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Megawatt Daily

Thursday, May 21, 2009

Concerns linger over allowances for merchants

Despite intense concern by rural cooperatives, public power and state regulators about free greenhouse emission allowances to unregulated generators, it remains uncertain whether a House of Representatives committee will change the allowance distribution during its debate this week of a carbon dioxide cap-and-trade bill.

House Energy and Commerce Committee member Rick Boucher, a Virginia Democrat and lead negotiator for the electric power and coal interests on the legislation, said he is content with the current draft of the bill which allocates 30% of all allowances to regulated utilities and 5% to unregulated merchant

(continued on page 11)

MISO to begin resettling RSG charges in June

The Midwest Independent Transmission System Operator will begin June 12 again resettling revenue sufficiency guarantee charges, MISO officials told stakeholders Tuesday during an informational meeting at its headquarters in Carmel, Indiana.

The resettlements will consist of two parts — a resettlement in response to a November 10, 2008, order issued by the Federal Energy Regulatory Commission, and a second resettlement related to a separate FERC order of November 7, 2008.

The November 10 order stated that RSG charges must be charged to financial-only participants as well as physical partici-

(continued on page 13)

Va. co-op taps wind power to meet load growth

Old Dominion Electric Cooperative has added more wind energy to its power mix, not because it is under a mandate to add renewable energy, but because it needs more power to serve its growing load.

"We feel renewable energy has a place in our portfolio," Rick Beam, ODEC's vice president of power supply and transmission planning, said in an interview.

Last week ODEC signed a contract with Clipper Windpower to purchase the output and renewable energy credits from the 70-MW Criterion wind project in western Maryland. The project

(continued on page 13)

Holiday Notice

Megawatt Daily will not publish Monday, May 25, due to the Memorial Day holiday. Electricity price information collected Friday, May 22, will be published in the May 26 issue. Flow dates for power packages traded Friday vary among markets and are specified in published price tables.

Day-ahead markets for delivery May 21 ($/MWh)

ERCOT	Index	Change	Range	Deals	Volume	Avg $/Mo
On-peak						
ERCOT, North	32.59	1.26	31.00-33.00	66	4,850	34.17
ERCOT, Houston	32.95	1.11	32.25-33.50	25	1,400	35.64
ERCOT, West	27.38	4.54	24.00-28.05	9	725	27.16
ERCOT, South	32.98	0.84	32.20-33.40	18	1,350	36.25
Off-Peak						
ERCOT, North	17.69	0.15	17.25-18.05	21	1,500	22.16
ERCOT, Houston	17.50	0.02	17.25-17.75	6	400	22.28
ERCOT, West	8.00	4.00	8.00 -8.00	N.A.	N.A.	11.29
ERCOT, South	17.50	0.25	17.50-17.50	N.A.	N.A.	22.42
Southeast	**Index**	**Change**	**Range**	**Deals**	**Volume**	**Avg $/Mo**
On-peak						
VACAR	31.25	1.25	31.25-31.25	N.A.	N.A.	33.18
Southern, into	31.75	0.85	31.75-31.75	N.A.	N.A.	34.16
Florida	42.50	1.50	42.50-42.50	N.A.	N.A.	42.95
TVA, into	32.50	0.75	32.50-32.50	N.A.	N.A.	32.67
Entergy, into	30.00	2.00	30.00-30.00	N.A.	N.A.	30.23
Off-Peak						
VACAR	20.25	2.25	20.25-20.25	N.A.	N.A.	19.67
Southern, into	20.25	1.25	20.25-20.25	N.A.	N.A.	20.37
Florida	22.50	2.50	22.50-22.50	N.A.	N.A.	23.25
TVA, into	18.00	2.00	18.00-18.00	N.A.	N.A.	17.73
Entergy, into	17.00	-1.50	17.00-17.00	N.A.	N.A.	19.02
West†	**Index**	**Change**	**Range**	**Deals**	**Volume**	**Avg $/Mo**
On-peak						
COB	25.44	-4.83	24.00-26.00	23	600	29.06
Mid-C	24.78	-4.19	22.50-27.50	223	5,925	27.31
Palo Verde	31.89	-2.90	31.00-32.00	14	375	35.80
Mead	33.42	-2.35	33.00-33.50	8	525	37.23
Mona	31.00	-4.00	31.00-31.00	N.A.	N.A.	35.23
Four Corners	30.75	-3.50	30.75-30.75	N.A.	N.A.	35.38
NP15	32.75	-4.25	32.75-32.75	N.A.	N.A.	34.71
SP15	33.00	-3.00	33.00-33.00	N.A.	N.A.	34.93
Off-Peak						
COB	17.90	-1.78	18.00-20.80	15	400	22.51
Mid-C	16.69	0.26	12.75-21.00	186	5,025	20.96
Palo Verde	19.56	-2.93	20.75-23.40	16	400	23.13
Mead	22.25	-1.84	23.50-24.25	8	200	25.51
Mona	17.00	-1.75	18.75-18.75	N.A.	N.A.	21.60
Four Corners	17.62	-1.05	18.00-19.00	18	675	21.54
NP15	22.50	-2.50	25.00-25.00	N.A.	N.A.	24.88
SP15	20.25	-1.25	21.50-21.50	N.A.	N.A.	23.38
Northeast	**Index**	**Change**	**Range**	**Deals**	**Volume**	**Avg $/Mo**
On-peak						
Mass Hub	43.00	2.50	43.00-43.00	N.A.	N.A.	40.35
N.Y. Zone-G	48.25	3.25	48.25-48.25	N.A.	N.A.	43.30
N.Y. Zone-J	57.50	5.50	57.50-57.50	N.A.	N.A.	48.78
N.Y. Zone-A	35.25	1.50	35.25-35.25	N.A.	N.A.	32.92
Ontario*	31.00	0.75	31.00-31.00	N.A.	N.A.	32.15
Off-Peak						
Mass Hub	30.00	0.00	30.00-30.00	N.A.	N.A.	30.30
N.Y. Zone-G	27.00	-1.25	27.00-27.00	N.A.	N.A.	28.15
N.Y. Zone-J	28.50	-0.25	28.50-28.50	N.A.	N.A.	28.82
N.Y. Zone-A	20.25	-1.00	20.25-20.25	N.A.	N.A.	21.52
Ontario	20.00	-3.25	20.00-20.00	N.A.	N.A.	22.15

(continued on page 2)

MARKET WRAP

EAST MARKETS

Dailies up with warmer weather; terms rally

Power prices for Thursday delivery in the East received a boost thanks to projections for warmer weather in the region, while forwards were mostly higher as the June NYMEX gas contract settled 5.6 cents higher at $3.97/MMBtu Wednesday.

A forecast for a one-day heat wave pushing highs as much as 17 degrees above normal strengthened Northeast dailies for Thursday delivery. Highs were forecast in the 80s across New York. In the Boston area, highs were expected in the mid-to-upper 80s. A decrease in spot gas was overshadowed by peak demand forecasts that called for a 10% increase in ISO New England and a 4.3% increase in the New York ISO from Wednesday to today. New York Zone-A dailies were about $1.50 higher, trading near $35.25/MWh on IntercontinentalExchange. Zone-G dailies were about $3.25 higher, trading near $48.25/MWh. Zone-J dailies were $5.50 higher than Platts' for-Wednesday index, trading at $57.50/MWh on ICE. The Zone-J day-ahead market peak hours average was $54.22/MWh.

