

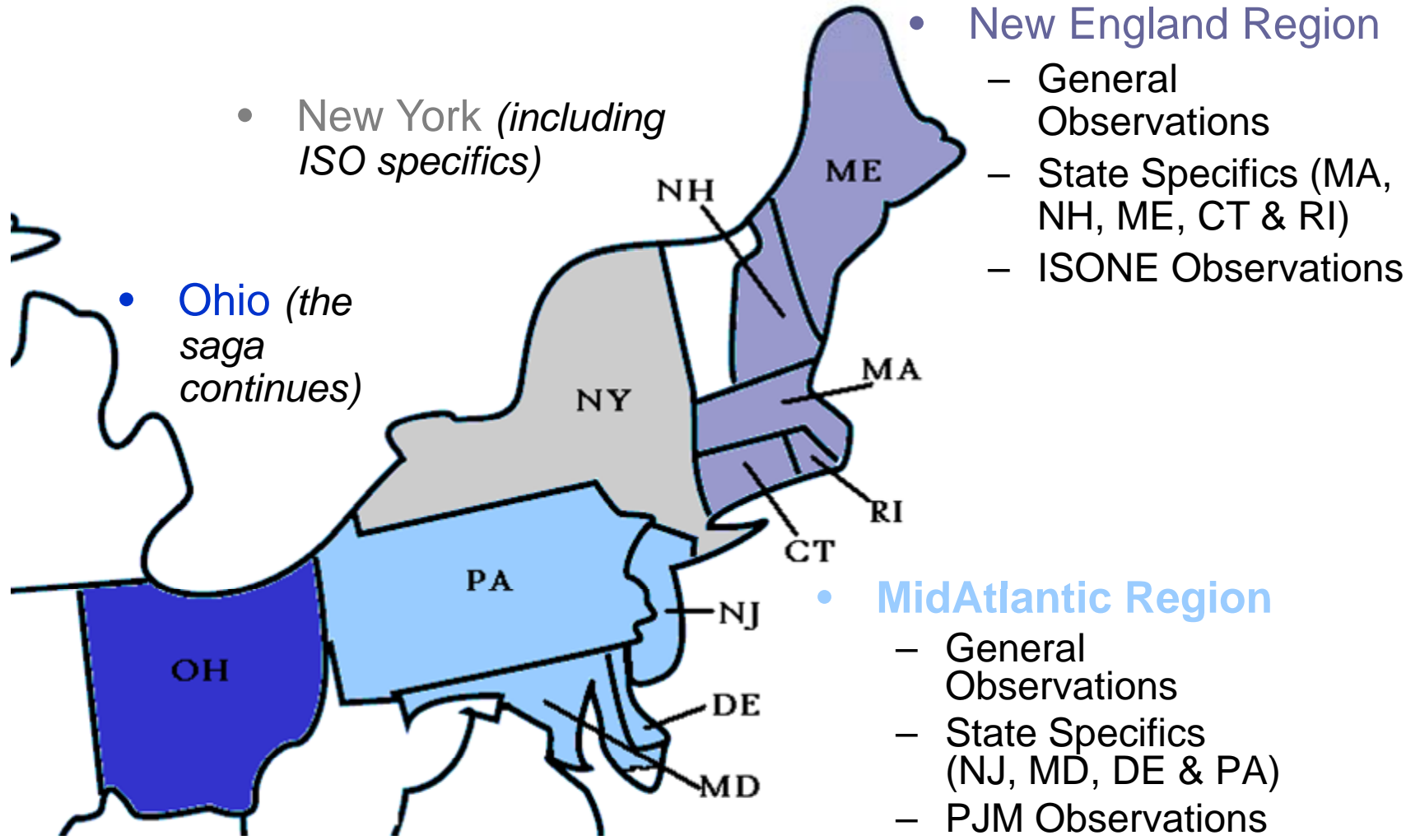
# Deregulated Markets Alert: A Regional Look at the Opportunities and Pitfalls

