Restructuring Today

CHRONICLING EFFORTS TO OPEN COMPETITIVE ENERGY MARKETS

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NEM: New Jersey has chance to make POR program work great

The National Energy Marketers Assn (NEM) told the New Jersey Board of Public Utilities yesterday that two changes could make the state's purchase of receivables (POR) programs much more effective. The concepts of recourse -- meaning retailers are liable if customers do not pay the utility -- and dropping customers to "dual billing" have and will keep undermining the public-interest benefits to the detriment of consumers, utilities, marketers and the market itself, it added.

The BPU's staff had a proposal to make the electricity POR program more like the one New Jersey has for natural gas, which does not have the concept of recourse or dropping consumers into dual-billing.

One of the chief benefits of a properly functioning traditional POR program is to eliminate discrimination against low-income and credit-challenged customers, letting all customers benefit from shopping for better energy prices or services, NEM said.

Adding a form of recourse and forced dual billing does not make the program friendly to low-income consumers and in fact provides incentives for retailers to return customers back to the utility to avoid bad debt and dual billing.

"This is because competitive suppliers are economically incented by these specific provisions to avoid the added costs and risks associated with credit-challenged customers," NEM wrote in comments filed yesterday.

Other states competing for retailers' investments decided to maximize the existing utility billing and collections infrastructure, which lets new investments be a more competitive use of capital.

Dual billing means that two sets of books and billing systems have to be kept in the POR program, to serve the exact same consumers.

The staff proposal would make it so customers are dropped to dual billing after 120 days, rather than the 60 day requirement now in effect. Customers who are less than 90 days in arrears and have been dropped to dual-billing in the last year could take part in utility consolidated billing, the retailer trade group explained.

Those changes will improve the POR system but staff's proposal is to keep the concept of recourse and would not entirely eliminate dual-billing, both of which would significantly improve the program, said NEM.

It works elsewhere

The BPU should let utilities terminate service, subject to relevant consumer protections, for customers who do not pay their bills to retailers. Other POR programs have that feature and it eliminates an advantage utilities have now on in collections.

The changes NEM wants to see would not disadvantage the utilities in the state. They might even put them in a better

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FERC OKs hookup deal for ISO-NE, Bangor Hydro, wind farm

FERC yesterday conditionally accepted an interconnection agreement between ISO-NE, Bangor Hydro Electric and a First Wind subsidiary that might not end up going anywhere. Bangor Hydro's parent company Emera and First Wind have a joint venture building the subject of the interconnection request, the Oakfield Wind Farm, and other projects in the Northeast.

The Maine PUC is looking at the wind developments by an affiliate of a utility in an open proceeding.

Maine required all of its utilities to sell all of their generation when it restructured the power industry. The state regulator would have to act on a clarification request for affiliate transaction restrictions before the project goes forward.

The ISO and the utility submitted the interconnection agreement for the 147.6-MW wind farm in northern Maine unexecuted so that the project can move forward as fast as possible. They told FERC that the deal fully conformed with the pro-forma interconnection deal.

The project was tested to see if it would have any impact on the Northern Maine Independent System Administrator's (NMISA) system, which is tied in with the New Brunswick System Operator and not ISO-NE. The studies found it would not and the project is being directly connected to ISO-NE.

NMISA filed a protest arguing that the project should have gone through its processes, but FERC said that since the wind plant will connect with ISO-NE, NMISA's rules do not need to be followed.

The project is physically close to NMISA's system but that does not equate to electrical relevance, said FERC.

[Comments]

APPA lauds House bill to buffer Dodd-Frank effects on members

APPA yesterday lauded a new House bill to exempt public power from some Dodd-Frank requirements recently approved by the CFTC. The Public Power Risk Management Act of 2013, HR 1038, was introduced by Rep Doug LaMalfa, R-Calif, who sits on the Agriculture Committee that oversees the CFTC.

It was co-sponsored by fellow committee members Reps Jim Costa, D-Calif; Jeff Denham, R-Calif; John Garamendi, D-Calif, and Financial Services Committee member Rep Blaine Luetkeyer, R-Mo.