Spot gas prices at the New York city-gates fell about 23 cents, trading near $4.14/MMBtu on ICE. New York Zone-A balance-of-the-week for Friday was bid at $34.25 and offered at $36/MWh. Zone-G bal-week was bid at $45 and offered at

Day-ahead markets for delivery May 21 ($/MWh)

PJM	Index	Change	Range	Deals	Volume	Avg $/Mo
On-peak						
PJM West	40.50	2.50	40.50-40.50	N.A.	N.A.	38.66
Dominion Hub	39.50	0.75	39.50-39.50	N.A.	N.A.	39.45
AD Hub	37.00	1.25	37.00-37.00	N.A.	N.A.	35.77
NI Hub	35.00	3.00	35.00-35.00	N.A.	N.A.	32.15
Off-Peak						
PJM West	22.00	-4.75	22.00-22.00	N.A.	N.A.	26.68
Dominion Hub	22.00	-4.75	22.00-22.00	N.A.	N.A.	27.23
AD Hub	21.00	-6.75	21.00-21.00	N.A.	N.A.	26.23
NI Hub	5.25	0.50	5.25 -5.25	N.A.	N.A.	13.02
MISO	**Index**	**Change**	**Range**	**Deals**	**Volume**	**Avg $/Mo**
On-peak						
Michigan Hub	35.50	1.75	35.50-35.50	N.A.	N.A.	33.85
First Energy Hub	36.00	1.00	36.00-36.00	N.A.	N.A.	33.50
Cinergy Hub	34.00	0.50	34.00-34.00	N.A.	N.A.	32.92
Illinois Hub	34.00	2.00	34.00-34.00	N.A.	N.A.	31.32
Minnesota Hub	32.50	1.50	32.50-32.50	N.A.	N.A.	27.48
Off-Peak						
Michigan Hub	13.75	-2.00	13.75-13.75	N.A.	N.A.	20.43
First Energy Hub	15.75	0.25	15.75-15.75	N.A.	N.A.	20.32
Cinergy Hub	14.25	-0.75	14.25-14.25	N.A.	N.A.	19.42
Illinois Hub	9.50	2.00	9.50 -9.50	N.A.	N.A.	13.10
Minnesota Hub	7.00	4.50	7.00 -7.00	N.A.	N.A.	7.83
SPP/MRO	**Index**	**Change**	**Range**	**Deals**	**Volume**	**Avg $/Mo**
On-peak						
MAPP, South	30.00	-0.25	30.00-30.00	N.A.	N.A.	26.43
SPP, North	29.50	-0.50	29.50-29.50	N.A.	N.A.	25.72
Off-Peak						
MAPP, South	18.25	1.00	18.25-18.25	N.A.	N.A.	15.75
SPP, North	18.00	1.00	18.00-18.00	N.A.	N.A.	14.98

*Ontario prices are in Canadian dollars
†West markets traded for Friday and Saturday delivery

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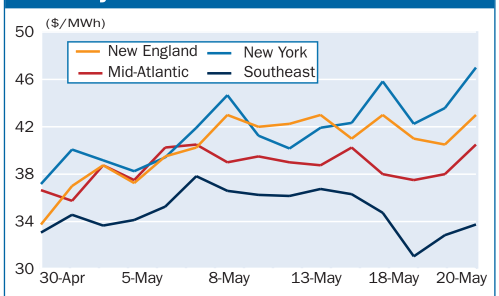
$49/MWh. Zone-J bal-week was bid at $55 and offered at $57.50/MWh. Further out, Zone-A next-week (May 26-69) traded at $32/MWh on ICE. Balance-of-the-month packages for May 22-31 traded at $32.50/MWh. New England's Mass Hub dailies climbed about $2.50, trading near $43/MWh on ICE. Off-peak packages were about 50 cents higher, trading near $30.50/MWh.

Spot gas prices at the Boston city-gates fell about 17 cents, trading near $4.23/MMBtu. Balance-of-the-week traded near $43.50/MWh on ICE, flat to for-Thursday prices. Off-peak bal-week traded at $30.75/MWh. Next-week packages for May 26-29 traded near $39/MWh. In generation, Entergy's 670-MW Pilgrim nuclear power plant, located in Plymouth, Massachusetts, was operating at 50% Wednesday morning, an increase of 35%. The plant exited a refueling outage Tuesday.

East day-ahead markets



Note: Based on averages from each region

Northeast power terms finished slightly higher, with firming NYMEX gas futures. Trading volume on ICE was slow compared with previous days, but bids and offers were available for most packages. Mass Hub June was up 50 cents to $44.50/MWh and the summer firmed up 50 cents to $54.50/MWh. New York Zone-A June was flat at $36.50/MWh the summer was up $1 to $45/MWh.

In the Mid-Atlantic, prices were mixed amid forecasts for higher temperatures and lower spot gas prices. Weather outlooks for today called for highs in the 80s, slightly higher than normal. Meanwhile, spot gas prices weakened. Texas Eastern M-3 spot gas fell about 15 cents, trading around $4.15/MMBtu on ICE. PJM Interconnection West Hub day-ahead moved up about $2.50, trading around $40.50/MWh on ICE. Off-peak traded around $22/MWh, slightly weaker than Platts' for-Wednesday index. Balance-of-the-week lost $1, trading around $42.50/MWh on ICE. Next-week was steady, trading around $40/MWh. June 1-5 traded around $43, flat to trades seen Tuesday.

Mid-Atlantic forwards moved slightly higher to reflect higher NYMEX gas futures. Trading on ICE was active for all packages, with deals done across the board. PJM West June was up 25 cents to $46.25/MWh and the summer gained 50 cents to $60.50/MWh.

Southeast daily markets held generally steady in Wednesday trading as forecasts for higher temperatures balanced out more than 20-cent losses in area spot gas prices. Forecasts showed daytime highs ranging from the mid-70s to mid-80s today, still several degrees below normal but a few degrees from Wednesday's expected highs. The extended holiday weekend was in store for similar weather. Into Southern day-ahead on-peak traded in the low $30s/MWh Wednesday morning on ICE. Off-peak traded in the low $20s/MWh, up $1.50 from the Platts for-Wednesday index. Into Southern bal-week was bid at $31.50 and offered at $36.25/MWh. The holiday weekend on-peak package was bid at $27 and offered at $30/MWh. Next-week was bid at $31 and offered at $34.50/MWh.

Southeast forwards were mixed, as NYMEX gas rose and

Generation unit outage report

East

Plant/Operator	Cap	Fuel	State	Status	Return	Shut
Beaver Valley-1/FirstEnergy	900	n	Pa.	RF	Unk	04/20/09
Browns Ferry-2/TVA	1,120	n	Ala.	RF	Unk	04/25/09
Bruce-8/Bruce Power	790	n	Ont.	PMO	Late May	04/19/09
Darlington-1/Ontario Pwr Gen	874	n	Ont.	PMO	Late May	04/21/09
Darlington-2/Ontario Pwr Gen	900	n	Ont.	PMO	Early June	04/19/09
Darlington-3/Ontario Pwr Gen	882	n	Ont.	PMO	Unk	04/16/09
Farley-1.Southern	851	n	Ala.	RF	Unk	04/02/09
Hatch-1/Georgia Power	863	n	Ga.	MO	Unk	05/10/09
Hatch-2/Georgia Power	860	n	Ga.	RF	Unk	02/09/09
Oconee-3/Duke	846	n	S.C.	RF	Unk	04/25/09
Oyster Creek/ Exelon	636	n	N.J.	MO	Unk	04/25/09
Pickering-4/Ontario Power	440	n	Ont	MO	Unk	05/02/09
Quad Cities-1/Exelon	867	n	Ill.	PMO	Unk	04/27/09
St. Lucie-2/FPL	839	n	Fla.	RF	Unk	04/26/09

Central

Plant/Operator	Cap	Fuel	State	Status	Return	Shut
Cook - 1/AEP	1,026	n	Mich.	MO	09-Q3/Q4	09/20/08
Prarie Island/ Xcel Energy	538	n	Minn.	MO	Unk	05/18/09
Sixth Street/Alliant Energy	55	c	Iowa	MO	09-Q3/Q4	06/12/08

West

Plant/Operator	Cap	Fuel	State	Status	Return	Shut
Columbia/Energy Northwest	1,175	n	Wash.	RF	Unk.	05/10/09
Coolwater-4/Reliant	246	g	Calif.	PMO	Unk.	03/01/09
Encina-1/NRG	106	g	Calif.	PMO	Unk.	05/18/09
Encina-2/NRG	104	g	Calif.	PMO	Unk.	05/18/09
Encina-3/NRG	110	g	Calif.	PMO	Unk.	05/18/09
Encina-5/NRG	330	g	Calif.	PMO	Unk.	04/06/09
Helms Pump-3/PG&E	404	h	Calif.	PMO	Unk.	01/26/09
High Desert/Constel	830	g	Calif.	PMO	Unk.	04/27/09
Huntington Beach-4/AES	227	g	Calif.	MO	Unk.	05/18/09
Inland Empire-1/Inland	376	g	Calif.	PMO	Unk.	05/17/09
Inland Empire-2/Inland	337	g	Calif.	MO	Unk.	08/14/08
Malburg GS/Vernon	134	g	Calif.	PMO	Unk.	05/19/09
Moss Landing-2/LS Power	510	g	Calif.	PMO	Unk.	05/10/09
Palo Verde-3/APS	1,245	n	Ariz.	RF	Unk.	04/05/09
Pittsburgh-7/Mirant	682	g	Calif.	PMO	Unk.	04/21/09
Potrero-3/Mirant	206	g	Calif.	PMO	Unk.	05/03/09

For methodology, see table.

