

Wednesday, April 28, 2010

## Using POR to attract retailers draws support at NEM event

### Maryland markets likely pivot on decisions made this year

Thus far the opening of the Pennsylvania power market -- and most recently PPL's territory -- is a success, Pennsylvania PUC Chairman James Cawley told attendees yesterday at NEM's "Renaissance in Energy Markets" conference in Washington, DC.

"The latest numbers continue to grow," he added. "These are numbers as of [Monday]: 346,217 residential

customers, that's 28.3% of residential customers migrating and 28.9% of the residential load." About 62,000 commercial customers -- 52% of their load, shopped as did 2,356 industrial customers, representing 54% of those customers and 67% of industrial load. In all, 410,691 customers shopped -- 29.5% of customers and 48.3% of load -- and it is growing.

One of the points raised by Cawley -- and others -- was the importance of purchase of receivables (POR) to entice retailers into the market.

"It's huge," said Cawley. POR has helped make the market available to all.

"You have taken on the lower income customer, which is wonderful," he added. "I'm sure you're going to have some payment problems but you have taken on those problems and you have not left people behind."

Calls have been heard to extend the rate caps -- without a set ending date, he added, and to create a Pennsylvania power authority. Those proposals were killed and the market is healthy.

"The governor [Ed Rendell] has been extremely supportive . . . . He consistently supported open markets," said Cawley. "The governor is convinced that market entry equals jobs and he has continuously maintained that message."

Although the support is there and things are going well thus far, regulators and policymakers are not sitting back and enjoying the view.

Cawley noted that the market is now at 29.5% of customers shopping and in his opinion 30% for an opt-in program is probably about the maximum. But instead of accepting that, they are looking ahead including discussing market referral programs similar to what Orange & Rockland has in place in New York.

Cawley also has taken part in another pro-market discussion. "I have testified twice now on municipal aggregation. The First Energy companies want it badly, I think because they've done so well with it in Ohio -- and the chairman of the house committee has already floated a discussion draft and I think he is ready to reintroduce the bill and go with it," said Cawley. "I think it is the next big way to get the next big chunk of customers."

### Is this Maryland's year?

The idea of a competitive power market in Maryland is likely to be decided in 2010, said PSC Chairman Douglas Nazarian. "This is the year. It may sound like a pep talk, but it's a challenge. This is the year that residential choice in Maryland is either going to happen or it isn't." That statement brought a round of applause and a smattering of cheers from the audience.

Want "we do know is that the migration in the commercial and industrial sectors in

### Pro-market sentiments not controversial at FERC confirmation hearing

New FERC appointee Cheryl LaFleur and Commissioner Philip Moeller seemed to breeze through their confirmation hearing at the Senate Energy & Natural Resources Committee yesterday.

Senators did not ask any barbed questions or in fact many questions at all in the brief hearing.

Chairman Jeff Bingaman, D-NM, told reporters after the hearing that he thought they would both have strong support and hopefully would get through the committee in the next few weeks. A vote was not taken yesterday.

LaFleur was introduced by Sens Jeanne Shaheen, D-NH, and Scott Brown, R-Mass, who both said she was well qualified to represent the interests of the Northeast as a federal regulator.

The new nominee has over 20 years of experience in the electric and gas industry working in both a vertically integrated electric company and a restructured T&D firm. Most recently, LaFleur retired from National Grid in 2007, serving as its executive VP and acting CEO.

"I come from a part of the country that has been an early leader in the

development of robust competitive markets, in sustainable demand-side programs and in efforts to boost renewable energy -- and I am proud to have been a part of those efforts," said LaFleur.

If confirmed, she would understand and be sensitive to the unique situations and needs of different geographic regions and markets nationwide, she added.

Moeller highlighted the progress and expansion organized wholesale markets have seen recently, in services offered and growth through new memberships. Examples include California's Market Redesign & Technology Upgrade, the Midwest ISO's Ancillary Services Market and membership growth in MISO and the Southwest Power Pool.

