Restructuring Today

CHRONICLING EFFORTS TO OPEN COMPETITIVE ENERGY MARKETS

Friday August 21 2009

Green Mountain Energy to open New York City operation

Texas-based Green Mountain Energy is moving into New York City with an eye on competing for residential and C&I customers in Consolidated Edison's territory.

The firm has thus far worked as a retail access supplier only in Texas and New York City will mark its second base of operations.

Apparently making the move to the eastern seaboard wasn't a difficult decision.

"New York's electric retail market is considered second only to Texas in terms of competitive activity, customer shopping, switching and the regulatory structure so it very much appeals to us," Green Mountain's Director of Eastern Operations John Holtz told us yesterday. "We see that the city and state policies are very supportive not only of energy choice but also of clean energy products and that's why were attracted to New York."

The firm's attention will be on the city where about 18 marketers now operate.

"We don't have any other plans right now. New York City [NYC] has about 4 million residential and business customers and it's a big area so were going to put our efforts in there."

The firm plans to offer two programs to residential customers, its trademarked Pollution Free power and the 100% wind product. The pollution free program offers power generated from wind or hydro sources while the 100% wind is just as it sounds. Clean energy options also will be available for small and medium C&I customers.

No matter where the nation sit in relation to the recession, the firm believes now is the time to make the move.

"Our business is strong so we have the financial wherewithal to introduce ourselves and we see tremendous growth opportunities," said Holtz. "In NYC, we see a lot of indicators that there's interest in

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AEP to demo CCS technology using DOE clean coal grant

AEP is moving forward with its plans for a commercial-scale CO2 capture and storage system at a West Virginia coal-fired plant. To get there, the firm wants the federal government through the DOE Clean Coal Power Initiative to foot some of the bill. AEP's application will seek $334 million, about half the estimated cost of installing the system that will use a chilled ammonia process to capture at least 90% of the CO2 from 235 mw of the plant's 1,300 mw of capacity.

The captured CO2, estimated at about 1.5 million metric tons/year, will be treated, compressed and stored 1.5 miles below the surface.

AEP believes the system will be ready in 2015, according to the firm's application for funding.

"Commercialization of carbon capture and storage technology is an essential component in a successful climate strategy for this nation," said AEP CEO Michael Morris.

AEP is pushing the project as a needed undertaking to make sure the technology is not "needlessly delayed."

"It's an appropriate use of federal stimulus funds to spur the advancement of this technology and to offset the financial penalty facing our customers and our company for taking the initiative," added Morris.

[Comments]

Energy marketers assn weighs in on New York DR policy

The New York PSC is interested in looking at the potential use of competitive providers within utility-administered DR programs and NEM wants to make sure marketers have their voices heard. To that end, the marketers association filed comments with the PSC on a filing looking at the Assessment of the Potential for Cost Effective Demand Response by Consolidated Edison.

NEM supports the commission's recent order on utility smart grid projects that it called groundbreaking and that prohibits the creation of utility information monopolies. That effort could do much to ensure a competitively neutral playing field when the new generation of smart meters and other smart grid technologies are deployed throughout New York State.

But in the interim -- before smart meter and smart grid technologies are available to be called upon to measure and verify precisely consumers' actual demand response -- NEM believes that there is a low cost option available to permit consumers to increase their participation in demand response behavior today.

That requires the development of DR load profiles for residential and small C&I by ConEd, as opposed to the standard load profiles now in use that marketers use in the settlement process at the New York ISO.

NEM wants state regulators to consider requiring the development of DR load profiles as a low cost pilot program, to be started by the marketers that will test consumers' appetite for DR products.

"Indeed, there should be no significant costs associated with providing a first generation demand response load profile and this will provide an excellent platform to transition consumers to become even more proactive with their energy usage decisions as smart grid technologies are implemented and fully available," said NEM's filing.

The marketer would bear the risk that its customers will not conform to the DR load profile until smart meters, smart thermostats or a second more accurate generation of DR load profiles become available. If the marketer is not conforming to 01the DR load profile, the "penalty" could be to revert them to the standard load profiles currently applicable to the existing service classes of its customers.

"Marketers have been making DR offerings in the marketplace for many years and the smart grid can enhance the quality and quantity of this type of competitive offerings in the years to come," said NEM.

Marketers will be key contributors to creating DR consumer awareness that will catalyze the adoption of smart grid technologies and hasten the accomplishment of state goals to cut use 15% by 2015.

With DR load profiles, marketers can offer consumers rates that leverage existing technologies to provide feedback to affect use behavior.

The commission can't rely solely on pre-existing load profiles to let smart grid technologies and the competitive marketplace deliver meaningful DR, NEM urged.