Daily generation outage references

MO	unplanned maintenance outage
PMO	planned maintenance outage
RF	refueling outage
Unk	unknown
OA	offline/available

Fuels: Nuclear=n; Coal=c; Natural gas=g; Hydro=h

Sources: Generation owners, public information and other market sources.

other power markets were mixed. Into Southern June stayed at about $37 and the summer package rose 50 cents to about $45.50/MWh. Into TVA stayed at about $36.25 for June, and the summer package rose 50 cents to about $41.75/MWh.

CENTRAL MARKETS

Most dailies close higher; forwards climb

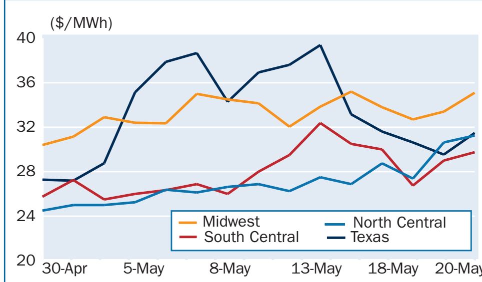
Most day-ahead power prices gained on Wednesday with an expected rise in demand. Forwards, too, rose as the June NYMEX natural gas contract settled 5.6 cents higher at $3.97/MMBtu, following a surge in the petroleum complex.

In the Midwest, day-ahead on peak prices moved up on higher temperatures, while off-peak prices slipped amid lower spot gas prices. Today, forecasts called for highs mostly in the 80s, higher than normal. Meanwhile, Chicago city-gates spot gas lost about 17 cents, trading around $3.72/MMBtu on IntercontinentalExchange. Cinergy Hub day-ahead strengthened, trading around $34/MWh on ICE. Off-peak traded around $14/MWh, $1 less than Platts' for-Wednesday index. Bal-week traded around $34/MWh on ICE, flat to bids seen Tuesday. Next-week gained about $1, trading around $32/MWh. Minnesota Hub day-ahead was bid at $30 and offered at $35/MWh, higher than Platts' for-Wednesday index.

In the Midwestern portion of the PJM Interconnection, prices were mixed like the rest of the region. AEP-Dayton Hub day-ahead traded around $37/MWh on ICE, about $1 more than Platts' for-Wednesday index. Off-peak traded around $21/MWh on ICE, about $6 less than Platts' index. Northern Illinois Hub day-ahead gained about $3, trading around $35/WMh on ICE. Off-peak traded around $5.25/MWh, 50 cents more than Platts' for-Wednesday index.

Midwest terms were slightly higher led by stronger NYMEX gas. Trading on ICE was slow, but more bids and offers were posted for the off-peak financial swap packages. Cinergy Hub June was flat at $36.75/MWh and summer gained 25 cents to $47.50/MWh. AEP Dayton Hub June was unchanged at $40.25/MWh and the summer was also flat at $50.50/MWh.

Central day-ahead markets



Note: Based on averages from each region

South Central day-ahead prices registered modest gains on an expected rise in demand due to warmer weather in the region. In ERCOT, load forecasts showed peak load climbing about 7% to around 44,775 MW for today. Weather outlooks

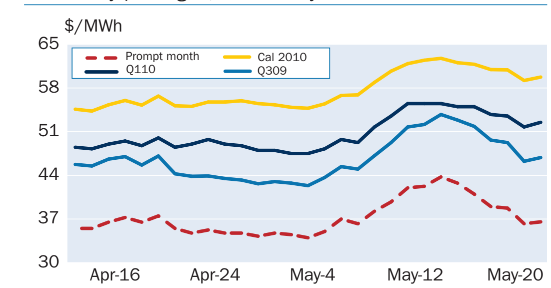
Platts-ICE Forward Curve — Electricity, May 20 ($/MWh)

Prompt month: Jun 09

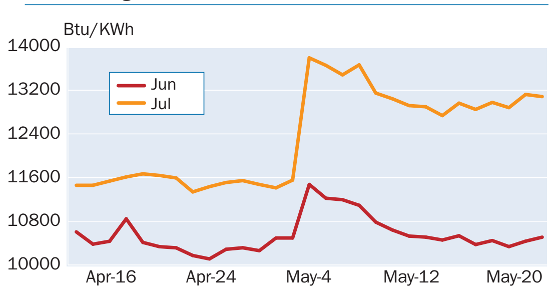
Mass Hub	44.50
N.Y. Zone G	50.00
N.Y. Zone J	56.75
N.Y. Zone A	36.00
Ontario*	37.75
PJM West	46.25
AD Hub	40.25
NI Hub	37.00
Cinergy Hub	36.75
TVA Into	36.25
Southern Into	37.00
Entergy Into	34.00
ERCOT South	40.25
Mid-C	23.25
Palo Verde	37.00
NP15	36.75
SP15	36.55

**Ontario prices are in Canadian dollars. Prices are on-peak and energy only*

SP15: Key packages, last 30 days



SP15: Marginal heat rate



SP15: Forward curve

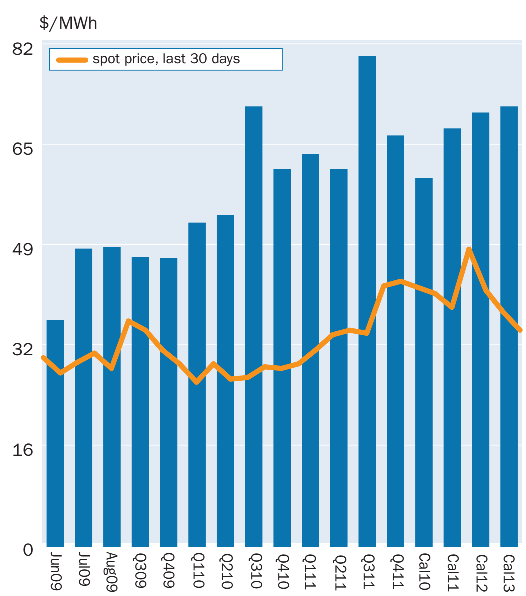


Table and graphs are created using Platts–ICE Forward Curve — Electricity (North America) data. Both on-peak and off-peak electricity forward assessments are available for periods spanning four years. To see a sample and find information on how to subscribe to the full data set go to www.risk.platts.com. For more information about Platts services, please call +1-800-PLATTS8. For editorial questions call Mike Wilczek +202-383-2246 or Eric Wieser +202-383-2092 showed high temperatures in the 80s across the South Central region, near normal for this time of year. The holiday weekend was expected to see similar weather conditions, though some areas could break into the low 90s. ERCOT day-ahead packages traded mostly in the low $30s/MWh in Wednesday morning trading on ICE, up about $1 from Platts' for-Wednesday indexes. West zone moved up similarly, trading in the mid-$20s/MWh. ERCOT off-peak prices held fairly steady in the high teens at most points, ICE showed.

At ERCOT Houston, the three-day weekend on-peak package was bid at $26 and offered at $36/MWh. Into Entergy day-ahead traded in the high $20s/MWh on ICE, up $1 from the Platts' for-Wednesday index. Off-peak slipped $1.50, trading at $17/MWh. Into Entergy balance-of-the-week was offered at $32/MWh. The three-day holiday package was bid at $25.50 and offered at $30/MWh before 9 am CDT on ICE; however, the offer was pulled by around 11 am. Next-week was bid at $29 and offered at $32.50/MWh.

South Central forwards rose as NYMEX gas0 climbed. ERCOT South zone June rose 50 cents to about $40.25/MWh, with heat rate markets steady on ICE at about 1:30 pm EDT. ERCOT south zone summer also rose 50 cents to about $48.25/MWh. Into Entergy June climbed 50 cents to about $34 and the summer package rose 50 cents to about $41.25/MWh.

