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NEM event seeks support for Connecticut auction bill

Governor-backed bill would move all customers to retail

The National Energy Marketers Assn (NEM) is hosting an event in Hartford, Conn, to reignite a legislative push for an innovative way of making residential customers shop. Connecticut has one of the more vibrant power markets in the Northeast, but there are still 800,000 customers who have not taken advantage of the chance to get lower rates or products that meet their other needs, NEM President Craig Goodman told us yesterday.

"This could be the basis for a new 21st century social compact with the energy consumers," he added. "Until now, there has been an historical monopoly that was set in place during the Great Depression.

"We believe that the utility resources could be better allocated to the infrastructure and building up reliability while we allow private capital to be allocated to serve these public interest needs."

Gov Dan Malloy, D, in the last legislative session proposed an auction system where retailers would compete for tranches of 100,000 customers and the funds would help pay for state services, but that effort was tabled (RT, June-12).

NEM membership is somewhat ambivalent on where the funding from the auctions should go now, but most would like to see the bulk of the money go directly to consumers in the form of cash incentives, Goodman reported. Any customers in those tranches could jump ship to another retailer if they so desired, he added.

If the idea works in Connecticut, NEM believes it could be applied in other states where often residential shopping figures have lagged those in the C&I market.

The tabling happened during budget discussions earlier this year, but with a new legislative session starting in February, Goodman told us he sees plenty of interest in the idea. "It did not pass, primarily because we believe the consumers were overlooked in the last debate," he added.

"The consumers are basically front and center in this debate."

The symposium will include eight legislative leaders from both parties and both houses, including the leadership of the relevant committees. State regulators and the consumer advocate are also scheduled to attend along with NEM members.

The legislators will get a chance to fully vet and understand the benefits of the new markets including the implications for economic growth, consumer price, infrastructure and the environment, said Goodman.

[Comments]

FERC not letting JP Morgan tweak suspension in PJM, MISO

A FERC order Tuesday denied requests from JP Morgan Ventures Energy to rehash the way its suspension worked in PJM and MISO. The firm has been able to bid its generators' costs in those two markets for most of the suspension of its market-based rates authority that started April 1.

But for a little over a month it had to bid $0/MWH and sometimes its units were dispatched at prices below cost, which led it to claim that it was being hit with a "confiscatory rate" because the two RTOs could not pay it a cost-based rate in such circumstances.

PJM argued that redoing the results would lead to an inappropriate cost shift to other market participants amounting to some $425,000.

FERC noted that it has never found that while under suspension JP Morgan could not get any rate below its costs. The commission tried to ensure that the rates the firm earned were not excessive or confiscatory.

But that leads to an inherent complexity while letting the firm keep taking part in organized markets under suspension, in part due to the large swings in LMP that happen in ISO/RTOs. FERC tried to mitigate the risk that the LMP could fall below JP Morgan's costs, but not in every single hour -- just in so many hours that it might destroy the value of the firm's generators.

PJM and MISO do not have to pay JP Morgan the cost-based energy price for the hours where its units were dispatched at a loss.

In a separate order -- on JP Morgan's activities in Cal-ISO, that was changed on rehearing -- FERC found that requiring other market participants to make the firm whole was problematic and it declined to do so in other markets.

[Comments]

ERCOT reports on co-optimization of energy, ancillary services

ERCOT told the Texas PUC yesterday that the real-time co-optimization of energy and ancillary services would cost $25-42.5 million and take three-five years. The process would shift the responsibility for providing ancillary services to the generators with the highest incremental energy costs that are online, said an ERCOT report from a taskforce studying the issue as the ISO was working on nodal.

That would mean a lower-cost energy supply to the market.

That earlier effort was abandoned as the costs for nodal spiked, but the idea came back recently as ERCOT's resource-adequacy situation grabbed the PUC's attention.

Prof William Hogan's proposal for an operating reserves demand curve (ORDC) was designed to replicate the effects of co-optimization, but it can be in place faster and at less cost.

ERCOT reviewed two possible ways of co-optimization. A "minimum" effort that would only co-optimize responsive reserve service (RRS) and uses a single interval real-time dispatch optimization.

A "maximum" approach would co-optimize RRS, online non-spin, offline non-spin, regulation up and regulation down. It would use a multi-interval optimization engine in five-minute increments and optimize real-time dispatch and commitment for current and future intervals.

That approach would set up an ORDC for each ancillary service, include regional ancillary service requirements and allow ancillary service substitutions.

ERCOT talked to other markets that have co-optimized energy and ancillary services and the vendors that sold the software needed to do so, while using its own experience with new systems to come up with the cost estimates.

The minimum approach came with a price tag of $25 million and would take three or four years while the maximum approach is expected to cost $42.5 million and take three to five years. None of those cost estimates included what market participants would have to pay to upgrade their own systems.

The new systems could also force changes to the day-ahead market, lead to added staffing costs and increase future support and enhancement costs due to the added system complexity, ERCOT warned.

[Comments]

Direct Energy buys big US water heater rental, services firm

Direct Energy bought America's Water Heater Rentals (AWHR) from a US investment entity called MWHR for $30 million in cash plus working capital, the retailer and energy services firm said yesterday. AWHR is based in Canonsburg, Pa, and is the largest independent water heater rental business in the country, the buyer said.

The firm provides rentals, repair and maintenance services to 80,000 customers in the Midwest, Florida and Northeast. Direct Energy is already a leading provider of water heater rental services in Ontario, Canada where it has 1.1 million customers, it added.

"The acquisition of AWHR presents us with a unique opportunity to grow Direct Energy's customer base through a combination with our existing home services operations and expertise in water heater rental services," Direct CEO Badar Khan said in prepared remarks. "We will also benefit from operational efficiencies and expanded capabilities, as we seek continued growth in North America with the aim of doubling the profitability of Direct Energy's North American downstream business over the next 3-5 years."

The water heater firm's business model, customer footprint and operations have a strong overlap with Direct's existing services business. The deal gives Direct Energy Services an expanded product range and the chance to grow its customer base further in the US -- adding its expertise to existing services of heating, air conditioning, plumbing and electrical work.

[Comments]

2 stories in 1 minute

Gas futures fall a dime, probably keep to low side: NYMEX October natural gas futures moved down yesterday after EIA's storage report came in slightly above expectations, analyst Jackson Mueller reported. The contract lost 10.8¢ to close at $3.575/MMBTU, adding to a 1.7¢ loss from a day earlier. EIA reported a net injection of 58 BCF, while most expectations were for 56 BCF. Stocks now sit at 3,188 BCF -- 43 BCF above the five-year average and 210 BCF below 2012's levels. Even with the loss, gas stayed within its trading range of the past couple weeks, meaning levels not seen since the July heat wave. Mueller believes the contract will not be testing any higher prices in the weeks to come unless fundamentals become more supportive.

Ohio PUC to correct DP&L ESP version: The PUC of Ohio is holding a special meeting today to reissue its order on Dayton Power & Light's Electric Security Plan (RT, Sept-5), it said yesterday. The order was not the one the PUC intended to issue and a new one needs to be put into the record, it said. The order had the wrong length for the ESP and the new order will correct any mistakes.

[Comments]

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