Restructuring
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Coral wants big Texas accounts

Despite Shell Energy Services' departure from retail electricity marketing in the US, a sister firm Coral Power is out to capture as many of the large customers as it can in Texas.

Coral in fact has signed up with Energy Services Group (ESG) to supply electronic data communications for Coral's entry into the Texas Choice Program opening Jan 1.

ESG with its home office in Massachusetts describes itself as the market leader in e-business transaction (EBT) services.

ESG has gotten market certification and daily management of transaction processing for dozens of energy companies operating in over 75 utility territories.

Coral is an established gas marketer in the US and Canada and expects the C&I market to develop in Texas much faster than the residential and small business. They were licensed in June for the Texas market.

Coral, part of the global Shell Trading organization, is boosting its 1,000 mw generation capacity in ERCOT.

Bad news price cut happens in Chicago:

Commonwealth Edison cut electric rates for 3.1 million northern Illinois residentials Monday by about $125 million as required by the 1997 state law it was able to get through the state legislature. The firm has actually trimmed prices by 20% total from the 1995 level and that adds up to a politically laudable $1.2 billion reduction while undermining viability of retail markets through 2005. The Citizens Utility Board, an advocacy group that helped ComEd get the law enacted in return for something, praised ComEd for its price cutting. ComEd's parent firm western CEO John Rowe is eager to establish a provider of last resort provision for Illinois.

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NEMA sees antitrust case win speeding market openings

Marketers urging a Supreme Court review of the Oklahoma Gas & Electric antitrust exemption (RT, 10/2) believe a favorable ruling could trigger a massive speed-up in opening retail power markets.

Trigen is battling OG&E's so-far successful invoking of the state action doctrine (state governments may violate federal law where they meet several provisions) in this case for otherwise illegal anti-competitive behavior.

Craig Goodman, president of the National Energy Marketers Assn puts it like this:

"The Trigen versus OG&E case could have a profound impact on the US energy industry and the speed with which we are able to restructure."

He forecast that Supreme Court support of the Trigen viewpoint "could speed up restructuring from a 10-15 year process down to a two to three year process."

NEMA petitioned the high court in support of Trigen, calling the monopoly abuses by the utility obvious and in need of correction.

"The 10th Circuit has expanded the immunity from antitrust laws so broadly that it is imperative for the Supreme Court to grant certiorari (agree to hear)," he added.

Goodman called for the highest court to consider the changing environment from the regulated monopoly paradigm to the new competitive world and to interpret the law accordingly. Utilities must not be granted immunity when engaged in a competitive marketplace, he says, noting the Supreme Court has consistently held that even the most regulated entities are subjected to antitrust liability when venturing into a competitive area (Otter Tail 1975).

He cited the grey area of today's partially deregulated marketplace. "Utilities are using their monopoly status to unfairly compete in partially deregulated markets," Goodman continued. Utilities can be pushed out of the marketplace for good if the court makes clear that immunity will not be part of the commodity selling game.

"The Trigen case presents some of the most glaring anti-competitive behavior I have witnessed since the creation of the National Energy Marketers Assn (five year ago)," he said.

Highest court weighs FERC power over open grid access

Wood sees Order 2000 trumping today's court debate

FERC Chairman Pat Wood visited the Supreme Court today to hear the debate over FERC's powers over the grid.

New York State charged the agency overreached its authority by preempting the state's control over retail transmission while an Enron lawyer took the FERC to task for refusing to use its authority to make interstate power transmission an open and competitive business.

Order 2000 "has really supplanted what we heard today," said Wood later.

The key points Wood wants to see explained in the court's decision is, where they believe FERC's source of authority comes from, while noting much of the debate centered on decades-old federal energy laws from 1935 in a much different world than today's.

"We're talking about what happened in 1935. My mother wasn't even born yet," Wood said.

Ultimately, the chairman said Congress is likely the best arena to address the authority questions and noted work in the House on the Barton bill and in the Senate with the Bingaman legislation is where he is focused.

The authority or no authority tests were based on the reading of the 1935 Federal Power Act passed by a Depression-era Congress.

How could lawmakers in 1935 have foreseen the dramatically altered market that exists today, justices asked.

Justices grilled FERC's court representative Edwin Kneedler to explain exactly what the commission sees as its authority.

FERC thinks it has "no power when transmission remains bundled as a single retail rate," he replied.

Justice William Kennedy interrupted Kneedler to question how the agency invokes that it "may" have authority over some matters but chooses not to use such power.

"'We may so we have no jurisdiction' … I've never heard of a such a thing," Kennedy said. Enron wants the ability to sell transmission across interstate lines, aided by a FERC which makes sure native load customers can't gain an upper hand in the process, argued Enron's Louis Cohen.

"What Enron is seeking from existing regulation is open access for pricing power applied to transmission companies even to monopoly states," Cohen said.

