GOODMAN: Maryland PSC moves to strengthen market

Amid disheartening anti-market activity in Maryland, some positive concrete steps are being taken that could be a cause for optimism. "There are some positive signs for retail choice consumers and hope for the market if it is allowed to continue to develop," NEMA President Craig Goodman told us yesterday.

The PSC adopted some significant pro-choice rules that pertain to utility purchase of receivables, prorated payment programs and utility consolidated billing.

"The electric rules passed by the commission, in particular purchase of receivables, have the potential to transform the retail electric market in the state, especially for small consumers," said Goodman.

The marketers association has seen other markets develop along the same track. "Indeed, adoption of these rules could not be better timed -- coincident with the current examination of the retail electric market in Maryland by Gov [Martin] O'Malley, [D] and the legislature," added Goodman.

"We believe that implementation of purchase of receivables by the Maryland utilities could bring about the availability of robust electric choice for consumers that had been envisioned with the inception of deregulation ten years ago."

Fuel prices have just declined from historically high-levels and until these rules are implemented by the Maryland utilities, consumers can't get the full benefit of the dramatic reduction in fuel prices that have occurred throughout the region.

"Utility regulations have locked in very high past fuel prices and firms with the ability to bring consumers better value should not be locked out of the market at the very time when consumers need competitive options the most," said Goodman.

Tough economic times are when lawmakers should let consumers shop, noted various retail advocates over the past few weeks in response to the developments in the Maryland power market.

"We urge the administration not to saddle consumers with the risks of building new generating plants and to expedite the implementation of utility purchases of receivables so that consumers and suppliers can participate in the market with these landmark changes in place before the higher summer rates take effect," said Goodman.

[Comments]

GAO report questions splitting up FutureGen project

The GAO wants DOE to reexamine its decision to restructure the FutureGen project -- by demonstrating carbon capture and storage (CCS) at several commercial sites.

The first time around, the project was to be run at one site with a non-profit consortium of industry groups funding the other part of it, GAO reminded in a report released yesterday.

That plan would have built an integrated gasification combined cycle plant with CCS, while the new approach will examine CCS' application to several different kinds of plants.

DOE didn't base its decision to restructure the program on a comprehensive analysis including factors such as cost, benefits and risk, said the report.

The department backed off from the original approach since it had doubled in cost and could have grown again.

But it ignored other options in picking the current approach, including trimming back the carbon capture requirements on the original proposal -- it was to capture 90%.

[Comments]

RGGI market over-allocated but likely to stay popular

RGGI was long by about 31.8 million CO2 allowances in 2008, found a review by Point Carbon. The Point Carbon estimate for RGGI's 2008 CO2 emission level was 156.2 million short tons. A short ton is equal to 0.91 metric tons -- and the number represents a drop of 8.9% from 2007 emissions.

That led Point Carbon's team of analysts to forecast an over-allocated RGGI market.

"These results would leave RGGI long by 31.8 million allowances if emissions remain stable in 2009," said Emilie Mazzacurati, Manager of Carbon Market Research North America at Point Carbon.

"The over allocation occurred because the cap was set in 2004 when emissions were seemingly on an upward trend and RGGI states included a little bit of buffer to make sure they were not going to put too much pressure on energy prices," Mazzacurati told us yesterday.

"But emissions have been much more volatile than anticipated, especially in 2006 and 2008. The variations in emissions are due to weather and fuel prices."

RGGI is the first mandatory, market-based CO2 emissions reduction program in the US and 2009 will be the first compliance year for the market.

The analysis relies on CO2 emission data for power plants in the region collected by the EPA.

RGGI publishes historical emission data up to 2007 but has yet to release the 2008 numbers.

While some RGGI member states will experience a slight boost from 2007 to 2008 estimates, six of the 10 states will have seen their CO2 emissions decline 5-17%, said Point Carbon. The six states are Connecticut, Delaware, Massachusetts, Maryland, New Jersey and New York.

"In the short term, RGGI is reaching its goal of achieving a reduction of emissions beneath its target cap," said Mazzacurati. "Regardless, the high amount of activity in the primary and secondary markets reflects an overall bullish sentiment on carbon."

The next RGGI auction is next week but the report isn't likely to affect the outcome.

"Market participants are aware that the market is likely over allocated yet the last two auctions were oversubscribed and sold at a non-zero price.

This shows participants take the program seriously and anticipate allowance prices might go higher in the future," Mazzacurati told us.

[Comments]

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