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Maryland PSC meeting, NEM focus on winter price spikes

COMMENTS

Wholesale price spikes this winter started to show up in customers' bills and state regulators started taking notice including the Maryland PSC with a hearing Friday on utility arrearages and disconnection policies. The impact on shoppers came up in the proceeding, too.

Customers who sign up for variable products probably suffered some bill shock recently as wholesale prices in PJM surged due to spot natural gas prices that exceeded $120/MMBTU some days. That price meant the long-standing $1,000/MWH cap was below some generators' costs.

Similar price spikes roiled New York's markets.

"Now they want to make a change as we would want them to reduce their bill," PSC Chairman Kevin Hughes said Friday. "So I'm interested in the length of time and how we can help them to get out of these contracts and back on another plan, be it SOS or a non-SOS plan."

Many choice states have their utility or standard offer (SOS) rates change with wholesale prices so consumers have the price signal to move to a retailer. Thus non-shoppers have been impacted, too.

Baltimore Gas & Electric customers saw bills jump 35% in January compared to a year earlier and 17% from a year earlier in February, said the utility's Chief Customer Officer Carol Dodson.

The New York PSC let National Grid spread its spikey January prices out over several months to avoid bill shock (RT, Feb-25).

The Maryland Office of People's Counsel filed written comments in the proceeding that said customers on variable contracts from retailers have complained or inquired to the PSC for bills that exceeded 40¢/KWH. In other restructured states such as Connecticut, New Hampshire and Pennsylvania, customers saw bills with prices of 20¢/KWH, it added.

Some 27.8% of Maryland customers are shoppers and an unknown amount of them are on variable plans. But none of that data is showing up in the higher prices that utilities have quoted to the PSC in the proceeding, said the People's Counsel.

Many utilities offer budget billing but it can often only be applied to distribution rates for shoppers, said the People's Counsel. Due to the purchase-of-receivables program, utility customers will end up paying any bad debt that comes out of the spiking prices, said the consumer advocate.

NEM shares retailer view

The National Energy Marketers Assn (NEM) released a briefing last week explaining how the harsh winter caused bills to jump. While some generators had costs well below the marginal unit, they were all paid the price of the last unit needed, which hit the cap or beyond in some of the markets this winter, said NEM.

Pennsylvania saw an average wholesale power price of $148/MWH in January, up from $44/MWH in December, noted NEM. Customers on fixed-price deals did not see an impact from that surge in wholesale prices because their retailers have to honor contracts they sign and many lost money when prices skyrocketed, it added.

Customers on variable-price deals could have seen dramatic price boosts and energy marketers started reaching out to customers as early as December to warn about the possible rate increases and many have offered different plans or budget billing, said NEM.

Retail markets provide value to customers over time, NEM noted, and the price spikes some saw this winter should not be viewed in isolation. The market offers customers the chance to lessen the impact wholesale volatility can have on their bills, noted the group.

Cal-ISO seeks waiver to deal with high gas for generators

COMMENTS

Cal-ISO brought its waiver requests to FERC Thursday to deal with high natural gas prices that caused its generators to lose money in situations similar, though not as severe, as in PJM and NYISO. The A group of generators offered their own fix for the problem, arguing the grid operator's proposal would not fix the entire problem (RT, Mar-6).

Cal-ISO wants FERC to let it use updated gas-price data for market execution and settlement purposes when prices significantly exceed the applicable tariff-based gas price index. Prices have been volatile and peaked at unprecedented levels in recent month.

Given the ISO's methods for calculating fuel costs in the day-ahead market, the situation led to inefficient market outcomes and unrecoverable fuel costs when significant price jumps occurred.

The ISO asked the commission to rule on the request by March 19 and leave it in place through the end of April and it also sought a more modest change to alter gas prices used only in financial settlements and to act on it by Friday. The smaller request is a stopgap solution to deal with near-term adverse outcomes until a commission order comes out dealing with the other request, the ISO explained.

