

Tuesday, April 27, 2010

Goodman lauds Pennsylvania, Ohio markets as NEM conference opens

Since rate caps ended in PPL's territory, the results in the market have been "stunning," said NEM President Craig Goodman at the start of his organization's conference today. NEM's annual restructuring conference, Renaissance in Energy Markets, continues through tomorrow.

"In October of 2009, the total number of consumer electric accounts that migrated were only 153,000. As of April 2010, there are about 560,000 electric consumers that migrated. That's over a 300% increase in six months. I was very encouraged because I haven't seen a market react this well to restructuring policy as we've seen in Pennsylvania," Goodman told us.

The numbers are "off the charts" in term of positives in PPL's territory. For example, 142 power customer accounts had shopped as of October but by this month, 394,950 power customer accounts migrated. That represents about 0% of customers had shopped in October, jumping to 17.7% in January and 28.3% in April, he added. The percentage of load in October was at about 0.1% but is now 47.5% for April.

"In our opinion, this is the best example of a marketplace reacting to restructuring policies that we've seen," Goodman said. "Other than when a full market opening at one time, this is one of the best reactions to a well drafted set of restructuring policies that I think I have seen in any state. This is a very

well thought-out, well restructured marketplace."

A factor that helped is the PUC policy on competitive markets.

"They laid out their default service and retail electric market policy statement and the goal of the default service regulation was to bring competitive market discipline to historically regulated markets. [If] this can be accomplished by structuring default service in a way that encourages entry of new retail and wholesale suppliers, greater diversity of suppliers will benefit ratepayers and the commonwealth," said Goodman of the policy.

"In the same year -- 2007 -- they started to implement utility purchase

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AGA largely supports CFTC's proposed futures position limits

AGA in a filing at the CFTC yesterday expressed support for position limits on futures contracts and options contracts related to energy commodities. CFTC issued an NPRM on position limits.

AGA urged the regulator to ensure that the financial markets related to energy commodities function efficiently for the benefit of consumers.

The limits placed on NYMEX and ICE gas futures and other commodities would set up aggregate and exchange-specific limits for spot-month positions, single month and all-months-combined positions.

The rules would provide position limits for bona fide hedging transactions as defined

and approved by a reporting market. Any trader holding positions in excess of position limits with a hedging exemption would not be able to trade speculatively.

AGA does want some changes to the proposed rule, arguing for separate exemptions for affiliates or divisions that trade separately and are sufficiently independent of one another.

The gas utility lobby asked CFTC to conduct a study after the rules have been in place for one year to decide whether the financial markets are still functioning efficiently and whether or not the rules have led to unintended consequences.

[\[Comments\]](#)

Report gives New York ISO's first 10 years high marks

The New York ISO performed extremely well over its first decade in meeting the goals stakeholders had at its launch, said a recent report by the Analysis Group's Susan Tierney. One major exception to that success is New York's power rates being high compared to other states, though Tierney lays the blame on the cost of natural gas that ballooned for most of the last decade, she wrote in "[The New York Independent System Operator: A Ten-Year Review](#)."

Gas prices along with the high cost of doing business in New York have more than swamped out any advantages from power production efficiencies and the ISO's administration of wholesale markets. Without markets, prices would likely be the same and could possibly be even higher, said Tierney.

New Yorkers might pay a higher rate than people in other states but they spend less of their personal income and the state's overall economic product on power than the average American.

The state has had considerable success in relying on market forces to discipline

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costs in the wholesale power industry. Thousands of mws of generation and DR have been introduced in the last 10 years without relying on consumers' rates to underwrite investment.

Power plants are running more efficiently and many customers -- especially C&Is -- are exercising their right to chose power providers.

Generators are looking to sign more and more long-term contracts with distribution utilities lately and that means into the future consumers might be underwriting more of the risk than they have in the past 10 years.

NYISO has performed its reliability functions exceptionally well, with the major reliability event -- the East Coast Blackout of 2003 -- having originated outside its footprint.

As part of the deal that launched competitive markets in the state, utilities were allowed to recover stranded costs after netting out the profits from their sale of generation -- leaving customers with a lower share of total stranded costs.

The reforms have opened up the markets so that now over 350 participants are taking part in them, rather than having eight transmission utilities exercise near total control.

[\[Comments\]](#)

of receivables, marketer referral programs, utility default service rate unbundling, market-based utility pricing and commission and utility choice ombudsman.

Ohio, too, "has been an outstanding example of what can be done in a measured way. The migration rate in Dominion Ohio East territory is at 93% and it's been a long time coming," Goodman told us. "It's been incremental over a number of years ... Dominion East Ohio being one of the first to do it, to go

through the retail auction process and achieve a migration rate of 93% -- which is also very impressive."

