FERC, California sign MOU for hydrokinetic power research

FERC and the State of California have signed a memorandum of understanding (MOU) to coordinate the review of hydrokinetic energy projects off the coast, the federal regulator said yesterday.

"This agreement with California shows FERC's continuing commitment to work with the states to ensure American consumers can enjoy the environmental and financial benefits of clean, renewable hydrokinetic energy," said FERC Chairman Jon Wellinghoff.

The deal is the fourth hydrokinetics MOU that FERC has signed with states, the first three being with Maine, Oregon and Washington.

The MOU ensures that FERC and California will do all permitting and licensing efforts in an environmentally sensitive manner, taking into account economic and cultural concerns.

The two government entities agreed that each will tell the other upon becoming aware of a potential applicant for a preliminary permit, pilot project license or license.

The pair agreed to a schedule for processing applications as early as possible that includes milestones. FERC and California will encourage other federal agencies and stakeholders to comply with the schedules.

FERC and California will coordinate environmental reviews in state waters and also will consult with stakeholders, including project developers on the design of studies and environmental matters.

They will also encourage applicants to seek pilot project licenses before a full commercial license to promote testing of devices before commercial deployment.

"I am delighted the state of California has signed an MOU with the commission on developing hydrokinetic projects off the California coast," said FERC Commissioner Philip Moeller. "This completes a sweep of the West Coast which, along with Maine, is showing its commitment to bringing the benefits of clean hydrokinetic energy to the consumers of the United States."

[Comments]

NEM members seek to intervene in Cape Wind rate case

Marketers in Massachusetts will have a chance to be heard on the Cape Wind project as NEM looks at intervening in the rate case.

"Our large consumer members have expressed a major interest in intervening in the Cape Wind project because of its potential impact on the cost of energy in that state," NEM President Craig Goodman told us yesterday. "If it is funded by non-bypassable charges in the utility rates, large consumers could be significantly affected."

The focus in Massachusetts is on C&I since the residential market has not matured as it has in some other states.

In the end, a healthy strong choice market can have an impact down the line. "It could affect the competitiveness of their businesses both locally in Massachusetts and to a degree nationally as well," Goodman noted. "Putting a project like this in rate base rather than the bundled commodity sales rate gives people less of an opportunity to shop and pick the supplier of their choice."

The project started out as a $650 million proposition and is now estimated to have a price tag between $2-3 billion. The cost would obviously be much higher -- possibly three times the estimated $2 billion price -- when considering other costs including debt service and maintenance.

"This will be the most expensive and most heavily subsidized offshore wind farm in the country at over $2.5 billion, with power costs to the region that will be at least double," said US Rep William Delahunt, D-Mass.

"Given the current state of our economy, it is regrettable that Massachusetts residents will provide hundreds of millions of dollars in ratepayer subsidies each year."

National Grid agreed earlier this month to buy half the power generated by the Cape Wind project, at least initially at a cost of 20.7¢/kWh starting in 2013.

The price would then grow about 3.5%/annually over the 15-year term of the deal.

[Comments]

ISO-NE 2009 report cites huge cuts in congestion, power costs

ISO New England's wholesale power markets were competitive last year with prices falling in line with their inputs, said the 2009 Annual Markets Report issued yesterday. Electric energy costs fell 50% on the year while congestion sank 79%. The report attributed the lower prices to falling fuel costs and lower demand due to economic conditions.

"In a competitive market, changes in a product's price will track the cost of inputs," said VP of Market Monitoring David LaPlante. "Fuel costs fell about 50% last year and electric energy prices followed suit. This close relationship is a strong indication of the competitiveness of New England's wholesale electricity markets."

The average power price tumbled form $81/MWh to $42/MWh last year, cutting overall wholesale costs from $10.6 billion to $5.3 billion. That reflected lower fuel prices and near-record hydroelectric production.

Natural gas prices fell 54%, fuel oil by 43% and coal 46%. Factoring out fuel price changes, wholesale power prices were close to those observed since 2001 when ISO-NE launched.

