Restructuring Today

CHRONICLING EFFORTS TO OPEN COMPETITIVE ENERGY MARKETS

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Will FERC need backstop cost allocation, siting authority?

FERC recently issued its cost allocation and planning NPRM (RT, Jun-18) in an effort to tackle concerns at regional and interconnection-wide levels -- but yesterday a Brattle Group principle told a Capitol Hill event FERC would need backstop authority on cost allocation and siting to get the job done. Brattle's Johannes Pfeifenberger was speaking at a forum on transmission planning run by the Environmental & Energy Study Institute and the Working Group for Investment in Reliable Economic Electric Systems (WIRES).

"FERC does need federal backstop cost allocation and siting authority as just another pressure point to make the states and various regions come together and agree on something that everybody can live with," said Pfeifenberger. "Without an extra pressure point, I think we'll just see more of what's happened to date."

While it may lack some of the needed teeth, Pfeifenberger believes the NPRM is a step in the right direction and good move on FERC's part.

Single-state ISOs have had a relatively easy time dealing with cost allocation, naturally a contentious issue as it is a lot harder to make money than spend it, noted Pfeifenberger.

When more states get involved, the process becomes muddled -- as was seen with a recent lawsuit in Illinois against PJM that had FERC reviewing that market's cost allocation scheme. The Midwest ISO has not had a smooth stakeholder process on its cost allocation mechanism either, he added.

A notable exception was the Southwest Power Pool that saw limited dissent on its highway-byway proposal and earlier methods. Its Director of Transmission Development Jay Casparay credited that to the state's committee of utility commissioners in SPP's footprint having sway over the oft contentious issue.

It helps to have state commissioners that tend to agree on those issues within its footprint, said WIRES Counsel and former FERC Chairman James Hoecker.

But bringing the entire Eastern Interconnection into the fold with the huge disparities in regional needs and visions for the future, the process will only become more contentious, he added.

"There is a lot of individual state interest that can get in the way of sound

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GOODMAN: Don't let BGE miss the July 15 POR startup

While retailers imagine the market that Maryland could become if a purchase of receivables (POR) program is approved in the biggest utility footprint in the state -- Baltimore Gas & Electric (BGE) -- some worry the long awaited plan will be delayed past its July 15 target startup.

"Based on the commission's June 10th POR Order, NEM members have hedged electricity supplies, invested in marketing campaigns and hired in-state marketing assistance -- all in reliance on the July 15, 2010, date on which POR was to be available in BGE," said NEM President Craig Goodman in a letter to regulators late last week.

POR is a system for helping marketers get some reimbursement when a customer fails to pay them and is returned to the incumbent utility.

"NEM urges the commission to insist that BGE at a minimum implement their electric POR program on the date originally ordered and to also implement gas POR as soon as possible but in no way to hold up the implementation of one for the other."

The PSC set July 15 for the program to be in place. The discount rate is slightly different from the electric discount rate due to different underlying collection histories, said Goodman. "The risk factor has been eliminated and the costs of the program will be amortized over two years rather than three.

"Importantly, the 'all or nothing' requirement has been dropped so that some customers can opt out of consolidated billing."

[Comments]

Steelworkers, AWEA report potential for new jobs

The American Wind Energy Assn, BlueGreen Alliance and United Steelworkers issued a report outlining policies the groups want to put in place to grow manufacturing of wind components.

"Winds of Change: A Manufacturing Blueprint for the Wind Industry" calls for a national renewable electricity standard (RES) of 25% by 2025, a price on carbon, extension of tax credits for renewables and changes to transmission policy.

"Wind energy provides one of the most promising sources of new manufacturing jobs for American workers," said AWEA Senior VP for Public Policy Rob Gramlich. "This report shows how the right policies such as a renewable electricity standard will build the supply chain and create those jobs."

Implementing the policies in the report could add tens of thousands of jobs to the 18,500 that existed in the industry as of last year.

The RES would have to include significant near-term targets to get the industry moving more rapidly, said the report.

More immediately, the report calls for an extension of the 1603 Treasury grant program that came out of the stimulus bill. That turned the Investment Tax Credit into direct grants and helped the wind industry boom last year as tax credit markets dried up in the recession.

Many of the other tax packages are aimed directly at manufacturing, such as continuing the Advanced Energy Manufacturing Tax Credit passed in the stimulus and implementing loan guarantees for clean energy manufacturing.

On transmission, the report calls for interconnection-wide allocation for lines needed to bring wind power to market, with those who use more power paying