Restructuring Today
CHRONICLING EFFORTS TO OPEN COMPETITIVE ENERGY MARKETS
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Stakeholders protest way MISO SSR plan costs will be charged

A MISO request to enter into its second-ever "system support resources" (SSR) agreement with Detroit Edison sparked protests at FERC from industrial customers this week. SSRs are like reliability-must-run agreements and FERC just approved the first one ever used to prevent a violation of reliability standards last month (RT, Mar-6).

MISO expects to have to use them more often as the coal fleet in the region complies with EPA regulations, it said.

A broad group of industrial customers including the Assn of Businesses Advocating Tariff Equity, Coalition of Midwest Transmission Customers, Wisconsin Industrial Energy Group and others filed a protest arguing MISO wants to allocate the costs of the deal in an unjust way.

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The agreement is needed until a portion of the Michigan Thumb Wind Zone project is completed at the end of this year. Thumb is a reference to the lower peninsula being shaped like a mitten with a thumb.

The arrangement will pay DTE $457,541/month to keep the plant open and a dispatch price of $56.08/MWH whenever the unit is called on by MISO.

The cost of the deal will be allocated to every load serving entity in DTE's territory and do so retroactively from Oct 1, 2012. DTE initially wanted to retire the coal plant on Jan 1, 2012, but that was delayed in the process that led to the SSR.

MISO did not tell DTE of the need of such a contract until June 8, 2012, the utility told FERC in a filing urging the commission to approve the deal. That came as MISO and FERC were working on changes to the SSR process which led to more delays.

MISO proposed to allocate the cost using an energy model, rather than the demand-based allocation and cost recovery method used for the first SSR.

MISO told FERC earlier this month that it decided to use an energy-based cost recovery mechanism in part because other stakeholders had problems with the demand allocator used previously. The demand based-allocator does not work well in retail choice states such as Michigan, where loads shift during the year, it noted.

An energy-based cost recovery mechanism would ensure any entities using energy from the market during the period the contract was in effect would be charged.

Group argues for change

The industrial groups argued that SSRs are designed to prevent transmission-system reliability violations and because transmission costs are recovered through a demand-based system that the contracts should be, too.

Basing the allocation on energy use is wrong because use does not correlate with the costs actually incurred by customers -- transmission requirements are based on the peak demand in one instant, not the total energy use, they added. If SSR charges are energy-based, large consumers of energy such as industrials would end up subsidizing small customers with more variable demand, said the protest.

The SSR is a stop-gap solution until a transmission under construction is built and after cost-causation principles, it should be allocated based on peak demands of load-serving entities.

[Comments]

NEM to give public service, industry leadership awards at event

The National Energy Marketers (NEM) will be presenting Public Service Leadership Awards and Industry Leadership Awards at its annual restructuring conference Tuesday, it said yesterday.

"This will be the first time the association has voted to recognize the outstanding public service that the Public Service Commissions of Georgia and Texas have provided to the citizens of their states through the restructuring of the Georgia natural gas market and the Texas electric market into successful competitive retail markets," NEM President Craig Goodman said in prepared remarks.

"We are honored to acknowledge the significant accomplishments of both of these commissions in establishing and supporting our new high-growth energy industry."

Commissioner Tim Echols of Georgia and Commissioner Kenneth Anderson of Texas will be accepting the awards for natural gas markets and power markets, respectively.

"For sixteen years now, Georgia has given customers a choice for gas service but yet kept our regulated utility fully involved in safe and accurate distribution service," Echols said in prepared remarks. "It is working really well for us."

A host of former NEM executive committee chairs and vice chairs will be getting industry leadership awards.

They include former Sempra Energy Solutions President Amy Reece, Mac

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California PUC staff file new security requirement resolution

The California PUC's Energy Division staff filed a final resolution of retailers' security requirements, which was posted Tuesday. The resolution would adopt the financial security calculation methodology and security amounts for each retailer to cover administrative costs of the involuntary return of direct access customers to bundled service.

California reopened power shopping to C&I customers but capped it at its highest level historically, which filled up fast in the first-come, first-served process that was set up. New shopping can still happen as that cap space becomes available.

Customers with a retailer will end up having to pay spot market prices

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in the event of a firm going out of business unexpectedly but retailers will have to cover any administrative costs that utilities incur in such an event.

The few grandfathered mass market -- residential and small commercial -- customers who are being served by retailers need to have their utility procurement costs covered by their retailers, too.

A default would happen if the PUC stripped a firm of its license, its deal with a utility was terminated or the retailer defaulted with Cal-ISO.

Pacific Gas & Electric charges $3.94/customer returned, Southern California Edison charges $1.54/customer and San Diego Gas & Electric charges $1.12.

Those figures will be multiplied by the number of customers served by each retailer as of Jan 31 to determine their respective obligations. Retailers will have 30 days to post what they owe.

[Comments]

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Delaware PSC staff conditionally OKs Delmarva SOS for 2013

The Delaware PSC conditionally approved Delmarva Light & Power's standard offer service (SOS) rates for 2013 in an order issued Tuesday. The commission's staff began to review the filing for SOS rates and other charges and recommended approval on a temporary basis, subject to refund with interest on use, on or after June 1.

The new SOS rates will lead to a cut of $7.99/month for a typical residential customer using 1,000 KWHs/month, which translates into a drop of 5.4%.

SOS supplies were procured by a reverse-clock auction run by World Energy Solutions, which received three-year-supply contracts for 1/3 of residential load and a one-year contract for 100% of the load for other customer classes still on utility service.

The utility is also trying to continue collecting back-taxes from 2007-2010 or $3.4 million, which it paid but mistakenly was unable to collect from consumers.

The firm is charging 0.2198¢/KWH to meet is renewable portfolio standard obligations, too.

[Comments]

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McCay of Sempra, Shell Energy North America VP Matthew Picardi, BlueRock Energy CEO Philip VanHorne, former Constellation NewEnergy CEO Clem Palevich, former Sempra Energy Solutions CEO Bob Dickerman, former Centrica North America President Nick Fulford, North American Power President Bill Kinneary, Washington Gas Energy Services President Harry Warren, former Commerce Energy President Steven Boss, Interstate Gas Supply President Scott White, former Gateway Energy Services President Scott White, former Gateway Energy Services President Steve Maslak, US Gas & Electric CEO Douglas Marcille and Star Energy Partners CEO Tony Banks.

[Comments]

2 stories in 1 minute

Gas futures fall despite expected storage add: NYMEX May natural gas futures moved lower again yesterday, pressured by the expectation of falling demand due to warming weather, analyst Jackson Mueller reported. The contract dropped 7.2¢ to close at $4.166/MMBTU. The near month lost value despite a likely bullish storage report coming out today from EIA, which will cover movement from last week. Weather continues to drive gas futures prices and outlooks for warming, even with much of the country expecting average temperatures through early May, are supporting losses.

GDF Suez Energy expands in Ohio: GDF Suez Energy Resources is expanding its presence in Ohio's power markets, moving into AEP and Duke Energy's territories to serve C&I customers, it said yesterday. The firm is one of the largest competitive retailers for large customers in the country. GDF Suez Energy Resources has been serving retail customers in other parts of Ohio for almost two years and its competitive pricing, reliable service and strong financial background should help it in the new territories, said CEO Sam Henry.

[Comments]

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