

Thursday, April 29, 2010

## Spitzer helps define 'renaissance' in modern power industry

FERC Commissioner Marc Spitzer found the concept of NEM's 13th annual conference, "A Renaissance in Energy Markets," fascinating, he told the gathering yesterday. Much of the rebirth in energy markets will be coupled with the rollout of the smart grid that will fundamentally change the way consumers interact with markets. In markets, people express their desires and giving them more information will let them make more choices.

"The old Soviet-style, East German,

vertically integrated monopoly was utterly ill-suited to listen to the markets," said Spitzer. Pitfalls abound with moving from a system that has seen relatively static prices for decades to ones that can shift dramatically depending the time of day or year. Early flare-ups of consumer discontent over smart meters and dynamic pricing in California and Texas highlight the need for ample education, he added.

Customers will have to respond to the signals markets send through the meters

to tap into the huge potential economic and environmental benefits, said Spitzer. Realizing the vision many have of the evolving electric markets will necessitate the industry standing up and advocating for itself, he added.

But many of the industry's issues are unsolved today, not the least of them being the turf battle between FERC and the Commodity Futures Exchange Commissioner over financial transmission rights, playing out in the Wall Street reform bill in Congress.

At best, having both regulators would be duplicative but in the worst case FERC and CFTC could come up with conflicting regulation over FTRs -- making a mess for the industry, said Spitzer. He is hopeful FERC will get exclusive jurisdiction as Congress debates the issue.

Another issue FERC is spending lots of time on is compensation for DR, a subject it recently released an NPRM on, he reminded. FERC supports more DR in the marketplace but how much it should get paid is a tricky issue. The NPRM throws out full LMP, 24/7 as a straw man but Spitzer noted he was mindful that different RTOs had very different positions on the subject.

[\[Comments\]](#)

### Illinois commissioner invites whistle-blowing by competitors

If marketers want a good public image, then Illinois Commerce Commission member Erin O'Connell Diaz has a suggestion, drop a dime on the bad apples. "When you see things out in the marketplace, let our commission know about it. We're not on the street and in the marketplace like you are, so we really look to have you help us to keep the marketplace clean," said O'Connell Diaz.

NEM released its Customer Bill of Rights this week at its annual restructuring conference (RT, [Apr-28](#))

and while O'Connell Diaz noted that they have much of it already in her state, nothing beats boots-on-the-ground to keep the industry clean.

"You don't win and it will give marketers a bad, bad rap because that's the headline news. It's not about the choices that you are going to give our consumers or the value and benefits you can bring them. It's about the bad apple out there and in the public's eye, you may all get lumped in together."

[\[Comments\]](#)

## Debate deepens over transmission cost recovery request at PJM

Parties are split on Central Transmission's complaint against PJM trying to get cost recovery for a merchant transmission line through changes to its tariff (RT, [Mar-29](#)), as seen in FERC filings yesterday. Renewable developers and the transmission-only firm ITC came out in support of the complaint while the bulk of PJM's transmission owners want to preserve the status quo.

While the case revolves around PJM, ITC noted that it could set a broad precedent on who gets to build transmission in ISO/RTOs around the country. Even Southern California Edison intervened in the proceeding, though it did not comment.

ITC has done most of its business in the Midwest ISO and the Southwest Power Pool but its Green Power Express project

would bring wind from the Dakotas to Chicago, a city in PJM.

The firm acknowledged that RTOs have a legitimate interest in ensuring entities designated to build lines can do so and run them over the long term but the way to address that concern is not erecting arbitrary barriers to entry, it added.

SPP has set up qualifications for entities who want to build transmission such as creditworthiness and the firm's willingness to sign the transmission owner's agreement, said ITC. Other qualifications include possessing all the state regulatory authority needed to build lines and being able to adhere to SPP's business practices.

PJM's transmission owners argued they would be adversely impacted by Central Transmission's request. If FERC

sides with the merchant developer, that would let it and others build transmission enhancements and expansions in the Regional Transmission Expansion Plan (RTEP) without the consent of local T&D utilities. The encroachment on the rights of zonal transmission owners goes against the regulatory bargain underlying their commitments to PJM and the provisions of the RTO's consolidated transmission owners agreement (CTOA) and the operating agreement.

The move to more ownership of transmission could carry reliability consequences by disrupting the existing planning process and boosting the number of entities responsible to take care of the system.

The existing RTEP construct was successful with over \$15.1 billion

transmission system upgrades and new lines that have cut congestion by 90% over what would have been.

