classes of below 1%. The new allowances generated by the lower cap will produce $2.2 billion for reinvestment in energy efficiency and renewables.

[Comments]

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ISO-NE reports details of 2016-2017 capacity auction

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capacity so their price fell below the offer floor. Connecticut needed 7,603 MWs and had 8,372 MWs clear leading to a prorated price of $2.83/KW-month. Maine needed 3,709 MWs and cleared 3,950 MWs, leading to a prorated price of $2.74/KW-month.

All of ISO-NE needed at least 32,968 MWs for 2016-2017 and the auction cleared 36,220 MWs. The cleared capacity included generation that could be imported from neighboring regions.

The Boston area was so near the cap because a new resource submitted a bid to withdraw at the end of the first round and without it, the region would not have had enough capacity to ensure reliability. That resource and other new resources will be paid $14.99/KW-month, while all existing resources will get $6.66/KW-month because the region has insufficient competition.

The formula for paying existing resources in areas without enough competition grew out of a settlement agreement that balanced the interests of those paying for capacity and resource owners. The pricing rules were designed to provide incentives to new resources while protecting consumers.

ISO-NE will file the results at FERC next month, which will include a list of resources retained for reliability and resource-specific information.

[Comments]

Exelon reports strong 2012 despite challenges including Sandy

Exelon reported income of $1.16 billion for the full year of 2012 and $378 million for Q4 in its earnings report yesterday. "Exelon had another strong year of operational performance and closed on a very successful, transformational merger that gives us a presence across the value chain," CEO Christopher Crane said in prepared remarks.

"Despite major storms and severe economic challenges, we delivered 2012 earnings within our guidance range."

Earnings dropped from $606 million in Q4 of 2011, though those numbers did not include Constellation Energy and Baltimore Gas & Electric. Exelon blamed the drop on lower energy margins at its generation fleet due to lower capacity prices in its core market of PJM, higher nuclear refueling costs and lower prices across all regions.

The firm's generation fleet had a margin of $26.52/MWH in Q4, down nearly $13/MWH from a year earlier.

Its two East Coast utilities, PECO and BG&E, were both in the path of Hurricane Sandy and thus had higher operating and maintenance expenses to fix their systems after it hit.

The firm also had higher depreciation and amortization expense due to ongoing capital expenditures.

Those negatives were offset by the addition of Constellation Energy's contribution to the firm's energy margins and favorable weather impacts at ComEd and PECO.

[Comments]

CHU: Batteries, PV solar to make DG cost-competitive

Outgoing Secretary of Energy Stephen Chu believes that advances in battery and photovoltaic technology will make DG cost-competitive within a decade, but that does not mean the demise of utilities, he added.

The cost of solar combined with batteries could fall to 10-12¢/KWH in a decade or so, which would make it competitive with retail power prices and let owners stay off the grid for up to 80% of the time, he said at the Three Interconnections Meeting in Washington, DC yesterday. The ISO/RTO-focused meeting was hosted by NARUC and DOE and a group of national stakeholder groups and regulators.

While such systems could end up paying for themselves in three or four years, they will still require thousands of dollars to set up and that up-front investment is where utilities could come in. They could end up owning the systems on customers' roofs, letting them earn a profit and ensuring that all customers are able to take advantage of new technologies.

Without firms offering to build, own and run distributed energy systems and then selling the power to consumers, only the more well-off consumers could own them and that would lead big cost allocation debates as the rest of the power system had fewer customers to pay for it, he added.

Chu urged the room, that was full of state regulators, to start thinking about the changes in technology now. Without action now, the electric industry could have a repeat of what the internet did to publishing, Chu predicted.

Even with the competitive DG, customers will still need to fall back on the power system when their systems cannot produce energy, thus centralized power generators and transmission will always be needed, Chu said.

[Comments]

NEM lauds Pennsylvania PUC for its retail market success

NEM and its members today are congratulating the Pennsylvania PUC, its staff, retailers and other stakeholders on the market surpassing 2 million shoppers. "Pennsylvania's extraordinary success in permitting private capital rather than state-backed customer guarantees to serve two million customers in just three years represents a record for serving the public interest," said NEM President Craig Goodman.

Commissioners and staff have worked hard to structure one of the most successful regional markets in the US, drawing on the experiences of successful practices implemented in New York, Texas, Ohio and Georgia, he added.

The PUC's PaPowerSwitch.com website fosters informed shopping. The retail market is well designed and utility POR programs, oversight and standards for the market have all helped get Pennsylvania to this point, said NEM.

The retailer trade group actively supports other states incorporating Pennsylvania's market structures and designs to help them grow out of the century-old model of relying on the monopoly model and allows utilities to unfairly dominate competitive markets, Goodman said.

[Comments]

1 story in 30 seconds

Gas futures drop 13.3¢ on light storage pull: NYMEX March natural gas futures moved lower in trading yesterday, after a smallish pull from storage was reported by EIA, analyst Jackson Mueller reported. The contract lost 13.3¢ to close at $3.285/MMBTU. EIA's storage report showed that just 118 BCF was withdrawn from stocks last week, just below what most expected. The pull took gas storage figures to 2,684 BCF, below last year's levels but 351 BCF above the five-year average. Weather forecasts grew more supportive and if temperatures fall as expected, the market could make a run up before spring starts.

[Comments]

Transmission meeting probes power world's need for gas

From page one

England, and it is just a question of how to go about that, said van Welie.

One way is to step in and contract for the pipeline on the side, then flow those costs back to consumers on the side, which many in the region are interested in. "I do think that has a big risk associated with it because it completely messes up the economics of the electric market," van Welie said.

"What I think is a better way is to create a strong incentive in the electric market design such that electric generators are incented to sign up for secure fuel services."

That will get the economics right in the wholesale markets and put the costs to those who should pay for it. It would then be up to the gas industry to meet its fastest growing customer segment halfway.

The full-year, firm service business model might work with industrials and commercial and residential customers, but it does not work for power generators in ISO/RTO markets who are not guaranteed cost recovery and only get commitments three or five years into the future, said van Welie.

Pipelines do tailor their products to gas generators already, but without firm service, other customers will take precedent over them, said CenterPoint Energy VP for Pipelines & Fuel Services Greg Harper.

MISO looks to gas, too

MISO is in a different position than New England, but with a heavy reliance on coal and thousands of MWs going down for retirements or retrofits in the next few years, it will be leaning on gas more than ever before, said its Executive VP of Transmission & Technology Clair Moeller.

The region will be leaning on its combustion turbines more and more, but even under the most aggressive scenarios, they will not run more than 15% of the time. "Nobody is buying firm supply against a 15% annual capacity factor," said Moeller.

The plants will need reliable gas but not firm gas and that will require innovative products from the pipelines, he added.

Ultimately a lot of the decisions on the subject of how to better align the two industries will end up before FERC, Santa predicted.

[Comments]

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