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In this issue

NEM urges New York PSC to avoid REV mission creep

COMMENTS

The National Energy Marketers Assn (NEM) Friday urged the New York PSC to avoid utility mission creep in its "Reforming the energy vision" (REV) docket. NEM supports two fundamental precepts that underlie the REV docket: that consumers should be reasonably and actively engaged in energy consumption decisions, and that utilities should be focused on their core competency of providing and maintaining a resilient delivery system.

To the credit of the PSC, utilities have provided reliable delivery service while retailers have successfully migrated millions of customers to competitively offered energy and related products, services, information and technologies, NEM said.

"NEM submits that this Commission should leverage, not limit, private capital to meet consumers' on-going demand for electricity, as well as the need for its increasingly reliable delivery," the group wrote.

The REV is premised on a 21st Century digital economy that values reliability more than it used to and increasing storms that are more likely to leave businesses in the dark in the future. Those trends mean that the historical regulator paradigm needs to be revised so reliability is better and more transparently priced.

NEM supports the fully transparent pricing of all current and future utility products and services.

An upgraded, resilient and dynamic power distribution architecture may be able to deliver enhanced reliability to consumers, but the PSC should avoid infringing, usurping or limiting the growth of competitive energy-related investments as it authorizes those infrastructure investments, NEM said.

"It is critical to note for the record that there is no evidence that would support a conclusion that the fundamental roles of a regulated distribution monopoly should somehow extend past its core energy delivery functions and infringe on or in any way limit the growth of competitively-provided energy related products, services, and technologies," the group added.

Historic utility power distribution and delivery monopolies should not be allowed to mutate into consumer information, in-premises information and/or demand-side monopolies, NEM said. The distortions that have arisen due to allowing utilities to remain in the competitive power supply market support an opposite result.

In NEM's ideal end-state for the REV docket, utilities would still have an important role to play in modernizing and improving the distribution system. Any advanced technologies could animate the development of distributed and other value-added, consumer-focused products and services.

But if utilities can make the markets and enter them as participants that could end up undermining private investments, the group added.

The Retail Energy Supply Assn (RESA) issued similar comments to NEM's, arguing that the PSC's vision would be best met by harnessing markets.

"Ultimately, enabling the provision of energy to become 'customer centric' is dependent upon and must be supported by a robust competitive market that presents customers with meaningful competitive opportunities and choices," said RESA. "To this end, the commission should avoid command-and-control models that stifle choice, avoid picking winners and losers in the competitive marketplace."

PULP, AARP agree

The Public Utility Law Project (PULP) and AARP of New York disagree with RESA and NEM in many other dockets, but they also argued that the utilities should not get into the business of DG or DR. The two consumer groups are more worried about the costs from such expansions of utility service and their impact on ratepayers, not any potential damage to competitive markets.

Broadening utilities' focus beyond providing affordable, reliable service to DR and DG would lead to issues relating to cost allocation, as well as tricky questions on imposing short-term costs on ratepayers for long-term benefits that will be determined by wholesale spot markets, AARP and PULP said.

AARP and PULP noted that many of the enhanced services in the REV docket are already offered by utility programs and that participants pay for them. To the extent that the market provides the same services, it has to be regulated to protect consumers, they added.

ISO-NE responds to FERC capacity-auction deficiency letter

COMMENTS

The public version of ISO-NE's response filed last week to a FERC "deficiency letter" on its most recent capacity auction results shed little light on the main controversy hanging over the market. A group of state consumer advocates, municipal utilities, Public Citizen and Connecticut Atty Gen George Jepsen alleged in separate comments that Energy Capital Partners abused market power when it pulled the recently purchased Brayton Point power plant out of the auction (RT, April-16).

The firm retired the power plant it had bought just weeks before the auction from Dominion, which the protesters allege made its other holdings in New England better off. They argued the firm's decision netted it $77-100 million and the consumer advocates for Connecticut, Maine and New Hampshire hired an expert who claimed the plant could have been profitable at $5/KW-month, which is below the pending clearing price for existing resources.

FERC issues deficiency letters whenever it needs more information to reach a decision in a case, and, while it did not mention Brayton Point specifically, the commission did ask a group of questions about generators thinking about retiring.

The commission asked the ISO to provide existing resource's qualified MWs and submitted de-list bids as applicable. And it asked the ISO to identify any de-list bids that were mitigated by the market monitor, as well as whether the generator in question agreed to those mitigations.

Brayton Point went through the de-list process but disagreed with the market monitor and ended up submitting a non-price retirement request in a case that was publicly litigated ahead of the auction (RT, Jan-29).

FERC's line of questioning could bring in generators that are still active in the markets. RTOs and the commission generally keep bidding information secret so competitors cannot use it to drive generators out of business, but that concern would be moot in Brayton's case.

The ISO's entire answer to the relevant "Question 3" was listed as confidential, which FERC allowed in the deficiency letter.

Brayton Point was mentioned in just one paragraph of the public answer, which noted that the market monitor cannot review non-price retirements like the plant eventually undertook, though it was heavily evolved in the earlier static de-list bids the plant owners offered.

The wait to get more answers on exactly what went on in the auction could last until this fall – because the ISO indicated FERC could wait until Oct 20 to issue an order on the auction results without disrupting next year's auction. But if the commission rejects the results, the ISO said it could not determine the timing consequences for future auctions.

FERC does not have to abide by such unofficial market deadlines, but its orders often do meet them.

Much was made ahead of the auction about the amount of retirements, and while that was a major factor in pushing prices up to record levels the ISO also noted that new resources bidding into the market were low. Just 2,161 MWs qualified for the auction, which was down significantly from a year earlier but just slightly off the previous two.

The ISO only had 1,038 MW above its installed capacity requirement of 33,855 MW, a surplus that was more than 4,000 MW below any previous year. Existing capacity actually was below the requirement at just 32,732 MW.

The capacity auction is a "descending clock auction" where bidders see the excess capacity at the end of rounds. When the ISO is well above the reserve margin that can encourage resources to stick it out and lead to lower prices, but in such a tight year any pivotal suppliers could use that to their advantage.

To get around the pivotal supplier issue, the ISO knocked the closing price from the first round down to $3/KW-month from starting at $15.819/KW-month. That end-of-round price was significantly lower than past years, and the ISO said it was to encourage any pivotal suppliers to base their decisions on the cost of supplying capacity rather than their ability to set price.

2 stories in 1 minute

Kane reconfirmed as top DC regulator: The District of Columbia Council re-confirmed Betty Ann Kane as chairman, the commission told the press Friday. It also confirmed Willie Philips as a new commissioner. The votes mean that all three seats are filled on the regulator for the first time since December 2011. Kane was first appointed to the PSC in 2007 and began as chairman in 2009. Philips is an attorney with a background in utility regulation, public policy, corporate governance and compliance enforcement. He is the former assistant general counsel for NERC.

Natural gas futures barely budge Friday: NYMEX August natural gas futures barely moved Friday after their storage-related plunge a day earlier, analyst Jackson Mueller reported. The contract fell 0.3¢ to close at $3.951/MMBTU. EIA's storage report on Thursday showed a return to triple-digit injections after just a week off, signaling continued improvement to supplies. The growth in supplies has been attributed to a summer version of the polar vortex, which is crimping demand in major cooling regions, Mueller said.

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