Restructuring Today

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Barton describes what's in bill just reported out

Look for the energy bill passed in the early morning hours yesterday to go to the House floor in about two weeks, Rep Joe Barton, R-Tex, told the National Energy Marketers Assn (NEMA) meeting in the nation's capital.

The full committee worked until 1:45 am and took 50 roll-call votes before approving the bill with the support of six Democrats, 36-17.

"It is not the bill that I would have passed if I had been the only vote," Barton said, but "on every vote the free-market, pro-entrepreneurial side won."

What does Barton, chairman of the Energy & Air Quality Subcommittee and author of the bill, think are the key provisions for marketers?

The bill does not require mandatory RTOs but "does encourage participation," Barton reported, while FERC gets authority to "put incentive rates into play for new transmission lines."

The bill encourages smart meters and real-time pricing, "something I know you're [marketers] interested in," he said, and PURPA provisions that were worked out "fairly positively between utilities, industrial consumers and regulators."

Renewable energy and clean-coal technology get a boost, Barton added.

Barton was less enthusiastic about Georgia Republican Charlie Norwood's amendment to protect native load but leaves states with RTOs and ISOs with the ability to stay under FERC jurisdiction, Barton assured.

Barton described the inclusion of a "carve out" for a particular constituency a first in his congressional career and an "ugly way to legislate."

The native-load amendment has his name on it "which I am not happy about," Barton acknowledged, but it provides certainty for states concerned about the SMD.

Those concerns are not justified, he added, since...

QUOTE OF THE DAY:

What the commissioners did was just to scare people to get them to start working together and that worked.

Barton to NEMA yesterday.

Barton envisions a regional market with economic dispatch, protecting customers by using the cheapest power first.

He's open to suggestions on transmission siting.

The bill makes DOE "the lead agency for all federal agencies and sets a timetable for working with the state."

"If the state does not make a [siting] decision within a certain time period, the petitioner for that line, not DOE, can turn to FERC."

Rep Rick Boucher, D-Va, top Democrat of the Energy & Air Quality subcommittee is working to fine-tune the language, Barton told the meeting.

Boucher is working on siting language and echoed Barton's discomfort with the committee's handling of the native-load issue.

"We wound up with a checkerboard measure that says in some places native load can be favored and in other places it can't," Boucher explained.

Despite his state's being within PJM, Boucher favors allowing utilities to favor native load so they won't "have to bid for access to their own transmission lines just to serve their existing customers."

"That's assuming that the SMD that would carry that provision goes into effect," Boucher noted.

He was the author of amendments allowing FERC to keep its merger review authority and he brokered the PURPA compromise (RT, 3/20).

The "electricity title was improved," he observed, but he's not for repeal of PUHCA and giving FERC any authority over transmission siting.

Failing to resolve the native-load issue could spell doom for the electricity title and perhaps the SMD.

How can they do it?

"We're scratching our heads at the moment and trying to figure out the next step," Boucher replied.

Texas price competition seems to begin

Reliant Energy has reversed itself and cut power prices in TXUland as competition appears to be heating up in North Texas.

Reliant raised its prices a month ago to match TXU's rise in North Texas but some marketers didn't go up, Reliant Dallas Retail Manager Tom Cox observed.

Gexa Energy of Houston, a scrappy new independent, and Entergy of New Orleans remained at 8¢ and 8.7¢ respectively.

Cox's goal?

A price about 10% below what they're offering, Cox said.

Reliant had gone from an average monthly rate of 8.4¢/kwh to 9.2¢/kwh. TXU's marketing firm's home-turf North Texas rates are regulated but they won PUC approval to go from 8.7¢ to 9.7¢.

Reliant cut its North Texas price to 8.7¢ on average but those using 1,500 kwh/month will pay 8.4¢.

Reliant's cut, along with the refusal of two other providers to follow TXU's lead and raise their rates, means that local residents have the opportunity to save 10-18%/month on average.

Until recently, most providers had kept their rates about 5% or less under the regulated TXU rate prompting criticism from consumer groups that the promise of the 1999 law opening the Texas market was not being fulfilled.

With gas still above $5/mmbtu, TXU is not inclined to ask for a rate reduction, an official said.

Despite two rate increases since deregulation went into effect, TXU has kept about 90% of its 2.7 million residential customers in Dallas/Ft Worth and its North Central Texas service territory.

Reliant has the second-largest number of customers, Cox reported, though he declined to divulge the number.

Reliant is to advertise its new rate, Cox said, and is "encouraging people to switch now, so they will be in place by the time the hot weather season is here."

3 stories in 0.8 minutes

Restaurants to buy from bankrupt TCE: Embattled Texas Commercial Energy (TCE) got an endorsement yesterday from the Texas Restaurant Assn (TRA) as it continues reorganizing (RT, 3/14). "TCE's reorganization has not lessened the many positives our members have experienced," said Richie Jackson TRA executive director. TRA is offering its members TCE's Power in Numbers savings plan.

