Restructuring Today

CHRONICLING EFFORTS TO OPEN COMPETITIVE ENERGY MARKETS

Wednesday, February 1, 2012

Stakeholders issue latest round of arguments on Maryland RFP proposal

The Maryland PSC last year found an initial need for up to 1,500 MW of new natural gas-fired generation in the state and yesterday heard from doubters, supporters and those in between at a hearing in Baltimore on the PUC's proposal to issue an RFP for plants.

Incumbent generators argued that the contracts would end the market's ability to get new generation built, while those seeking to build new plants argued the market never had that power in the first place.

The proposal would only have ratepayers pay the winning bidders if their projects failed to get enough money from PJM's capacity market, said Boston Pacific President Craig Roach. The proposal will pay consumers if the plants are able to collect more than enough money to keep their plants going.

That means the plants will not risk consumers "paying twice" for capacity, or having to pay for capacity in the reliability pricing model (RPM) and to the winning bidders, said Roach. The RFP is not a subsidy, as many have argued, but rather is meant to augment the RPM and help Maryland diversify its generation fleet in light of EPA pressures on coal plants, he added.

PJM's Independent Market Monitor Joseph Bowring called the RFP plan a "subsidy," arguing that the contract of differences would lead to generation not needed by the market. He told the commission that he respects its role to ensure reliable service in Maryland, a premise on which the RFP plan is based.

But the other premise is that the RPM has failed -- and that is just not true, said Bowring. "You can't do part market. If you're going to rely on markets, you have to be fully committed to markets," he added.

"The planning approach that's been referenced was used prior to regional markets and it's tempting to believe that planners can make better decisions than markets. That's unlikely to be true."

Planning provides key inputs to markets -- but it is not a substitute for markets, he added.

Maryland gets some 30% of its power in "imports" from other states in PJM and that has been part of the reasoning for building the new plants. But those imports are coming into Maryland because they are cheaper than building in the state, said Bowring, thus they are good for consumers.

Bowring and PSC Chairman Douglas Nazarian got into a debate over whether existing generators should be allowed to take part in the RFP process. The PSC took offers in the process already and while some results leaked out at the meeting such as NRG not taking part, the full tally is not yet public.

Broadening the pool of resources would raise the competitive pressures in the RFP and existing resources could still meet the goals the PSC has to ensure reliability at a certain price.

Nazarian questioned why the PSC would want to pay for plants that are already on the system and asked what the commission should do if it specifically wants new plants.

Changing PJM's load forecasts for Baltimore Gas & Electric's and Pepco's Maryland territories, also known as Southwest MAAC, would get the job done, said Bowring. The market has shown it can work as LS Power is moving ahead with a plant in New Jersey based on the RPM capacity prices, he added.

How did LS Power do that?

Competitive Power Ventures CEO Doug Egan told the commission that there has been lots of head scratching about how LS Power is getting that plant built. Egan's firm would never build a pure merchant plant based on capacity prices that are only guaranteed for one year and those he has talked to in the investment community have no idea how LS got the job done.

CPV has been trying to build a new plant in Maryland for years, well before the PSC ever even considered an RFP for new generation and that led to some tough questions from Nazarian. The chairman

NEM cites top goals as retailer association begins 15th year

As the NEM began its 15th year last week, it cited plans to build on state and federal regulatory victories to expand the "historic" amount of customers now shopping for power, NEM President Craig Goodman said yesterday in prepared remarks.

"There are more than a million consumers shopping in each of the states of Pennsylvania, New York, Ohio, Georgia and Texas for electricity, natural gas or both," Goodman said. "And, I am very pleased that our members are creating more jobs and offering more consumers both energy and technology competition than ever before."

States that shed utility rate caps and competition-inducing policies provided a boost for customers in Texas, the Northeast, Mid-Atlantic and Midwest, Tony Banks, vice chair of the NEM executive committee, told the press yesterday.

NEM has to further its efforts with state regulators and utilities to give customers more energy choice options, the group said. Opening markets to competition and pushing the borders of those with limited competition -- such as Michigan and California -- will stay a NEM priority, the association said. Giving customers "transparent, market-based utility default service pricing as a transitional measure to the utilities' exit from the commodity merchant function," also will help the group serve customers better, it said.

On the business side, NEM hopes to foster "ethical and responsible conduct" for all industry players, it said. Greater rule standardization will help streamline operations and make doing business easier, it noted. NEM will try to develop reasonable credit and risk management requirements for marketers at state and federal levels, it added.

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