WEST MARKETS

Dailies nosedive; bal-month climbs; terms up

West on-peak day-ahead prices plunged Wednesday in altered trading, with day-over-day declines of as much as about $4.72 in California and about $3.75 in the Northwest on softening spot gas prices. May financial balance-of-the-month bids went the opposite direction in the afternoon. Forwards showed strength as the June NYMEX gas futures contract attempted to retrace the 22.5-cent loss it suffered on Tuesday.

Dailies were also off by about $2.75 in the Southwest in trades on IntercontinentalExchange. Bal-month climbed by about $2 in Southern California and by about $1.50 in the Southwest. Bal-months also stepped up by about $1.25 in Northern California and by about $1 in the Northwest. Due to the Memorial Day holiday coming up Monday, trades Wednesday were for Friday and Saturday delivery, while trades today will be for Sunday and Monday. Friday trades will be for Tuesday delivery.

Financial daily on-peak at California's NP15 averaged about $32.75/MWh on ICE, while physical dailies at SP15 averaged about $33/MWh. The California Independent System Operator projected peak load Wednesday of about 32,265 MW, and peak load of about 800 MW less today. The Western Electricity Coordinating Council

Near-term markets ($/MWh)

Contract	Transacted	Range
East		
PJM West		
Bal-week	05/20	42.25-42.75
Bal-week	05/19	43.00-43.50
Bal-week	05/18	42.00-43.00
Bal-week	05/15	39.25-39.75
Bal-month (off-peak)	05/15	29.75-30.25
Next-week	05/20	39.75-40.25
Next-week	05/19	39.50-40.25
Next-week	05/18	39.50-40.50
Next-week	05/15	41.75-42.25
Next-week	05/14	39.00-40.00
Southern, Into		
Bal-week	05/18	32.25-32.75
Central		
Cinergy Hub		
Next-week	05/14	34.00-35.00
ERCOT, North		
Bal-month	05/14	35.75-36.25
Bal-month (off-peak)	05/18	21.75-22.25
West		
COB		
Bal-month	05/18	21.50-22.00
Bal-month (off-peak)	05/18	12.75-13.25
Mid-C		
Bal-month	05/20	24.50-25.25
Bal-month	05/19	21.25-22.75
Bal-month	05/18	19.00-19.50
Bal-month	05/14	22.50-23.50
Bal-month (off-peak)	05/20	15.75-16.50
Bal-month (off-peak)	05/19	13.00-13.50
Bal-month (off-peak)	05/18	10.00-11.75
Bal-month (off-peak)	05/14	12.50-14.00

*Ontario prices are in Canadian dollars

Electricity market coverage

More information about Platts electricity market coverage, explanations of methodology and descriptions of delivery points are available at www.platts.com/Electric Power/Resources/ Methodology & Specifications/.

Questions may also be directed to our market editors; Lisa Lawson, (713) 658-3267, lisa_lawson@platts.com and Mike Wilczek, (202) 383-2246, mike_wilczek@platts.com .

projected the California-Mexico border area would have peak load Wednesday of 38,714 MW, about 2,700 MW less than on Tuesday. Northern California bal-months were bid at about $32.75 and offered at about $35.75/MWh at NP15 in the afternoon on ICE. Southern California bal-months were bid at about $33 and offered at about $33.75/MWh, with average deals done at about $33.50/MWh at SP15.

In the Northwest, Mid-Columbia on-peak averaged around $25.25 in the afternoon on ICE. About 9,425 MW traded for the two-day period on ICE at Mid-C, about 325 MW more than in Tuesday's single-day trades. WECC projected the Northwest would have peak load Wednesday of 45,320 MW, about 40 MW more than on Tuesday. Mid-C bal-months were bid at about $24.50 and offered at around $25/MWh, with average deals done at about $24.25/MWh in the afternoon on ICE.

In day-ahead sales in the Southwest, Palo Verde on-peak averaged about $32/MWh on ICE. Total volume traded at Palo Verde on ICE was about 2,500 MW, about 675 MW more than on Tuesday. WECC projected peak load at 20,359 MW Wednesday, about 2,700 MW less than on Tuesday. Palo Verde bal-months were bid at about $33.25 and offered at around $35.25/MWh, with average deals done at about $34/MWh during the afternoon on ICE.

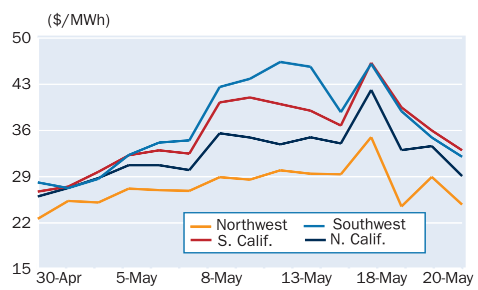
Forwards gained on the back of NYMEX gas futures. The June NYMEX gas futures contract was up about 5 cents to $3.96/MMBtu, with Globex up slightly more, before settling 5.6 cents higher at $3.97/MMBtu. Power trading activity on ICE was quiet all day, with prompt-month packages seeing good volume.

In California, SP15 on-peak June financial swaps were up more than 25 cents, with bids at $36.55 and offers at $36.60/MWh on ICE near 2:30 pm EDT. SP15 third quarter gained more than 50 cents to about $46.75/MWh. NP15 June gained about 75 cents to $36.75/MWh.

In the Northwest, Mid-Columbia on-peak June rose 75 cents to $23.25/MWh. Mid-C on-peak third quarter gained more than 50 cents to about $37.75/MWh.

In the Southwest, Palo Verde on-peak June lost 25 cents to about $37/MWh. Palo Verde third quarter rose nearly 50 cents to above $43.50/MWh.

West day-ahead markets



Note: Based on averages from each region

Daily emissions assessments, May 20

	$/allowance	Change	$/st
SO2 2009	70.00	2.00	70.00
NOx 2009	280.00	-20.00	280.00
NOx 2010	250.00	-62.00	250.00
NOx 2011	250.00	-50.00	250.00

For methodology, visit www.emissions.platts.com.

Full coverage of SO2 and NOx emissions markets now appears in Platts Coal Trader. For information on Coal Trader, contact support@platts.com or call 1-800-PLATTS-8.

Spark spreads for May 21

	Marginal heat rate	Spark spreads @7k	@8k	@10k	@12k	@15k
East						
Mass Hub	10226	13.56	9.36	0.95	-7.46	-20.08
N.Y. Zone-G	11783	19.59	15.49	7.30	-0.89	-13.17
N.Y. Zone-J	13822	28.38	24.22	15.90	7.58	-4.90
N.Y. Zone-A	8423	5.96	1.77	-6.60	-14.97	-27.52
Ontario*	6533	-2.22	-6.96	-16.45	-25.94	-40.18
PJM West	9866	11.76	7.66	-0.55	-8.76	-21.08
TVA, into	8667	6.25	2.50	-5.00	-12.50	-23.75
Central						
Cinergy Hub	8640	6.45	2.52	-5.35	-13.22	-25.02
NI Hub	9472	9.14	5.44	-1.95	-9.34	-20.42
Entergy, into	8671	5.78	2.32	-4.60	-11.52	-21.90
ERCOT, Houston	9040	7.44	3.79	-3.50	-10.79	-21.72
West						
Mid-C	8900	6.18	2.93	-3.58	-10.09	-19.85
Palo Verde	10655	11.94	8.67	2.14	-4.39	-14.18
NP15	10526	12.40	8.88	1.85	-5.18	-15.72
SP15	10604	12.24	8.84	2.05	-4.74	-14.92

**Ontario prices in Canadian dollars*
†Spark spreads are reported in ($) and Marginal heat rates in (Btu/kWh)

IN THE NEWS

Illinois OKs Ameren bid for 720,000 RECs

The initial power procurement process conducted by the fledgling Illinois Power Agency wrapped up Wednesday with state regulators authorizing 14 companies to supply 720,000 renewable energy credits to Ameren Illinois starting in June for one year.

The vote by the Illinois Commerce Commission was 5 to 0 to approve the IPA's recommendation, said ICC spokeswoman Beth Bosch.

As was the case in a recent REC solicitation for Commonwealth Edison, most of the credits for Ameren's three Illinois delivery service units — AmerenIP, AmerenCILCO and AmerenCIPS — are expected to be generated from Illinois wind projects.

