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ERCOT expects hot summer, calls for conservation likely

Saathoff, Anderson offer insights on resource adequacy

ERCOT is expecting a hotter-than-normal summer this year, which will make calls for conservation likely, it said yesterday as it released two reports on resource adequacy. The ISO released its latest Capacity, Demand & Reserves (CDR) report on the long-term picture of the grid and the Seasonal Assessment of Resource Adequacy for this summer.

This summer's peak could break the all-time record with the forecast predicting a 68,383-MW peak that would be above the 68,305 MWs set in August of 2011. ERCOT has some 74,438 MWs of generation to call on this summer to meet demand after adding 925 MWs of coal power and 700 MWs of wind resources.

The projections showed the peak days pushing the system below its 13.75% reserve margin target but ERCOT Executive Advisor Kent Saathoff told reporters on a conference call yesterday that the reserve margin was there to provide a cushion for the hottest days of the year so it is not particularly worrisome that it might be breached.

ERCOT has about 1,700 MWs of DR it can call in emergency situations this summer and that includes a new "Emergency Response Service" pilot to give customers 30 minutes of notice before an event rather than the old 10 minutes.

Retailers are starting to use smart meters to get their customers to engage in price-responsive DR and ERCOT is working with stakeholders to try to measure that activity going forward, said its Director of System Planning Warren Lasher.

The ISO predicted warmer weather this summer, which caused it to boost its projection for peak demand slightly since its last report issued in March (RT, Mar-4).

While this summer will be tight, the long-term picture continued to improve so that now ERCOT is expecting summer 2014 will have enough supplies to meet demand and the 13.75% reserve margin target.

ERCOT predicted the reserve margin would fall to 10.9% but is now anticipating reserves of 13.8%. Stakeholders are weighing a change to that target to better meet the one-in-10-year loss-of-load standard in the industry and a vote on that is due soon, noted Saathoff.

Peak demand next year should continue up, with an early estimate at 69,800 MWs, but 2,600 MWs of new generation has moved far enough along the permitting and interconnection process that ERCOT can count it in the CDR.

The new generation includes 1,400 MWs of natural gas plants from Panda Power that is moving up its operational

Retailer event warned, bad sales practices threaten market

Bad actors in the Pennsylvania retail power market are threatening one of the brightest spots in electric competition, a PUC Commissioner said yesterday at the National Energy Marketers Assn's 16th Annual Restructuring Conference in Washington, DC. "The single biggest impediment to residential adoption is 'robocalls' and door-to-door marketing," said Pennsylvania PUC Commissioner Wayne Gardner.

"In Pennsylvania, we have an epidemic of robocalls and very bad actors who are going door-to-door using all kinds of misleading techniques to try to get consumers to sign up with their supplier." Consumers are turning to their legislature that is in turn calling up the PUC who have to explain what is going on, he added.

The commission, the consumer advocate and the state's attorney general have all put out warnings about aggressive sales practices (RT, Mar-21).

If the bad actors continue aggressive, misleading tactics it could spoil the retail market for everyone else, Gardner warned. He and his colleagues believe competition is in the best interest of the consumers and the state recently crossed the 2 millionth shopper mark -- but the bad actors are bringing negative light on the market.

"Once the legislature gets riled up, good things are not likely to come out of it," he added. "Honestly, I think that we are in a very, very precarious position here and if something is not effectively done to bring this under control -- I don't know what retail choice will look like in Pennsylvania."

Goodman as detective

NEM President Craig Goodman told Gardner and the conference audience that retailers have to "tend their own garden." NEM has been getting reports about some bad operators who are doing robocalls out of India to sign up customers and who do not have any kind of license, Goodman said.

"We just heard about it and then we started to try to track down these entities," Goodman told us after the conference. "We found it was very difficult because they change their name, their IP addresses every 30 days. They circumvent the federal 'do not call' list by going offshore and making robocalls from, say, India."

Goodman is not sure whether the illicit robocallers end up selling whatever customers they convince to sign up to real marketers.

"We don't want those people messing up a good marketplace and I know our members are investing an enormous amount of money in compliance machinery -- redundancy of compliance machinery," he added.

Legitimate marketers need to get solid confirmation from customers that they want to switch before a sale is finalized, said Goodman.

[Comments]

dates to next summer, 475 MWs from other gas plants, 40 MWs of storage, 50 MWs of solar and 1,080 MWs of wind.

Anderson cites rule changes

PUC Commissioner Kenneth Anderson told us at a conference yesterday that the increase in available supplies in ERCOT's report showed that what changes the commission has made to market rules so far were working. We spoke at the National Energy Marketers Assn meeting in Washington, DC.

"But we're not done yet," Anderson said. "Hopefully, this summer we'll analyze and make a decision about whether to implement an operating reserve demand curve. At least right now, I think it's probably a good idea because what's missing generally in the real-time energy market is the value of operating reserves."

Having units either online or that can come online within 30 minutes have a value to the market that is not currently reflected by it and the proposal, which was drafted by Harvard Prof William Hogan who then worked with ERCOT to refine it, will put a price on that, he added.

Time for capacity market?

The Brattle Group's initial report on the resource adequacy situation said that an energy-only market could not hold the 13.75% reserve margin over time even with prices allowed to go up to $9,000/MWH without very big growth in DR. Many generators have latched onto that to argue that the PUC should set up a capacity market, which would make the reserve margin mandatory and pay suppliers to reach it.

Anderson has been vocally opposed to a capacity market and he believes that the latest numbers supported his side of the argument. "I think it shows that the energy-only market is worth trying to keep," Anderson told us.

