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In this issue

NEM, Pennsylvania OCA react to variable-rate proposal

COMMENTS

The National Energy Marketers Assn (NEM) argued in a filing last week that a Pennsylvania PUC proposal to ramp up customer disclosures could have unintended consequences. The commission is moving on an expedited rulemaking (RT, March-20) to boost disclosures around variable-price products so customers have a better understanding of what they are signing up for.

The Office of Consumer Advocate told the PUC yesterday that it "fully supports" the efforts to boost customer notification around variable products, but it would have preferred a full proceeding so all the issues could be examined carefully. The PUC could issue an interim order putting the proposals in place while it and the Pennsylvania legislature worked on more permanent reforms to the retail market, the office added.

Variable products let retailers change prices monthly or more often depending on their contracts and they are often cheaper than fixed-price deals since they lack hedging costs – but when the wholesale market spikes, they can cost a lot more.

Eastern power markets were roiled by spiking natural gas prices this winter, which led to customers' power bills spiking in January and February.

The disclosure requirements from the rule could have the practical effect of severely limiting or potentially eliminating variable-price products being offered by retailers. If market conditions change and variable products become a good deal again, customers would be unable to access those products, said NEM.

Consumers should understand the difference between fixed-price and variable-price deals but they also have to understand how utility rates work to get a fair comparison, it added. Utilities can defer costs from one month into another which is not an option for retailers, NEM explained.

The PUC asked whether variable-price deals should include a band of maximum variability and whether, if not, firms should have to place a conspicuous statement to that effect. Direct Energy called on the industry to adopt similar reforms after the recent polar vortex weather effect and started offering maximum amounts a variable deal could change (RT, March-14).

But NEM believes retailers are already required to make statements on how much prices can changed based on PJM prices and other variables.

The group questioned whether the added proposed disclosure would provide meaningful or understandable information to consumers, or in fact confuse them.

The OCA wants price limits on variable products but it argued the PUC's proposal did not go far enough. The commission would let retailers state the rate had no maximum but they should have to list a maximum price or a maximum percentage rise under variable contracts, it added.

The PUC wants retailers to provide the previous two years of pricing data so consumers would have an idea of what they would pay under a plan. NEM argued that two years of historical data before this winter would not have given consumers any insights because wholesale prices were relatively stable until the gas-price spikes earlier this year.

NEM argued against the PUC's proposal to get one-month notice of any price changes. The notice would require retailers to hedge in advance, which boosts the costs and risks of providing the product.

DOE gives Jordan Cove LNG export plant initial green light

COMMENTS

DOE gave initial approval to the Jordan Cove Energy Project to export up to 0.8 BCF/day of natural gas to countries with which the US lacks a free trade agreement. The initial approval for the LNG project in Oregon – to export gas produced in the US and Canada – came as increasing attention was being paid to exports after Russia's annexation of Crimea in Ukraine.

Two hearings on energy exports were held in Congress this week, with one on a bill explicitly aimed at countering Russia's energy influence over Europe.

The Oregon facility needs final approval and to go through an environmental review but if that process succeeds, it will be able to export up to 292 BCF/year for up to 20 years.

"Receipt of DOE approval to export to US-non-FTA countries completes a key development milestone for Jordan Cove and brings us one step closer to making a final investment decision," Jordan Cove President Elliot Trepper said in prepared remarks. "The next critical path item from a regulatory perspective is authorization from the US Federal Energy Regulatory Commission to commence construction."

DOE at least gave initial approval to 9.27 BCF/day worth of LNG exports and it has another 26.59 BCF/day worth of applications pending, it said in the Jordan Cove order.

Gas production has revolutionized the energy industry domestically, DOE said, and its own forecasters at EIA expect that to continue. This year the administration expects a record production rate of 72.02 BCF/day.

DOE has to weigh the public interest of exporting gas and it found that the export of another 0.8 BCF/day from the facility was not inconsistent with that metric. FERC has authority over the safety and environmental issues of LNG facilities.

Oregon's Senior Senator Ron Wyden, D, praised DOE for the initial approval and asked it to finalize the terminal's application without delay. "This announcement is exactly what Coos Bay, North Bend and America need: new jobs and new investment, while factoring in a changed geopolitical landscape through a case-by-case process," he added.

CPS Energy asks Texas PUC to look at ERCOT NSRS reforms

COMMENTS

CPS Energy yesterday asked the Texas PUC to weigh in on a reform to ERCOT's reserves market that goes against an earlier order setting up the operating reserves demand curve (ORDC). When the PUC set up the ORDC, it eliminated price floors for the different reserves product because they would be dispatched by the new market design and that was meant to solve the problem.

A proposed rule change is working its way through the stakeholder process that would place a new floor on online non-spinning reserve service (NSRS) to deal with a potential bad price signal the ORDC is sending. Online NSRS is available for dispatch at all times so some market participants are concerned that when the offer floors are removed, some units will have an incentive to offer into the service to get a capacity payment for providing energy to the market that would have been provided regardless.

That could distort the NSRS price and the rule change would set up a new floor to eliminate the incentive to do that.

Stakeholders believe that the new price floor is separate from the old ones but they agreed to tell the commission given its ORDC order so that it could weigh in on the new rule.

The PUC expressed an interest to make sure that the ORDC is working properly, especially after a cold snap earlier this year led to unintended consequences.