All of the Ameren RECs, in fact, will originate from renewable energy projects in Illinois. The average winning price was $16.66/MWh for 540,000 Illinois wind RECs and $13.46/MWh for 180,000 Illinois non-wind RECs. The average price for Illinois wind RECs was almost $5/MWh lower than ComEd's average price of $21.13/MWh, although there was no immediate explanation why. Bosch said she did not know and IPA director Mark Pruitt could not be reached for comment by press time.

Ameren winning bidders included CE2 Environmental Opportunities 1, the city of Peru Electric Department, Conectiv Energy Supply, EcoGrove Wind, Element Markets, FirstEnergy Solutions, Grey K Renewable Energy, Horizon Wind Energy, Integrys Energy Services, Invenergy Renewable Nexant, NextEra Energy Power Marketing, Sterling Planet and WM Renewable Energy.

Many of the companies also were victorious in the bidding to supply RECs to Chicago-based ComEd, an Exelon subsidiary and the state's largest electric utility. Newcomers in the Ameren REC competition included FirstEnergy Solutions, Grey K Renewable Energy and Horizon Wind Energy.

The ICC did not disclose how many RECs each company will provide to Ameren and their individual price.

The IPA, created last year as a result of landmark rate relief and power procurement legislation passed by the 2007 General Assembly, solicited offers for RECs earlier this year. Each REC is roughly equivalent to 1 MW of energy produced from renewable energy resources that qualify under the Illinois Power Agency Act.

The ICC recently approved the procurement of more than 1.5 million RECs for ComEd, also for the period from June 1 through May 31, 2010.

Previously, the ICC approved the procurement of more than 5,000 MW to be supplied to both ComEd and Ameren. "That's the end of it for now," Bosch said about the IPA-related procurements for 2009. "I'm not sure what will happen next year."— *Bob Matyi*

Idaho Power issues wind power solicitation

Idaho Power has issued an expedited request for proposals for 150 MW of wind power, in what the company says is an attempt to take advantage of incentives offered in the American Recovery and Reinvestment Act.

The need for the wind power was identified in the company's 2006 integrated resource plan and the company had planned to acquire the wind power in 2012.

"Idaho Power believes it may be advantageous to accelerate the timing of the resource acquisition," according to the RFP issued Monday. "As a result of the stimulus package and other events, Idaho Power has been offered an opportunity to acquire additional wind generation for its portfolio at competitive prices."

In its RFP, Idaho Power says it wants a wind-powered resource or resources close to Idaho Power's service area that will provide first-call physically delivered electricity, including all associated renewable energy credits. The power can be online as early as 2009, but must begin by 2012. The company says it prefers a purchase power agreement for 20 years, but will consider 15-year, 25-year and 30-year contracts, and other options, including utility ownership.

The company says it will give preference to projects that are ready to begin construction and projects that have generation that coincide with the company's peak summer loads. Idaho Power will offer the respondents the opportunity to refresh their bid price for final consideration.

Primary selection criteria will include, among other things, delivered energy price, capacity factor and flexibility. The company will not accept proposals from its parent company, Idacorp, or any of its subsidiaries.

Projects will ideally be designated as an Idaho Power network resource with firm transmission capacity without constraints between the point of interconnection and the Treasure Valley load center.

Bids are due by 5 pm June 12. Questions on the RFP can be addressed to wind2012@idahopower.com or to Tom Noll at (208) 388-2623 or Mark Stokes at (208) 388-2483.

The RFP can be found at www.idahopower.com/AboutUs/BusinessToBusiness/RFP/default.cfm. — *Pam Radtke Russell*

Senate moves to give FERC cybersecurity lead

The Federal Energy Regulatory Commission would become the agency responsible for protecting the nation's bulk power grid against cyber vulnerabilities and threats under language approved during a Senate committee markup of comprehensive energy legislation.

Giving the commission what it had first asked for more than a year ago, the Senate Energy and Natural Resources Committee decided FERC should have authority to issue both expedited rules to address cybersecurity vulnerabilities and emergency orders to "avert or mitigate" cyber threats against critical electric infrastructure.

An earlier joint staff draft put the authority to issue emergency orders in the hands of the Secretary of Energy. At the Tuesday markup, however, the committee accepted an amendment offered by Senator Bob Corker, Republican of Tennessee, and gave FERC the authority to require, after consultation with the Secretary of Homeland Security, actions to counter cyber threats.

In exercising such emergency authority, FERC also would be "encouraged to consult and coordinate" with Mexican and Canadian officials who are responsible for cybersecurity of the interconnected North American grid.

Expedited rules and emergency orders could be issued without prior notice or hearing; however, they are limited to 90 days unless, during the period, FERC gives parties the opportunity to comment, and then affirms, amends or repeals its action.

As approved by the committee, the language addresses other issues that were not covered by the staff draft but came up at a May 7 hearing that included testimony by the director of FERC's Office of Electric Reliability and industry officials.

One provision requires FERC to establish a mechanism to allow public utilities to recover costs prudently incurred to implement immediate actions ordered by the commission.

Another directs the secretary of defense to work with Alaska, Hawaii, Guam and electric utilities that serve national defense facilities in those areas, to prepare a comprehensive plan that "identifies the emergency measures or actions that will be taken to protect the reliability" of power supply to those facilities. The plan must be completed within one year.

The measure also imposes protections regarding the release and dissemination of critical electric infrastructure information.

FERC could authorize the release of information "to the extent necessary" to enable entities to implement the rules or orders. It also would be required to develop procedures for maintaining the confidentiality of information filed in response to a rule or order.

The measure defines a cybersecurity threat as the "imminent danger of an act that disrupts, attempts to disrupt, or poses a significant risk of disrupting" the operation of programmable electronic device or communications networks essential to the reliable operation of critical electric infrastructure.

Vulnerability is defined as a "weakness or flaw in the design or operation" of any programmable electronic device or communications network "that exposes critical electric infrastructure to a cybersecurity threat."

Commission would study Yucca alternatives

Also, the committee approved a proposal by Committee Chairman Jeff Bingaman, a New Mexico Democrat, to establish an 11-member blue-ribbon commission to evaluate alternatives to the DOE repository project at Yucca Mountain, Nevada.

The committee, rejected, along party lines, a sense of Senate amendment offered by Republican Senator John McCain of New Mexico that supported Yucca Mountain repository project. Also going down was a proposal by Senator Lisa Murkowski of Alaska, the senior Republican on the committee, to establish an advisory council within DOE on nuclear issues, temporary storage for utility spent fuel, and a possible return to commercial reprocessing of spent fuel.

Bingaman made it clear that he does not think now is the time for the country to be moving toward reprocessing. Commenting on an amendment offered by Republican Senator Jeff Sessions of Alabama that pointed to reprocessing as the alternative waste management strategy, Bingaman said he believed the commission should issue its recommendations on alternative waste management strategy first. *— Craig Cano and Elaine Hiruo*

MISO power prices continue to move lower

Prices within the Midwest Independent Transmission System Operator's footprint continued to fall in April, making it the lowest price month since the market start in April 2005, MISO's independent market monitor told the markets committee of the MISO board of directors on Wednesday.

April Cinergy Hub energy prices were 9% lower than in March and 45% lower than in April 2008, said David Patton, president of Potomac Economics, MISO's independent market monitor.

Low demand and fuel prices continue to drive prices within the MISO footprint lower. Demand was 7% less than April 2008. March had previously been the lowest price month since the market start. *— Nushin Huq*

Economy hits ERCOT demand response: report

Demand response programs in the Electric Reliability Council of Texas are feeling the effects of the struggling economy, according to a report presented Wednesday to the ERCOT board of directors.

ERCOT's emergency interruptible load service program, or EILS, which is designed to decrease the likelihood of the need for rolling blackouts by calling on load to curtail electricity usage, saw a significant drop in the amount of capacity procured for the first part of the year.

The EILS program procured an average of roughly 165 MW for various time slots within the Monday-through-Friday business week during the February-May 2009 contract period, the report shows. This compares with an average of around 280 MW for various time slots within the Monday-through-Friday business week during the October 2008-January 2009 contract period.

Even though the economy began showing signs of weakness last fall, procurements for the October 2008-January 2009 contract period remained high since bids were due in September, when the Dow Jones Industrial Average was still well above 11,000, said ERCOT's Supervisor of Demand Response Paul Wattles.

ERCOT's request for proposals for the February-May contract period went out in January, when the poor state of the economy had become much clearer, he said.

