a conference call today, as last winter's high prices.

"High natural gas prices destroy demand. Lower prices are equally unsustainable," Cash told reporters and analysts.

The company has worked aggressively to hedge its oil and gas exploration.

Officials noted 62% of gas production for fourth quarter is hedged at an average of $2.90/mcf. First-half 2002 gas is 35% hedged at a $3.51 average and 29% is locked-in for second-half of next year at $3.40.

9 stories in 2 minutes:

Time runs out on electric legislation: House Commerce Committee agreed to a 15-year reauthorization of the Price Anderson Act. Chairman Billy Tauzin, R-La, later told reporters that he doesn't envision an energy bill getting through the committee before the House breaks for the year. Price Anderson insures nuclear contractors against catastrophic accidents. Rep Joe Barton's plans for a comprehensive measure including electricity have been upset by the anthrax scare.

General Cable to focus on energy, communications: General Cable sold $82 million worth of building wire assets to Southwire Co in return for manufacturing equipment for use in enhanced data communications. Kentucky-based General Cable wants to focus on its communications and energy businesses.

Electrical workers cut power bill: A union hall in northern California now features the largest commercial solar power installation west of the Mississippi. The International Brotherhood of Electrical Workers' hall in high-tech San Jose uses a solar power system capable of generating 55 kw and cutting the utility bill in half.

Yankee thinks NewPower should do telecom: Margo DeBoer at the Yankee Group in Boston doesn't expect NewPower to make money soon and suggests that Enron move it into telecommunications. She obviously doesn't follow the Texas market. Of course if the firm did expect to do business in Texas they would have picked a better name. Maybe Yankee should do telecom in Texas. As for NewPower, DeBoer notes that states are slower to open at retail than NewPower had expected.

TXU gets $200 million contract: The Houston-Galveston Area Council, an association of local governments and school districts, is gathering together its members to buy power Jan 1 from TXU Energy in what may be a $200 million contract. Some 110 jurisdictions have signed up.

30-mw wind plant set for New York: Atlantic Renewable Energy Resources is nearing completion of a 30-mw wind power plant for CHI Energy in Fenner, NY. CHI in Stamford, Conn, owns and operates 88 green friendly projects.

MichCon to open starting in April: Michigan Consolidated Gas applied to state regulators to open up for retail competition April 1 for 40% of its customers then 60% a year later and then completely as of April Fools Day 2004 following the rules set out by the PSC last year. They have a pilot that ends in March.

EIA storage data may become popular: The switch from AGA storage data to the Energy Information Administration is expected by some to provide a bit more credibility among traders. EIA as a government agency is expected to be neutral, said John Daly, gas trader with Cinergy in Houston but he wonders whether EIA can get timely data. Energy Secretary Spencer Abraham announced the new EIA assignment yesterday. EIA issues a monthly report on US gas supplies with data collected from about 140 US firms that operate some 400 underground natural gas storage facilities. AGA is stopping the survey at year's end citing staff time and resources.

21 Mass towns to be POLAR in Mass: Cape Light Compact's 21 towns and counties Jan 1 are to supply power to those 42,000 or so NSTAR (was Boston Edison) customers at Cape Cod unless they go with another supplier. Will the compact's role as provider of last resort dissuade the public from shopping? The Department of Telecommunications & Energy worries that it might but was so attracted to the plan they OK'd a 15-month pilot to see how it goes.

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