The case before the court, which is expected to render a decision next spring, stems from a DC Court of Appeals ruling that allowed FERC to order all jurisdictional utilities to open their transmission systems to wholesale suppliers to promote competition.

The appeals court had found that FERC has authority over bundled retail sales, a point the commission itself did not delve into or address.

PUC, Edison settle suit, with debt plan, price accord

Gov Gray Davis was infuriated at his PUC's 4-1 vote yesterday against letting the state water department set retail power prices.

Unconfirmed reports are that President Loretta Lynch has resigned.

The resolution of the long-festering issue was related to an accord with Southern California Edison whereby Edison and the PUC fashioned a settlement to pay off all SCE debt over the next few years without the bankruptcy court and without boosting power prices or making unclean deals in the legislature.

The governor reacted by canceling the callback of the legislature set for Oct 9.

How did they work it out?

Edison agreed to drop its federal suit (illegal takings) against the PUC -- brought when the agency wouldn't allow Edison to pass on its power costs to the public.

The plan -- likely to be approved by the court -- is to allow the utility to apply its cash on hand and all of its revenue over recoverable costs to retire back debt and ratepayers pick up the tab for the balance, maybe $3 billion of $3.9 billion owed.

To make it work, the PUC agreed not to lower Edison's rates through the end of 2003 unless the debt is paid off sooner. That ought to be easy to arrange.

The PUC could lower rates if selling bonds allows it or if the Department of Water Resources can buy power for less than expected.

Now if the debt isn't paid off by the end of 2003 the balance can be recovered through 2004 and 2005.

The governor is upset about the uncertainty the PUC vote creates for selling the $12+ billion bonds to cover power buying by the DWR.

The lone P)UC dissent was by Commissioner Geoffrey Brown named recently by Gray.

Davis wrote Brown that "some of your fellow commissioners have expressed the view that voting down the rate agreement tomorrow will persuade me to sign SB 18xx (the Edison recovery plan Davis called inadequate).

"I fully intend to veto SB 18xx when it comes to my desk," Davis wrote citing the state treasurer's view that "SB 18xx puts the state at fiscal risk at a time when California can least afford additional fiscal uncertainty."

Davis called the impending vote "irresponsible," endangering the revenue bond sale while putting the state's general fund in serious jeopardy.

"Without an approved rate agreement by Oct 11, the state will be in default of the interim loan which covered some of the state's power purchases.

"This would be the first default in the state's history. That would threaten the State's credit rating and could cost tens of millions of dollars in interest costs."

If the lack of a rate accord keeps the bonds from being sold, said Treasurer Philip Angelides, the state budget may jump $9.3-billion for fiscal 2003.

So Davis won Brown's vote but not the other four who worried that the Davis-Brown route would lock California into the power buying business over the next 15 years while putting in concrete the $43-billion in long-term above-market supply contracts not subject to PUC oversight.

The 4-1 votes means no more blank check for the DWR, Commissioner Henry Duque, a Republican, added.

Murkowski fails in slam dunk of upstream bill

The 11 drilling-minded GOP senators (RT, 9/26) failed in an attempt to attach an energy bill modeled on the House-passed HR 4 to an unrelated defense spending bill. That deflated hopes for a quick vote on legislation to open federal lands in Alaska to energy drilling and provide other upstream incentives.

Energy & Natural Resources Committee Chairman Jeff Bingaman, D-NM, had rejected the approach that he saw as using the Sept 11 tragedy to aid the drilling agenda of the 11.

Oklahoma's James Inhofe wanted to amend the defense bill by adding the House-passed energy bill without electricity provisions or one offered by Republican Frank Murkowski of Alaska.

Democrats opposed such a move, as did many Republicans.

Inhofe then offered a non-binding sense of the Senate order declaring the importance of national energy policy and noting a need to pass an energy bill before the end of the legislative year.

That failed too.

Bingaman last week was reviewing all energy issues for possible inclusion in a comprehensive bill -- even contentious power marketing issues.

Wood commits to rush Alaska gas line OK

FERC will process quickly any application to build a natural gas pipeline from Alaska to the lower 48 states, FERC Chairman Pat Wood told a Senate energy panel stressing the need to avoid litigation. Wood cautioned that congressional action might be needed to let FERC move quickly.

Wood echoed the strong sentiment on Capitol Hill and within the Bush administration backing construction of at least one pipeline to move gas from Alaskan fields to energy thirsty states.

No one has applied so far.

FERC in the late 1970s approved a southern pipeline route, the Alaska Natural Gas Transportation System (ANGTS), leaving some to question whether that plan precluded FERC from acting on a competing northern route project or other designs.

Wood doesn't think the agency is barred from doing so but warned that without clarification there could be lengthy lawsuits delaying a pipeline.