FERC will have to continue to protect consumers in part by ensuring the existence of adequate metrics to rate ISO/RTOs and Moeller expects to spend ample time over the next year on DR compensation in organized markets.

Ranking Member Lisa Murkowski, R-Alaska, asked the two nominees whether they felt it

*Continued on page two*

Maryland has happened without purchase of receivables. It's happened without customer lists and without all of the market support mechanisms that you've been discussing here."

But that is about to change.

"We have spent a lot of time since 2009 trying to get our purchase of receivables implementation done and I am here to tell you that I expect that to be ready for the summer cooling season," said Nazarian. "We're almost there. We've heard repeatedly from [marketers] that that's the biggest barrier, right? That getting purchase of receivables implemented is what's going to get you in the door."

When asked whether more hearings were likely on the issue, he said that marketers are more likely to see a written order for POR than they are another hearing.

Now, he said, it is time for marketers to step up.

### Will marketers 'step up?'

"Don't tell me what you want, tell me are you coming. When are you going to make the commitment," said Nazarian to the marketers in the room. "You want us to make these leaps of faith, you want us to change the marketplace, and you want us to change the regulatory construct well we're

## FPL Group reports bigger income, smaller wind plans

FPL Group reported higher income in the first quarter than the same period last year in an earnings release yesterday, despite lower wind performance at its NextEra Energy Resources' fleet. The firm brought in \$556 million in (GAAP) income, compared to \$364 million in first quarter of last year.

"FPL Group experienced contrasting weather effects in the quarter with a weak wind resource at NextEra Energy Resources partially offset by increased demand for electricity at Florida Power & Light as a result of unseasonably cold weather in Florida," said CEO Lew Hay.

NextEra saw profits sink \$48 million due to the lower wind resource that CFO Armando Pimentel told investors yesterday was the lowest in decades. Wind tends to be impacted by local weather patterns but the El Niño can cut into wind's potency in markets such

## Pro-market sentiments not controversial at FERC confirmation hearing

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was wise to "get ahead of Congress" on the issue of cost allocation. Chairman Jon Wellinghoff has said he believes the Federal Power Act implicitly gives FERC the authority to broadly socialize transmission costs but he would like an explicit authority from Congress. The committee avoided broad socialization in the energy bill that it passed earlier this session, said Murkowski.

Moeller echoed Wellinghoff's

earlier comments but noted the commission has been accepting proposals with regional differences and he is personally sympathetic to regions such as ISO New England where they feel their existing system has been very successful (RT, [Mar-26](#)).

A national renewable electricity standard that cleared the committee and the House this session, could change the game on transmission allocation though, said Moeller.

[\[Comments\]](#)

working on all those things, but tell me you are going to commit to come here."

Nazarian continued urging marketers that now is the time to come and since the mainstream media is paying attention, more people are becoming aware of choice.

"Choice has been demystified a bit in Maryland ... and is now something that can gain traction in Maryland," said Nazarian. "That is why I think this is the year. Market conditions are favorable, market awareness is growing and purchase

of receivable is on the way."

"We heard almost exactly the same speech about a year ago from another commission and another chairman," noted NEM President Craig Goodman, indicating Cawley. "If there ever is a time to come and do it, this is the time." The table is being set for marketers and if they don't come into Maryland, "watch out because the market might just close on you," said Goodman

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## Wellinghoff shares consumer-oriented vision of smart grid, green power

Smart meters and a smart grid will only be useful if the consumer at the end has availability to the information and knows what to do with that information, said FERC Chairman Jon Wellinghoff yesterday at NEM's "Renaissance in Energy Markets" conference in Washington, DC.

"My concern is, and we're seeing this somewhat around the country, we're rolling out smart meters but we're not rolling out smart consumers," said Wellinghoff. "We need to make sure that consumer not only have a smart meter, or that technology, but the data has to be available for anyone the consumer wants to make it available to."

