Restructuring Today
CHRONICLING EFFORTS TO OPEN COMPETITIVE ENERGY MARKETS
Friday June 19 2009

# Maryland marketer meeting hears heartening reports

About $1 billion of opportunity for natural gas marketers exists in Maryland, Merwin Sands told marketers, regulators, utility leasers and others yesterday at a supplier meeting in Annapolis. He's the PSC's director of the Natural Gas, Water and Telecom technical staff.

The Supplier Meet & Greet was set up to bring current and prospective marketers together with officials to learn in part what opportunities exist.

Sands determined that about $905 million worth of choice money is on the table, using the amount of natural gas available for sale competitively and the current market rates. About $685 million is in the residential category and $219 million in C&I.

"That's an amazing amount to think of and its waiting there for marketers to come in and help consumers cut their costs. All we need now is for the regulatory and legislative certainty that's necessary," NEMA President Craig Goodman told us yesterday.

Calvin Timmerman, the PSC's assistant executive director, pointed out the success story that the gas market is -- especially when it comes to larger C&I.

In the last quarterly shopping report provided by the PSC, 48.6% of volume is bought competitively by 12% of customer accounts (RT, [Jun-04]). That still leaves over half the gas available for shopping, with a bulk of that in the residential category.

"We're not Georgia and we're not Ohio but we are better than a lot of gas markets in the US," added Timmerman.

Among the topics raised by marketers was what is needed to attract more competitors to the state, purchase of receivables (POR) garnered a large share of the attention. While POR and other rules are in place and set to take effect later this year, some are concerned those changes may not have time to really impact choice before the next session of the General Assembly begins its work in January.

For power firms, POR is ready to roll out pending regulatory approval. In terms of gas firms, while some plans may not have been made final and sent up the chain yet, those in attendance said POR is the way to go with gas too.

"POR is step 'A' for us to go into a state," said IDT Energy's Chief Commercial Officer Jeff Hendler at the meeting. It is "a huge piece of the pie that opens the door."

Maryland is a market that Consolidated Edison Solutions is looking at too.

"We are keen on the Maryland market and we are looking at POR as a key," said Steve Wemple, the firms VP of Regulatory Affairs.

"Even when people decide to stay with a utility, it's a choice," Wemple said. "It doesn't always mean they don't want choice or they don't understand choice. Some of them may be choosing to stay with the utility."

[Comments]

# Big crowd at Maryland competition meeting sparks hope

If you build it, they will come -- and if you tell them their market may be in danger, they will, too. That was one lesson learned by regulators and perhaps lawmakers yesterday at a supplier meet and greet in Annapolis, Md, the first such event in a few years.

The PSC's director of Office of External Relations & Retail Market Development Obi Linton pointed out that the meeting was better attended than initially expected, especially when factoring in inclement weather that hit the area during drive time Thursday morning.

His assertion wasn't simply hyperbole given the standing-room only crowd.

"I am really impressed, not just by the number of people here but by what and who they represent," a Maryland regulator told us yesterday. "This is a good thing to see if you're a marketer and you want to know what kind of interest there really is in the state." Those in attendance included existing and potential marketers plus utility officials and regulators.

"Hopefully this will make its way across the street and those looking at choice at the state level will see we are serious about making choice a success in the state," NEMA President Craig Goodman told us yesterday.

Discussion has happened in the Maryland Legislature about ending choice

# Top natural gas advocates report a century of supply

The US has up to 100 years of natural gas supplies, the AGA and Potential Gas Committee (PGC) said in a report released yesterday. The country has a total gas resource base of 1,836 tcf and a total future supply of 2,074 tcf -- the highest levels in the PGC's 44 year history. That's a 542 tcf boost over last year's evaluation.

"The report drives home the fact that domestic supplies of clean-burning natural gas are very abundant," said AGA CEO David Parker. "As Congress debates climate change and energy legislation, it should heed the report's findings and understand that natural gas can and should be used in a multitude of applications now and in the future to reduce harmful greenhouse gases."

Gas meets about 25% of the country's energy needs, leading to use of 22 tcf/year.

But as the energy sector begins to decarbonize, that share will likely rise, said Parker.

Much of the boost in supply came as new technologies have enabled the industry to tap gas in shale deposits around the country.

[Comments]

for at least residential and some small businesses and creating a new re-regulated model. The idea was pushed by Gov Martin O'Malley, D.

