Restructuring Today
CHRONICLING EFFORTS TO OPEN COMPETITIVE ENERGY MARKETS
Wednesday, May 1, 2013

Pennsylvania, DC regulators report efforts to enhance retail

Texas and Georgia have been the gold standards in retail markets for power and natural gas, respectively, and some other states are starting to play catch up. Pennsylvania PUC Commissioner James Cawley and District of Columbia PSC Chair Betty Ann Kane both told the National Energy Marketer's 16th Annual National Energy Restructuring Conference about efforts to grow shopping in their jurisdictions.

The conference was held in Washington, DC.

Cawley and his colleagues recently wrapped up their Retail Markets Investigation with a stated desire to get a state law on default service changed. When gas prices were near their peak in 2008, the Pennsylvania legislature enacted a law directing the utilities to implement a "least cost over time" method of procurement.

That method would average out wholesale price swings, but since gas prices fell significantly since then, utility prices have been high and 2 million Pennsylvanians started shopping.

But if the wholesale price jumps back up, retailers would be unable to beat the utilities' prices and that could lead to a repeat of what happened at the turn of the century when choice basically went away for the better part of a decade, Cawley cautioned.

The default service law will probably end up being changed next year when part of the state's power law is up for renewal due to a sunset provision, he added.

Initially the commission was considering adopting Texas and Georgia's model where the utilities exit the merchant function altogether, Cawley said. It was moving toward auctioning off default supply to a group of retailers, including smaller firms, but the commission got pushback from legislative staff and it decided to end that plan.

"We raised a lot of expectations with our retail market investigation and we disappointed a lot of people," Cawley admitted. "We were disappointed ourselves that we can't do more.

"So what do you do? When you start to get legislative pushback, you go for the singles and doubles rather than the homerun for the time being."

DC under review

The DC PSC has an open case looking into issues around default service, including the question of whether Pepco should continue to serve in that role. The commission is still reviewing all the comments and responses filed to its inquiry, Kane told the audience largely filled with marketers. Stay tuned on that front, added.

If the PSC decides to make major changes to the default service system

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MOELLER: Order 1000 may delay needed transmission

FERC Commissioner Philip Moeller told the NEM conference yesterday that Order 1000 might end up actually delaying needed new transmission due to the years-long litigation it is likely to lead to. The majority's decision to eliminate all rights of first refusal (ROFR) for incumbents on reliability power lines will likely be the biggest source of that litigation, Moeller told the National Energy Marketer's 16th Annual National Energy Restructuring Conference in Washington, DC.

Moeller dissented on the order, arguing that FERC should have given incumbents a window of opportunity to build reliability lines. That ROFR would go away with inaction after a set time but it would address many of the concerns raised about the subject, Moeller told us after his speech.

"You could actually have Order 1000 possibly delaying construction of new lines," he added. "I think one of the prominent developers mentioned this week that that particular issue is going to slow rather than speed up development based on how we handled it."

Incumbents could get over their resistance to ending federal ROFRs, which varies from firm to firm, and Moeller told us he cannot predict how many will be exhausting the litigation process on the issue.

"They tend to put the reliability projects in kind of a sacred box," Moeller told us.

Order 1000 is very wide reaching, but much of it is aimed at building out the transmission system to meet the needs of state renewable portfolio standards, which translates into building trunk lines for wind projects.

Given how cheap natural gas is and ongoing uncertainty over the future of the production tax credit, fewer of those lines might end up being built than was once thought.

Wind is not the only renewable energy option available either. Subsidies and

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Texas commissioner Anderson reports on reserves, DR, more

In Texas, the utility is out of the default service role and the overwhelming majority of customers at all levels have made an affirmative choice, so the PUC's work to get the market going is done, Commission Kenneth Anderson said at the National Energy Marketers' National Energy Restructuring Conference in Washington, DC yesterday.

One thing Texas is blessed with is the ERCOT market which, due to its few connections with other states and some legislative exemptions, is not covered by the interstate commerce clause and thus is overseen by the PUC.