"Specifically, without a new first generation demand response load profile, marketers would only be in the position to offer consumers a volumetric benefit, not a price benefit for reducing demand," said NEM.

"We recommend that the commission require ConEd to develop first generation transitional demand response load profiles for its residential and small commercial customers until sufficient data is available from smart meters to refine such a transitional load profile."

[Comments]

California PUC asks how utilities should plan for electric cars

The California PUC at its meeting yesterday opened a rulemaking to figure out how utilities need to change their business as alternative fuel vehicles grow in the market. Much of the work will focus on electric vehicles and how to integrate them successfully without causing reliability problems.

But the rulemaking will also look roles for natural gas vehicles and what needs to change to have more of them on the road.

The PUC and the industry need to make sure appropriate rate designs are in place once thousands of plug-ins start to charge, said PUC President Michael Peevey.

Regulators will also have to ensure enough infrastructure from charging stations to advanced meters is in place, he added.

The immediate goal of the rulemaking is to review any current electric vehicle tariff schedules and facilitate charging infrastructure as the first electric vehicles start to hit the road within a year.

The commission will be looking at options for vehicle charging stations including standards and codes that need to be applied. It will also be considering what changes grid powered vehicles might bring to local distribution centers.

The transformation of the grid from its current setup linking central generators to distribution systems and homes to one with decentralized supply with the addition of transportation's needs could prove to be the PUC's most important job, said Commissioner John Bohn.

GM announced separately this month its Chevy Volt was awarded a 230 composite miles-per-gallon rating and as far as the price for the car, that will be set next year and will depend on the price of gasoline the firm reported in March.

[Comments]

Green Mountain Energy to open New York City operation

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greener and renewable products and there's also strong state policies that are promoting and supporting cleaner energy and energy efficiency. So with all that we expect we'll be able to do really well in NYC."

Green Mountain is in other states than Texas including New York and New Jersey -- but in a different way. Those programs offer to "green" the power used by customers through the ratepayers buying of REC's to match their kwh usage. The delivery and commodity still comes from the utility however.

In terms of working as an alternative supplier, Green Mountain did operate in New Jersey several years ago and for a few years as the only residential marketer licensed there but the market didn't develop.

[Comments]

Texas retailers lose nine points on a scale of 1,000 from JD Powers

StarTex, Green Mountain, Amigo take top 3 spots

Price volatility over the past year was cited as customers downgraded Texas retailers in JD Power & Associates' second annual survey for retail electric providers. Overall satisfaction in the 2009 Texas Residential Retail Electric Provider Customer Satisfaction Survey slipped nine points to a score of 629 on a 1,000 point scale from the first survey last year.

Pricing's satisfaction score slipped 13 points to 601 this year, driving the overall decline.

"Residential retail customers have experienced wide fluctuations in their electricity rates during the past year due to volatility in natural gas prices and other costs associated with power generation," said JD Power Senior

Director of the Energy & Utility Practice Jeff Conklin.

Customers who were on fixed price plans had a much better experience, rating firms 100 points higher than those on variable plans, he added.

StarTex Power got the highest score in the firms surveyed, reaching 714 points while performing particularly well in the pricing category. Green Mountain Energy ranked second with 694 points, while Amigo Energy came in third at 681 points.

The survey showed that 20% of customers are unlikely to continue using their current retail provider. Some 60% reporting choosing their current provider based on price with 16% citing a move as the reason to change, 13% an incentive and 13% more flexibility.

More than half, 55% of customers who switched providers changed to one that offered a better deal.

The results are here: www.jdpower.com/homes/ratings/texas-electric-retailer-ratings.

[Comments]

California PUC OKs $350 million for DR plans at 3 IOUs

The California PUC approved $350 million in DR programs for its three utilities at its meeting yesterday. The money is for programs from 2009 to 2011 and it directs utilities to start making DR compatible with the California ISO's nodal market.

The PUC approved interim funding for ISO-linked DR late last year with Southern California Edison's program looking at how residential air conditioning could work in the ancillary services market, said Commissioner Rachelle Chong.

SCE would get most of the funding, bringing in $188.8 million, of which $38 million is for new aggregator contracts with EnerNOC and Comverge.

Pacific Gas & Electric is getting $109 million and San Diego Gas & Electric was awarded $51.6 million. The utilities expect to have 2,500 mw of DR on their systems by 2010 and 3,000 mw by 2011.

The PUC also approved a cost-benefits analysis system for DG that is modeled closely on the one it runs for energy efficiency. The new way of looking at costs should streamline such cases and lead to more transparent numbers.