Some of Wood's views on Alaskan gas:

"We will make every effort to process and act upon any applications for Alaska gas transportation projects as efficiently as possible, working with the applicants, other federal and state agencies, Native Americans, shippers, end users and other interested parties to ensure timely, reasonable decisions."

And:

Wood is "proud" of the prompt

treatment gas pipelines have gotten at FERC in recent years.

For major projects "we have been making every effort to act within 18 months of the time that the application is complete, which, given the complexity of the cases, is quick indeed."

With ANGTS the commission was required to give precedence to that project but the commission is not precluded from considering competing Natural Gas Act proposals.

"I agree with that conclusion."

Investors, he reminded, will decide which project to apply for but at least one gas pipeline from Alaska will be needed in the near future, he testified.

Wood wants interested parties to collaborate on a single project to avoid litigation.

Logica scores in Holland, Czech energy markets

Logica, IT solutions provider for energy companies, has cracked the Dutch and Czech markets, it reports.

In the Netherlands, Logica was picked by the Energie Clearing House, a trio of three utilities -- ENECO Energie, Essent and NUON -- to build and run for three years an IT service allowing customers to switch energy suppliers, tieing together about 30 market participants getting ready for the Jan 1 next phase of electricity and gas market opening across Europe with full market opening set for 2004.

Meanwhile Logica won a contract with OTE — the Czech electricity market operator.

Under the eight year contract, Logica is to develop and operate the IT infrastructure to support a central trading market via the internet with notification of bilateral contracts, data measurement and imbalance settlement.

Eastern marketing company for sale?

Number one New England power marketer Select Energy (Northeast Utilities) is getting bigger by buying its way into New York via Niagara Mohawk Energy Marketing (used to be Plum St Marketing) in a deal expected to expand revenues by 25%.

William Schivley, president of Select Energy, described the Niagara Mohawk operation as "pretty close to the largest player in New York. So now we have the combination of two significant players in two of the three power pools in the Northeast," he said during an interview yesterday.

What does he want the firm to look like three years down the road?

The largest player in the Maine to Virginia market and west to Ohio.

"We'd like to keep on growing our business outside of New England and try to maintain the market share there. This is a big step here in New York.

"This acquisition probably places us three years ahead of our timetable for growing our business in New York State," Schivley added.

He's looking to buy other marketers in PJM but he has no interest in residential customers right now.

The technology just isn't there to make residentials attractive, Schivley observed.

The stop and go nature of opening markets has spooked technical people and made attracting capital difficult for the people who could develop that technology.

Schivley came to Select from CMS Energy recruited by Northeast Utility' CEO Michael Morris who was formerly CMS' COO.

When he left CMS it was doing business in 38 countries and 28 American states. He found that CMS was having troubles performing well in all areas and only did well in a few. His plan is to concentrate on doing well in many US states only.

Why did Niagara sell?

Niagara Mohawk Energy Marketing (NMEM) President Phil Van Horn pointed to NIMO's acquisition by National Grid USA with its wires only orientation.

"We felt we needed a parent company with a strategic focus in the ... marketing area combined with the resources to actually make that happen. Select Energy provides that opportunity,"
he explained in the same interview.

Van Horn is not going with the NIMO acquisition but hasn't picked a new home yet. NMEM has a few residential customers it's picked by way of its agreement as exclusive supplier to Agway Energy, the massive New York farm co-op.

NMEM is active in the wholesale and retail sales of natural gas and electricity in the northeastern US and Canada with $635 million in revenues last year.

Select serves wholesale and retail customers in return for $2.5+ billion in revenues annually.

Schivley knows what to do with the combined operation:

"Grow it. Make more money."

4 stories in 1 minute:

MGU, Semco closer to open market: The PSC staff favors using the competitive plan of Consumers Energy as a template for mid-sized Semco Energy Gas by April 2004 and Michigan Gas Utilities in June 2005 -- particularly codes of conduct, marketer solicitation and supplier registration. The staff report is open to comment until Oct 11 on issues such as customer switching, provider of last resort, how to get to full enrollment, rates for customers that return to utilities.

Air Products finds better use for money: El Paso Merchant Energy will buy Air Products & Chemicals' interests in two cogen plants, one in Orlando, Fla, and the other in Cambria County, Pa. Air Products says that its decision to sell its interests in these two stand-alone cogeneration facilities was driven by its recent initiative to focus resources on growing its core businesses.

Co-op cuts price 39% in NH: New Hampshire Electric Cooperative's high-price summer contract ran out and was replaced with a more competitive supply from an unnamed supplier allowing the co-op to slash retail prices 39% to 4.895¢/kwh.

NGPL signs big FPL gas deal in Texas: Kinder Morgan's Natural Gas Pipeline Co of America signed a longterm contract to supply FPL Energy firm transportation of 250,000 mmbtu/day gas to power FPL's new 1,789-mw electric generating facility in Kaufman County near Dallas starting in mid-2003.

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