Mass utilities would hike prices: Five Massachusetts IOUs are asking to raise their standard offers to catch up with rising fuel costs their long-term suppliers have passed on to them. Fitchburg Gas & Electric Light (Unitil) filed to raise its 5.360¢/kwh rate to 5.602¢. About 60% of Fitchburg's customers are on the SOS. Massachusetts Electric (National Grid) wants its SOS rate to rise to 5.6¢/kwh from 4.7¢ affecting 69% of its customers. NStar's Boston Edison, Commonwealth Electric and Cambridge Electric Light asked to add a 0.902¢ fuel adjustment to their SOS rates. The Dept of Telecommunications & Energy allows utilities to adjust their standard offers if fuel costs change. All five want the increases effective May 1.

Did FERC get Calif refund case right? Chairman Pat Wood will be grilled gently by Doug Ose, R-Calif, chairman of the House Government Reform Subcommittee on Energy Policy, Natural Resources & Regulatory Affairs, Tuesday at 2pm. Wood is to be joined by ISO President Terry Winter; Jan Smutny-Jones of the independent generators; Gary Ackerman, executive director of the Western Power Trading Forum; Karen Tomcala, regulatory affairs vice president at Pacific Gas & Electric, and George Fraser, Northern California Power Authority. The refund case is the spot news but Ose has an on-going probe into market reform for California. California leaders have declared a two-year moratorium on shopping in the Golden State except for those with contracts in hand. The scene is 2154 Rayburn House Office Building.

Texas PUC's Klein seeks robust market oversight

Has the PUC gotten the regulated price to beat right in Texas?

It has, replied Rebecca Klein who chairs the PUC, "and we're going on to other things."

The Texas PUC is acknowledging the problems in its electric market and dealing directly with them, Klein told NEMA in Washington yesterday.

Texas is a "microcosm of some of the issues that the nation is grappling with today," Klein reported, and has been affected by Enron-type problems "whether it was corporate-governance issues, accounting-ethics issues or over-scheduling load."

ERCOT has credit risk and consumer confidence, Klein added, "but the nice thing is we're overcoming those.

"We have a very healthy market right now and are still in a state of transition."

What is the PUC's plan?

"We're in the throes of creating more robust oversight," Klein said, and seeking a consultant to run it.

"We can't do it within the PUC confines," she told RT, and market oversight has to be done "over the long term."

Market design has Klein's attention, especially grid congestion. ERCOT socialized $218 million in local congestion costs last year, Klein reported, along with $34 million in the first two months of this year.

In a market of nearly $14 billion, that's acceptable for now, Klein said, but the problem has to be addressed.

The PUC wants a new market design in place by 2006, Klein said, to give participants plenty of time to work out the kinks before the price to beat expires the following year. LMP is among the options, Klein said, but the PUC will "set out certain principles" and let ERCOT's stakeholder board work out the details.

The PUC is looking "to the fundamentals," Klein said.

Klein's hope for a stakeholder consensus on congestion management may be stymied for a while since ERCOT met Wednesday on the matter without reaching an agreement.

The panel debating the issue was left without a quorum after frustrated stakeholders left.

Low gas storage levels seen boosting prices

Economists warn that the need to top off empty gas storage fields will boost prices this summer and might make gas prices higher next winter.

CH Guernsey estimates in *Low Natural Gas Storage Levels May Impact Prices in the Winter of 2003-04* (www.chguernsey-econ.com) that more than 2,200 bcf will have to be injected between now and October to start out the next heating season with a not very comfortable 2,900 bcf in storage.

Buying all that gas will hike prices just when those people who buy and store gas depend on lower prices to fill reservoirs cheaply. Cooler-than-normal weather, especially where large gas-fired generation loads are, or higher-than-historical production rates — considered unlikely — would be needed to avoid pricing impacts next winter, Guernsey said.

Energy Information Administration figures show gas storage is starting at a much lower point now than over the last five years, less than half the usual end-of-season levels and considerably shorter still of where they were a year ago.

More gas remained in storage even after the bitter winter of 2000-01 when stocks going into the winter were 400 bcf lower than they were this past October.

Western storage is just 8% lower than normal but eastern and producing area storage is less than half their average levels, EIA estimates.

Storage projects in Alabama (RT, 3/28) and two in New York (RT, 3/17, 1/28) have held open seasons this year, creating more yawning spaces to fill with higher-priced gas.

Marketers fear NY renewables standard

Marketers worry that a PSC plan to develop a renewable portfolio standard in New York would add costs to their businesses, damage marketers whose business is selling green energy and create price distortions and cross-subsidies in the retail market.

The PSC opened an inquiry into an RPS in February and is holding meetings this month and next. A report on stakeholder views is due from an ALJ in May.

