

# Megawatt Daily

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## Retail sales tactics facing increased scrutiny

Retail energy marketers are facing increased scrutiny from state and provincial regulators on door-to-door sales, though the marketers aim to keep that particular sales channel available given the challenges of reaching residential customers.

Several officials representing marketers say they are keenly aware of some of the cases involving fines or penalties of certain marketers and the sales agents hired by those firms to make door-to-door sales. Given the potential harm to a marketer's brand name due to the actions of one "bad actor" in a customer's home, it is incumbent on marketers to ensure companies they hire are sufficiently trained and represent their companies well, said Craig Goodman, president of the National Energy Marketers Association.

The head of the Retail Energy Supply Association made a similar statement, noting that RESA has worked with state

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## PJM seeks OK of demand response products

Citing tremendous growth in demand response resources within the PJM Interconnection, the grid operator filed with the Federal Energy Regulatory Commission last week, asking it to approve two additional demand response products, designed to allow for further growth of this type of resource.

The proposal comes despite the lack of support from PJM stakeholders, who rejected PJM's idea to introduce two new products and retain the existing demand response product known as "ten by six." A proposal needs a supermajority vote in order to be considered approved, and PJM's demand response proposal received less than that — around 60% of the members' votes — PJM explained in its filing (Docket No. ER11-2288).

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## Court hears MISO reactive power rate case

A panel of federal appeals court judges grilled a Federal Energy Regulatory Commission attorney on Friday about the commission's decision to allow transmission owners, on a zonal basis within the Midwest Independent Transmission System Operator, to choose not to compensate any generators, affiliated or unaffiliated, for reactive power within a defined deadband.

Reactive power creates the magnetic fields needed to operate transformers, transmission lines and electric motors on an alternating current transmission system. It creates a stable voltage pressure so that real power can flow through the grid. Deadband is a range that the reactive power generally must stay within to maintain the grid.

The debate before the US Court of Appeals for the District

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## Day-ahead markets for delivery Dec 6 (\$/MWh)

ERCOT\*\* Index Change Range Deals Volume Avg \$/Mo

### On-peak

ERCOT, North	37.46	3.97	36.75-38.00	61	4,000	35.45
ERCOT, Houston	38.00	3.37	38.00-38.00	N.A.	N.A.	36.22
ERCOT, West	34.00	1.00	34.00-34.00	N.A.	N.A.	33.19
ERCOT, South	37.10	2.59	36.90-37.25	8	375	36.00

### Off-Peak

ERCOT, North	25.50	1.04	25.00-26.50	25	1,275	25.99
ERCOT, Houston	26.50	1.00	26.50-26.50	N.A.	N.A.	26.96
ERCOT, West	19.75	1.00	19.75-19.75	N.A.	N.A.	18.46
ERCOT, South	26.50	1.50	26.50-26.50	N.A.	N.A.	26.58

Southeast Index Change Range Deals Volume Avg \$/Mo

### On-peak

VACAR	38.00	2.50	38.00-38.00	N.A.	N.A.	36.63
Southern, into	43.25	5.25	43.25-43.25	N.A.	N.A.	39.63
Florida	48.75	2.50	48.75-48.75	N.A.	N.A.	47.81
TVA, into	38.50	2.50	38.50-38.50	N.A.	N.A.	37.38
Entergy, into	41.50	5.00	41.50-41.50	N.A.	N.A.	37.63

### Off-Peak

VACAR	28.25	1.00	28.25-28.25	N.A.	N.A.	27.50
Southern, into	37.75	2.25	37.75-37.75	N.A.	N.A.	34.56
Florida	30.25	1.00	30.25-30.25	N.A.	N.A.	29.56
TVA, into	26.25	1.00	26.25-26.25	N.A.	N.A.	25.56
Entergy, into	30.75	6.25	30.75-30.75	N.A.	N.A.	26.13