In addition, Wattles said, many loads were bidding more conservatively to avoid failing availability requirements. During the October 2008-January 2009 contract period, a majority of EILS resources failed to meet their availability requirements in at least one time period.

ERCOT protocols state that resources can be suspended from participation in the EILS program if they fail to meet performance or availability obligations. The grid operator may consider mitigating factors such as a *force majeure* or equipment failure when determining if such a penalty be placed on the EILS resource, Wattles said.

Because a majority of the EILS resources had failed to meet their availability requirements in at least one time period during the October 2008-January 2009 contract period, ERCOT chose to penalize the resources financially rather than suspend them from the market altogether.

"There was a very detailed discussion between ERCOT staff and Public Utility Commission [of Texas] staff where we ultimately decided this did qualify as a mitigating factor," Wattles said.

"These loads are trying to bid in to provide a service," he said. "These are people who are running businesses, and the economy affected almost all loads across the board. Once the economy went south, the amount of load they had online was not sufficient to meet their requirement."

However, Wattles said, ERCOT is seeing signs of improvement in the EILS program. For the contract period for June through September, ERCOT procured an average of about 225 MW for various time slots during the Monday-through-Friday business week. One of those time slots saw EILS procurements of nearly 300 MW.

In addition, many new load participants have entered into the program for the latest contract period, the report shows.

"There is a rebound going on," Wattles said. *— Leticia Vasquez*

Obama plan may shrink OTC markets: expert

The Obama administration's new plan to bring over-the-counter derivatives trading under greater federal oversight might shrink OTC markets and wind up curbing price transparency as a result, energy market specialist Vincent Kaminski said Wednesday.

Speaking at the Energy Risk USA conference in Houston, Kaminski — a professor at Rice University and a former executive at Citigroup and Enron — said the migration of financial and energy derivatives to regulated exchanges will cause the size and scope of OTC markets to dwindle.

Ironically, such increases in regulation and monitoring could have the unintended effect of eroding market transparency and price discovery, Kaminski asserted, because OTC financial instruments tend to be complicated and not suitable for standardization.

"In natural gas, you'll find the NYMEX Henry Hub contracts work very well on exchanges," Kaminski explained. "But when basis blows up in some regions, significant losses are produced if you're just using NYMEX to hedge."

The Obama administration's regulatory proposals are just the first salvo, Kaminski predicted, as the current economic crisis is far from over. "We haven't seen the end of this; expect more shoes to drop and I expect more pitchforks are being sharpened as we speak."

But he urged conference attendees to view the financial crisis as an opportunity. "This is a good point to enter the market," he said. "Trading volumes will recover and the financial system will adapt and change." *— Samantha Santa Maria*

Indeck eyes allowance allocation legislative fix

Environmental groups on Wednesday joined the state of New York in battling against a lawsuit filed by Indeck Energy to remove that state's participation in the Regional Greenhouse Gas Initiative, while the power generator in the meantime is working within the state Legislature to seek a solution to its allowance allocation issue.

Five environmental groups on Wednesday filed a "friend-of-the-court" brief in New York State Supreme Court in which they supported the state's defense against the lawsuit filed last January. The lawsuit challenges the legal authority of New York Governor David Paterson, the state Department of Environmental Conservation, and the New York State Energy and Research Development Authority to impose RGGI without state legislation.

Indeck filed the lawsuit to pressure Paterson, a Democrat, to allow generators with long-term power contracts with utilities to receive RGGI allowance allocations to offset their allowance costs. The power generator is the owner of the 128-MW natural gas-fired Indeck-Corinth Generating Station in Corinth, New York. Indeck signed a long-term contract with utility Consolidated Edison in 1989 to sell the output of the facility at a fixed price.

Peter Barden, an Indeck spokesman, said Wednesday that while talks with Paterson's office have "hit an impasse," Indeck has not given up, turning its attention to the state Legislature and to altering RGGI program language to allow allowance costs to flow through to the taker of the power, or in this case, ConEd.

"We are having discussions with the Legislature about a solution through a change in existing law," he said. "We've had preliminary discussions with the chairmen of the Senate and Assembly Energy Committees expressing our interest in working with them on a legislative solution. Both expressed a willingness to work with us. We made it clear we support the program but believe it is flawed and legislation could fix it."

Started January 1, RGGI is a carbon cap-and-trade program among power generators in 10 Northeast and Mid-Atlantic states that aims to reduce emissions 10% by 2018. New York is the largest emitting state. RGGI's next allowance auction will be held June 17. The state Legislature closes its session in mid-June.

The environmental groups, however, just wish Indeck would drop its legal efforts and allow the program to proceed with using the millions of dollars in RGGI funds generated from the three allowance auctions held to date.

"Putting this challenge to rest will be of great benefit to the regional and national efforts to reduce the pollution from our power plants that is causing global warming. It is unfortunate that one disgruntled company who feels they did not get a sweet enough deal could hinder such an important effort from going forward," said Seth Kaplan, vice president for climate advocacy at the Conservation Law Foundation, in a statement.

The brief was filed on behalf of Environmental Advocates of New York, Conservation Law Foundation, Environmental Defense Fund, Pace Energy and Climate Center, and the Natural Resources Defense Council.

In response to the brief, Indeck CEO Gerry DeNotto said in a statement that, "Indeck Energy supports the goal of the RGGI program but it must be fair to all generators and not discriminate against a select few. Indeck's Corinth facility is one of the cleanest, most efficient power plants in the state and yet higher polluting generators are allowed to recover their costs, but Corinth cannot. The program must allow all generators the same opportunity for cost recovery." — *Christine Cordner*

NERC, NPCC to help Quebec with reliability

The North American Electric Reliability Corp. and the Northeast Power Coordinating Council on Wednesday said they have reached an agreement to help the energy regulator in Quebec, Canada, establish mandatory reliability standards.

The agreement between NERC, NPCC and the Regie de l' Energie in Quebec also introduces a compliance monitoring and enforcement program in the province.

It marks the "latest milestone" in NERC's attempts to ensure similar reliability standards are used and enforced across the bulk power system in North America, said a NERC press release. Recent agreements in New Brunswick and Saskatchewan have also marked progress in this area, it added.

NERC, as the electric reliability organization, has more than 100 reliability standards that are enforceable in the US "and are recognized throughout much of Canada," the ERO said.

"A common set of reliability standards and appropriate enforcement mechanisms are needed across the continent to ensure the reliable generation and delivery of electricity to the nearly 400 million people we serve," said Rick Sergel, NERC president and CEO. "This agreement is a critical step toward achieving these goals." —*Esther Whieldon*

FERC says it considered antitrust claim

Affirming that it will consider, "in appropriate circumstances," the anticompetitive impacts of regulated utilities' activities, the Federal Energy Regulatory Commission recently rejected a claim that it failed to do so in a rehearing order on the New York Independent System Operator's transmission planning process.

That March 31 rehearing order (Docket No. OA08-52) rejected the New York Regional Interconnect's challenge to NYISO's "supermajority" voting provision. Under the provision, cost allocation and recovery for new economic transmission projects must be approved by at least 80% of project beneficiaries, "weighted in accordance with each beneficiary's share" of total project costs.

The commission said NYRI's argument — that a violation of antitrust law would occur if a load-serving entity "monopolist" or group of LSEs with a "benefit" load of 21% voted against the project — was speculative.

The rehearing order went on to state that FERC is not charged with enforcing antitrust law.

That sparked a mid-April petition for late intervention and rehearing from the American Antitrust Institute, the American Public Power Association and the National Rural Electric Cooperative Association. While they took no position on the merits of NYRI's antitrust arguments, the groups maintained that FERC at least had to consider them.

The commission lacks authority to enforce antitrust laws, they acknowledged, but the rehearing order "ignored its obligations to consider antitrust policies, obligations supported by settled court and agency precedent going back many decades."

The groups asked FERC to remove from the order the statement regarding antitrust law, asserting that failure to do so would cast into "substantial doubt" those precedents.

In a May 15 order, FERC noted the groups were not parties to the case and failed to show why they should be allowed into the proceeding at this late date. Having denied their intervention, it automatically rejected the request for rehearing, but not without addressing the issues they raised and, effectively, giving them the clarification they sought.

"We agree . . . that we do have a responsibility 'to consider, in appropriate circumstances, the anticompetitive effect of regulated aspects of interstate utility operations,' " FERC said, quoting from a 1996 order. But contrary to the groups' claim, "we did consider such matters here," the order added.