It should be the consumer's choice as to where that data should go, he added, and it should without question go to the benefit of the consumer.

To that end, he predicted a measure heading soon to a docket.

"The ancillary services market is one in which we did not yet issue any specific

as Texas where NextEra has lots of resources, said Pimentel.

The firm's conventional generation fared well in New England where it saw improvements of \$13 million over the prior year's quarter -- but that was mostly offset by poor market conditions and a forced outage in Texas where earnings dropped \$11.2 million.

Both the conventional and wind fleet at NextEra were run well, performing near or at the top of their respective classes, said the report.

The firm reevaluated the wind market and toned down expected builds this year from 1,000 mws to between 600-850 mw.

Thus far this year the firm has taken in \$314 million in convertible investment tax credits from the government for new wind projects and it expects bringing over \$100 million more.

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notices of inquiry or proposed rulemakings on but I anticipate in the future we will be," said Wellinghoff. FERCs policy office is looking into it, he added.

Ancillary services markets are important from a number of perspectives including that they are essential for reliability and ancillary markets are essential to ensure the full integration of variable and flexible supply such as wind and solar.

"The more of those resources that you bring into the market with their variance as to supplying energy to the market, you need to provide stable regulations to ensure those resources can be fully integrated into the system," said Wellinghoff. "So I anticipate there is going to be a huge increased need for these and my anticipation has been

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verified by a number of studies."

He illustrated his point by mentioning fossil fuel plants that are being run up and down due to wind and clearly wants to see that stopped.

Wellinghoff added that Wal-Mart, for example, with its in-store systems -- and Beacon Power with its flywheel technology

that can match the regulation signal -- can respond in milliseconds compared to the couple of minutes it could take to get a fossil fuel plant up and running.

"We need to investigate what we are paying for those kinds of services in the market."

[\[Comments\]](#)

## NYISO CEO ties economic recovery to smarter, greener grid

Economic recovery will involve building a smarter, greener and more efficient power grid, New York ISO CEO Stephen Whitley told the ISO-run symposium on "Planning the Sustainable Grid of the Future" in Albany, NY, yesterday. A variety of factors will affect the nature of economic recovery including state and federal policies promoting efficiency, new technologies, higher use of renewable energy and expanded environmental regulation of power production.

"Building a sustainable recovery will not be 'business-as-usual.' It will involve

making changes that produce a smarter, greener, more efficient electric grid," said Whitley.

The recession cut national electric demand by 4.2% last year and NYISO saw an almost identical drop of 4.1%. New York and the nation are emerging from the recession and efficiency and conservation policies are expected to moderate the growth of power demand. The state has a target of cutting use by 15% by 2015 over business-as-usual forecasts.

The state has a 30% renewable

portfolio standard it expects to be met that year and the NYISO market provides incentives for the growth of green power, too.

"Creating a smarter grid involves a new vision of the interaction between the power system and the consumer," said Whitley. "Customers will be empowered with access to detailed pricing information, while operators such as the NYISO will have more and better tools to manage and increasingly sophisticated bulk electricity system."

[\[Comments\]](#)

## NEM to urge states to adopt new consumer bill of rights

NEM unveiled a Consumer Bill of Rights (CBR) yesterday in Washington, DC at its annual restructuring conference, "Renaissance in Energy Markets." While the CBR is aimed at providing a uniform code of behavior among NEM members, the hope is that the CBR will see even wider adoption.

"This will be distributed to regulatory commissions around the country with the sincere hope they use this when crafting

their own codes of conduct," said NEM President Craig Goodman.

