

Tuesday, April 16, 2013

Ohio PUC asks FERC to OK retailer compensation plan AEP uses

The PUC of Ohio asked FERC yesterday to approve the charge it already approved for AEP to get compensation for retailers on its capacity purchases under PJM's fixed resource requirement. The state commission let the utility recover \$188.88/MW-day for its capacity but it only charged retailers PJM's capacity price, with the rest being paid by non-shopping customers (RT, [Aug-9](#)).

PJM and AEP asked FERC to confirm the state compensation mechanism as fully consistent with its regulations in a filing late last month.

AEP also asked FERC to accept a wholesale component of the Ohio state compensation mechanism, which would defuse any ambiguity on FERC's authority over wholesale charges that are initially set as part of a state compensation mechanism.

PJM's tariff says state compensation mechanisms will prevail when a utility is using the fixed resource requirement (FRR) to meet its capacity obligation. The FRR lets utilities keep up their traditional, cost-based planning in the largely deregulated footprint of PJM.

Ohio has retail competition so retailers in AEP's territory have to buy capacity from the utility when using the FRR alternative.

AEP tried to get FERC to set up a compensation mechanism for retailers in 2010 but the federal regulator said no and

noted PJM's tariff specifically says state regulators can set the charge.

The Ohio PUC argued that it had already analyzed the compensation mechanism so that all FERC needed to do was approve it. If FERC approves the

compensation mechanism it will have PJM's resource-adequacy system work exactly as intended, said the state regulator.

The wholesale component should also be approved since it would greatly clarify

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PJM, Primary Power continue to argue over transmission project

PJM and Primary Power squared off at FERC over the latter's claim that the RTO submitted new "evidence" calling into question its decision to approve two incumbents' projects over the independent developer's transmission project.

FERC found that PJM was correct to approve the incumbents' projects over Primary Power's static VAR compensators because they could do it more cheaply, using their existing infrastructure near where the developer was proposing the infrastructure (RT, [Jul-20](#)). That order is still pending rehearing.

Primary Power made a filing arguing that a PJM answer to a protest in its Order 1000 compliance docket showed that it is not the RTO's role to make transmission decisions based on cost.

PJM shot back yesterday, arguing that the Order 1000 compliance process is a completely separate case and anyway, does not prove the point Primary Power was trying to make.

The RTO was saying it was not its own role to decide whether the costs of a particular transmission plan were just and reasonable. It was FERC's role, it noted. But it is PJM's place to plan a robust transmission system and to pick the most "cost effective or efficient projects to achieve that goal."

That does not mean that the cheapest solution is always the more cost effective or efficient one, PJM added. Cost estimates are one factor that have to be weighed among many when transmission plans are being drawn up.

[\[Comments\]](#)

NEM weighs in on Pennsylvania PUC licensing practices proposal

The National Energy Marketers Assn (NEM) told the Pennsylvania PUC yesterday that it should change its licensing practices in the state's retail gas market. The PUC issued a proposed rule to license aggregators, brokers and consultants who currently do not have to get approval from

the commission to do business in the commonwealth (RT, [Mar-1](#)).

Those entities are exempt because initially the commission thought such firms would only work for retailers who in turn would be responsible for them. NEM believes firms that do exclusively

work for retailers should continue to be exempt from the commission's licensing requirements.

For firms without a contractual relationship with a gas retailer, NEM said, the PUC should look at whether the exemption from licensing for energy consultants continues to be warranted and consistent with the public interest.

But NEM is not necessarily opposed to the licensing of aggregators, brokers, consultants and firms that perform marketing activities for multiple retailers.

Any new licensing process should be tailored to the activities that the firms in question perform and the relative technical fitness and financial expertise required to perform their different roles. New requirements should be imposed only after

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a showing that it is needed to protect the public interest and should adopt a “light-handed approach,” said NEM.

The association suggested the proposed definitions of broker and consultant be changed to make them line up with industry practice. The PUC should make clear that a broker acts “on behalf of” retailers -- a common industry practice.

The PUC would include consultants under brokers but NEM argued that they should have their own definition and rules. Consultants act on behalf of consumers as an agent or intermediary with retailers for the sale of natural gas, but do not take title to the gas supply, said NEM.

It also stressed the sense in calling “non-selling marketers” who perform marketing services for multiple retailers something like “marketing services providers” or “sales channel partners.” Either term would better identify what those firms actually do, the filing said.

[\[Comments\]](#)

2 stories in 30 seconds

Gas futures lose

Friday’s big gains: NYMEX May natural gas futures yesterday backed off the high they hit a session earlier, analyst Jackson Mueller reported. The contract dropped 8.5¢ to close at \$4.137/MMBTU, giving up all of Friday’s gains -- when they hit a price not seen in over a year and a half. Gas futures are still supported by tightening storage stocks and lingering cold in the central US, but Mueller noted that spring weather will be spreading to more of the country and that means less demand.

Direct Energy reveals

charity-deal results: Direct Energy is donating \$7,433.10 to the charity Pittsburgh Promise after over 1,000 families enrolled in its services, the firm said yesterday. The retailer offered to give the charity a portion of the earnings it got when customers signed up with it under a special program that also offered a potential 20% discount off power bills. The rate was available to all employees and students’ families of the Pittsburgh Public Schools.

[\[Comments\]](#)

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and simplify a complicated situation, while also avoiding an entirely artificial dispute between the jurisdictions, said the PUC.

If FERC approves the tariff, it will avoid the need for the Supreme Court of Ohio to rule on the meaning of PJM’s tariff and further will avoid arguments claiming the issue is the source of some jurisdictional dispute between the two regulatory agencies, said the PUC.

The filing did not win universal praise, however, with the Industrial Energy Users

of Ohio (IEU) arguing that it amounted to forum shopping by the utility to get the most money. The industrial customer lobby noted that AEP only forced the issue of capacity compensation when it started losing business to retailers who were able to offer cheaper power.

IEU appealed the Ohio commission’s ruling to the Supreme Court and now the utility is “scrambling before this commission to find a way to legitimize what the Ohio commission has done,” said the lobby.

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