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Connecticut plan to auction non-shoppers sparks excitement

NEM's Goodman explains why idea should spread

Proponents of a groundbreaking retail-customer-aggregation strategy in Connecticut are now working to massage the concept, which legislators tabled early this month when they hashed out the state's budget, Dennis Schain, a spokesperson for the Connecticut Dept of Energy & Environmental Protection (DEEP) told us Friday.

Meanwhile, the National Energy Marketers Assn (NEM) is preparing to "revisit and revamp as necessary" the idea at a policy roundtable set for Sep 10-11 in Hartford, NEM President Craig Goodman told us Friday.

QUOTABLE: We definitely want this idea to go forward. It has universal applicability. Given additional education and support, we are hopeful this will be an important new public policy advance. -- *NEM President Craig Goodman*

The "distinctive" idea, as Goodman described it, was to let power suppliers bid on about 850,000 retail customer accounts that have yet to move into the competitive market in the state, which deregulated about a dozen years ago. About 700,000 retail customer accounts have migrated, he noted.

The proposal, emanating from the administration of Gov Dannel Malloy, D, "was to offer those [remaining] accounts to energy suppliers in auctions, in tranches of 100,000," Schain said. The suppliers who bid the most for those accounts would win them, "and the revenues from the auction will go to the state.

"The estimated contribution the governor included in his budget package was about $80 million."

The power suppliers would divert to the auctions monies they normally would spend "mailing you brochures and calling you and knocking on your door," and the winners would get the power-supply accounts to service. "They would be paying for the right to have those accounts," Schain noted.

Connecticut is on the verge of becoming a top-tier state for competition,

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Ohio gas broker describes standard choice rate as unfair

The standard choice offer (SCO) for natural gas is not functioning as a competitive market price, Buckeye Energy Brokers President Thomas Bellish wrote this week in a filing with the Ohio PUC. Suppliers are "consistently forced to provide offers at higher rates than the SCO rate," he added.

"We consistently see offers on the [PUC's] apples-to-apples chart that are higher than the SCO rate." Bellish was responding to the commission's review of the gas retail market development in Ohio.

Since "customers must commit to gas flow before knowing the SCO rate, the date that the rate is set should be moved up," Bellish wrote. "Having the SCO set on the NYMEX close is too late.

"Regulations provide for 45-days notice before contracts and so 45-days notice for the SCO rate would be consistent. We recommend that the SCO rate be set 45 days prior to gas flow."

A key problem is that the "SCO rate does not contain enough allocated costs," he added. "The costs to local utilities spent on the SCO, the auction expenses and customer service time are not placed on top of the SCO adder.

"We do not know what the additional adder should be but zero creates an un-level playing field," Bellish said.

[Comments]

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Goodman said. "Generally, states normally have been open and active far longer than Connecticut to reach these kind of migration statistics."

The retail-customer-aggregation-auction proposal would set an historical precedent, Goodman and Schain said.

"It was the first such proposal that we've seen in the United States," Goodman reported. "I personally would be surprised not to see it surface elsewhere and more frequently.

"The idea of providing competitive energy services by funding programs directly with private capital is fairly remarkable."

As far as DEEP knows, no plan containing all of the elements of the Connecticut proposal has been tried elsewhere in the US, Schain added. A similar program is underway in Chicago, DEEP said in a February report -- and the regulated power market in Pennsylvania has a similar program as does Ohio's regulated natural gas market.

Power market surprises

The idea heightened interest in the Connecticut power market, Goodman said. "Now the Connecticut gas market, in our opinion, should receive a lot more attention."

That level of interest is unusual, he acknowledged. "In our experience of the last 15 or so years, natural gas usually opens first and electricity follows. It's kind of surprising we have such an active electricity market in Connecticut."

To transition remaining "standard service customers" to the competitive supplier marketplace, the strategy was to give standard service customers "the same savings opportunity that customers who have already made the shift to retail choice market are given," DEEP explained in its 2013 comprehensive energy strategy for Connecticut, publicized in February.

"This outcome could be achieved through a transitioning of customers to the competitive marketplace, with the additional benefit of raising revenue for the state's taxpayers in the process."

Lower rates guaranteed

To assure that the transitioned customers realize savings in their power rates, "the winning retail electricity supplier must guarantee that the rate offered to the customers for one year would be at least 5% below the utility standard offer on the date of the transaction," DEEP wrote.

"Moreover, the transitioned customers must be allowed to return to standard service or to choose a different retail electricity supplier if they wish, with appropriate market information provided to these customers in coordination with the Public Utility Regulatory Authority (PURA)," DEEP said. It meant for the auctions to take place this year and the transfers to take place next year, it added.

The average power bill of an existing standard service customer is about $1,003/year, DEEP said, estimating that customers would see "guaranteed savings of $65/year as a result of this program."

New agency stakes claim

With the recent creation of DEEP, "the state has new planning and policy capabilities that can help it anticipate and adapt to trends and technology development, changes in fuel prices, electricity markets and state and federal environmental and energy policies that affect the cost, reliability and environmental impact of our electricity sector," DEEP said.

DEEP was established on July 1, 2011 with the consolidation of the Department of Environmental Protection, the Department of Public Utility Control and energy policy staff from other areas of state government, said its website.

The agency established the Clean Energy Finance & Investment Authority in its first year, to help the state "engage the private market in new ways to advance Connecticut's long-term policy objectives," DEEP said.

DEEP to address concerns

To move the aggregation concept forward in the legislature, DEEP will look into "concerns about consumer protections and flexibility," Schain said. DEEP will "make sure people still have a choice and still could switch suppliers if they wanted -- even if their account was part of an auction," for example, he added.

"They could still stay with the standard service contract if they wanted to." The plan is to "make sure that people would be fully aware of what was happening and of when the initial pricing period after the auction ended."

NEM event open to public

All of Connecticut's utility regulators along with executives from the governor's office and "all of the key legislators" and utility executives in the state are invited to NEM's policy leadership roundtable in early September, Goodman said, noting that it will be open to the public.

The innovative aggregation idea is "very significant and we would try to help implement it either directly through legislation or indirectly through regulation," he added.

"The first thing it would do is help Connecticut tremendously, immediately and without imposing new taxes. It would be a seamless way of attracting private capital to help fund public services.

"And, from a national perspective, there is no question that … this idea will likely be brought up in other places, as well."

[Comments]

1 story in 30 seconds

Dynamic Energy makes solar easy for stone firm:

Dynamic Energy installed a 193.5-KW solar PV system at the Stone Quest facility in Carteret, NJ, it told the press this week. Stone Quest is a natural stone specialist and the solar system is expected to produce about 211,000 KWHs in its first year of operation. That should cut about 149 metric tons of CO_2 emissions/year, the firm said. Dynamic Energy provided financing, engineering and construction for the system that will provide "a significant percentage of Stone Quest's energy needs through a power purchase agreement." That arrangement means Stone Quest made no investment, it just pays for the power produced by the system, avoiding all the expenses associated with solar system ownership, Dynamic Energy said.

[Comments]

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