

Federal Energy Regulatory Commission
Winter 2013-2014 Operations and Market Performance
in RTOs and ISOs
FERC AD14-8
Technical Conference
April 1, 2014



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- Independent state agency in Maryland
- Represents all residential gas and electricity customers in Maryland
- Member of Consumer Advocates of PJM, Inc. (CAPS)
- Signatory to February 14 and March 25, 2014 Letters to the Commission
 - MD OPC does not officially represent these consumer organizations today but can reflect their concerns
 - Letters seek a full inquiry into the root causes and the impact of the recent extreme winter weather events

Customer Experiences and Concerns in PJM Area

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- **Winter 2014 – Extreme Weather in PJM area**
 - January 6-9
 - January 21-28
 - February 9-13
 - February 25-28
- **Types of concerns**
 - **Economic**
 - ✦ Exceptionally high bills
 - **Reliability**
 - ✦ Plant outages
 - ✦ Pipeline constraints

Customer Experiences

High Prices

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- **Residential customers**
 - **High electric and gas bills**
 - ✦ Usage driven increases were expected
 - Historic Low Temperatures (and Wind Chill)
 - Historic Winter Demands
 - **Biggest driver of extremely high electric bills**
 - ✦ Retail electric supply contracts
 - Variable rates
- **Commercial and industrial customers**
 - ✦ Day-ahead and real-time pricing exposure
 - 3 to 4 times the total monthly bill compared to prior year
 - ✦ Ancillary services

Customer Experience

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- Maryland Retail prices

- Major Electric utilities – Residential SOS Prices* are fixed through May 31, 2014; June 1 - September 30, 2014

| | BGE | Pepco | DPL | PE | SMECO | Choptank |
|-----------------|-------------------|------------------|------------------|-------------------|-------------------------------|-----------------------------|
| 10/1/13-5/31/14 | .09623 Per kwh | .0930 Per kwh | .0906 Per kwh | .05825 Per kwh | .0998 Per kwh (Jan-May) | .07969 Per kwh Annual |

- ✦ Potential for impact on SOS prices in future procurements
- Electricity suppliers
 - ✦ Variable Rates increased 2 to 4+ times the utility SOS price (20-48 ¢/kwh)

* Standard Offer Service (SOS) is the electricity supply service provided by Maryland investor-owned utilities (IOUs) and electric cooperatives to customers after electric restructuring. The rate reflects the Commission-approved bid solicitation results for laddered two-year contracts conducted 2X per year, to meet the statutory requirement to purchase supply "at the best price...in light of market conditions at the time....and the need to protect these customers from excessive price increases." *MD PUA Sec. 7-510(c)(4)(ii)*.

Preliminary Lessons – and Questions

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- PJM Customers have paid billions of dollars in capacity costs to ensure the availability of sufficient resources to meet customer needs
 - Significantly high level of forced outages
 - ✦ High prices for PJM Customers
 - ✦ Less generation capacity affected reliability
 - ✦ Not just gas facilities
 - Coal; wind; oil ; other
 - Natural gas facilities
 - ✦ High forced outage rate
 - ✦ Constraints
 - Fuel availability
 - Pipeline constraints
 - Interruptible supply contracts
 - ✦ Extremely high gas prices → High electricity prices → Very high winter bills

Preliminary Recommendations

PJM Area

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- Short term – Data Gathering on both electric and gas systems
 - FERC Technical Conference is a good first step
 - ✦ Detailed investigation is needed
 - Root cause analysis
 - Outages
 - High natural gas prices
 - PJM Customer Request for Data – Require PJM and IMM to provide data to FERC
 - ✦ Generation Scheduling and Outages
 - Types, location, causes
 - Financial consequences
 - ✦ Day-Ahead and Real-Time Market Pricing
 - ✦ Natural Gas Pricing and Deliverability
 - ✦ Generation Retirements
 - ✦ Offer Cap Waiver
 - ✦ Demand Resources
 - May 15, 2014 Date for Additional Comments
 - ✦ Insufficient Time for Additional Data Availability and Stakeholder Review
 - ✦ Supplemental Filings or Proceedings

Preliminary Recommendations

PJM Area

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- Preliminary Areas for Investigation and Potential Solutions
 - ✦ Unusually high outages – High of 40,000 MW in PJM
 - Causes for high outage rates for gas, coal, wind, oil and other facilities
 - Are **all** generation facilities being properly maintained?
 - Testing requirements
 - Incentives to maintain/penalties for failure to perform
 - ✦ High prices related to outages and pipeline constraints
 - Is there evidence of market manipulation?
 - PJM waivers
 - Recovery of more than \$1000 per MWh
 - Bidding of more than \$1000 per MWh
 - This is extraordinary relief – need to ensure that “costs” above these levels could not have been avoided or mitigated
 - ✦ Constraints on interstate gas pipelines
 - What interstate gas pipelines in PJM footprint contributed to extreme pricing?
 - PJM East (I-95 corridor): Transco Zones 5 and 6; Texas Eastern Zone M-3 city gate stations
 - Operations data: Prior history or anomaly?
 - How does data inform future actions related to pipeline capacity and capabilities?
 - Lack of fuel supply

Preliminary Recommendations

PJM Area

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- Data Access – Transparency and Availability to Stakeholders is Critical
 - ✦ Data confidentiality should be limited to extent possible
 - ✦ Best option: Data and reports provided to FERC

- Solution-driven process(es) – Singular or parallel processes
 - ✦ FERC-instituted proceedings
 - ✦ RTO/ISO stakeholder process
 - Possible revisions to PJM Manuals, Operating Agreements, Tariff
 - ✦ Stakeholder Initiated Proceedings

Preliminary Recommendations

PJM Area

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- Long term

“We don’t have all the facts yet”

- But: Any final report or order should address at a minimum:
 - Operational rules and deficiency penalties to ensure all generating facilities are available in times of peak demand
 - Natural gas pipeline constraints and availability of fuel supply
 - High natural gas prices and possibility of market power abuse, and steps to avoid it or mitigate it
 - Recognition of the real world impacts on households and businesses

Final

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THANK YOU
FOR THE INVITATION TO
PARTICIPATE

We offer whatever assistance
you may find helpful