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California PUC votes to get more DR into Cal-ISO markets

The California PUC at its regular meeting yesterday voted to look at ramping up the amount of DR that can take part in Cal-ISO's wholesale markets. The bulk of the DR in California thus far has been procured by utilities and those programs represented 5% of the peak load last year in the ISO.

While FERC has been quite friendly the resource in recent years, it was deferential to states on how much they let their customers use in wholesale markets – thus the PUC has a major say in what is still mostly a single-state ISO.

The PUC and the ISO previously set up a "proxy" DR program to try to bring the utilities' resources into its market, but none of their 2,400 MWs worth of resource was dispatched in the wholesale market last year. The PUC limited participation in the program to pilots.

"It is my goal for the [PUC] to create a thriving demand response marketplace that fairly rewards participants for their contribution, which will result in a net benefit to ratepayers," PUC President Michael Peevey said in prepared remarks.

"Our job as regulators is to fix inefficiencies and waste in the marketplace. If a commercial customer can dim its lights using new, low-cost control technologies without affecting its bottom line, while helping the grid, then the market needs to value that.

"Demand response has incredible potential as a clean resource to maintain grid reliability."

The resource has been high on the list of California's loading order so getting

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As Fed, Senate probe commodities markets – EPSA, banks explain

With the Federal Reserve and the Senate Banking Committee taking a hard look at banks' roles in physical commodities, the financial industry and EPSA defended their place yesterday. Financial news outlets reported the Fed is close to issuing rules to push banks out of the physical commodity business, including power plants.

FERC recently entered a $410 million settlement with JP Morgan to close a probe into allegations that it manipulated reliability payments in California and the Midwest (RT, July-31).

That case and power issues also came up at a Senate Banking Committee hearing this summer (RT, July-24) that focused on allegations that Wall Street was manipulating the aluminum markets.

The Securities Industry & Financial Markets Assn hired the consulting firm IHS to draft a report called "The Role of Banks in Physical Commodities," that argued their presence in the markets was positive.

Banks help make markets and boost liquidity. They enable efficient price formation, offer risk management solutions, finance infrastructure, offer credit and facilitate industry competition, said the reports lead author and IHS VP Kurt Barrow. Those are essential services to the industry, he added.

"It is a complex and important role and one that is not commonly understood," he said in prepared remarks. "It helps bridge the differing needs of different companies, facilitates investment and contributes to the smooth functioning of markets."

The ability to hedge against adverse commodity price movements lets firms operate better, invest and grow and can sometimes be essential for survival, he added.

The report included several case studies but did not delve deeply into the power sector.

Shelk sends letter to Fed

EPSA President John Shelk wrote a letter to Fed Chairman Ben Bernanke yesterday, saying that his members take on more risk than traditionally regulated generation – and banks have helped mitigate that in many ways.

IPPs use commodity markets to hedge their risks and that activity is best carried out in robust commodity markets that allow for and promote access to a variety of credit-worthy counterparties, including banks.

The letter urged Bernanke and his colleagues to consider the impact barring banks from the physical markets would have on the wholesale power business and on the promotion of efficient, liquid physical markets generally.

[Comments]

NEM reports productive talks on improving Connecticut market

The National Energy Markets Assn (NEM) reported yesterday on the outcome of its roundtable in Hartford, Conn, last week to discuss a system of auctioning utility customers to retailers in the state (RT, Sept-6).

All of the meeting participants agreed that the paramount consideration in any change to the current utility standard offer structure is the value that can be derived for consumers coupled with ensuring customers are adequately protected in the marketplace.

Consumer choice is fundamental to Gov Dan Malloy's vision and the private sector should be relied on to figure out the best solutions, said Connecticut Dept of Energy & Environmental Protection Commissioner Dan Esty.

Competition has great value as long as the market is functioning well and Esty called for more transparency, consumer education and industry self-discipline in the retail power market to achieve the goal.