An example of the problem the ISO and generators want to address happened Feb 6 when gas prices spiked and indices based on data from two days earlier – and used in the day-ahead market Feb 5 – were swamped by a spike. Prices were 300% higher in indices published Feb 5, which meant when the actual day got there, real prices were far above what the market's design had anticipated.

Cal-ISO wants to see an index published by the Intercontinental Exchange (ICE) that comes out just as the day-ahead market is running, rather than using at least two indices published the day before the market is run.

The waiver also asked to give resources more flexibility in the way their day-ahead bids are calculated. The tariff makes generators chose either the "proxy cost" or "registered cost" options and live with that decision for at least 30 days.

The proxy cost is calculated from a gas price index while the registered cost option allows bids up to 150% of the projected proxy cost bids. But the proxy cost option is updated along with fluctuations in gas so it can better reflect prices under volatile gas market conditions such as California saw this winter.

The ISO wants to let customers switch from the registered cost method to the proxy cost method when gas prices spike and then stay on that for the rest of the 30-day period. It does not plan to use the waiver's authority every day but rather would apply the rules only when gas prices spike, it said.

The typical winter season that Cal-ISO plans for ends April 1 but, given the low gas storage levels in the state and colder-than-normal weather in areas around it, the volatility could last beyond the season so it wants the waiver in effect through April.

Maryland PSC fines Starion Energy, firm barely saves license

COMMENTS

The Maryland PSC fined electricity retailer Starion Energy $350,000 for violating state laws and its regulations, the commission said Friday. The violations included enrolling customers without their consent, failing to get proper licensing in some jurisdictions and engaging in false and misleading marketing and sales practices.

The commission licensed Starion in 2010 to sell power to residential and industrial customers in Pepco's territory and to all customer classes served by Baltimore Gas & Electric, Delmarva Power & Light and Potomac Edison. It did not get a license to run in the Southern Maryland Electric Cooperative territory but it marketed to them and commercial customers in Pepco's territory.

The PSC launched a probe based on the number and nature of complaints it got on the firm and discrepancies between information presented in written contracts and its website. The more serious violations in the PSC's order included 122 slamming violations, thousands of violations of Maryland's Door-to-Door Sales Act and over 200 customer complaints of false and misleading sales tactics.

The order also observed that Starion's variable rate customers in the state experienced a significant increase in costs for reasons that were unrelated to wholesale prices in PJM. The commission cannot oversee the firm's pricing practices but the firm is required to disclose terms of variable deals more transparently, the PSC said.

The commission fined North American Power & Gas for $100,000 in 2011 and Viridian Energy $60,000 in 2012 but said neither of those cases had violations as extensive as Starion's.

The retailer will be allowed to keep running in Maryland, the PSC said, adding that consumer-protection improvements the firm recently implemented saved its license. The improvements included firing customer service representatives engaged in misconduct, creating a compliance department and hiring a general counsel to oversee compliance.

The PSC ordered Starion to send a written contract to customers who were solicited through door-to-door sales within 45 days, informing them of their right to cancel their contracts within three days. Starion will have to tell all SMECO and Pepco commercial customers in writing within 45 days that it was not authorized to serve them and they can switch away from the firm without early termination fees by giving it a 30-day notice.

The firm will have to provide PSC staff and the Office of People's Counsel a list of all statewide customer complaints, including the nature of the complaint and its resolution every six months until further notice, the PSC said.

1 story in 30 seconds

COMMENTS

Despite cold, gas futures lose ground: NYMEX April natural gas futures ticked lower ahead of the weekend as the market turned its focus to spring weather, analyst Jackson Mueller reported. The contract dropped 4.4¢ to close at $4.618/MMBTU. Forecasts expect the cold to stick around through the middle of this month but it is improving compared to last month or January ahead of spring. Mueller believes downside momentum is limited given questions about how much producers will be able to rebuild storage stocks after heavy withdrawals this winter.

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