Reliant teams with EnTouch on home-energy management

COMMENTS

Reliant is teaming up with Dallas-based technology firm EnTouch Controls to bring energy management systems to small businesses, it said yesterday. The firm's systems offer easy-to-use monitoring, alerts and controls, that give business customers the chance to cut power use by up to 15%, EnTouch said.

The devices are available with Reliant's Business Smart Controls plan, which comes with a smart thermostat designed for businesses. Customers can get up to three controllers with more available as needed with a custom plan. The controller lets users remotely manage automatic equipment to cut power use.

"Reliant evaluated the needs of our small business customers and paired a Reliant Business Smart Controls plan with EnTouch technology to help businesses succeed," Reliant VP of Mass Markets Bill Harmon said in prepared remarks. "There are big opportunities to capture savings and together, we can use technology to help our customers uncover more ways to increase efficiency."

The controller is simple to use and can be accesses through a website or a smartphone app where users schedule and control heating and cooling systems to boost efficiency. They can use analytics and diagnostics to understand how and where heating and cooling systems are used at facilities and identify opportunities to cut use.

The controllers can notify users via text and email about changes in heating and cooling equipment use and malfunctions or failures. The system lets customers manage multiple applications and benchmark various sites from one dashboard with a single login, Reliant said.

Reliant's parent, NRG, is working with EnTouch to provide similar technology solutions for large C&I customers in the future.

"Our mission is to create easy-to-use tools that help businesses monitor energy use and find opportunities to save," EnTouch Controls CEO Greg Fasullo said in prepared remarks. "By partnering with Reliant, we can provide a robust, cost-effective tool for the Reliant business customers to achieve a sustained reduction in their energy, maintenance and capital costs."

ICF: DG, renewables, efficiency to disrupt power markets

COMMENTS

The impact of DG on power markets and reliability "becomes increasingly dire as penetration levels increase in those regions where capacity-market mechanisms provide the primary vehicle maintaining resource adequacy," said a whitepaper published by consultancy firm ICF International titled "Distributed Generation's Future Impact on the US Capacity Markets." "The variability of the resource and its location on the low-voltage grid undermine efficient market operation at high penetrations by effectively decoupling price formation from supply/demand fundamentals," the paper said (available for PDF download with free registration).

Regions such as in California are at the forefront of variable-resource integration and can provide useful lessons but "the provision of flexibility by way of state procurement mandates is untenable in the context of organized markets that rely on capacity-market constructs for resource procurement," wrote ICF Technical Specialist Samir Succar who authored the report. Those state mandates "might work well in other regions, [but] they would only further compromise the integrity of price formation in markets such as PJM and New England."

"Indeed, if one central aim of the organized markets is to shift the risk of efficient investments to investors and away from consumers, the integrity of the capacity-market construct must remain a necessary prerequisite for the future design of the system," he added.

"The future of the utility industry has become a central focus for many as the sector grapples with several existential threats. Among the chief threats looming on the horizon is the large projected growth in distributed energy resources [DERs] and its potential to compound the impacts of the anemic growth in net load observed in many regions today."

"But this growth in DERs is relatively recent. While the resource base has certainly grown significantly for specific resources in particular regions such as the solar photovoltaic [PV] generation in California or the demand response in PJM, on a national basis, these resources still occupy a relatively small fraction of the overall mix," Succar wrote.

"Nevertheless, the conditions for growth for this class of resource are approaching a tipping point toward widespread viability in many more markets and there is growing enthusiasm around the potential for growth of DERs in the years and decades to come," Succar wrote.

He referred to a graphic in the whitepaper showing ICF's forecast of DER penetration by 2020 with:

• Twenty nine TWHs (terawatt hours) of energy efficiency offsetting most load growth (source cited as Lawrence Berkeley National Lab 2013);

• Twelve GWs of solar development for a 600% market growth, and

• Five TWHs of EV charging/year (ICF cited its own research for the latter two).

Numbers like that imply "a fundamental shift in the structure of resource adequacy mechanisms," Succar wrote. "As variable, distributed generation increasingly becomes a prevalent source of generation in regions, changes in capacity-market dynamics will have a profound impact on generating assets and their future economic viability".

David Crane, CEO of major power generator NRG Energy, told the ARPA-E Energy Summit recently that he foresees a day when cheap, natural-gas-fired power generators will do away with the need for the electric grid altogether (RT, Feb-26)

2 stories in 1 minute

COMMENTS

Gas futures keep falling for spring: NYMEX April natural gas futures ended yesterday down as traders looked to warmer weather that will transition storage to a period of injections, analyst Jackson Mueller reported. The contract fell 3.7¢ to close at $4.262/MMBTU. This winter saw a very high level of withdrawals but its end means that the industry should be able to refill the tanks to a healthy level by the next cooling season. The injection season

Abbreviations: To see a glossary of *Restructuring Today*'s abbreviations, go to www.restructuringtoday.com/glossary.

is not here yet and early expectations for Thursday's report from EIA call for a withdrawal topping 50 BCF.

Con Edison boosts commercial DR payouts: Con Edison is boosting the incentive it pays to large customers in its DR programs, it said yesterday. The utility is targeting the incentives to owners and operators of C&I and multi-family buildings. Customers in the Distribution Load Relief Program can get up to $15/month for each KW they pledge to cut, depending on their location. They can also get $1 for each KWH they save during an event. Con Edison ramped up incentives in its Commercial System Relief Program to the same levels. The deadline for May participation is April 1 but customers can sign up until June 1 to start take part in July.

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