

Megawatt Daily

Tuesday, July 7, 2009

Report finds competition doing well in Illinois

Electric competition is alive and well in Illinois as evidenced by a new report, says a competition advocate and former Illinois Commerce Commission chairman who hopes the largely positive picture will douse any re-regulation desires by lawmakers.

While the state's choice law remains a work in progress, "It has been very successful to date, as competition has taken root," Kevin Wright, president of the newly formed Illinois Competitive Energy Association, asserted Monday. "It's been one of the more successful markets in the country."

According to the Illinois Office of Retail Market Development's latest annual report, released late last week, 19 alternative suppliers are active in the state. In varying configura-

(continued on page 9)

Moody's report warns over 'right-way' hedging

Merchant generators that consider turning to "alternatives sources of liquidity" could find their credit ratings under pressure, Moody's Investor Service warned in a report Monday.

"Shrinking credit capacity creates a challenging environment for most unregulated wholesale power issuers and numerous alternatives are being actively investigated to bolster liquidity sources," said Moody's Senior Vice President A.J. Sabatelle.

The alternative sources of liquidity include increasing the amount of cash through the sale of debt, reducing the amount of collateral requirements with end-use customers and implementing lien-based "right-way" hedging arrangements, the report said.

Under right-way hedging, companies pledge hard assets

(continued on page 9)

NStar issues RFP for default service supplies

Initial bids are due July 24 in response to a solicitation issued by NStar seeking default service power for its industrial customers during the fourth quarter.

Because Massachusetts is a restructured state, the solicitation does not specify how much power the utility will purchase; instead it requires that winners provide enough supply for any industrial customers who buy retail electricity from the utility rather than from a competitive supplier. NStar's industrial load is now about 330,000 MWh.

Contracts will run from October 1 through December 31 to supply industrial customers in the Boston area and southeastern Massachusetts. The utility plans to award the contracts by load zone. Each bid winner will be assigned a share of the NStar load and be

(continued on page 11)

Day-ahead markets for delivery Jul 7 (\$/MWh)

ERCOT	Index	Change	Range	Deals	Volume	Avg \$/Mo
On-peak						
ERCOT, North	35.36	-11.60	34.45-36.75	54	3,050	44.55
ERCOT, Houston	52.86	-17.14	51.00-55.00	7	350	80.76
ERCOT, West	34.50	-15.50	34.50-34.50	N.A.	N.A.	48.75
ERCOT, South	58.65	-20.82	52.00-64.00	18	1,000	94.45
Off-Peak						
ERCOT, North	22.51	-1.57	22.00-23.05	30	2,000	24.00
ERCOT, Houston	23.75	-1.67	23.75-23.75	N.A.	N.A.	25.45
ERCOT, West	23.00	-1.75	23.00-23.00	N.A.	N.A.	24.68
ERCOT, South	23.55	-1.77	23.50-23.75	7	400	25.41
Southeast						
On-peak						
VACAR	33.50	-3.00	33.50-33.50	N.A.	N.A.	34.50
Southern, into	32.90	-4.35	30.00-35.00	16	900	34.96
Florida	39.25	-2.00	39.25-39.25	N.A.	N.A.	40.70
TVA, into	32.00	-4.00	32.00-32.00	N.A.	N.A.	33.60
Entergy, into	27.25	-9.50	27.25-27.25	N.A.	N.A.	32.75
Off-Peak						
VACAR	20.00	-1.50	20.00-20.00	N.A.	N.A.	19.95
Southern, into	19.75	-2.25	19.75-19.75	N.A.	N.A.	20.45
Florida	23.00	-1.00	23.00-23.00	N.A.	N.A.	24.00
TVA, into	19.25	-1.75	19.25-19.25	N.A.	N.A.	19.75
Entergy, into	13.00	-2.25	13.00-13.00	N.A.	N.A.	14.35
West						
On-peak						
COB	23.86	-1.28	23.00-24.40	26	750	31.53
Mid-C	20.56	-2.88	19.50-22.25	200	5,725	29.21
Palo Verde	31.77	0.50	30.00-35.00	39	1,000	33.99
Mead	33.43	-0.07	33.00-33.75	6	150	36.64
Mona	37.00	1.00	37.00-37.00	N.A.	N.A.	37.20
Four Corners	33.31	0.17	31.00-34.50	6	150	35.67
NP15	28.50	-2.50	28.50-28.50	N.A.	N.A.	34.15
SP15	28.50	-1.75	28.50-28.50	N.A.	N.A.	32.75
Off-Peak						
COB	18.05	-4.95	18.00-18.25	12	350	24.76
Mid-C	15.90	-6.01	15.50-17.00	117	3,175	23.53
Palo Verde	18.27	-4.32	17.25-19.65	26	850	21.86
Mead	21.50	-3.25	21.50-21.50	N.A.	N.A.	24.77
Mona	21.00	-9.00	21.00-21.00	N.A.	N.A.	24.29
Four Corners	19.50	-5.25	19.50-19.50	N.A.	N.A.	22.64
NP15	20.50	-4.50	20.50-20.50	N.A.	N.A.	25.00
SP15	19.75	-3.75	19.75-19.75	N.A.	N.A.	23.61
Northeast						
On-peak						
Mass Hub	35.75	-1.25	35.75-35.75	N.A.	N.A.	36.40
N.Y. Zone-G	43.00	0.25	43.00-43.00	N.A.	N.A.	42.20
N.Y. Zone-J	54.00	3.00	54.00-54.00	N.A.	N.A.	50.25
N.Y. Zone-A	30.00	-2.00	30.00-30.00	N.A.	N.A.	28.65
Ontario*	27.50	-1.50	27.50-27.50	N.A.	N.A.	26.10
Off-Peak						
Mass Hub	25.50	-0.50	25.50-25.50	N.A.	N.A.	26.85
N.Y. Zone-G	26.00	1.75	26.00-26.00	N.A.	N.A.	26.45
N.Y. Zone-J	26.25	1.50	26.25-26.25	N.A.	N.A.	26.80
N.Y. Zone-A	22.25	1.00	22.25-22.25	N.A.	N.A.	22.70
Ontario*	10.00	1.00	10.00-10.00	N.A.	N.A.	10.40