"As I said, we're not done with reforms -- not only the operating reserve demand curve proposal but also facilitating the incorporation of price responsive load into the system in a more transparent way that actually helps price formation."

Power plant queue grew

ERCOT now has about 20,000 MWs of potential new thermal generation in its queue, which has grown significantly since the PUC has been making rule changes, said Anderson.

The ISO cannot count all of that because only generators that have all the needed permits and an executed interconnection agreement with the wires utility to be in the CDR, Saathoff told reporters. A general rule of thumb is that only 20% of the projects in the queue actually become steel in the ground, he added.

Still another 4,000 MWs is quite a bit of new generation and the large growth in the queue shows more interest in building new plants in Texas.

"There are a lot of developers who are interested in building," said Anderson. "They're exploring it. They're trying to raise the funds, find the right location, the right deal that makes sense for them. And I think generation will show up."

[Comments]

FERC OKs AEP plan to separate Ohio generating assets

AEP got approval from FERC to separate its Ohio generating assets from its distribution and transmission utilities there, the firm said yesterday. The generation assets will be moved into a competitive company while the wires will be moved into regulated affiliates.

AEP is still waiting for FERC to approve added transactional agreements between its affiliates.

"With these approvals, we reached another milestone in the transition to full electricity competition in Ohio," said AEP CEO Nick Akins. "The FERC decisions allow us to move forward with the ownership transfer of our Ohio generation-related assets into a separate unregulated generation company and to other AEP operating companies."

The firm expects decisions from the commission on other related filings soon and it expects to implement them by the end of the year, he added.

AEP will continue to work with regulators in Kentucky, Virginia and West Virginia to get the needed approvals to transfer ownership of its Mitchell Power plant and the AEP Ohio share of the Amos Plant to Appalachian Power and Kentucky Power to help satisfy their existing and long-term generation needs.

The new AEP Generation Resources will own most of the generation now controlled by the vertically integrated AEP Ohio, alongside the 2,967 MW going to regulated utilities in other states.

FERC also approved merging AEP's Wheeling Power utility into Appalachian Power.

The firm's application to terminate the interconnection agreement or pool that exists between its Midwest utilities and replace it with a similar deal between the still-regulated Appalachian Power, Kentucky Power and Indiana Michigan Power remained before the federal regulator along with some other filings on corporate separation.

[Comments]

Michigan PSC Chairman makes state energy bill forecasts

Michigan is starting the process of a new energy bill and electric competition is one of the major subjects to be tackled, but Michigan PSC Chairman John Quackenbush is not getting ahead of his governor's decision on the subject, he said yesterday at the National Energy Marketers Assn's 16th Annual Restructuring Conference in Washington, DC.

Quackenbush discussed the input he and other state officials have been getting so that Gov Rick Snyder can fashion a proposal later this year.

Michigan has capped choice at 10% of utilities' loads since 2008 and at the time it was thought that would not be a big barrier because shopping was at just 3% of the state's load. But then natural gas prices plunged, the economic crisis ate into power demand and cheap prices became available.

By the end of 2009, Detroit Edison and Consumers Energy reached their caps, Quackenbush noted. Now the queue to be served by retailers in both utility territories represents more load than is actually shopping (RT, Feb-4).

"It's widely acknowledged that a cap is somewhat awkward," said Quackenbush, adding that it "creates winners and losers. It creates people that are able to choose and people that are not able to choose so it's not really sustainable long term.

"What we're focused on is 'let's decide as a state what's in our best interest.' We can go in. We can go out. We can tweak the cap, that's another option."

Most states are settled on the question of restructuring their power markets but Michigan might be picking a side in 2015 when it considers new renewable energy and efficiency goals in a large energy bill, said Quackenbush.

Competition brought lower prices to Michigan's neighbors Ohio and Illinois, he noted, adding that Indiana, on the other hand, has the cheapest prices in the Midwest and is completely regulated.

Quackenbush and his colleagues in the government are going through answers to an inquiry the Snyder administration put out on that energy bill, he added. They have to come up with a draft report by the fall and then will take another round of comments before issuing a final report in December.

And Snyder will make formal recommendations later that month.

A bill would most likely be taken up in 2015 because that is when the state's existing renewable and efficiency goals should be met, but if the momentum and will is there, it could also get done next year, Quackenbush said.

[Comments]

3 stories in 90 seconds

Gas futures lose a little ahead of report: NYMEX June natural gas futures ended the day down after testing higher prices, analyst Jackson Mueller reported. The contract lost 1.7¢ to close at $4.326/MMBTU ahead of what could be another bullish inventory report from the EIA today. Most traders expect the report this morning to show a 31-BCF injection, which would match last year's total but be bullish against the 67-BCF, five-year average.

PPL EnergyPlus to sell power, more in DC: PPL EnergyPlus expanded its retail power supply offerings into the District of Columbia, it said yesterday. The firm is marketing to C&I and institutional customers and noted the latter group uses a lot of power in the nation's capital. The firm offers power, natural gas, demand management, renewable energy supply and gear plus energy-efficiency and other customer needs, it said.

Ohio PUC lets Duke raise distribution rates: The PUC of Ohio adopted a deal yesterday letting Duke Energy boost its distribution rates by $49 million, it said after its regular meeting yesterday. The PUC's order ensures that the utility is able to move forward and provide adequate and reliable distribution service, Chairman Todd Snitchler said. The order approved a settlement deal with PUC staff, Duke, the Consumers' Counsel and other groups -- that trimmed Duke's initial request down from $86 million.

[Comments]

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