Two other merchant transmission developers signed onto the CTOA to become transmission owners in PJM with all the requisite rights, thus the system is not discriminatory, said the transmission owners.

[Comments]

### ACEEE: Efficiency could deliver half of desired GHG emission cuts

Energy efficiency will play a much bigger role in meeting the energy needs of the future than many are predicting now, the American Council for an Energy Efficient Economy said in a press conference call yesterday.

"The dirty little secret today is that most economic assessments of the current climate change policies either ignore or greatly understate the potential advances in energy efficiency, even though it is clearly the largest and most cost-effective form of greenhouse gas mitigation," said ACEEE Director of Economic & Social Analysis John "Skip" Laitner. America's economy has tripled in size since 1970 and three-quarters of the energy needed to fuel that growth came from efficiency advances, not new energy, he added.

Going forward, efficiency will be even more important. In the electric power sector now only 33% of the energy initially put in ends up coming out of consumer's wall sockets, said Laitner. Those numbers are relatively unchanged since the '60s.

Visit [www.restructuringtoday.com/search](http://www.restructuringtoday.com/search) to search through thousands of articles chronicling ongoing efforts to open competitive energy markets.

## Has your organization been mentioned in Restructuring Today?

Accessing the full articles along with downloadable PDF issues and other subscriber-only online tools comes free with your subscription.

### Salazar OKs Cape Wind after 9-year fight

Secretary of the Interior Ken Salazar yesterday approved the Cape Wind renewable energy project in Nantucket Sound, five miles off the shore of Massachusetts. Cape Wind would be the first offshore wind farm built in the US once completed. The nine-year permitting process was reportedly fraught with opposition from a variety of influences such as local residents including the late Ted Kennedy and his family, fishing trades people that use the area for their trade and an American Indian tribe that argued the shallow shoals picked for the plant may have been a burial ground for their people in antiquity.

The approval came with a caveat that the developer of the \$1 billion wind farm agree to binding measures to lessen the potential adverse impacts of building and running the facility.

"After careful consideration of all the concerns expressed during the lengthy review and consultation process and thorough analyses of the many factors involved, I find that the public benefits

*Continued on page three*

EPRI's favored prism analysis has efficiency playing an important role in meeting GHG emissions-cutting goals but not anywhere near the 50% ACEEE believes the resource can contribute.

Getting to 50% will include far more CHP -- combined heat and power -- that taps the heat waste of power generation and could even be used to produce hydrogen.

EPRI is funded by the utilities and maximizing efficiency is likely going to require a big change in the utility industry, said Robert Ayres, an emeritus professor at the European Institute of Business Administration. "The biggest improvement that can be made in principle will require some major changes in the way utilities operate. In fact, it will probably require some major deregulation," said Ayres.

Energy service firms that make money on efficiency rather than supplying more energy are particularly well suited to meeting these goals, he added.

[Comments]

Get the only **worldwide daily journal** of the **modern utility industry.**

Smart Grid Today features independent, unbiased reporting on the smart grid industry, including federal and state grants and regulations; the evolution of legal issues; technology and service breakthroughs, bells, whistles and lemons; the twists, turns, foibles and slam-dunks of technology firms and service providers plus who's teaming with who and why and much more -- delivered conveniently to your email inbox each business day.



**DON'T MISS OUT** on a single day of the deepest reporting on the smart grid you can find anywhere. Visit [www.smartgridtoday.com/Introductory-offer](http://www.smartgridtoday.com/Introductory-offer) to subscribe now!



## Salazar OKs Cape Wind after 9-year fight

*From page two*

weigh in favor of approving the Cape Wind project at the Horseshoe Shoal location,” said Salazar.

The facility would occupy 25 square miles of Nantucket Sound and generate a maximum electric output of 468 mw with an average expected output of 182 mw. The Cape Wind project could produce enough power for 200,000 Massachusetts homes.

The project includes a 66.5 miles submarine transmission cable system, an electric service platform and two 115 kv lines connecting to the ISO New England grid.

Cape Wind is not the only proposed offshore wind farm, with others off the Atlantic coast alone proposed to tap some of the 1 million mw potential resource.

The Minerals Management Service cut the number of turbines from the

originally proposed 170 to 130 to lessen visibility to historic landmarks around the site such as the Kennedy Compound National Historic Landmark. The project is 5.2 miles away from the mainland shoreline, nine miles from Martha’s Vineyard and 13.8 miles from Nantucket.

The American Wind Energy Assn applauded Salazar’s decision to approve the wind farm.