Consumer Counsel Elin Katz suggested improved energy consumer protection should come from the industry itself and NEM President Craig Goodman agreed, noting that his group has worked to self-regulate the industry with the adoption of a Consumer Bill of Rights and standards of conduct for retailers.

"The dialogue was remarkable and productive in that everyone agreed that Connecticut consumers must be the ultimate beneficiaries of changes to retail electric market policy and they committed to engage in future discussions based on that common ground," Goodman said in prepared remarks. "This can only lead to positive changes for Connecticut consumers in the future."

[Comments]

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more of it through the ISO directly will match up with the state's climate goals.

The PUC opened a proceeding to determine whether and how to separate current utility-administered, ratepayer-funded DR programs into demand side and supply side resources. Demand-side resources would be customer-focused programs and rates while supply-side DR would be reliable and flexible resources that meet resource planning and operational requirements.

Goal set out

The proceeding will seek to create an appropriate competitive procurement mechanism for supply-side resources and DR, determine program approval and funding cycles and provide guidance for transition years.

It will seek to develop and adopt a roadmap to collaborate and coordinate with other PUC proceedings and state agencies to strategize the future of DR in California.

The current utility programs help meet those firms' resource-adequacy requirements but they are invisible to the ISO's markets – they do not bid into them and are not subject to its must-offer requirements. California needs DR to have supply-side operational characteristics and capabilities to meet the state's future system and market needs, said the order.

DR to help fill big gap

The resource can help fill the hole left by the retired San Onofre Nuclear Generating Station in Southern California and help balance the large amounts of renewables that are still coming onto the grid to meet the state's resource portfolio standard.

Comments in the proceeding are due Oct 21 with a prehearing conference a few days later and the PUC said it expects a decision on bridge funding in Q2 of next year.

"Demand Response is a key resource for meeting California's energy needs," said Commissioner Catherine Sandoval. "I appreciate President Peevey's leadership in developing new approaches for delivering demand response…."

[Comments]

New York PSC OKs Constellation deal to end investigation

The New York PSC yesterday approved the final distribution of the $48 million Constellation agreed to pay to consumers in the state to end a FERC investigation into allegations it manipulated the Northeast's energy markets. The money will go to customers of the state's six IOUs as well the New York Power Authority and the Long Island Power Authority.

"Today's decision is good news for New York electric ratepayers," PSC Chair Audrey Zibelman said in prepared remarks. "The financial settlement directly benefits consumers harmed by Constellation's actions by providing a one-time residential customer credit, as well as other economic benefits that boost the economy, protect consumers' interests, and help further strengthen our energy infrastructure."

The FERC settlement gave New York $78 million but not all of it goes directly to consumers. Some $10 million is to be used to support consumer advocacy in NYISO's wholesale markets and the other $20 million will fund advanced technologies that optimize transmission system performance.

The typical residential consumer will get a one-time credit on the delivery portion of their bill of up to $3, with the actual amount varying depending on power use.

The action also approved the plans of the utilities to refund the money, which will be done as soon as they get it.

[Comments]

1 story in 30 seconds

Warmth cools early rally on gas futures: NYMEX October natural gas futures surged up over a dime on EIA's bullish storage report yesterday but the market could not sustain the rally and the contract closed up just a tick, analyst Jackson Mueller reported. It added 0.7¢ after the rally cooled and closed at $3.72/MMBTU. EIA reported a 48 BCF injection as unseasonable heat pulled gas away from storage and into power generators. Most traders expected a 58 BCF injection but that was below the wide range of expectations and it compared to a 74-BCF, five-year average and the net 61-BCF injection reported for the same week last year.

McAvoy named CEO of ConEd of New York: Consolidated Edison's (ConEd) Board of Directors named John McAvoy the new CEO of its New York City utility subsidiary, the firm said yesterday. Consolidated Edison Company of New York's current CEO Kevin Burke will retire at the end of this year. McAvoy has been CEO of the firm's other New York utility, Orange and Rockland, since last year and joined the firm in 1980.

[Comments]

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