Renewables lost ground in New York over the last 40 years, dropping from 25% to 17% in its generation mix. The PSC hopes setting a higher goal "would spur increased economic development opportunities" building and installing renewable plants besides cleaning the air.

NEMA warns that a renewables standard could have unintended consequences for the development of retail competition, raising costs of serving New York customers to the point that new entrants might be discouraged.

It's just too soon, NEMA noted, since retail rates are fixed and would have to be adjusted to pay for the extra cost of green energy. Those extra costs should be built into default rates, not distribution rates so shoppers don't pay twice for renewables expense.

It's only fair that the costs of compliance be borne by marketers and utilities in the same time period and that utilities not be allowed to spread their recovery over years unlike marketers who don't have the sales margins to do that.

Green energy is "a premier product" with a developing market.

The most efficient way to sell green energy, NEMA noted, is to leave it to the green marketers who "specialize in bringing green energy to market at the lowest possible price."

The market could expand, NEMA suggested, through the use of incentives like tax credits, adders or back-out credits for customers who buy green.

If the PSC tries to serve the dual purpose of building in-state renewable energy sources as it increases use, that would leave out hydropower from Canada and wind energy from New England, both good sources of green energy either directly or through certificates.

NEMA recommended a thorough cost-benefit study that could gauge public support for increasing electricity costs by mandating more green energy.

Draper sees FERC-state tensions as reliability problem

American Electric Power's CEO is not the kind of person who says if it's not broke, don't fix it.

Unlike some power-industry folk he knows the grid isn't working right.

It's not news, he told the National Commission on Energy Policy Tuesday, that "our existing transmission system is stressed, in many places to its limits."

The grid has gotten super busy, he noted, with about 25,000 inter-regional transactions in 1995 rising to 2 million+ last year.

Congestion? In last year's second quarter congestion was three times greater than in the similar 1999 period, he said.

Draper quoted FERC estimates that congestion over the past two summers cost consumers more than $1 billion.

He reminded that the grid was built to support each utility's generation's getting to its customers and not to be the superhighway that it now needs to be "to support the national wholesale energy market."

Demand keeps growing while liquidity and capital are scarce, regulatory uncertainties — especially jurisdictional battles between the FERC and state commissions — worsen the situation (RT, 4/2 quote of the month), he added.

Thus transmission investment is declining to near all-time lows. For Draper the reason is clear — regulatory uncertainties and doubts about cost recovery. That jurisdictional conflict between FERC and the states over RTOs and the SMD "leaves both market rules and cost recovery up in the air."

AEP — operating in 11 states — has to contend with "strikingly different views on these and other important issues [and] FERC has yet another view.

"It is impossible for AEP to effectively move forward without cooperation and consistency between our federal and state regulators," he stressed.

Draper cited AEP's obligations to get into an RTO as part of the AEP-Central & South West merger accord yet Virginia has ordered its utilities not to join RTOs at least until July 2004, and only then with approval of Virginia regulators.

"So, one set of regulators is pushing, and the other set is pushing back. We, of course, are caught in the middle."

Will Congress clip FERC's wings?

Chairman Pat Wood is philosophic about the likelihood. He told NEMA yesterday that if his wings are clipped he may be able to fly better.

"Clip `em. I can still fly. I might even fly straighter if they're clipped the right way."

Wood is eager to end the debate and take action.

"We don't need the debate to go on and on and on for months and years on end," he told marketers.

About FERC's California decision reaction: Wood described California's approach to its problems as similar to those of "a substance-abuse person.

"They've recognized the problem and that's the first step."

He's glad the state is taking action to resolve its problems.

Yale getting fuel cell: FuelCell Energy will put in and maintain a $1.3 million fuel-cell plant at Yale University paid for by the Connecticut Clean Energy Fund. The unit will supply one-fourth of the Yale Environmental Sciences building's power needs and heat to maintain precise control of heat and humidity for the building's collection of old bones and artifacts beginning this summer.

Progress seeks Fla stranded costs: Progress Energy Florida (PEF) yesterday asked FERC to grant recovery of $10.6 million in "stranded costs" from the City of Casselberry if the city moves forward with a government takeover of the company's electric distribution system within the city limits. The company continues to seek a franchise agreement with the city, said Bill Habermeyer, CEO of PEF, but "as they continue to examine a takeover, Casselberry's leaders and residents should have reliable information about the stranded costs that they will incur." A city in Florida has not taken over an electric system since 1943.

PUC ends exit fee for solar units: Solar energy advocates won a victory yesterday with a vote by the California PUC to exempt utility customers running small solar electric systems from an "exit fee" to leave the state grid thus impacting some 8,000 generators. The PUC order exempted sun, wind or fuel cells generating less than 1 mw installed before Jan 17 2001. Renewable units larger than 1 mw get a surcharge to help California retire $12 billion in bonds issued to pay for power signed at the peak of the crisis. "California wants to encourage self generation and self sufficiency," said Michael Peevey, PUC president.

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daily@restructuringtoday.com

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