Restructuring Today
CHRONICLING EFFORTS TO OPEN COMPETITIVE ENERGY MARKETS
Monday, March 31, 2014

NEM, RESA cry foul on New York PSC retailer rule changes

COMMENTS

The National Energy Marketers Assn (NEM) and the Retail Energy Supply Assn (RESA) asked the New York PSC for rehearing on its recent retail market reform order (RT, Feb-21) in filings last week. The order included a sweeping set of regulatory changes to be implemented in New York and some of them went directly against previous commission precedent, said NEM.

Other changes added significant layers of new compliance obligations to exiting requirements and others were not raised in the PSC's original questions for comment.

Such big changes are usually vetted through a stakeholder process but that was not done in this case, said NEM. RESA agreed and argued the imposition of new requirements without a stakeholder process violated New York's State Administrative Procedures Act.

The original order did not identify any specific measures that would be implemented or any existing rules that could be changed and instead invited general comments on the market. RESA assumed that the commission would put out a proposal that included changes before actually changing the rules.

The retailer group argued that the goals of the order could only be met if the new requirements reasonably corrected for perceived deficiencies, did not unreasonably restrict legitimate and important marketing avenues and did not prevent retailers from offering and providing service in a rational and economic fashion.

The changes were premised on a finding that mass-market customers were generally not being offered value-added services by retailers and were not getting enough savings from them, said NEM. Part of the problem was that retailers cannot offer time-differentiated rates due to the regulations in New York.

The current utility rate structure lacks transparency and is insulated from market pressures due the firms' access to deferrals, the retailer group added.

Retailers do offer value added services through incentives such as rebates and gift cards and the ability to enter into fixed-rate products. Those might

In this issue

be hard to monetize but dismiss those benefits does not make sense, NEM said.

The commission needs to better define terms like “value added” and “non-residential small customers,” it added. RESA agreed the latter term was defined too broadly in the order, adding that it should only be applied to customers with annual use like that of small commercial customers.

The order required retailers to file historic pricing information for public dissemination. The disclosure would include weighted average unit price for products without energy-related, value-added services and that would include variable deals and fixed-price deals with 12-month terms.

NEM wants clarification on exactly what historic data they should be reporting –the prices paid by the retailers or the prices they charged customers. The weighted average will also distort the picture given how much prices can change over the course of a month thus different customers pay different prices.

The PSC required that retailers give notice to customers on fixed-price deals that they are about to expire and NEM argued that the window in the rule is too narrow. Customers need to get notice before a new contract starts but not more than 10 days before that, it added.

The order would make retailers responsible for the behavior of any contractors’ sales force in their dealings with customers. NEM has no problem with that if a firm has an exclusive relationship with a contractor but if the contractor works with several firms, it should be held responsible for its own actions, it added.

Wellinghoff, EEI Chairman Yackira predict coming changes

COMMENTS

Former FERC Chairman Jon Wellinghoff told the American Council on Renewable Energy Policy Forum that the grid of the future will be based on renewables, DR and natural gas. Wellinghoff has heard about contracts for larger solar plants that cost just 4.8¢/KWH and ones for wind as low as 2¢/KWH.

“We’re seeing now that renewables are truly becoming competitive,” he added. “In fact, I’d say that new incremental coal, new incremental nuclear – they’re out of the market.” New nuclear and coal cannot compete in the market with the prices for gas, solar and wind, he added.

Beyond price, energy policy should focus on integrating and making sure that all the resources on the grid – supply and demand side – can work well together. Externalities such as carbon emissions need to be internalized into the markets, too.

QUOTABLE: Finally, what we need to do is give consumers access to the market. The Wal-Marts of the world – they want access to the market. They want to be able to ultimately bid in their

demand response, their efficiency and their distributed generation.
– *Former FERC Chairman Jon Wellinghoff in a speech at the American Council on Renewable Energy Policy Forum*

Coal might not be competitive but EEI Chairman Michael Yackira, who is NV Energy's CEO, argued that the industry needs to maintain fuel diversity. "We do think, as an industry, and I think it's been proved very recently, that fuel diversity ensures reliability and stability of the grid," said Yackira.

Shale gas has led to very cheap prices for that fuel which drove utilities and regulators to move even more to that fuel. But that brings up issues of pipeline adequacy and looking at what will replace retiring coal plants and potentially more nuclear retirements.