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# Agenda



## General Observations in the MidAtlantic States of NJ, MD, DE and PA

- Consider themselves leaders in the advocacy of RPS market standards.
- While these states are generally inclined towards the support of retail markets, there is a significant lack of standardization regarding:
  - Timeliness in the release of price-to-beat resets
  - The existence of and the use of “retail adder” monies (*see table*)
  - The ability to obtain basic information such as usage histories for customer accounts (*see table*)
  - The “price to compare” on utility invoices is not applied in a consistent manner

# MidAtlantic (FP thresholds and Retail Adder Applicability)

State	FP Eligibility from utility	Retail adder
NJ	< 1,000 kW	yes
MD (BGE)	< 550 kW	no
MD (other)	< 600 kW	no
DE	< 300 kW	no
PA (DQE)	< 300 kW	yes
PA (PP)	< 500 kW	yes
PA (PECO)	n/a as yet	n/a as yet
PA (PP&L)	n/a as yet	n/a as yet

# MidAtlantic – “EDI may be the standard, but . . . .”

EDC	State	# of Digits	Enrollment Window (Days)	Drop Window (Days)	Consolidated Bill (Rate Ready v.s. Bill Ready)	810 Bill Window (Hours)	810 Cancel Required	810 Cancel Reference Number	Buy Receivables	Notification of Non-Payment	Pre-Enrollment Monthly HU via EDI	Charge for Monthly HU	Pre-Enrollment Interval HU (email v.s web)	Charge for Interval HU	Post-Enrollment Interval Data (EDI v.s web)	Monthly Meter Reading Start Date	Monthly Meter Reading End Date
PEPCO	DC	10	17	35	B	72	Y	Cancel	N	N	Y	N	Web	N	EDI	<b>BOTH</b>	<b>BOTH</b>
DPL	DE	12	15	15	B	48	Y	Cancel	N	excel file on web	Y	N	Web	N	EDI	Both	Both
POTED	MD	14	15	35	B&R	72			N	820	Y	N	Email	N	EDI	Inclusive	Exclusive
BGE	MD	10	15	35	B	72	Y	Cancel	N	820	N	Y	Web	N	Web	Inclusive	Exclusive
DPL	MD	12	15	35	B	48	Y	Cancel	N	excel file on web	Y	N	Web	N	EDI	Both	Both
PEPCO	MD	10	15	35	B	72	Y	Cancel	N	N	Y	N	Web	N	EDI	<b>BOTH</b>	<b>BOTH</b>
AECO	NJ	12	20	15	B	48	Y	Cancel	Y	excel file on web	Y	N	Web	\$150/\$40	EDI	Both	Both
JCPL	NJ	20	20	15	B	72	Y	Original	Y	568	Y	N	Email	\$40	EDI	Inclusive	Inclusive
PSEG	NJ	10	20	15	B	48	Y		Y	820	Y	N	Email	\$40	EDI	Inclusive	Both
DQE	PA	13	16	16	R	N/A	N/A	N/A	Y	N	Y	N	Email	N/\$60	EDI	Inclusive	Inclusive
PECO	PA	12, 15	16		B	58	N	N/A	Y	568	Y	N	Web		EDI		Exclusive
PENPOWER	PA	12	16	15	B&R	3	N	N/A	Y		Y	N	Email	\$37.50/\$120	EDI	Inclusive	Exclusive

# MidAtlantic – Price to compare on the utility invoice

## PSE&G Electric

Usage	Meter 778013354
<b>Reading Jan 30</b>	
Actual On-Peak	9657
Actual Off-Peak1	2173
Actual Off-Peak2	12289
<b>Reading Dec 7</b>	
Actual On-Peak	8991
Actual Off-Peak1	2031
Actual Off-Peak2	11495
Multiplier	80
On-peak kWh	53280
Off-peak kWh	74880
<b>Total kWh</b>	<b>128160</b>
<b>Distribution Demands</b>	
Annual Demand kW	206.40