West† Index Change Range Deals Volume Avg \$/Mo

### On-peak

COB	38.36	-1.98	38.00-39.00	9	225	41.27
Mid-C	36.66	-1.07	35.00-38.00	199	5,900	38.57
Palo Verde	33.55	-1.82	32.00-35.00	43	1,175	37.04
Mead	35.00	-1.25	35.00-35.00	N.A.	N.A.	38.61
Mona	39.00	4.00	39.00-39.00	N.A.	N.A.	37.80
Four Corners	38.00	3.25	38.00-38.00	N.A.	N.A.	38.00
NP15	38.75	0.25	38.75-38.75	N.A.	N.A.	40.85
SP15	37.50	0.50	37.50-37.50	N.A.	N.A.	39.50

### Off-Peak

COB	36.21	1.21	35.50-37.00	7	175	35.88
Mid-C	35.00	1.17	33.00-36.50	64	1,825	34.46
Palo Verde	29.04	-0.29	28.50-29.45	40	1,250	30.24
Mead	30.75	1.00	30.75-30.75	N.A.	N.A.	31.38
Mona	30.00	1.50	30.00-30.00	N.A.	N.A.	30.04
Four Corners	31.75	2.96	31.75-31.75	N.A.	N.A.	30.89
NP15	33.75	2.00	33.75-33.75	N.A.	N.A.	33.42
SP15	31.70	1.95	31.70-31.70	N.A.	N.A.	31.53

Northeast Index Change Range Deals Volume Avg \$/Mo

### On-peak

Mass Hub	55.50	6.00	55.50-55.50	N.A.	N.A.	51.13
N.Y. Zone-G	58.50	5.00	58.50-58.50	N.A.	N.A.	54.00
N.Y. Zone-J	62.00	4.25	62.00-62.00	N.A.	N.A.	57.75
N.Y. Zone-A	33.25	2.50	33.25-33.25	N.A.	N.A.	32.06
Ontario*	38.25	4.00	38.25-38.25	N.A.	N.A.	34.13

with about 24,600 MW of generating capacity.

Atlanta-based Mirant and Houston-based RRI in April said they planned to merge in an all-stock deal. GenOn will be based in Houston.

“This merger will create significant near-term stockholder value driven by \$150 million of annual cost savings,” GenOn Chairman and CEO Edward Muller said in a statement.

The common stock will start trading on the New York Stock Exchange Monday under the stock symbol GEN.

Each share of RRI stock will become one share of GenOn Energy common stock, while Mirant stockholders will receive 2.835 of the GenOn shares in exchange for each of their Mirant shares. RRI chose not to implement a reverse stock split it had considered. — *Carla Bass*

## Retail sales tactics facing scrutiny ... from page 1

regulators to establish best practices for door-to-door marketing. In its order establishing interim guidelines, the Pennsylvania Public Utility Commission said more and more natural gas and electricity customers are facing marketer sales agents with unfamiliar marketing strategies, and it plans to issue a final rule with the input of industry and PUC staff working groups.

Commissioner Tyrone Christy voted against the interim guidelines (Docket No. M-2010-2185981), asserting that energy marketers have other sales channels available (online, telemarketing, email, direct mail) and that door-to-door marketing should not be used by retail energy suppliers. Christy noted that in Pennsylvania, there are 150 marketers licensed to sell power in the state, and that as utility rate caps expire, more customers will be subjected to high-pressure marketing tactics to sign contracts with retail suppliers.

In Philadelphia and Pittsburgh, headroom for marketers, or the

difference between default utility prices and wholesale power prices, increased slightly during November, according to the Retail Power Index. The RPI shows wholesale power prices and utility default service prices for small commercial customers in several utility regions around the country with retail competition.

For the fourth month in a row, Cincinnati has the highest spread between those two figures, following a slight gain in November, providing retail marketers plenty of headroom to offer savings to customers. The retail spread in other markets dipped or increased a bit, based on changes in wholesale power prices in those regions.

