Restructuring Today

CHRONICLING EFFORTS TO OPEN COMPETITIVE ENERGY MARKETS

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# FERC goes along with most of California ISO's TPP changes

FERC accepted the California ISO's proposed changes to its transmission planning process (TPP) and generator interconnection procedures that were designed to help meet the state's 33% by 2020 renewable mandate, with one change.

The 33% target combined with the serial approach the ISO previously used on small generators made it impossible to study projects within the specified timeline. The ISO's queue has about four times the amount of capacity needed to meet the 33% target, but 75% of those projects are likely to fail and that could not be handled under the old rules.

Combining the planning process and the interconnection queue will make is possible to deal with the flood of renewable power projects and the impacts they can have on transmission planning. The ISO proposed moving the interconnection procedures into the TPP provisions originally designed to help meet public policies like the renewable target.

FERC's Order 2003 laid out a pro-forma interconnection process for ISO/RTOs, and the commission said in its order that Cal-ISO had proven that its changes from that are just and reasonable. They meet the objectives of FERC's rules by making the interconnection process more efficient and protecting ratepayers from the costs of underutilized transmission upgrades.

The changes should produce more realistic study results and cost estimates for network upgrades, boosting the chances that viable projects will start operating commercially.

FERC accepted the proposed milestones that projects will have to meet to keep their place in the queue, including a reliance on whether or not a project has a power purchase agreement (PPA). One developer argued that relying on PPAs did not prove anything as projects can operate without them and many fail with them, but FERC has accepted similar uses in queue rules before, in California and elsewhere.

Still PPAs are only part of the

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## PJM wants FERC to reject injured lineman's request for rehearing

PJM asked FERC to throw out a request for rehearing issued by the severely injured lineman Marlin Yorty, arguing it was completely unneeded.

Yorty's lawyers filed a decision from a state court judge that said his lawsuit against the RTO will move forward despite a commission order saying PJM was not liable under its tariff (RT, Jul-19). The motion argued for rehearing because FERC's order could mislead the state court and changing it could avoid "unnecessary confusion."

The lineman was working for PPL on a transmission line when he was severely shocked and suffered third degree burns. PPL was indemnified by state workers compensation law, but the courts ruled that the lawsuit against PJM could go forward because it allegedly left a parallel line running that led to the line Yorty was working on going live.

PJM argued that the state court will not find FERC's order misleading because it answered two straightforward questions of tariff interpretation in a straightforward way. The state judge, in ruling that the lawsuit should go before a jury, directly challenged FERC's authority in saying that there is no specific act of Congress granting immunity to ISO/RTOs in such situations, said PJM RTOs lack direct physical control of their transmission grids, which are still owned by utilities that have voluntarily transferred operational control to the entities. The only role PJM had in the maintenance was to make sure the outage could happen while keeping its grid in compliance with reliability standards.

RTOs are responsible for managing the transmission of electricity in interstate commerce and cannot "owe a state law duty of care" as it carries out those FERC-prescribed functions, PJM argued.

[Comments]

# NEM asks DC regulators to change Pepco's POR program

The National Energy Marketers Assn (NEM) asked the District of Columbia PSC to make some changes to Pepco's requested purchase of receivables (POR) program in a filing posted yesterday.

Pepco largely proposed to implement a POR program it uses in Maryland in the nation's capital, but with a few changes (RT, Jun-27). NEM told the PSC that POR programs, which involve utilities buying unpaid accounts from retailers and then recovering money owed, lower costs for consumers by avoiding unneeded duplication of assets.

The program would start to buy bad debt from retailers at its inception, which has worked well in other jurisdictions. NEM predicted that it could have more retailers move into the market before the POR program is fully implemented because they would know that will get paid.

Pepco would pay retailers a discounted rate on the debt that they are owed and then collect the balance from customers. Pepco wants to use that to help recover the costs of the program as well, but NEM asked that the cost of implementing the POR program be spread around to all of Pepco's customers because choice benefits all of them.

NEM asked the PSC to allow non-generation service charges to be placed on the consolidated bills that Pepco sends out to shoppers at retailers' discretion. Those charges could include energy audits, DR and efficiency services. Pepco would not buy those services when customers fail to pay and utility billing could stimulate the development of innovative products.

The firm proposed a "risk component" charge for the discount rate paid to retailers, which NEM opposed because utilities are otherwise able to collect their bad debt. Pepco can always shut off a customer's power if they do not pay, noted the lobby.

Pepco should not have to reimburse retailers for any late payment fees that they are owed by the customers, the utility argued. But NEM noted that such fees are being charged now and if Pepco recovers them, it would act as a windfall for it. Suppliers and their customers should share in the benefit when late-payment fees help to defer collection costs in a POR environment.

Pepco also asked for the authority to set up a separate charge in the event that there are not enough retailers to recover all of the costs of the purchased debt under the discounted rate. NEM opposed that, arguing it would not be needed if the rate was calculated properly and it would give Pepco the authority to retroactively charge suppliers for unrecovered costs.

NEM wants the PSC to make Pepco move more quickly on the POR charge than it has proposed. The utility wants to wait until 2014 -- when it plans to roll out a new billing system, but given the favorable market circumstances in Washington now and the experience with POR programs in Maryland, it should happen much sooner, NEM said.

[Comments]



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financial status of a project and are not the exclusive method to demonstrate financial viability, the commission said.

Cal-ISO wanted to start applying its new rules, including more conditions to keeping the transmission capacity allocated to proposed projects, to a group of renewable plants designated as "Cluster 5." FERC accepted that, noting that changing the rules for any of the project in clusters one through four, which are farther along the interconnection process, would be too disruptive.

The only change FERC told the ISO to make was to have it clarify the procedures for moving the earlier projects forward and to clearly state that it will not require them to have a PPA to hold onto their requested deliverability status.

[Comments]

## 2 stories in 1 minute

**NYMEX gas futures fall:** NYMEX August natural gas futures tumbled yesterday, but held well above $3/MMBTU, analyst Jackson Mueller reported. The front month lost 11.7¢ to close at $3.07/MMBTU. Recent gains on hot weather and a steady contraction of the storage overhang are being questioned as the market considered the contract overvalued ahead of its expiration on Friday, said Mueller. Supply and demand continue to support prices, but the hottest weather of the summer could be behind us now and that would cut demand from the residential and commercial sectors.

**WGES offering some customers some savings:** Washington Gas Energy Services (WGES) began a direct mail campaign in three Maryland utilities offering customers guaranteed savings over their regulated rates, the firm announced yesterday. WGES is offering a 15% discount on power to Baltimore Gas & Electric customers and a 10% discount to Pepco and Potomac Edison customers. Pepco customers can also get 5% savings on plans that offer 50% wind. The savings are guaranteed even after new rates go into effect this fall. Customers have until Aug 3 to sign up for them.

[Comments]



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