With a fast growing demand and supply that has lagged, the market has become tighter and tighter and ERCOT predicted it will fall below the 13.75% reserve margin in the next few years.

ERCOT's studies on the reserve margin tend to be conservative and

Anderson said he believes that the it will be maintained to 2017 or 2018.

Some 5,000 MWs of new generation was announced since the PUC started to tackle the declining reserves margins and 3,000 MWs of that is under construction. ERCOT's interconnection queue has some 20,000 MWs of thermal generation, up from just 10,000 MWs a year ago, but many projects in queues never get built.

After raising the price cap to $9,000/MWH over the next few years and trying to eliminate price reversals when ERCOT intervenes in the system for reliability, it seems the PUC's efforts are working, he added.

"At least this commissioner is committed to keeping the energy-only market," said Anderson. "I think it's worked very well. Publicly I've stated repeatedly that I don't think that moving to a centralized forward capacity market would bring us the reliability that some folks have advocated on the generation side."

DR has big role to play

Anderson believes DR will have a major role to play in keeping the lights going forward and noted he was encouraged by retailers that are starting to offer DR products to small customers. That was one outcome he hoped for when the commission raised the price cap, he added.

Without a capacity market, Anderson would like to see DR bid into ERCOT in the ancillary services market because as the ISO is working to change its Emergency Response Service to offer a product with 30 minutes of notice instead of 10 that looks exactly like non-spinning reserves.

Getting DR into the ancillary services market would eliminate concerns about price reversals and help load actually formulate prices. It would also work well with the operating-reserves demand curve proposed by Harvard Prof William Hogan that is being studied for implementation now, said Anderson.

[Comments]

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in the district, it would not have to go through the City Council because it has the authority to change the system under the initial restructuring law, she added.

The commission could make smaller changes such in the way Pepco procures default service or making its compensation for running the system a flat fee rather than a volumetric one based on the amount of customers that have not shopped.

Residential shopping grows

Most of the largest customers in DC shop but residential shoppers have been growing recently and now retailers serve 13.6% of all district residents. That could grow when Pepco implements a purchase of receivables program this fall.

The new growth in retailers has led to a spike in complaints about their marketing practices at the PSC and Kane noted that its Office of the People's Counsel petitioned for an investigation into marketing tactics.

The commission did have to deal with one bad actor in the past, but Kane said she believes a lot of the concern coming from residential customers is due to the fact that they were not used to shopping. It might be time for another consumer education effort, she added.

[Comments]

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declining costs are moving rooftop solar photovoltaic panels to the point where even EEI is calling them a threat to the standard business model, Moeller noted.

So far, the photovoltaic panels have largely benefited those customers who were wealthy enough to install them due to the hurdle of the initial investment, Moeller told us. But with declining costs and the potential for third-party ownership, solar could start to eat away at utilities' energy and T&D revenues, he added.

[Comments]

FERC OKs test to limit 'limited DR' in PJM RPM market

A FERC order issued Monday approved another test to limit "limited DR" in PJM's reliability pricing model (RPM) capacity market. Limited DR refers to the resource that can only be called up to 10 times/year and up to six hours at a time.

All DR was subject to those limits until PJM added "unlimited" and "summer unlimited" DR to the capacity mix when it began to increasingly rely on the resource for its resource adequacy needs.

The amount of limited DR is already tested to make sure the RTO does not procure so much that it has to be called more than 10 times a year -- and it tests to make sure that the resource does not create a peak event outside of its dispatch window.

The new test will make it unlikely that PJM will have to call on the resource for longer than its six hour window by limiting its procurement to the point where it is 90% sure that will not happen. The 90% number was used in early tests for limited DR and is a common confidence interval used in statistics.

DR firms opposed the new limits, arguing that many of the customers who respond to emergency response situations have to ramp down and then ramp back up to their normal usage, thus the demand resources last longer than the six hours anyway.

PJM responded by saying that it cannot measure the ramps of DR enough to count on the resource, so for reliability's sake, its test should be adopted.

FERC sided with the RTO and made the rule changes effective Jan 31, which means they will be in effect for this month's capacity auction. The case was delayed as FERC issued a deficiency letter asking for more information from PJM, but the commission got its answers and ended up approving the change.