The RPI, which is put together by consulting firm Intelometry, is based on prices to small commercial customers because that customer class represents a mass market with more customer switching than residential markets. Marketers have often struggled to crack the residential market in some states, and door-to-door sales is an old method, though it has not been without controversies over the years. In the past few months, incidents of high-pressure sales by agents and fines have cropped up in Ontario and Ohio, though different marketers were involved.

The Ontario Energy Board issued an order reprimanding Summit Energy and its subcontractors that are used in door-to-door sales, finding that the contractors often work for multiple marketers in different jurisdictions. A company that provides sales agents to one marketer one month could well be providing sales agents to another marketer the next month, and they often sell other products, the Energy Board said.

The different provincial energy markets can be complex to residential customers, and without taking the time to explain contract terms or rules, sales agents can take advantage of customers, the Energy Board said.

Just Energy, which sells natural gas and electricity to retail

### Intelometry Retail Power Index November 2010

City	Default Utility Price (\$/MWh) <sup>1</sup>	Default Forecast Price (\$/MWh) <sup>2</sup>	Wholesale Supply Price (\$/MWh) <sup>3</sup>	Retail Spread (\$/MWh) <sup>4</sup>	Change in Spread from October
Boston	\$91.23	\$74.20	\$67.62	\$6.58	-\$5.33
Chicago	\$91.77	\$82.56	\$54.56	\$28.00	-\$2.72
Cincinnati	\$101.48	\$108.35	\$52.33	\$56.02	+\$0.50
New York	\$74.09	N/A	\$76.91	N/A	N/A
Philadelphia	\$59.67	\$95.57	\$77.17	\$18.40	+\$3.27
Pittsburgh	\$73.69	\$64.82	\$53.87	\$10.95	+\$8.87
Washington, DC	\$107.95	\$111.80	\$77.83	\$33.97	-\$1.74
Dallas	N/A	\$57.31 <sup>5</sup>	\$42.74	\$14.57	-\$4.95
Houston	N/A	\$62.84 <sup>5</sup>	\$47.03	\$15.81	-\$6.05

All prices, except for Houston and Dallas, are based on a typical 10 KW small commercial customer. For Houston and Dallas, prices are based on a typical residential customer. Forecasts are based on an annual contract beginning in the prompt month, using Platts forward assessments and forecasts by Intelometry.

<sup>1</sup> Generation supply price paid by customers if they take no action and receive default service, or standard offer service, from their utility or default provider. This price is based on tariff prices currently in effect.

<sup>2</sup> A 12-month forecast of the weighted average generation supply price paid by a customer receiving traditional service from their utility or default provider.

<sup>3</sup> A 12-month, weighted average forecast of wholesale power and uplifts including energy, capacity, shaping, losses, ancillary services, network, ISO surcharges and network transmission where applicable. This does not include any non-commodity costs, such as labor, computer systems, marketing, etc. associated with serving a retail customer.

<sup>4</sup> The Default Forecast Price minus the Retail/Wholesale Supply Price.

<sup>5</sup> Average of fixed-price, 12-month offers to residential customers on [www.powertochoose.com](http://www.powertochoose.com), minus delivery service charges. The default utility price for residential customers is not viewed by suppliers as a price to beat.

For more information on the RPI or to inquire about obtaining historical RPI data, contact Intelometry at (866) 856-7466, e-mail [rpi@intelometry.com](mailto:rpi@intelometry.com), or visit the Intelometry website at [www.intelometry.com](http://www.intelometry.com)

customers in multiple jurisdictions, was fined recently in Ohio and been questioned in other states.

The Ohio Public Utilities Commission on November 22 approved an agreement where Just Energy will pay a \$110,000 penalty to the state and place \$200,000 in abeyance. If Just Energy is the subject of 10 or more complaints concerning residential door-to-door sales for any two months in a three-month period, the company will forfeit \$100,000. It will forfeit the remaining \$100,000 if 10 additional complaints are received for any two months in a three-month period, and the PUC may rescind its marketing license.

