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NEM's Goodman responds to Arizona-competition critics

The implementation of retail electric competition "will significantly benefit Arizona consumers who have been limited to receiving commodity service from their local utility," NEM President Craig Goodman said in prepared remarks responding to critics of the idea.

"The introduction of electric competition, characterized by a vibrant market with many buyers and many sellers, will result in downward pricing pressure, innovation in energy products and services, more efficient utilization of utility capital, and increased Arizona jobs." Retail choice markets have been implemented successfully and to the benefit of consumers in other markets including nearby Texas, he added.

The state's largest electric utility, Arizona Public Service (APS), came out against the move to competition, which is being examined by the Arizona Corporation Commission (ACC) in an open proceeding (RT, Jul-17).

APS has said that it would pull the plug on costly pollution upgrades to the Four Corners Coal Plant if the ACC takes away the certainty it now has in the regulated system. The plant is one of the largest coal-fired generators in the US, producing 2,040 MWs.

APS operates it and owns much of the output, though some of the power goes to other utilities in the region.

The utility told the ACC last month that deregulated markets have not provided the proper price signals to build new generation and that has led to added risks of outages. The utility cited Texas specifically, where the PUC is working to change ERCOT's energy-only market to avoid rolling blackouts in the future.

APS plans to close the three oldest coal units at the Four Corners site regardless. The utility would buy out Southern California Edison's 48% share of the other two units that produce 1,540 MWs and upgrade them without the move to deregulation, it said.

SCE has to get out of the plant because California forbids its utilities from having long-term contracts for coal power and the state has a cap-and-trade system to make the energy uneconomic to sell there even without the prohibition.

The upgrade to the coal plant would bring significant jobs to the Navajo Nation, which has also come out against retail competition.

Navajo Nation Council Speaker Johnny Naize and Arizona House Speaker Andy Tobin penned an op-ed last week arguing that the ACC should not try to fix a regulatory system that is not broken, noting the investigation's "chilling effect" on investments at Four Corners and other large coal plants.

Keeping the old regulatory model would prevent economic uncertainty and the loss of a stable energy resource, they wrote.

Reliability enhanced

NEM argued yesterday that retail competition can enhance system reliability because it will let APS and other utilities focus on their core competency of infrastructure system maintenance, reliability and upgrades. That will help them create a smart grid that meets the needs of a 21st century economy, said Goodman.

Arizonans have already shown that they have a strong appetite for competition in a small pilot program being conducted in APS' territory for large customers.

"Consumer demand for the program exceeded the number of accepted applicants," said Goodman. This is just one of many indicators of the high level of consumer interest in energy choice. We urge the commission to make the benefits of choice available to all Arizonans."

[Comments]

ISO-NE asks to tweak reliability program after failed bidding

ISO-NE will have to tweak its winter reliability program after initial bidding failed to procure the needed capacity, it told FERC yesterday. The program is designed to ensure the ISO has enough capacity to meet demand this winter, largely through a combination of oil-fired generation and DR to avoid any outages from insufficient natural gas supplies at peak heating times.

The mechanism would be transitional for the 2013/2014 winter only and be replaced by more permanent programs after that.

The ISO wanted to get commitments to provide 2.4 million MWHs of DR and oil-fired and dual-fueled generation, but at the end of the bidding window it had received just 1.415 million MWHs at a cost of $60.66 million. Stakeholders may have bid conservatively due to apprehension of penalties and regulatory timing, the ISO said.

Due to that result, the ISO is looking at changes to the program to cut risk and the corresponding premiums in bids, to encourage more offers. A filing tweaking the program could come by the end of this week and the ISO said it will ask the commission for an expedited order on the revised rules and any new bids to calm concerns about timing.

A variant of the program is still needed to keep the lights on this winter and the ISO noted that none of the stakeholders commenting on it argued that it was unnecessary, even though some wanted changes (RT, Jul-23).

Generators argued that the program should offer a uniform clearing price rather than paying as bid. The ISO said it would agree if the resources that clear the program were providing a standard product, but they are not, it added.

Some units are going to be more or less reliable and could cause the ISO to deviate from strict economic merit order and the different types of resources that clear will also have tailored penalties for failure to perform, said the ISO.

The stakeholder group New England Power Pool asked FERC Monday to approve the program without some of the major changes some of its members sought in comments and protests.

NEPOOL cites calendar

Many stakeholders want a more fuel-neutral solution but the looming nature of the problem means the ISO and stakeholders do not have time to craft one, said NEPOOL. New ideas and other proposals discussed for the 2013/2014 winter that did not make the package will most certainly be discussed and considered as the region develops more long-term solutions, said NEPOOL.