The Consumer Bill of Rights includes:

- Access to energy products and services that provide what they promise and are presented and described in clear and understandable language;
- Accurate price and use information from both the utility and competitive energy supplier, expressed in simple and straightforward terms;

- Terms and conditions written in plain language that explain contractual obligations for both the consumer and the energy provider;
- Specific information about savings claimed in any offer;
- How a consumer may cancel a contract and the cost, if any, of doing so;
- A clear understanding of when price changes may occur and what happens when the contract term expires;
- An enrollment process that verifies a consumer's acceptance of a product offer;
- Verbal and written offers that identify the competitive energy supplier as operating independently of the utility delivering natural gas or power to the consumer;
- Consumer education on energy, energy conservation and technology available to help control energy costs, and
- A fair and timely complaint resolution process.

"We've been troubled quite frankly by a lot of the activities that have been taking

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place across the country,” said Vectren Source CEO Greg Collins, one of those who worked on creating the CBR. “We feel that our industry’s reputation was at risk with some of the actions of some of the participants in the market. We felt like it was time for the leadership of the industry to take a stand.”

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## 1 story in 20 seconds

### Recent gas futures

#### rally hits speed bump: NYMEX

May natural gas futures chopped around in Monday’s session posting gains and losses in positioning a day ahead of its expiration, analyst Jackson

Mueller reported. The contract ended less than a penny higher to close at \$4.262/mmbtu, holding support after a two-day rally driven by signs of a shift in fundamentals.

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## Pro-market Maryland legislator strives to educate consumers, lawmakers

Maryland State Sen Catherine Pugh, D-Baltimore, tried unsuccessfully to get a pair of bills passed this year that would have forced the PSC to undertake an energy choice education program and make customer lists available to marketers. Neither made it out of committee, she reminded attendees

yesterday at NEM’s “Renaissance in Energy Markets” conference in Washington, DC.

The push came when a gathering of about 100 people came to a meeting to complain of power prices but when she asked whether they knew about choice, not one hand raised.

“In today’s economy, customers should be able to save a penny, a nickel, a dime or a dollar with choice,” said Pugh. She is not giving up, she added, and her goal is to get mission statements on commission websites -- not just in Maryland but around the nation -- and to insist they have an educational component.

“It should serve as a reminder to you who you serve -- the public,” said Pugh.

She was a bit dismayed that her bills died before being considered by the full legislative body and was concerned one reason may have been that some of those looking at the bills may not have understood the difference between marketing on behalf of a retailer and educating the consumer on the basics of choice.

“Education can be a part of a marketing plan but marketing does not have to be part of an education plan,” she said of the confusion some told her of.

Now she wants to see regulatory commissions -- including the Maryland PSC -- move on their own and create a mission statement that includes choice education.

“Not because it’s legislation but because it’s the right thing to do,” she said.

If they need help in crafting such a document, she suggested they look at what regulators in the District of Columbia, Florida, Georgia and Pennsylvania have in place.

[\[Comments\]](#)

## MISO predicts ample supply for summer despite bigger footprint

### Load curtailment not likely given resources

The Midwest ISO is expecting higher demand this summer because its footprint expanded since last year, it said yesterday. Net internal peak demand is expected to top out at 104,288 mws with the Iowa integration adding 5% to demand and the Dairyland Cooperative integration adding 0.9%, MISO said in its “[2010 Summer Resource Assessment](#).”

Without those two additions, demand would have fallen 1.7% year-over-year, said the report.

The Iowa integration saw the firm add MidAmerican Energy, Muscatine Power & Water and the Municipal Electric Utility of the City of Cedar

Falls, Iowa. Dairyland is in Wisconsin.

MISO saw 10,370 mws of nameplate capacity since last summer, with Iowa and Dairyland representing 7,822 mws of that.

The two new regions in MISO also contributed 72% of the 2,008 mw of wind its system saw added since last summer. The total amount of new wind has grown nameplate capacity of that resource by 36%.

MISO has of 131,284 mws of capacity resources designated to serve it. The reserve margin is expected to be 25.9%, well above the 15.4% requirement and the 18% margin forecasted last year.

Due to such a high reserve margin, MISO sees a very low probability of having to curtail load this summer.

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