"If it's going to be all natural gas, we have to be very concerned about what does that mean to the price of natural gas," Yackira said. "And how can we ensure that we are keeping our reliability as intact as it is but also ensuring that the price of our product is kept in check."

Another issue that has dominated headlines lately is grid security and Yackira said that the industry has been focused on that since before the attack on the Metcalf substation in Pacific Gas & Electric's territory.

Wellinghoff has been driving that story, talking to the media about the attack and what the response should be and he had some ideas on how to pay for the national issue. A FERC report was recently leaked to the *Wall Street Journal,* claiming attacks on just nine substations could take down all three major interconnections in the lower 48.

"I think the best way to look at is from a standpoint of perhaps a tax incentive to the utilities or some other tax structure that puts the burden of the costs on everyone," said Wellinghoff. "In other words, there may be some utilities who own and operate certain critical facilities but the ratepayers in those service territories shouldn't have to bear all the costs."

ERCOT breaks 2 records for power from wind

COMMENTS

ERCOT had over 10,000 MWs of wind power on its system for the first time ever last week, it said Friday, as wind output hit 10,296 MWs at 8:48 PM on Wednesday. At the time the record was set, wind was producing nearly 29% of all the energy on ERCOT's grid.

"With the continuing growth in wind generation capacity and the completion of new transmission projects to get it to the grid, ERCOT is making greater use of this resource," ERCOT VP of Grid Planning & Operations Ken McIntyre said in prepared remarks.

The previous record was beaten by over 600 MWs and AWEA called it the largest wind output ever on any US power system.

Some 1,433 MWs came from plants on the Gulf Coast and another 8,863 MWs came from wind farms in other regions. Most of the wind came from West Texas and traveled over recently completed Competitive Renewable Energy Zone lines, said ERCOT.

Texas has more wind power than any other state with 11,000 MWs on the ERCOT grid now and nearly 8,000 MWs in development, the ISO said. Developers are studying potential wind farms of 26,000 MWs.

Just hours after the new record was set, wind set the energy percentage record when 9,868 MWs represented 38.43% of total demand, said the grid operator.

2 stories in 30 seconds

COMMENTS

Gas futures slip as May takes over: NYMEX May natural gas futures started its reign as the lead contract Friday on the downswing, analyst Jackson Mueller reported. The contract fell 5.3¢ to close at $4.485/MMBTU as traders looked to spring weather and the start of injection season. Weather forecasts showed lingering cold but the market was starting to view weather as less supportive as higher low temperatures give way to conditions that will not generate demand for cooling nor heating.

NRG Energy firms own, run 1,200 MWs of solar: NRG Energy announced Friday that its subsidiaries now own and run over 1,200 MWs of solar capacity, which can power nearly 1 million homes. The firm recently cut the ribbon on its Ivanpah Solar Electric Generating System, the largest concentrating solar plant in the world at 392 MWs. Other major projects include the photovoltaic Agua Caliente at 290 MWs, the California Valley Solar Ranch at 250 MWs, and the first major plant in Los Angeles County – Alpine at 66 MWs.

Restructuring Today (ISSN 1522-7324) is published 247 times per year on business days by Modern Markets Intelligence Inc. for the publication's owner, GHI LLC. Both firms are located at 4908 Hornbeam Drive, Rockville, MD 20853-1475 USA, 888-980-4446 (toll-free) or +1-301-769-6903 . Fax is 301-769-6917. The standard annual subscription rate is $687 in US funds (plus 6% sales tax in the District of Columbia and Maryland). Significant discount rates for bulk subscriptions are available including highly affordable and convenient corporate-wide accounts. **Sam Spencer**, publisher; **James Downing**, editor; **Season Crawford**, associate publisher, vice president of marketing and customer service director; **Liz Yap**, production director.

support@restructuringtoday.com
www.restructuringtoday.com

Archives: Access over 10,000 searchable articles (www.restructuringtoday.com/articlearchive) and over 3,000 downloadable PDF issues (www.restructuringtoday.com/issuearchive) online – so you can quickly find background on issues, policy efforts and firms of interest.

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

Tell us what you think. We want to hear from you. Send your comments, questions and suggestions about this issue of *Restructuring Today* to news@restructuringtoday.com.