In the end, the results back up what Goodman hopes policymakers and others take from his group's annual conference.

"It supports everything we've been talking about, not only in terms of a renaissance of the energy markets but these energy policies that promote not only innovation in the energy sector but they create jobs, mitigate climate change and they grow the economy," said Goodman.

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Ontario passes Energy Consumer Protection Act

The Ontario Legislature passed a bill to pave the way toward added protection for consumers while allowing for greater energy conservation through what is called "suite metering" ([Bill 235, Energy Consumer Protection Act](#)). The term means all customers will have their own meter and be charged for their actual use instead of having multiple apartments on one meter with the residents splitting the cost.

The drive to get a law on the books, according to state lawmakers, reflected the last three years where power and natural gas retailers cracked the top 10 list of consumer complaints as tracked by the Ministry of Consumer Services.

The legislation will lead to new rules and regulations that:

- Protect consumers from hidden costs, excessive cancellation fees and other unfair industry practices;

- Provide added fairness and transparency for consumers through rate comparisons;

- Make plain language disclosure available in multiple languages;
- Enhance rights to cancel contracts, and

- Set new rules for energy retailers and their employees.

"What we're doing is clearly defining the few issues," said Provincial Parliament member Dave Levac, Liberal-Brant.

The goal is to get door-to-door sales representatives to immediately identify themselves, explain who they are and who they're working for and when they start their pitch, make sure they use plain language in contracts, in various languages.

"We're looking at all of the avenues that we can correct to make sure that those people at the door are protected as consumers and all members from all sides of the House agreed that consumer protection was the issue," said Levac. "There is going to be even more expectation that retailers improve."

Most of the new rules are expected to come into effect Jan 1, 2011.

[\[Comments\]](#)

ISO New England has plenty of supply, DR for summer

ISO New England expects to have enough power supplies to meet demand this summer, it said in its summer outlook issued yesterday. Peak demand forecasts top out at 27,190 mw this summer under normal weather conditions -- about 90°F. If the region saw an extended heat-wave of 95°, peak use could hit 29,130 mw.

The forecasts surpass last year's 25,100 mw peak when the recession and mild weather cut back demand. The all-time record peak is 28,130 mw set in 2006.

New England has capacity resources of 32,670 mw to supply power or cut its use including 30,380 mw of generation, 1,330 mw of DR and 390 mw of imports. Another 570 mw of energy efficiency will help keep the grid balanced.

All of those resources were procured through the forward capacity market that goes into full effect in June.

In an emergency, ISO-NE can call on emergency DR, imports from neighboring systems and call for voluntary use cuts by consumers.

[\[Comments\]](#)

Generator tells FERC, Bowring's data worries unfounded

Generator IPA Central told FERC Friday that the PJM market monitor's concern over the RTO's release of capacity market data is unneeded. The firm owns several generators in PJM and was responding to the most recent filing from Monitoring Analytics and its President Joseph Bowring (RT, [Apr-12](#)).

The new PJM data policy promotes the efficient functioning of PJM's markets by boosting transparency and letting all participants have equal access to data in a usable format.

The RTO used to release the same data in a graph but switched it to a table that is more precise and easily understood.

IPA argued the data will not release costs since almost every offer into the capacity market was mitigated in a process that drew on the revenues from the three previous calendar years to the base auction. Participants do not know each other's previous three years of revenue and thus cannot calculate others' costs.

Volatility in reliability pricing model (RPM) capacity prices is a clear indication that knowing the marginal supplier offer from one base auction does not inform what the marginal offer for the next year will be.

Volatility is present in both RTO-wide prices and whether or not smaller zones separate out with their own prices.

Even if a market participant were to get cost information from competitors and submit an offer above its cost, but below theirs, the monitor itself would pick up on that since it has access to all such information, said IPA.

[\[Comments\]](#)

Gateway Energy Services completes move into New Jersey

Gateway Energy Services yesterday finished its expansion into New Jersey by adding operations in Atlantic City Electric and Jersey Central Power & Light territories after it moved in December into the Rockland Electric and Public Service Electric & Gas territories.

"We're now in all four electric utility territories and we are already in the natural gas market statewide," a spokesperson for the firm told us.

Gateway is offering its residential

customers in the state savings of about 10% on their supply for the rest of 2010 compared to the rates, effective or proposed, of the New Jersey incumbents.

That's on the firm's fixed-rate contract that is in effect until the end of the year.

The firm routinely offers one- and two-year deals but has in the past offered six and nine month deals.

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