

Monday, March 18, 2013

## ISO-NE filing on FERC FCM changes made, rehearing requested

ISO-NE made its compliance filing last week on FERC's recent order on changes to its forward capacity market (FCM) (RT, [Feb-14](#)) as public power agencies and co-ops filed two requests for rehearing.

FERC accepted most of the new rules for the FCM, which were largely mandated by the commission itself in an earlier order, but it rejected the ISO's proposed duration of buyer-side, market-power mitigation and asked for at least more information on the proposal to keep modeling four transmission zones rather than eight in the next auction.

ISO-NE originally proposed cutting the capital cost used to calculate a new resource's mitigated bid by the depreciation accumulated during the years in which it had been in operation -- if a power plant got built before a capacity auction. FERC rejected that, noting that in NYISO it recently said that offer floors should continue to reflect the cost of new entry, not the depreciated costs of an existing power plant.

To comply with that, the ISO proposed to treat such power plants as it does new ones -- letting them seek a unit-specific mitigated bid to take into account capital costs, discount rates, depreciation and tax treatment with the market monitor ensuring it is consistent with overall market conditions.

As for cutting back on the number of

zones, the ISO filed detailed information on the transmission lines that are already online or will be online by the 2017-2018 capacity delivery year that it believes make eight zones unneeded. The lines will cut congestion to the point that making eight zones would lead to inefficiencies, the ISO added.

A petition for rehearing came from a group arguing that their self-supply business model should get an exemption from the ISO's minimum offer price rule (MOPR). The petition came from APPA, NRECA, Massachusetts Municipal Wholesale Electric, New Hampshire Electric Cooperative and the Northeast Public Power Assn.

Another group of public power agencies from Massachusetts filed for rehearing on similar grounds. They

argued that the rule was illegal and that FERC has no jurisdiction to limit, on economic grounds, the right of consumer-owned entities to rely on new, technically qualified, self-supplied resources to meet their capacity obligations.

Consumer-owned entities' decisions about which capacity resources to use in fulfilling their obligations, and the price-taking self-supply offers used to make those decisions, reflect their qualitative preferences and cost-benefit choices. The Federal Power Act gives FERC the authority over the rates, terms and conditions of wholesale sales, but not over decisions about which resources to buy, said APPA et al.

Public power is outside of FERC's rate jurisdiction authority from the Federal

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## NEM makes case for proposal on New Jersey POR program

New Jersey's utilities and ratepayer advocate do not want to see purchase of receivables (POR) programs changed the way the Board of Public Utilities staff does, but the National Energy Marketers Assn (NEM) said Friday that its proposal would solve the problems they raised.

NEM appreciated the improvements staff was proposing, but argued the POR program would be better served by eliminating recourse -- which would have retailers responsible for bad debt -- and forced dual billing (RT, [Mar-12](#)).

The utilities and the Division of Rate Counsel had issues with the proposal for very different reasons, but they both argued that staff's proposed changes extending the program to more customers

would boost uncollectible expense and risk to the utility.

Utilities only pay suppliers a discounted portion of what their customers in arrears owe them, which compensates utilities for un-collectibles and the prudent and verifiable incremental costs of running the program, said NEM.

The utility faces no added risk and its uncollectible experience should be no different under a POR program. The utility is still serving the same universe of customers under a POR program and consumers' payment statuses do not become worse by choosing a competitive supplier.

Shopping may let customers control their bills and be in a better position to

pay them, NEM noted.

Providing customers with more choices does not turn them into bad debt or credit-challenged customers, but NEM argued that a retailer that cannot turn off their lights is less likely to be paid than a utility that can.

Utilities raised concerns about the costs of staff's proposal to drop customers to dual billing after 120 days, require monthly arrearage reports and 45-days notice of intent to drop a customer. NEM argued that those concerns would be negated by its proposal to use existing utility billing and collection infrastructure that was already been paid for through delivery rates.

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