Moreover, the March 31 rehearing order required NYISO to file reports on votes involving economic projects, "allowing the commission to monitor the supermajority voting mechanism," it said. — *Craig Cano*

WECC looks to hone definition of bulk grid

The Western Electricity Coordinating Council is seeking industry comment on two draft options for defining the term "bulk electric system." Acknowledging that the options "are not fully detailed," the WECC task force that developed the proposals posed a number of questions to "help shape the future direction" of the initiative.

The May 15 posting gives parties 45 days to respond.

In a previous attempt to pin down a definition, a WECC ad hoc working group in 2005 developed nine characteristics. While never approved by the council's board, in response to a request for regional definitions they were submitted to North American Electric Reliability Corp., which sent them on to the Federal Energy Regulatory Commission.

All users, owners and operators of the bulk electric system are put on a NERC compliance registry and, depending on their classification, must adhere to specified mandatory reliability standards. WECC is one of the eight regional entities to which NERC has delegated authority to enforce those standards.

After the nine characteristics and NERC's definition of bulk electric system were posted on WECC's web site, "some parties used these nine characteristics to challenge their compliance registration," the task force explained.

That prompted WECC's board to call for a re-examination of the issue, leading to the proposals now out for comment. WECC also told NERC and FERC that the nine characteristics are not being used to guide its compliance monitoring and enforcement program functions, including registration.

The proposed options are a “hybrid” approach using a voltage threshold and “material impact assessment,” and classification by voltage.

The hybrid option offers two voltage thresholds, 100 kV and 200 kV, as the “bright line” above which facilities would be deemed part of the bulk electric system. NERC’s definition “roughly establishes a 100 kV ‘bright line,’” but the task force said it was not aware of any technical justification for that threshold.

Noting that adoption of a different threshold would also require “a substantial burden of justification,” the task force proposed use of the impact assessment.

Any facilities below the threshold, be it 100 kV or 200 kV, would be presumed to not be part of the bulk electric system. But if parties can show by way of the assessment that “an element operated at a voltage below the threshold voltage level has a material impact” on bulk electric system reliability, that element would be considered part of the system.

Under the second option, NERC’s use of the 100-kV threshold would be clarified to include transmission elements operated in three voltage ranges: 200 kV or above, 100 kV to 200 kV, and below 100 kV.

The highest range would cover “all transmission elements, regardless of configuration or function,” according to the proposal. The lowest range would cover only elements that are included in an interconnection between two balancing areas.

The middle range would encompass transmission facilities that are characterized by one or more of the following: an element of an existing WECC transfer path; included in an interconnection between two balancing areas; included in a WECC-approved special protection system; or directly involved in the supply of off-site station service to a nuclear generating station.

Among the task force’s questions, parties are asked to comment on which option they support and why. If they prefer option one, should the threshold be 100 kV, 200 kV, or a different voltage level? Should significant load loss be included as a characteristic to determine material impact?

In addition, to comply with WECC’s standards development process, the task force wants to hear about “fiscal impacts” of the proposal. Would there be expenses from staffing changes or other operating and maintenance costs? Is there a cost benefit or savings, including reduced risk? — *Craig Cano*

Utility output falls 0.2% on year in week: EEI

Utilities generated 69,472 GWh in the week ended May 16, which was 0.2% below the 69,639 GWh generated in the corresponding week of 2008, the Edison Electric Institute said Wednesday.

The weekly total was 118 GWh below the 69,590 GWh total posted in the week that ended May 9, EEI said.

Output fell in five of the nine regions EEI assesses, with the largest percentage decrease coming in the West Central region, where generation slid 6.2% from the prior year to 5,515 GWh. The second-largest decline was in the Central Industrial region, where output fell 6% to 11,044 GWh.

Output rose in the remaining four regions, with the largest percentage increase coming in the South Central region, where generation rose 7.6% from the prior year to 11,730 GWh. The second-largest increase was in the Rocky Mountain region, where output rose 5.2% to 4,753 GWh.

Utility generation in the first 20 weeks of 2009 was 1.452 million GWh, or 3.2% below the 1.499 million GWh generated in the same period of 2008, EEI said.

The numbers are based on generation from investor-owned utilities, cooperatives and government-owned utilities. — *Staff Report*

Concerns linger over allowances… from page 1

generators. All free allowances to this sector phase out between 2026 and 2030.

Of that 5% to unregulated entities, merchant coal’s share tops out at 3.5% and about 1.5% goes to largely natural gas merchants with long-term power purchase agreements.

Boucher, in an interview late Tuesday, said he was studying “various matters,” but he declined to identify the issues and whether free allocations for merchants was among them.

“I’m not going to talk about what those matters are while still discussing possible changes,” Boucher said. “If we are in the position to make some changes after proper consultation with interested parties we’ll be public about that at that time.”

The committee this week is marking up the American Clean Energy and Security Act of 2009, H.R. 2454, which would, among other things, cap greenhouse gas emissions from electricity, industrials and oil refiners by 83% by midcentury and create an emissions credit market to aid compliance. Bill drafter and committee Chairman Henry Waxman, a California Democrat, wants the committee to report a bill by Friday.

“For committee purposes I’m certainly content with the draft,” said Boucher. “If there are things that are brought to my attention over the next several days that would be sensible for modification and can be done in a consensus way then I will be recommending those changes.”

Otherwise, in negotiations prior to Waxman’s introduction of the bill, Boucher said “basically I got all of the changes I wanted in the draft. I’m very content with the draft.” Any additional changes he may pursue will be in the later stages of the legislative process, Boucher said.

Rural cooperatives will also look at other opportunities on Capitol Hill to address their concerns. H R. 2454 has been referred to eight other House committees — Ways and Means, Agriculture, Natural Resources, Transportation and Infrastructure, Science and Technology, Education and Labor, Financial Services and Foreign Affairs.

“I would hope and expect we’ll see numerous changes in the legislation as it moves forward,” Glenn English, CEO of the National Rural Electric Cooperative Association, said in an interview outside the Energy and Commerce committee room where the markup was taking place.

NRECA members as well as the American Public Power Association, the National Association of Regulatory Utility

Commissioners, the National Association of State Utility Consumer Advocates, the Electricity Consumers Resource Council and Public Citizen wrote Waxman this week of their concerns about the free allowances for unregulated generators.

By holding these free allowances, these generators can increase prices in the electricity market, reap windfall profits and provide no benefit to consumers, they said.

English said NRECA members were pleased that the bill provides, at least temporarily, free allowances to local distribution companies but have "grave concerns" about those provided to unregulated merchants.

"Basically what that does is it takes away allowances from those entities that are closest to consumers, allowances that would help shield consumers somewhat from much higher electricity bills and gives those allowances to entities that serve no consumers and end up in the pockets of their investors," said English. "We don't think that's right."

But those supportive of the allocation formula were expected to counter any attempts to change it. The 30%-5% distribution that Boucher succeeded in inserting in the bill reflects a consensus in the electric utility sector achieved after two years of negotiations among members of the Edison Electric Institute.

The Electric Power Supply Association, a lobby for merchant power, wrote the committee chairmen of their support for the bill's allocations to independent power producers who entered long-term contracts and to merchant coal "as a means of providing a fair regulatory framework for achieving compliance" with the carbon caps.

Whether any amendments will be offered during the Waxman committee markup to alter the distribution of allowances remains to be seen.

"We'll have to see how that goes," said English. Certain members have recognized "some inequity," but there may be many members who believe this bill "is very fragile" and "are afraid to make any changes, that the whole deal will crash," he said.

"We think it still has a long way to go. We're pleased that there has been progress in the bill," said English. "As we said all along, we think it is important that there is a bill. But there is a difference between needing a good bill and accepting a bad bill. I don't think this one has tipped over to point of saying it is a good bill."

Effort to marry nuclear, renewables defeated

Meanwhile, a Republican amendment that would have expanded the role of nuclear energy in helping utilities meet a proposed national renewable electricity standard drew support from some Democrats on the House Energy and Commerce Committee on Wednesday before being defeated. Nuclear supporters pledged to revive the issue when the full House of Representatives considers comprehensive climate-change and energy legislation later this year.