FERC responded to the argument that the ramps down and up of DR should be tested by noting that DR firms had not offered any hard evidence that the test's results would differ significantly if they were included.

PJM's rule was based on just three DR events that happened over two years and while that was enough to show that DR met the MWs called for, it did not get enough information to measure the ramping effects before and after an event, FERC noted.

[Comments]

AREM, DACC want California IOU procurement charges

Third-party suppliers in California want the utilities to avoid spreading the costs of supplies they get in the long-term procurement process to their customers as much as possible, they said in comments posted by the PUC Monday.

The commission is considering changes to its long-term procurement process for utilities and in answers to an ALJ's questions in that docket, the Alliance for Retail Energy Markets (AREM) and the Direct Access Customer Coalition (DACC) argued that the state's three big IOUs need to track direct access and community choice aggregation load better.

Municipal departing load is exempt from non-bypassable charges for utilities' long-term procurements and once the incumbents track shoppers and community aggregation customers, they should be exempted from charges as well, said AREM and DACC.

Utilities have often argued that the long-term procurement costs should be spread around to other load-serving entities in their territories.

The PUC split up its resource-adequacy system into two large parts -- a short-to-medium term for bundled requirements and the long-term procurements under debate now. The short-term process has covered utilities' bundled customer needs while the utilities have argued that the long-term process is aimed at system needs and thus its costs should be spread around, said AREM and DACC.

Southern California Edison argued that generation procured for system needs or local area needs that benefit all of the customers in an area should have its costs spread to all customers, no matter who provides their energy. The current cost allocation mechanism (CAM) rules that deal with that process are working well now and do not need to be addressed, the IOU added.

AREM and DACC argued that the PUC should make it clear that long-term procurements can be aimed at serving bundled (utility) load alone and thus should not have their costs spread to everyone.

One way to move in that direction would be to require better forecasts of departing load, with AREM and DACC suggesting that the utilities use projections that the California Energy Commission already has, to look at load shifts over the 10-year periods they plan for. Eliminating that from utilities' load projections would make it easy for it not to be assessed any charges, thus for third-party customers to avoid subsidizing generation aimed at serving utility customers.

Marin wants better forecasts

The Marin Energy Authority (MEA) believes utilities need to improve community choice aggregation load forecasts. Its operations are growing fast and it is likely to be joined by San Francisco and Sonoma County soon.

CAM should only be used to address system or local reliability issues, which have solutions that benefit all the users of transmission grid, said MEA. CAM is a backstop reliability mechanism that is increasingly in danger of becoming a standard feature of the long-term procurement process, it added.

The misuse of the mechanism goes against legislative intent and diminishes the procurement autonomy of community choice aggregators, said MEA.

[Comments]

1 story in 20 seconds

Gas futures lose 4.9¢ on profit taking: NYMEX June natural gas futures eased off the highs it hit in its first day of trading, closing down in profit taking yesterday, analyst Jackson Mueller reported. The contract lost 4.9¢ to close at $4.343/MMBTU. The prior day's advance was driven by forecasts calling for below-normal temperatures in the coming weeks but yesterday, trader's looked to this week's storage report from the EIA. Current projections were for an injection of around 40 BCF, which would be bullish compared to the 67 BCF five-year-average, but above last year's 31 BCF injection.

[Comments]

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Restructuring Today (ISSN 1522-7324) is published 247 times per year on business days by Modern Markets Intelligence Inc. for the publication's owner, GHI LLC. Both firms are located at 4908 Hornbeam Drive, Rockville, MD 20853-1475 USA, 888-980-4446 (toll-free) or +1-301-769-6903 . Fax is 301-769-6917. The standard annual subscription rate is $687 in US funds (plus 6% sales tax in the District of Columbia and Maryland). Significant discount rates for bulk subscriptions are available including highly affordable and convenient corporate-wide accounts. Sam Spencer, publisher; James Downing, editor; Season Crawford, associate publisher, vice president of marketing and customer service director; Liz Yap, production director.

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