## Charges

Rate - LPLS

### Delivery

Service charge		\$657.40
Distribution charges		<del>414.52</del>
Annual Demand	206.40 kW @ \$5.698207364	1,176.11
kWh - On-peak	53280 kWh @ \$0.004516329	240.63
kWh - Off-peak	74880 kWh @ \$0.004516293	338.18
Societal Benefits	128160 kWh @ \$0.007491416	960.10
Securitization Transition	128160 kWh @ \$0.010191245	1,306.11
<b>Sub-Total Delivery</b>		<b>\$4,678.53</b>

### Total electric charges

**\$4,678.53**

*\*You are currently purchasing your electric supply from another supplier. If you had been purchasing your electric supply from PSE&G, you would have been billed \$11,544.86 for this supply. This is your Price to Compare, which varies each month depending upon your usage pattern.*

# MidAtlantic – New Jersey

- BPU considering lowering the threshold for FP eligibility to something less than 1,000 kW (good?).
- BPU considering changing the rolling 3 year average methodology because of the current low forward curve for energy (bad?).

# MidAtlantic – Maryland

- PSC is concerned about a potential capacity shortfall in 2012/13 timeframe and is looking in general to increase generation capabilities of the state.
  - Not entirely comfortable with PJM's RPM capacity costing methodology
  - Not entirely satisfied with PJM's DR programs
  - Not feeling secure with PJM's modeling of the capabilities of the TrAIL (June11) and the PATH (June13) transmission projects.
- PSC ordered a subsidy to diminish FP increases for certain customer classes with non-bypassable charges for other classes.
- Several Bills currently under consideration to close the retail market.

# MidAtlantic – Delaware

- No explicit retail adder.
- About 66% of all C&I are shopping but only about 25% of small commercial customers are currently shopping (good?).
- In 2006 the DE PSC ordered DPL to file a 10 year IRP and update that every two years. In that IRP the PSC ordered DPL to examine long term contracts and building or purchasing generation (bad?).
- Fairly complex SOS rates.

# MidAtlantic – Pennsylvania

- Utilities are going about customer choice in significantly different ways and timelines.
  - Two utilities (DQE & PP) currently enable retail choice options while PP&L is looking at 2010 and PECO is looking to 2011 to allow competitive options.
  - Most of PA is in PJM, while western PA is in MISO.
  - Need clarification that when customers who are exempt from SUT they are not exempt from GRT.

# MidAtlantic – PJM Specifics

- PJM considers itself a leader among the nations ISO's in terms of market innovations and forward thinking concepts.
  - Market based ancillaries and hourly markets
  - Marginal losses
  - ILR's
  - RPM capacity costing methodology
- PJM is good at:
  - Market liquidity (energy, capacity, ancillaries)
  - We appreciate the *account level* PLC's for capacity and transmission costing.

# MidAtlantic – PJM Specifics

- Potential improvements for PJM:
  - Very pro-generation in their outlook, retail does not feel that they have a strong enough voice at the table (*this is not just a PJM specific ISO concern*).
  - Jury is still out on whether or not the RPM methodology is going to produce the results intended.
  - Would like to see assistance from PJM in the development of a forward market for ancillaries.

# General Observations in the New England States of MA, NH, ME, CT and RI

- Most of the utilities affiliated with the ISONE are generally supportive of the retail electric market with adequate switching rules and market based standard offers.

## Obstacles to retail competition

- RPS standards differ significantly in each state which diminishes RPS market liquidity. (*see table*)
- Lack of POR programs in most utilities (*EXC: CL&P*).
- Inconsistency in methods to obtain usage history for customers (*see table*).
- Inconsistency in SOS/LRS rules and reset periods (*see table*).