“Such forward-thinking decisions are necessary for the US to realize the many environmental and economic benefits of offshore wind,” said AWEA CEO Denise Bode. “The US offshore wind industry will build on the success and the lessons learned from the nearly twenty years of experience in Europe to provide clean, pollution-free, electricity along the coasts and in the Great Lakes.”

[\[Comments\]](#)

### Take advantage of *Restructuring Today’s* subscriber-only online tools

Did you know that your subscription to *Restructuring Today* includes complete access to our subscriber-only online tools including an archive with thousands of searchable articles and downloadable PDF issues, a private

discussion forum, discounts on past audio conference recordings and more?

Visit [www.restructuringtoday.com/login](http://www.restructuringtoday.com/login) to see for yourself. Don’t know your password? No problem. Simply use the lost password’ form on the login page.

## New meter reads itself, delivers electronic bill to customer

Much of the conversation at the closing technical workshop at NEMs “Renaissance in Energy Markets” conference yesterday was about security -- an issue surrounding smart grid implementation, but also being raised was a new type of metering that would be good for both the smart grid and marketers.

“Something no one really talks about is subscriber-side billing,” said Robert Block, a partner at Sunrgi and the man who helped create the new meter.

“Everything is secure inside the meter and a microprocessor can calculate the bill -- and you can download directly from the meter to a display such as a television or other monitor or to the internet,” Block told us yesterday. “Electronic billing is very efficient and the customer could get used to an electronic bill.”

The customer could then send the information to the local utility, cutting the incumbent utility’s costs of doing business.

In essence, the meter reads itself and would bypass many of the security issues raised by stakeholders.

The device could help marketers as the consumer would have ready access to their own use information thus helping them shop the market.

“We would love to see that type of meter on the market,” NEM President Craig Goodman told us yesterday. “Unfortunately, it’s not something the utilities would let happen because they consider all of that information proprietary.”

The meter also could be upgraded remotely, something else Block believes is important to having a smart grid that could withstand the test of time -- and innovation. “It would be enormously beneficial to the independent marketers ... It’s practical and possible today,” added Block.

[\[Comments\]](#)

## As some power markets start thriving, focus turns to POR for gas

Natural gas markets -- particularly the mass market -- in Pennsylvania, Illinois and other state’s may soon get a boost. “Our numbers are continuing to rise,” said Erin O’Connell Diaz, a commissioner with the Illinois Commerce Commission. “On the commercial side, we have enjoyed a very robust marketplace and on the residential side we have seen some growth but we are looking to having those numbers grow more.”

Purchase of receivables (POR) seemed the theme-of-the-week at NEMs Annual conference, this year titled “Renaissance in Energy Markets.”

Illinois did see some movement on a bill to bring POR to residential power customers but lawmakers did not agree -- at the time -- with natural gas POR program.

That should not deter marketers, O’Connell Diaz said, but they should focus on first things first. “There are legislators that understand this, so if you have an interest in purchase of receivables for gas, you need to reach out to them,” she added. “My understanding is there’s still a bill there [that] there’s nothing going on with right now. The opportunity is there, the question is whether you will move that ball forward.”

In Pennsylvania, where the power market has had a lion’s share of the attention in recent months due to the expiration of rate caps in PPL’s territory and the end of

### Do you share *Restructuring Today’s*

Unlike widely circulated newspapers, magazines and free online publications, *Restructuring Today* shuns paid advertising in order to maintain our editorial integrity. Without income from advertising, we depend almost solely upon subscription sales for revenue.

Each time *Restructuring Today* is

photocopied or forwarded by email, it compromises our ability to deliver the exceptional product you’ve come to expect. Since you may not be familiar with today’s copyright laws, we have compiled a list of what you legally can and can’t do with *Restructuring Today*.

Please visit [www.restructuringtoday.com/copyright](http://www.restructuringtoday.com/copyright) for details.

rate caps in the rest of the state at the end of this year -- the gas market may soon have good news.

"Were going to get working on the gas side," said Eric Matheson, energy advisor to PUC Chairman James Cawley. "We've been talking about what we can do to improve choice among mass market and small businesses. We've had some success, but we have a long way to go."

Regulators heard lots of feedback on POR but that hurdle may be about cleared. "We said, 'Listen, we're going to make you file a fully unbundled rate case,'" said

Matheson, "and sure enough there were only two of them that called our bluff. Five have filed ... no one really wants to deal with a fully unbundled rate case."

The filings came in throughout 2009 with Columbia Gas and National Fuel filing their respective POR programs in March, TW Phillips in April and PECO and UGI filed POR plans in November and December respectively.

"We should have that barrier largely handled here shortly," said Matheson, with a slight sigh.