Demand for power was 3.7% lower than in 2008 though when weather is factored out demand was down only 2.2%.

The costs associated with managing congestion dropped almost 80% from $121 million to just $25 million last year due to the completion of new

transmission infrastructure that cut constraints.

Costs from running power plants to ensure reliability in specific areas also tumbled nearly 90% to $22.3 million due to lower fuel costs and better transmission.

The number of MW of enrolled DR rose 17% from 2,546 MW in December of 2008 to 2,998 MW at the end of last year.

[Comments]

EIA finds retail gas choice grew in competition states in 2009

In the EIA's annual tracking of natural gas choice throughout the US, 2009 marked the fourth straight year of growth. Overall, when looking at all states that have some form of gas choice, the percentage of eligible customers shopping grew steadily from 11.4% in 2005 to 14.7% to end 2009.

The number of customers taking competitive supply grew, too, from 3,861,029 in 2005 to 5,140,706 four years later.

The numbers are not surprising, said NEM President Craig Goodman.

"Members of the National Energy Marketers Association have been experiencing record growth in enrollments of residential and small business consumers in states with well-constructed, competitive natural gas and electricity choice programs," he added.

More recently, the financial situation may have lent a hand.

"The recession has forced consumers of all sizes to take a hard look at their energy costs and our members have been quick to respond with an entire slate of energy services, pricing and technology offerings," said Goodman. "EIA statistics just released confirm that consumers are responding to competitive offerings in record-breaking numbers."

[Comments]

Participation levels of natural gas choice

State	Number 2005	% in 2005	Number in 2006	% in 2006	Number in 2007	% in 2007	Number in 2008	% in 2008	Number in 2009	% in 2009
California	36,806	0.4	31,967	0.3	29,240	0.3	26,520	0.3	34,391	0.3
DC	12,850	9.3	12,723	9.4	11,990	8.7	11,915	8.6	12,368	8.9
Florida	12,647	100	12,160	100	14,659	100	14,672	100	14,440	100
Georgia	1,433,706	100	1,447,970	100	1,397,247	100	1,462,442	100	1,461,748	100
Illinois	172,470	6.2	206,776	7.5	234,763	8.5	277,862	9.6	271,067	9.3
Indiana	51,051	34.0	49,403	32.9	63,467	42.3	89,247	59.5	93,599	62.4
Kentucky	26,674	21.0	25,812	20.4	24,524	19.8	27,246	22.0	29,614	24.1
Maryland	128,951	13.0	116,991	11.5	112,286	10.9	114,937	11.2	125,366	12.0
Massachusetts	293	> 0.05	1,969	0.1	1,474	0.1	1,500	0.1	1,547	0.1
Michigan	209,429	6.7	221,537	7.3	309,889	9.8	296,704	9.4	340,189	10.8
Montana	N/A	0	480	0.3	452	1.3	484	1.4	457	1.3
Nebraska	73,400	100	71,574	100	68,070	100	70,378	100	69,022	100.0
New Jersey	33,327	1.3	37,586	1.5	46,748	1.8	56,494	2.2	59,207	2.2
New Mexico	0	0	14	> 0.05	18	> 0.05	13	> 0.05	16	> 0.05
New York	328,552	7.8	383,613	9.1	486,826	11.4	588,669	13.7	687,245	16.0
Ohio	1,090,968	36.3	1,301,651	44.3	1,397,351	47.6	1,386,288	48.4	1,665,256	58.2
Pennsylvania	164,668	6.4	178,955	7	160,033	6.2	185,387	7.0	183,641	7.0
Virginia	60,565	10.0	56,152	8.9	53,474	8.3	51,764	7.9	55,711	8.4
West Virginia	100	> 0.05	4	> 0.05	3	> 0.05	6	> 0.05	6	> 0.05
Wyoming	25,292	10.6	30,545	48.7	32,311	50.6	33,278	50.6	35,816	53.6
Total	3,861,029	11.4	4,187,882	12.1	4,444,825	12.9	4,695,803	13.5	5,140,706	14.7

Source: US EIA
> Less than 0.05%
N/A = Info not available