# New England – RPS Differences

	Maine		New Hampshire				RI		Mass			CT		
	CI. 1	CI. 2	CI. 1	CI. 2	CI. 3	CI. 4	Existing	New	CI. 1	CI. 2	APS	CI. 1	CI. 2	CI. 3
2009 Obligation based upon % of load served in State	2%	30%	0.50%	0%	4.50%	1%	2%	2%	4%	3.60%	0.75%	6%	3%	3%
Commercial Operation Date	After Sept 1, 2005	N.A.	After Jan 1, 2006	After Jan 1, 2006	Before Jan 1, 2006	Before Jan 1, 2006	Before Dec 31, 1997	After Dec 31, 1997	On or after Dec 31, 1997	On or before Dec 31, 1997	On or after Jan 1, 2008			On or after 1/1/06
Applicable technology	Fuel Cell, tidal, solar, wind, geothermal, biomass, landfill gas	Nameplate rating not exceeding 100 MW with the following technologies: Fuel Cell, tidal, solar, wind, geothermal, biomass, landfill gas and efficient resources	Wind, Geothermal, Hydrogen, Ocean, Methane Gas, Biomass	Solar	Biomass with nameplate rating of less than 25 MW, Methane Gas	Hydro with nameplate not exceeding 5 MW	Solar, Wind, Ocean, geothermal, hydro, biomass fuel cell,	Solar, Wind, Ocean, geothermal, hydro, biomass fuel cell,	Solar, Wind, Ocean Fuel Cell, Hydro, Biomass, Geothermal	Gasification, CHP, Flywheel, Paper Derived Fuel	Solar, Wind, Ocean, Landfill, Hydro less than 5 MW, Low Emission Biomass, Geothermal	Solar, Wind, landfill gas, fuel cell, low emission biomass, ROR Hydro (after July 1, 2003), Ocean	Trash to Energy, ROR Hydro before July 1, 2003 and biomass before July 1, 1998	CHP

# New England – Usage History Protocols

State	Electric Utility	Approx. % Load in State	Interval Data Method	Monthly Usage Method	ICAP Tag Method
MA	NGrid	46%	Email	SS/EDI	SS/EDI
MA	NStar	44%	Website	SS/EDI	SS/EDI
MA	NEU (WMECo)	9%	Email	SS/EDI	SS/EDI
MA	Unitil - FG&E	1%	Email	SS/EDI	Email
NH	NEU (PSNH)	80%	Email	SS/EDI	Can't get until we serve!
NH	NGrid	8%	Email	SS/EDI	SS/EDI
NH	Unitil - NH	8%	Email	SS/EDI	Email
ME	CMP	97%	Email	SS/EDI	Email
ME	BHE	2%	Email	Email	Email
CT	NEU (CL&P)	80%	Email	SS/EDI	SS/EDI
CT	UI	20%	Email	SS/EDI	Special Form via email
RI	NGrid	100%	Email	SS/EDI	SS/EDI

# New England – Price to Beat Differences

State	Electric Utility	Approx. % Load in State	Price to Beat Reset	Size Class Affected
MA	NGrid	46%	Small 6M, Large 3M	Lrg. > 200kW
MA	NStar	44%	Small 6M, Large 3M	Lrg. > 200kW
MA	NEU (WMECo)	9%	Small 6M, Large 3M	Lrg. > 350 kW
MA	Unitil - FG&E	1%	Small 6M, Large 3M	Lrg. > 120k kWh
NH	NEU (PSNH)	80%	6M	all
NH	NGrid	8%	Small 6M, Large 3M	Lrg. > 20 kW
NH	Unitil - NH	8%	Small 6M, Large 3M	Lrg. > 200 kW
ME	CMP	97%	Small 12M, Med./Lrg. 6M	Med. > 20 kW, Lrg > 400 kW
ME	BHE	2%	Small 12M, Med./Lrg. 6M	Med. > 25 kW, Lrg > 500 kW
CT	NEU (CL&P)	80%	3M-LRS, 6M-SOS	SOS < 500 kW, LRS > 500 kW
CT	UI	20%	3M-LRS, 6M-SOS	SOS < 500 kW, LRS > 500 kW
RI	NGrid	100%	LRS 6M	all

# New England – Massachusetts

- Mature market functioning well.
- Continues to emphasize Green energy alternatives most recently through the “Green Communities Act”.