In addition, all natural gas customers of Just Energy that signed contracts between April 1 and September 20 of this year will have a chance to stay on the contract, select a different offer from Just Energy, choose a different marketer or return to standard offer service from their natural gas utility, the PUC said.

Door-to-door sales are an important channel for plenty of marketers, and they used to be a very trusted form of marketing for all types of services and products, with time to provide information directly to customers, noted Claire Monaghan, spokeswoman for Direct Energy. For commodity energy sales “it has to be done well,” and Direct has no tolerance for sales agents that engage in misconduct, Monaghan said.

The misconduct of sales agents hired by marketers include behaviors that range from impersonating utility personnel to falsifying verification of contracts signed by customers or giving false information about long-term contracts, based on cases in different jurisdictions.

“Like any other industry, residential door-to-door sales channels should protect both consumers and the competitive market from bad actors,” said RESA President Jay Kooper. By working with regulators and marketers to craft marketing guidelines, RESA aims to ensure that “important protections are established without unduly infringing upon legitimate marketing practices that foster customer choice,” he said in a statement.

Because of the growth of the Federal Trade Commission’s do-not-call list, the telemarketing option is increasingly limited to marketers, Goodman pointed out. Direct mail or email is “extremely expensive” for reaching many customers, leaving few options for marketers to reach residential customers,

Goodman said.

With the use of third-party sales agents, marketers are trying phone call verification or other methods to ensure the agents are conducting themselves properly, but compliance 100% of the time may be a challenge, Goodman said. “I think we have a good product and service record compared with other industries” that make door-to-door sales. “Our challenge is to get better and better at it so there are fewer and fewer complaints,” which is the case in New York, he added.

For the RPI chart listing in New York City, the lack of a published market supply charge for Consolidated Edison results in a default utility price not being available each month. The utility’s tariff shows a market supply charge calculator based on New York Independent System Operator daily prices, and the current default utility price for New York in the RPI is based on that calculator for all days available in November. — *Tom Tiernan*

## PJM seeks OK ... from page 1

Consequently, PJM asked its board to approve the proposal, so that the grid operator could file it for approval with FERC. The board approved it at its meeting on December 1 and PJM filed with FERC the following day.

“While the board would have preferred a consensus among stakeholders to address these issues, the board is obligated to act to ensure the continued reliability of the PJM system,” Terry Boston, PJM’s CEO and a member of the PJM board, said in a letter to PJM members last week.

According to the filing, demand response has been a great success in PJM, but its success could be hampered by that fact that demand resources can only offer into the capacity market one single product. The existing product is limited to 10 interruptions a year, with each interruption being no longer than six hours.

PJM also claimed that the existing demand response product should not be eliminated and replaced with the alternative products, because demand response providers have been relying on the rules established for the 10x6 service in developing their business models and making their commitments to PJM. Some members have suggested, in the stakeholder process, that the 10x6 product should be

### RGGI Auction Results and details

Current control period vintage (2009-2011)	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10
Clearing price	\$2.05	\$2.07	\$1.88	\$1.86	\$1.86
Allowances offered	28,591,698	40,612,408	40,685,585	45,595,968	43,173,648
Allowances sold	28,591,698	40,612,408	40,685,585	34,407,000	24,755,000
Number of winning bidders	62	51	43	45	38
Ratio of bids to supply	2.6	2.3	1.3	0.75	0.57
% Won by electric generators	65%	85%	92%	92%	97%
Second control period vintage (2012-2014)	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10
Clearing price	\$1.86	\$1.86	\$1.86	\$1.86	\$1.86
Allowances offered	2,172,540	2,137,992	2,137,993	2,137,992	2,137,991
Allowances sold	1,599,000	2,091,000	2,137,993	1,312,000	1,172,000
Number of winning bidders	8	9	10	6	4
Ratio of bids to supply	0.74	0.98	1.2	0.61	0.55
% Won by electric generators	100%	100%	100%	100%	100%

Source: Regional Greenhouse Gas Initiative and Potomac Economics