The legislation is needed because CFTC regulations effectively limited the willingness of non-financial entities -- such as utilities, IPPs and natural gas providers -- to enter into operations-related swaps with government-owned utilities.

"The CFTC asserts their rules protect local governments from financial risks," Northern California Power Agency General Manager James Pope said in prepared remarks. "Unfortunately, the application of these rules to municipal utilities has significantly increased our exposure to commercial risk by severely restricting the number and types of counterparties we can do business with."

Public power agencies often have a limited number of counterparties for any particular operations-related swap so each potential firm on the other side of the deal brings market liquidity and diversity.

Coal, gas and the power they produce are all cheap now, but as demand rises and fuels are burned for other purposes, their prices will rise and that will make hedging all the more important.

The regulations say non-financial entities entering into as little as $25 million in swap transactions with government-owned utilities could fall into the swap-dealer regime and the stricter regulations that would entail. Otherwise, a firm can engage in up to $8 billion, stepping down to $3 billion over time, in swap deal activity without being considered a dealer by CFTC.

The regulation made the non-financial entities avoid entering into swap deals with public power. The bill would make a public power utility fall under the same limits as any other firm in the industry, which would let the swap deals continue.

"Fuel and energy hedging used to serve customers is being regulated by the new CFTC rules to a different set of market rules and requirements than neighboring, privately-owned utilities, which will unfairly add costs to our customers who pay our rates," said Los Angeles Department of Water & Power General Manager Ronald Nichols.

"This legislation provides the necessary balance to ensure that the ratepayers continue to receive a stable and cost effective fuel and energy supply," he added.

[Comments]

2 stories in 1 minute

ChargePoint to start New York EV project: ChargePoint said yesterday it will install the first of 80 EV charging stations around New York State at the Solarie in Battery Park City. The firm got a $1 million incentive from the New York State Energy Research & Development Authority. The Solaire was built in 2003 and is the nation's first LEED Gold-certified residential building. ChargePoint is the largest network of EV charging stations in the world, with 11,000 installed, it said. Governor Andrew Cuomo gave $4.4 million to 10 EV firms, municipalities and other entities to roll out 325 charging stations across the state.

Gas futures gain 2¢ on pull expectations: NYMEX April natural gas futures closed up yesterday with outlooks for another large storage withdrawal to be reported by EIA this week pushing gains, analyst Jackson Mueller reported. The contract added 2¢ to close at $3.649/MMBTU. Early projections for this week's report, due Thursday, were for a withdrawal between 135-147 BCF, which would be bullish compared to the 74 BCF five-year average withdrawal. The pull could push inventories below 2,000 BCF as they now sit at 2,083 BCF, though they would stay above the five-year average.

[Comments]

Constellation combines VirtuWatt Link with Novar's EMS

Energy retailer Constellation teamed with Novar to sell a new product that combines the former's automated load-response software with the latter's energy-management system (EMS), the pair told the press yesterday. The new product will let retailers automate load-response participation across multiple regions, they added.

Constellation, an Exelon subsidiary, in December introduced the automated load-response software known as VirtuWatt Link. The Novar system is called Opus Building Automation. Novar is a Cleveland-based EMS provider owned by Honeywell, it said.

The combined solution gives retailers the ability to automate and expand load response participation across multiple sites and regions through real-time power pricing, centralized management of building control systems and revenue-grade metering capabilities.

Novar retail customers who take part in Constellation load-response programs can use the revenue they earn to install hardware at other locations, they added.

The joint product helps customers by "comparing which load response programs have the highest returns against which stores have the most costly energy footprint," Novar President Dean Lindstrom said in prepared remarks.

[Comments]

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position, it added. They now have a risk of nonpayment with their captive ratepayers and they are compensated for it through the bad debt component of delivery rates.

The POR discount rate ensures that utilities are compensated for its costs and risk, but by adding on the appendages of recourse and dual billing to POR, it incents the marketplace to return payment-challenged and the most expensive customers to utilities

[Comments]

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Archives: Access over 10,000 searchable articles (www.restructuringtoday.com/articlearchive) and over 3,000 downloadable PDF issues (www.restructuringtoday.com/issuearchive) online -- so you can quickly find background on issues, policy efforts and firms of interest.

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