# New England – New Hampshire

- PSC retains a hands-off approach regarding regulatory oversight
- The dominant position of NEU (PSNH) is a concern.

# New England – Maine

- Ongoing debate between MPSC/BHE/CMP and ISONE regarding:
  - Maine Power Connection from S. ME (ISONE) and N. ME (New Brunswick)
  - Continued membership of BHE/CMP in ISONE is also on the table
- How these disputes turn out, could affect retail choice customers significantly.

# New England – Connecticut

- Effectively opened to retail choice in 2008.
- CL&P has installed new billing software which is making it difficult to bill the customers we serve in CT.
- DPUC has several dockets and investigative initiatives which may be invisible to our end-use customers, but which are burdensome and costly to LSEs.
- CT legislature is considering re-regulating service for customers less than 500kW.

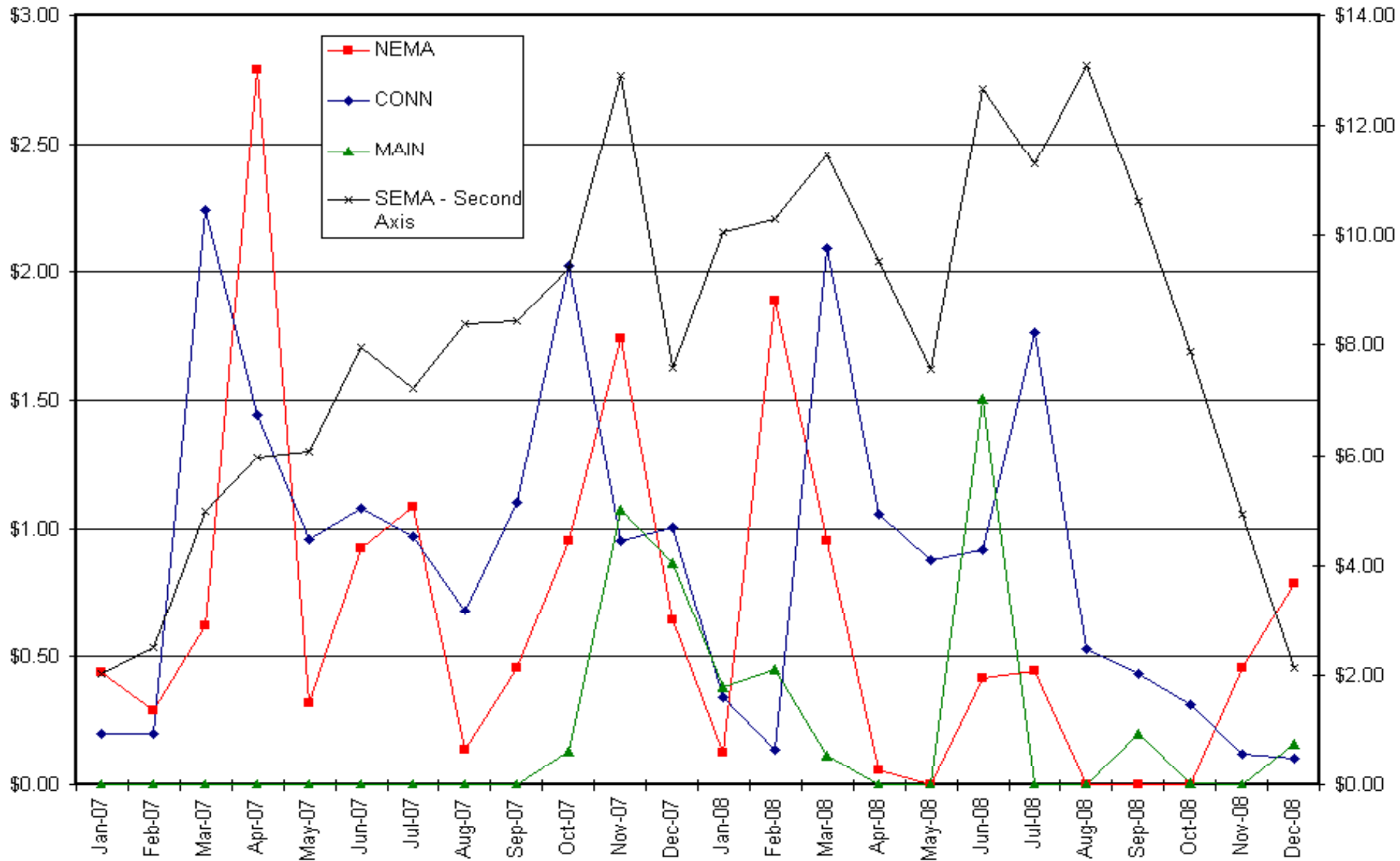
# New England – Rhode Island

- Relatively speaking, a pretty quiet state regulatory wise.
- Not much shopping to date.
- Top concerns of RI regulators seem to be:
  - Green initiatives
  - Job creation from Renewable Energy Fund

# New England – ISONE Specifics

- New capacity auction rates take effect in June 10.
  - ICAP to UCAP conversion rates will be better known.
  - Longer term knowledge of capacity rates through May-12 presently.
- Allocation of Local Second Contingency Protection Resource charges (*see graph*).
- Would like the ability to hedge LFR and RMR charges as well.

# LSCPR Charges (\$/MWh)



# New York

## Obstacles to retail competition

- Increased NYISO credit requirements

## Enhancements to retail competition

- Lower thresholds for Mandatory Hourly Pricing  
(see table)
- Energy Efficiency Portfolio Standards