[\[Comments\]](#)

### **Restructuring Today's private, subscriber-only**

**discussion forum** is the place where you can make valuable contacts and connections -- ask questions, seek opinions and offer advice -- with other utility industry professionals. To start a discussion, click the "comments" link at the end of a story or visit [www.restructuringtoday.com/forum](http://www.restructuringtoday.com/forum).

## **NEM smart grid panel touches on potential profits, pitfalls**

The smart grid holds a lot of promise for the power industry in general and energy marketers, but it is not without its pitfalls, NEM President Craig Goodman said in opening a panel on the subject at the group's 13th annual membership meeting yesterday.

The average consumer does not have any idea what dynamic pricing is and it would be disastrous for the first education to be when they open up a bill, he added.

Michigan PSC Chairman and Co-Chair of the FERC-NARUC Smart Grid

Collaborative Orjiakor Isiogu sees the smart grid as a potential game changer, hr reported. One of the major issues for energy marketers is making data more accessible to third parties, other than utilities and customers, so they can develop tools to tap its potential. He believes that idea has lots of promise but comes with problems from privacy advocates who do not want to see too much personal information brought to daylight. Any release of information to third parties will have to be handled with strong regulation.

Wal-Mart does not see its use of power as a privacy concern. It regularly hands out such data to energy marketers so they can come up with supply offers, said its Director of Markets & Compliance Chris Hendrix. The only privacy issue it has is others learning the price it pays for power.

The retail giant believes smart meters can let it take part in ancillary services markets that historically were the preserve of generators but lately have seen some storage participation.

Ancillary services could be offered from fuel cells at Wal-Mart stores or it could even be done by the firm's heating, ventilation and air conditioning systems.

A University of Maryland student recently came up with software to let Wal-Mart's HVAC system take part in ancillary services markets -- but that runs into the problem that in PJM, an entity can't provide both DR and ancillary services, said Hendrix.

[\[Comments\]](#)

### **4 stories in 90 seconds**

#### **Food producer makes**

**big World Energy buy:** United Natural Foods (UNF) bought over 25 million kwh of power for its distribution centers in Connecticut, Massachusetts, New Hampshire and Pennsylvania. The deal was made through a World Energy Solutions auction process. The online auctions tested various terms and energy mixes, attracting top suppliers in each respective state. Through the process, UNF was able to secure 25% green power for its Massachusetts and Connecticut facilities, expected to cut CO2 emissions by about 2,500 metric tons.

#### **Gas futures nudged**

**down Tuesday:** May natural gas futures accelerated losses into the settle, ending the Tuesday session down on fundamental weakness, analyst Jackson Mueller reported. The front month lost 4.6¢ to close at \$4.216/mmbtu. The June contract, that is the front month as of today, dropped 2.2¢ to close at \$4.329/mmbtu Tuesday.

#### **Sempra Energy lawsuit**

**reaches settlement:** California Gov Arnold Schwarzenegger, the state's Attorney General Jerry Brown and the PUC approved a \$400 million settlement with Sempra Energy resolving litigation from the state's energy crisis, the authorities said yesterday. Thus far Schwarzenegger's administration approved \$3.2 billion in settlements with various energy firms stemming from the crisis. This one concerned Sempra's generation and energy trading shop, not its Sand Diego Gas & Electric or Southern California Gas utilities. The firm has paid \$700 million in total due to the energy crisis.

#### **Bishop Energy Services**

**to sell gas in Michigan:** The Michigan PSC approved a natural gas marketing license to Bishop Energy Services.

[\[Comments\]](#)

**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](mailto:news@restructuringtoday.com).

**Abbreviations:** To see a glossary of *Restructuring Today's* abbreviations, go to [www.restructuringtoday.com/glossary](http://www.restructuringtoday.com/glossary).

**Restructuring Today** (ISSN 1522-7324) is published 247 times a year on business days by **GHI LLC** at 4908 Hornbeam Drive, Rockville, MD 20853-1475 USA, 800-486-8201 or +1-202-351-6880 by phone, +1-202-298-8210 by fax. Standard rate of a one-year subscription is \$687 in US funds (plus 5.75% sales tax in the District of Columbia). Significant discounts for bulk and corporate subscriptions are available, some that allow you to put our copyright-protected issues on your password-protected internal intranet site for others to see. George Spencer, publisher; Sam Spencer, editor; Season Crawford, marketing and customer service director.

[support@restructuringtoday.com](mailto:support@restructuringtoday.com)

[www.restructuringtoday.com](http://www.restructuringtoday.com)