GDF Suez argued that the day-ahead energy market needs to be reformed to ensure that load-serving entities are using it to secure their forecasted energy needs because they are not now and that led to problems for gas-fired plants. That change could become part of the longer term reforms but its impacts needs to be studied more completely -- so FERC should leave it out of the long-term fix, said NEPOOL.

[Comments]

FirstEnergy links Q2 loss to plant deactivation costs

FirstEnergy yesterday reported a Q2 loss of $164 million, which it expected due to plant deactivation costs.

"We continue to focus on targeted growth opportunities in our competitive and regulated businesses, while taking additional steps to further reduce costs across the company in light of the continued sluggish economy in much of our region, weak market prices for power and environmental mandates," CEO Anthony Alexander said in prepared remarks.

Q2 results benefited from lower operating costs and higher residential deliveries but they were negatively affected by higher taxes, lower capacity prices and higher depreciation expenses.

Contract sales at FirstEnergy's competitive segment grew 7% compared to the Q2 of 2012, due to the continued implementation of FirstEnergy Solutions' multi-channel sales approach, the firm said. Gains on the retail side were primarily offset by the low capacity prices on the wholesale side.

The firm had 2.7 million residential customers at the end of Q1, representing growth of 700,000 or 38% from a year earlier, the firm said in a report prepared for investors.

Governmental aggregation sales were up by 1.1 million MWHs or 31% largely due to expansion in Illinois, it added. "Structured sales" to other electric entities were up 1 million MWHs or 96%.

Mass market sales grew by 385,000 MWH or 35% primarily due to growth in Pennsylvania and Ohio. Direct sales to C&I customers were much more sluggish, growing by 71,000 MWHs or just 1%.

FirstEnergy planned to drop its position as a POLR provider so those sales were down 844,000 MWHs or 20% from a year earlier.

For the first half of the year, the firm was in the black with a net income of $32 million, though that was well below the net income of $494 million reported in the first half of 2012.

[Comments]

DOE reports highlight tremendous growth in US wind power

DOE released two reports yesterday highlighting wind growth in the country, noting that the US continues to be one of the world's largest and fastest growing markets for the generation. Wind capacity was the number-one source of new generation last year, representing 43% of all new electric additions and $25 billion in investments.

"The tremendous growth in the US wind industry over the past few years underscores the importance of consistent policy that ensures America remains a leader in clean energy innovation," said Energy Secretary Ernest Moniz. "As the fastest growing source of power in the United States, wind is paving the way to a cleaner, more sustainable future that protects our air and water and provides affordable, clean renewable energy to more and more Americans."

DOE and Lawrence Berkley National Laboratory (Berkley Lab) released the "2012 Wind Technologies Market Report" highlighting the growth of centralized wind plants and noting they were becoming cheaper to build. The agency and the Pacific Northwest National Laboratory also released the "2012 Market Report on Wind Technologies in Distributed Applications," which described the distributed wind market.

Over 13 GWs of new wind power capacity was added last year as the production tax credit (PTC) was set to lapse at the end of the year. The 2.3¢/KWH PTC was ultimately extended to any project that starts construction this year.

Total wind generation grew over 22-fold since 2000 and that has led to a boost in domestically-manufactured parts. Just 25% of turbine components in 2006-2007 were built here, but last year it reached 72%, said DOE and LBNL.

Nine states now rely on wind power for over 12% of their annual power use while Iowa, South Dakota and Kansas use wind for over 20%. Texas is the largest by capacity with over 12,000 MWs, more than double California -- in second place.

Technical advances in wind design allowed large wind turbines with longer, lighter blades that have made it possible to build in less windy areas. Average capacity at the plants since 1998 grew 170%.

Capital, upkeep costs fall

Wind capital costs and maintenance costs keep going down with the average price of long-term contracts signed by new power plants being 4¢/KWH in 2011 and 2012, the report said.

Distributed wind -- the onsite kind -- has not reached the scale of its larger counterparts with the US reaching a 10-year cumulative installed capacity of 812 MWs at the end of last year, said DOE's other report. The technology grew by 175 MWs between 2011 and 2012, with most of that growth coming from utility-scale installations.

The technology supplies wind power directly to the local grid near homes, farms, businesses and communities, which helps to improve grid reliability and efficiency, it added.

Still, most distributed wind buyers choose small wind turbines that have a rated capacity of no more than 100 KWs, noted the report.

[Comments]

1 story in 30 seconds

Gas futures lose 0.1¢ as weather stays mild: NYMEX September natural gas futures ended the day down a tick, analyst Jackson Mueller reported, as the contract lost a tenth of a cent to close at $3.318/MMBTU. The market keeps a firm eye on the bearish weather and what should be a bearish storage report from EIA tomorrow, said Mueller. The latest forecasts from the National Weather Service are even less supportive than those that have driven down the market in recent weeks with most of the country expected to have mild temperatures for the next couple weeks.

[Comments]

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support@restructuringtoday.com
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