H.R. 2454 would require utilities to derive 15% of their generation from wind, solar and other renewable sources by 2020. It would allow new nuclear-energy, coal-fired electrical generation with carbon capture and storage, and certain hydroelectric power, to be subtracted from the total baseline used to calculate the standard. This provides an incentive for utilities and regions to invest in new nuclear energy because doing so would make it easier to satisfy the mandate.

Florida Republican Cliff Stearns offered an amendment to the RES provision to subtract all nuclear from the baseline. The proposal failed on a 30-26 vote. Still, five Democrats voted for the amendment, indicating that it might come up again during House floor consideration of the bill if more Democrats are persuaded to support it.

Waxman said the proposed RES represents a delicate balance among members of the committee from various regions. "If we go back and bring in all the existing nuclear power, it would mean that the renewable [standards] would have to be much higher than they now are," he said.

Representative Fred Upton, a Michigan Republican, said he would be willing to accept a higher renewables standard if it meant doing more to promote nuclear energy.

Energy and Environment Subcommittee Chairman Edward Markey said the RES was intended to encourage nascent renewable energy industries, not mature technologies like nuclear energy, which benefit from a variety of existing government incentives. "It has been a very favored industry under US law," Markey argued.

Democratic leaders of the panel still plan to hold a final vote on the bill tonight, an aide said. But as of late Wednesday, the committee had not acted on the most contentious sections as of the measure involving a cap-and-trade mandate.

Panel rejects move to axe cap-and-trade if rates rise

Late Tuesday, the committee turned down an amendment that would have suspended the entire bill if residential energy costs increased by more than 10% compared with 2009 levels, adjusted for inflation.

The amendment by Missouri Republican Roy Blunt underlined the Republicans' argument that placing a cap on carbon emissions would jack up energy prices paid by ordinary Americans. The amendment to the American Clean Energy Security Act of 2009 was defeated by a 32-23 vote.

Republicans have cast themselves as the champions of citizens, and the leading Democrats on the committee as advocates for the utilities sector and others who have agreed to the bill's current language.

Following lengthy negotiations with Democratic members of the committee, Waxman introduced a climate and energy bill last week that would allocate 35% of its emissions allowances to the utilities sector. This would cover roughly 90% of the sector's emissions.

"If you got in the room, you're going to be taken care of. If you weren't in the room, sorry, you're going to pay for this thing," said Republican Representative Michael Rogers of Michigan.

Blunt said that Democrats predict the bill will have little effect on energy costs, because it will promote efficiency. "If there is no impact, I don't see the harm of the amendment," he said, casting it as an insurance policy for consumers.

Democrats resisted the amendment, saying that any suspension of the mandate would disrupt investments in clean energy and derail efforts to combat climate change.

Markey suggested that energy costs could increase for reasons not related to the mandate, like a disruption in oil supply due to some national security situation or a loss in confidence in nuclear power after some unfortunate incident.

If the amendment was adopted, he said, the cap-and-trade system could be cut off even though it had not caused the rate increases. — *Cathy Cash and Jean Chemnick*

MISO to begin resettling charges… from page 1

pants for both past and future activity in the virtual MISO market. The retroactive application of RSGs was controversial and a number of financial participants filed requests for rehearing with FERC, asking for reversal. In January, while the requests were still pending with the commission, MISO began resettling the market back to August 2007 to comply with that order, and as a result, 16 companies defaulted and were pushed out of the MISO market. Lehman Brothers Commodity Services declared bankruptcy last September and also defaulted in MISO in October, but the grid operator had been charging it for activity that occurred when the company was still solvent.

On May 6, FERC reversed its previous decision in part and said that financial participants should not be charged RSGs retroactively for past activity but should be charged for future transactions that occurred after November 10.

FERC also ordered MISO to stop resettling the market and to bring market participants to their financial positions before the refund process started in January. MISO was a little over half-way through resettling the market back to August 2007 when FERC reversed its prior decision.

The second part of the June resettlement will address the November 7 FERC order. In that order, FERC ruled that the way MISO had been calculating RSG charges resulted in a rate mismatch and ordered MISO to recalculate those charges. This resettlement process will redistribute RSG charges among physical participants going back to the start of the MISO market in April 2005.

During the informational meeting, some stakeholders protested MISO's plan to begin resettling the market to comply with the November 7 order while rehearing requests are still pending at FERC.

But representatives from MISO's legal department replied that once FERC issues an order, the grid operator must comply with it immediately regardless of its rehearing status. Waiting to resettle the market would increase interest payments on those resettlements, the MISO officials said.

MISO outlines re-entry procedure

MISO officials also explained the procedure for reinstating back into the market all the companies that defaulted because of RSG charges. MISO plans to return money that is owed to market participants, to return collateral that was seized from defaulting participants in order to pay RSG charges owed by these companies, and to reinstate market participants that defaulted because of their failure to pay RSG charges.

Because the companies that defaulted did not pay any portion of their invoices during the resettlement process, the remaining market participants were not paid in full.

To pay back the $10.5 million of short pay to those market participants, MISO will borrow against its credit facility to pay in full all short payment amounts to date, MISO officials said.

MISO seized about $6.5 million in collateral from financial companies that did not pay the RSG charges invoiced to resettle the market. MISO said the collateral will be returned over the course of the resettlement process.

As a result of the previous RSG resettlements, 16 virtual participants defaulted. Eight of these companies were suspended for nonpayment of their invoices, and the other eight voluntarily withdrew from the market without paying their charges. Market participants that were suspended will be notified of the amount of their credit available based on the pending return of collateral this week. They will be allowed then to re-enter the market if they pay the RSG charges incurred for operating days after November 9, 2008.

In the May FERC order granting a rehearing, the commission established November 10 as the new effective date that financial participants would have to start paying RSG charges. Financial participants that defaulted will also have to submit a written request to re-activate their participant status. The companies that voluntarily withdrew will have to reapply to join the MISO market. —*Nushin Huq*

Va. co-op taps wind power… from page 1

is expected to come online next year.

The generation and transmission co-op signed a 20-year contract for the power at a price that is higher than current market prices, but Beam said should be lower than market prices in just a few years. ODEC buys about 40% of its energy from the market, and the wind contract will help reduce that amount, he said.

"We look at contracts from an economic point of view," Beam said. Cooperatives do not have the tax incentives that investor-owned utilities have to purchase renewable energy, but ODEC has been able to negotiate contracts at competitive prices. "By locking in the prices in long-term contracts, they become cost beneficial in the not too distant future," he said.

The Clipper Windpower contract is the second ODEC has signed for wind generation in 10 months. Last July it signed a contract with AES to purchase 50 MW from the Armenia Mountain wind project in Pennsylvania.

The co-op's objective is to provide reliable and affordable electric power as its load continues to grow at about twice the rate as IOUs, Beam said. Co-ops traditionally serve rural areas, and as cities grow outward residents move into co-op territory. Small commercial customers follow those residential customers, he said.

ODEC has a peak load of about 1,850 MW. It serves member distribution cooperatives in Delaware, Maryland and Virginia. It owns an 11.6% interest in Dominion Virginia's 1,806-MW North Anna nuclear plant and a 50% interest in Dominion Virginia's 930-MW Clover power plant. ODEC owns an 850-MW coal-fired plant and three gas-fired combustion turbines. It also has contracts with hydroelectric and landfill gas generation.

But ODEC needs additional resources, Beam said. It is performing preliminary studies for a coal-fired plant, but it will issue a request for proposals next month to make sure that building a large plant itself is the best deal for its customers, he said. The amount of power will range between 750 MW and 1,500 MW.

The RFP will include opportunities for additional renewable energy, Beam said. "There are no large scale renewable projects in Virginia, but people are starting to talk about large solar projects here," he said. ODEC is continuing to talk to developers about large renewable projects in its territory, Beam said.

ODEC has not set a target for the amount of renewable energy it will add to its portfolio. "Now that we've signed our second wind contract we will look at our resource mix and our risk profile. We will continue our efforts to work with other green power providers," Beam said.

The increasing demand for power and the limited resources in Virginia puts the cooperatives there in a position of needing to take advantage of every possibility available, Patrick Lavigne, a spokesman for the National Rural Electric Cooperative Association, said. "That's especially true now that coal-fired generation is increasingly litigated and is becoming more expensive and more difficult to finance," he said.

Long-term contracts for renewable energy resources help protect the economic security of ODEC's customers, Lavigne said. "A co-op's incentive is not to sell more power but to keep rates low," he said. — *Mary Powers*

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