- Capacity Charges in Zone J
- UBP Changes
  - Improved standards regarding ESCO employee training & Marketing practices
  - Inclusion of “Schumer Box” on contracts
    - Pricing, Fees, etc.
    - Terms and Conditions
  - NY PSC has significant enforcement authority

# New York (*decreasing thresholds for MHP*)

Utility	Previous	New	2010
NGRID	> 2,000 kW	> 500 kW	-
ConEd	> 1,500 kW	> 1,000 kW	> 500 kW
NYSEG/RGE	> 500 kW	> 400 kW	> 300 kW

# New York (continued)

## Trends in the retail marketplace

- Increase in customer knowledge and product sophistication
  - Capacity
  - UFE
  - Cost component discernment
  - Move away from utility “savings”
- Decrease in Retail Access Charges
- Increased interest in Green energy
- Increase in 3<sup>rd</sup> party broker sales channels

# Ohio – Obstacles to Retail Competition

- Prices to beat in nearly all utility rate classes are not reflective of market prices.
- Most customers are unfairly saddled with non-bypassable riders/fuel surcharges which discourage or even preclude retail competition.
  - AEP's POLR Rider
  - DP&L's RSS Rider
  - FE's Uncollectible Generation Rider
  - FE's Fuel Deferral and Transmission Rider
  - FE's Generation Reconciliation Rider
  - Duke's SRT/SRA credit (avoidable if)
- The confusion caused by all of the political and regulatory wrangling.
- The complex tariff structures of the various utilities concerning customer shopping options/rules.

# Ohio (Continued)

- Other Concerns

- Pending order in AEP's SOS case pertaining to the ability of customers to participate in PJM's DR programs with a 3<sup>rd</sup> party supplier.
- RPS standards (lack of clarity)

- Opportunities?

- SOS Rate auction in FE for June09-May11.
- Some limited opportunity for shopping exists in Duke's service territory.