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NEM shares insights with Ohio PUC on market improvements

NEM told the PUC of Ohio Friday that it should consider power utilities' exit from the merchant function altogether. The Ohio commission is looking into retail markets as all of its utilities move from functional to structural separation -- and because the legislature has embraced competition twice in the last 15 years.

The next step in Ohio's retail power market evolution should incorporate the use of competitive procurement methods for obtaining and pricing default service supplies, said NEM. Default service rates should be adjusted on a monthly basis for mass market customers and on an hourly basis for large C&I customers.

The provision of market-based pricing signals for no-notice default commodity service should be accompanied by the unbundling of commodity-related costs from utility delivery rates. Default service rates should include the full retail cost of providing 24/7, no-notice last resort service.

The final step in market evolution should have default service provided by competitive providers, the retailer lobby noted. NEM strongly supports the leadership the PUC showed in leading Ohio's gas utilities through a transitional process to exit the merchant function, it added.

That first incorporated a standard service offer auction and then a standard choice offer auction, with the market increasingly relied upon to provide customers with retail natural gas service. The gas market, which is held up as a national model of success, should be used as a guide for any changes to the power market, said NEM.

The current system has some barriers preventing the retail market from taking off. The different utilities have different default service programs, while in other jurisdictions such as Pennsylvania, they have a similar price-to-compare (PTC).

Utility PTCs should reflect wholesale market conditions and include all of the costs of providing retail service, NEM noted. Some Ohio utilities are not even using a competitive process to provide

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IPPNY argues with NYISO in FERC docket on RMR agreement

The Independent Power Producers of New York (IPPNY) asked FERC Friday for a quick order on a reliability-must-run (RMR) agreement it and other generators claimed would disrupt the capacity market (RT, Jan-09).

NYISO asked FERC earlier in the week to deny the generators' requests, arguing such big changes to the capacity market should be weighed in a stakeholder process, not a one-off commission order.

The monthly capacity auction finished yesterday and generators asked FERC for an order before that got started.

The generators claimed that the contract constitutes buyer-side market manipulation by forcing the Cayuga plant to bid into the monthly auctions at a very low price. But NYISO told FERC that it has the responsibility to help police its markets and its internal and external market monitors have not raised the alarm on the contract.

IPPNY argued that FERC should act fast since the bidding strategy from the contract could significantly impact the capacity market.

The generators' requests are too broad for the venue of an RMR contract approval, NYISO argued, but IPPNY believes the issue is much narrower than the grid operator was making it out to be. The issue is whether a wholesale generator can implement specific capacity bidding requirements that are mandated in a FERC-jurisdictional RMR agreement without first securing commission approval of that agreement.

[Comments]

New Constellation product lets C&I cut capacity, transmission costs

Constellation launched a new product yesterday for C&I customers that can cut their capacity and transmission costs by lowering their use in peak hours, it said. The Constellation Peak Response program can cut the two charges, which usually make up 20-30% of a C&I customer's overall power bill, it added.

In most regions, the charges are based on a customer's demand during the highest use hours of the year.

"We are continually looking for new ways to provide a more comprehensive energy portfolio management strategy for our customers," Senior VP of Energy Management Programs Gary Fromer said in prepared remarks. "Customers now have the opportunity to take advantage of a voluntary, flexible load response program that targets what matters most: their utility bills."

The product reportedly uses Constellation's wholesale market expertise to predict the peak grid hours and then sends day-ahead and day-of notifications, alerting customers to cut power use. Customers get a benefit the following year when grid operators and local utilities decide the customer's share of capacity and transmission charges.

Taking part in the program is voluntary and because it does not involve any obligations to ISO/RTOs or utilities, customers do not face penalties for failure to comply when a DR event occurs.

The program offers customers two payment options -- saving on their monthly bill or getting a quarterly check the year after taking part.

The program has been in pilot mode since April, 2011 and over 100 customers with combined loads of 400 MWs saw $500,000 in peak response payments and savings.

Constellation offers the peak response program in PJM, New England, New York and ERCOT, it added.

[Comments]

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default service and the group believes that should be a first step to improving the market.

The PUC should ensure that energy costs are not included in the delivery rate, which puts retailers at a disadvantage because their customers end up paying for the same thing twice and utilities get to keep their offers low.

In the long run, default service itself should be phased out because it gives utilities a number of advantages and does not work well with competitive markets. Utilities do not have customer acquisition costs, they have instant advantages of scale and their dual function -- as a competitor and an entity that others have to go through to reach consumers -- leads to many advantages for them, NEM noted.

The group suggested the PUC set up a purchase of receivables program since utilities are more able to deal with bad debt than retailers are. That has been one of the biggest improvements in other jurisdictions where utilities still provide default service, NEM added.

[Comments]

2 stories in 1 minute

Gas futures drop 15.5¢ as spring weather nears: NYMEX February natural gas futures ended Monday sharply down ahead of options expiration at the close of business, analyst Jackson Mueller reported. The contract dropped 15.5¢ to close at $3.289/MMBTU as traders looked ahead to the end of winter, lower demand and ample storage. Forecasts predicted colder weather across the East and portions of the central US for the next week or two, which should keep demand up, but the cold will not be enough to trim storage stocks down to the five-year average level, he added.

Michigan energy officials to host public meetings: Michigan PSC Chairman John Quackenbush and Energy Office Director Steve Bakkal plan to host seven public comment meetings on the state's energy future over the next three months, the commission said yesterday. Gov Rick Snyder, R, wants new comprehensive energy legislation and the seven sessions around the state will let the public weigh in on the process. Snyder will use public input when he releases his recommendations at the end of the year, he said.
[Comments]

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