(continued on page 2)

receipt of customary regulatory and other approvals or consents," New Jersey-based Covanta said.

"The failure to obtain certain approvals or consents may result in the removal of certain businesses from the transaction and a related price reduction."

Covanta said layoffs are not expected at the seven plants, which employ about 500 people in total. — *Staff Report*

CFTC taps House aide as legislative director

The Commodity Futures Trading Commission on Monday named House of Representatives staffer John Riley its director of legislative affairs.

Riley has worked for 18 years with the House Committee on Agriculture — which oversees the CFTC — most recently serving as its deputy chief of staff. Over his career, he participated in the creation of numerous futures-related laws, including the Futures Trading Practices Act of 1992, the Commodity Futures Modernization Act of 2000 and the CFTC Reauthorization Act of 2008, which was included as an amendment to the 2008 farm bill.

CFTC Chairman Gary Gensler said in a statement that Riley's "knowledge of Congress and the legislative process combined with his expertise in the regulation of derivatives will serve the commission well in the challenges that lie ahead."

Riley is the second congressional staffer appointed under Gensler's leadership to a major position within the commission. The agency last month named Dan Berkovitz, former general counsel to the Senate Permanent Subcommittee on Investigations, to serve as general counsel. — *Jessica Marron*

Competition thrives in Ill., report says... from page 1

tions, they are serving more than half of the electric load of Commonwealth Edison and Ameren Illinois, the state's two largest electric companies with a total of 5 million customers from Chicago to Cairo.

As of May 31, 53.1% of ComEd's electric usage was provided by marketers, including 64% of medium commercial and industrial customers. For Ameren Illinois, parent company of AmerenIP, AmerenCILCO and AmerenCIPS, marketers served 55.4% of the load, including 52% of medium commercial and industrial customers and a whopping 71% of large industrials.

David Fein, vice president of energy policy at Constellation Energy, agreed that Illinois has developed a fairly robust retail market. The state's manufacturing and industrial customers used to threaten to move their facilities across the northern border into Wisconsin when Illinois rates were above the national average. Now, however, "the situation has flipped," with utility rates in Illinois below the national average and large customers seeing the benefits of competition, he said.

But competition still faces challenges in the Land of Lincoln. For one thing, residential customers are still left out in the cold.

Except for a limited pilot program undertaken by BlueStar Energy Services in ComEd's service territory, Torsten Clausen, the

retail market development office director who authored the report, said no other marketer currently is offering retail electric service to residential customers.

Wright, whose trade group was formed earlier this year and presently includes Constellation NewEnergy, Direct Energy Services, Integrys Energy Services, MC2 Energy Services and Midwest Generation, predicted that situation will change soon.

The retail development office, he noted, has been working with stakeholders to bring about market improvements the General Assembly has mandated through utility consolidated billing and purchase of receivable requirements for ComEd and Ameren Illinois.

"With the introduction of such programs, competition to provide electric supply for residential and small commercial customers could potentially emerge in Ameren's service territory near the end of this year," Wright said. "ComEd residential and small commercial customers are expected to see such programs available in early 2011."

Wright surmised that BlueStar and/or Direct may be the first to serve Ameren Illinois residential customers. "I think there would be a number of suppliers interested in serving ComEd residential as well," he added.

Clausen's report pointed out that the Legislature last month passed a municipal aggregation bill (H.B. 0722) and sent it to Governor Pat Quinn. Fein hopes Quinn, a Democrat and former lieutenant governor who replaced Rod Blagojevich earlier this year after Blagojevich was impeached and removed from office, will sign the measure so that retail marketers could supply munis and bring competition to residential customers.

Municipal aggregation had not taken off under previous rules in Illinois, and while "there are a number of hoops that a municipality must to through before it gets off the ground," Fein remains hopeful.

Wright also is hopeful that competition detractors will see the light after perusing the latest report. He conceded, though, that "suppliers have not done a good enough job in showing the benefits of competition," especially to legislators.

Earlier this year, powerful House Speaker Michael Madigan, a Chicago Democrat, authored a joint resolution that sets the stage, probably in 2010, to possibly re-regulate all or part of the state's electric industry.

Steve Brown, Madigan's top aide, said the resolution is pending, and would not comment on the competition report. Brown said Madigan is "focused on getting a (state) budget" and has not shared any additional views recently on competition.

— *Bob Matyi and Tom Tiernan*

Moody's warns over hedging... from page 1

such as power plants as margin collateral instead of posting cash, letters of credit or other forms of liquid and more traditional collateral, Moody's said.

"These structures provide many benefits, especially a non-cash collateral arrangement with the hedge counterparties," Sabatelle said. "In moderation, they enhance the liquidity profile of an unregulated wholesale power issuer as it reduces the