Among the topics raised by lawmakers was whether choice was working for consumers and whether marketers are looking to make choice a success in the state. Officials at the conference hope the stronger-than-expected showing is noticed.

[Comments]



# FERC DR report maps various 10-year scenarios

DR could trim peak demand by 20% in 10 years, FERC said in a report to Congress released at the commission's meeting yesterday. That would mean trimming 188 gw from the national peak, the high end of the estimates FERC came up with in the report titled "National Assessment of Demand Response Potential."

"This study takes a flexible, real-world approach to gathering information on the potential for demand response," said Chairman Jon Wellinghoff.

The report includes a spreadsheet that lets interested parties enter their own assumptions and see how they come out in FERC's model.

Congress mandated in the Energy Independence & Security Act of 2007 that FERC do the report plus others on DR in the future.

The 20% dip in demand is under a full participation scenario that includes a complete rollout of advanced meters and mandatory dynamic pricing instituted nationwide.

Under its achievable participation scenario, dynamic pricing wouldn't be mandatory but 60-75% of consumers would sign up for it -- leading to cuts of 138 gw by 2019.

The business-as-usual scenario takes today's DR levels with little growth over 10 years leading to a 38 gw cut in peak demand. That approach takes today's mix of DR programs and extends them to all states and raises participation levels, leading to cuts of 82 gw.

The full and achievable participation scenarios feature much more participation by residential consumers who make up much more of the DR than large and medium consumers.

Now much more of the C&I DR has been realized but significant resources remain untapped in the commercial sector.

Getting to either of those scenarios will involve overcoming barriers including the disconnect between retail and wholesale prices, measurement and verification, the lack of advanced metering and other technology, lack of interoperability and open standards and the lack of customer awareness.

The lack of connection between wholesale and retail rates has the potential to raise tensions with states that oversee the latter, said Commissioner Marc Spitzer.

Organized markets are extremely important to DR as illustrated in the most recent capacity auction in which over 5,000 mw of the resource cleared, said Wellinghoff. The report should give pause to policymakers who are considering rolling back the clock on competition in states, said the Compete Coalition.

"Competitive markets will allow consumers to maximize the game-changing economic and environmental benefits of 'smart grid' technology that is only just now entering the marketplace," said Compete Co-Chairman Federico Peña.

The full report is here: www.ferc.gov/legal/staff-reports/06-09-demand-response.pdf.

[Comments]

# PPL predicts customer choice will grow

The Pennsylvania PUC approved a purchase plan offered by PPL to cover all of 2011 and 2012 and part of 2013. The plan is meant to cover ratepayers who choose not to shop but that too is changing. "We expect that our customers will have more choices and we're starting to see signs of that now," said PPL President David DeCampli.

"Alternative suppliers have already begun approaching some of our customers. For years, suppliers facing present-day costs have been unable to compete with capped 1990s prices. That will change beginning in 2010."

PPL also will include a revised purchase of receivables program and make a one-time mailing by June 2010 to update customer information release preferences as part of its customer education plan.

The utility will convene a customer collaborative to discuss a residential and small C&I direct mail referral programs.

The firm also will convene a collaborative to discuss a residential aggregation program. The results of both will be considered in the firm's next default service proceeding.

[Comments]

# Top Ohio court denies OCC rate request for AEP

The Ohio Supreme Court denied a request made by the Ohio Consumers' Counsel (OCC) to block retroactive rates charged by AEP (RT, Apr-20).

"While we are disappointed customers will continue to pay retroactive rates, we hope the Public Utilities Commission of Ohio [PUC] will nevertheless quickly reconsider many aspects of its decision granting AEP rate increases," said Consumers' Counsel Janine Migden-Ostrander.

"Overall, residential customers of AEP have seen double-digit rate increases that should be scaled back based on our office's sound legal arguments. We renew our request for the [PUC] to take a second look at its original decision."

The PUC modified and approved AEP's electric security plan on March 18, including the ability for AEP to collect a full year's worth of rates over nine months.

[Comments]

# California PUC supports SoCalEd solar PV plan

The California PUC at its meeting yesterday approved a Southern California Edison (SCE) proposal to see 500 mw of solar photovoltaic go up in its territory.

The utility itself will build 250 mw of the PV panels on large roofs such as warehouses around its territory, following the decision written by