The one area for potential obfuscation is that the analysis takes future market transformation into account and that can lead to big differences in competing analyses, said Commissioner John Bohn.

[Comments]

Cal-ISO admits weirdness but defends against change

The California ISO wants FERC to throw out a complaint against it seeking to change the way risk is allocated when a market player defaults, it told the commission Wednesday. Now only sellers have to pay when a buyer defaults instead of having the risk spread across the entire market as is done in other ISOs and RTOs.

That prompted a slew of generators to file a complaint against the ISO seeking to have their alleged burden removed (RT, Jul-02). Cal-ISO is amenable to changing the rule in question since it wants FERC to open up a settlement process to deal with the situation.

The rule that concerns fairness and the balancing of equities would be better dealt with in a negotiated settlement than a litigated case, said the ISO.

The sellers haven't met their burdens of proof in a complaint proceeding either, with the rule in question having been approved by FERC before. The sellers claimed the rule is a disincentive to take part in the ISO's markets but they don't back up that with actual data.

The ISO believes the sellers failed to prove that their alternative is just and reasonable -- and that their idea takes up too many unrelated charges. Any change would impact a huge number of market participants and the ISO wants to include them and believes that would best be done in a settlement procedure.

[Comments]

EPSA competition study lays into APPA report

The wholesale competition paper wars raged on yesterday as EPSA released a new treatise attacking an earlier report done for the APPA.

"Bad Economics, by Any Other Name, is Still Bad: APPA's Analysis of Wholesale Electric Competition is Flawed" by Continental Economics President Jonathan Lesser laid into "The Deregulation Penalty: Losses for Consumers and Gains for Sellers" by Edward Bodmer. Lesser reviewed the study and found alleged fundamental errors with APPA's analysis and conclusion, said EPSA CEO John Shelk.

"Competition is not a zero-sum game," said Shelk. "Supplier profits do not mean consumer losses. Competition in the electricity industry, like competition in any other industry, promotes increased efficiency and innovation and allows suppliers to pass on savings to consumers through lower electricity prices."

Bodmer had compared competitive generation firm profits with those of vertically integrated firms and concluded that since the former were higher that consumers were suffering (RT, Jun-02).

The APPA report ignores the fact that investors expect bigger returns when the risk is greater, Lesser wrote. Investors always want to be compensated for the risks they take but that balance doesn't only play into their hands.

In the competitive market firms have been forced into bankruptcy with investors paying the price instead of ratepayers under traditional regulation.

EPSA's report is here: http://epsa.org/forms/uploadFiles/114A900000085.filename.CE_Briefing_Paper_Response_to_APPA.pdf

[Comments]

Gas price bounces back from slide, but for how long?

NYMEX September natural gas futures ended a nine-day losing streak Wednesday following oil up, analyst Jackson Mueller reported. The contract settled up just 2.3¢ to close at $3.119/mmbtu.

The gas markets began another plunge after EIA's weekly storage report was released yesterday showing a 52 bcf injection that put storage levels 513 bcf above the five-year average.

Natural gas is highly influenced by domestic fundamentals while oil tracks international and domestic financials, leading a big separation in their prices, said Mueller.

The markets now have prospects of continued supply and demand softness, limited hurricane threats, industrial manufacturing at or below today's levels and other factors. For natural gas those prospects could be continued losses with some talk of prices hitting $2.50/mmbtu in a few weeks.

[Comments]

2 stories in 1 minute

New York funds efficiency programs: Efficiency programs in New York are getting a $24.4 million shot in the arm. The PSC approved the funding for large-scale C&I customers via an electric energy efficiency program to be administered by National Grid and a gas program to be run by the New York State Energy R&D Authority (NYSERDA). National Grid's $13.1 million program addresses large customers with a load of 2 mw or more. NYSERDA's $11.2 million efficiency program is designed to serve all C&I gas customers in New York.

New York PSC doles out cash for RPS: The New York PSC authorized $95 million under its renewable portfolio standard (RPS) program to develop large-scale renewable energy projects including wind, biomass and run-of-river hydroelectric projects. As an added incentive, the RPS funding being made available will let renewable energy developers in New York leverage federal grants available under the American Recovery & Reinvestment Act of 2009 (ARRA). [Comments]

Do you have or know about an upcoming event focused on competitive energy markets including legislative and regulatory developments, energy prices, climate change, demand response, renewable energy, energy efficiency, transmission, reliability and generation, etc? If so, tell us about it by calling +1-202-351-6880 (800-486-8201 toll-free in US & Canada) or writing to service@restructuringtoday.com and we'll post it in our events calendar (www.restructuringtoday.com/events).

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.

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