

# Megawatt Daily

Wednesday, November 26, 2008

## Georgia Power suspends planned solicitation

The "independent evaluator" that oversees Georgia Power's requests for proposals said Tuesday that the utility is suspending its planned RFP for up to 1,000 MW deliverable starting in the 2013-14 period now that an updated forecast for its incremental capacity needs suggests that no new power will be required those two years.

Accion Group said in a posting at the Georgia Power RFP web site that the utility "will re-evaluate its need during the second or third quarter of 2009 and work with the independent evaluator and  
(continued on page 10)

## PJM will soon file credit revision proposals

As part of its overall goal to revise its entire credit policy, the PJM Interconnection continues to work on the development and implementation of credit provisions designed to reduce the net transaction exposure of its 541 pool members.

In preparation for the new planning year beginning June 1, PJM is getting ready to file with the Federal Energy Regulatory Commission two sets of proposed credit policy revisions, the majority of which were already agreed upon by the members.  
(continued on page 11)

## Nodal Exchange mock auctions successful

More than 50 market players, ranging from physical to financial in nature, last week participated in mock auctions held by the Nodal Exchange, a planned electronic commodities exchange dedicated to North American electricity markets.

Paul Cusenza, CEO of the Nodal Exchange, said the auctions were "very successful," adding there "may be little tweaks here and there," but the exchange is on track to launch in early 2009.

The Nodal Exchange held two mock auctions last week. The first  
(continued on page 11)

### Holiday Notice

Megawatt Daily will not publish Thursday, November 27, or Friday, November 28, due to the Thanksgiving Day holiday.

For all markets outside of the West, electricity price information collected Wednesday, November 26, for various packages for flow during the November 27-December 1 period, will be published in the December 1 Megawatt Daily.

The West is on an altered schedule this week. Trading Monday, November 24, is for flow Tuesday, November 25, through Thursday, November 27. Trading Tuesday, November 25, is for flow Friday, November 28 through Sunday, November 30. Trading Wednesday, November 26, is for flow Monday, December 1. Price information from Western markets collected Wednesday will be published in the Monday, December 1 Megawatt Daily.

### Day-ahead markets for delivery Nov 26 (\$/MWh)

ERCOT	Index	Change	Range	Deals	Volume	Avg \$/Mo
<b>On-peak</b>						
ERCOT	41.29	1.46	41.00-41.50	5	250	37.05
ERCOT, North	41.58	-0.19	41.00-42.25	60	3,600	43.80
ERCOT, Houston	42.38	-0.50	41.00-43.25	21	1,150	47.62
ERCOT, West	41.75	3.25	41.75-41.75	N.A.	N.A.	38.11
ERCOT, South	42.23	-1.30	41.25-43.05	17	1,300	47.45

<b>Off-Peak</b>						
ERCOT	20.00	1.00	20.00-20.00	N.A.	N.A.	13.55
ERCOT, North	28.00	3.18	27.95-28.05	23	1,575	22.55
ERCOT, Houston	28.38	3.66	27.50-29.00	17	900	23.52
ERCOT, West	27.00	2.00	27.00-27.00	N.A.	N.A.	17.03
ERCOT, South	28.00	-1.00	28.00-28.00	N.A.	N.A.	24.55

Southeast	Index	Change	Range	Deals	Volume	Avg \$/Mo
<b>On-peak</b>						
VACAR	45.50	-3.25	45.50-45.50	N.A.	N.A.	51.42
Southern, into	46.00	-3.25	46.00-46.00	N.A.	N.A.	53.29
Florida	55.00	-1.00	55.00-55.00	N.A.	N.A.	59.33
TVA, into	47.00	-5.75	47.00-47.00	N.A.	N.A.	51.24
Entergy, into	43.75	-2.00	43.75-43.75	N.A.	N.A.	49.42

<b>Off-Peak</b>						
VACAR	34.00	-0.75	34.00-34.00	N.A.	N.A.	35.68
Southern, into	38.00	2.75	38.00-38.00	N.A.	N.A.	36.67
Florida	40.00	2.75	40.00-40.00	N.A.	N.A.	40.01
TVA, into	38.50	2.75	38.50-38.50	N.A.	N.A.	34.79
Entergy, into	29.00	-2.00	29.00-29.00	N.A.	N.A.	29.43

†West	Index	Change	Range	Deals	Volume	Avg \$/Mo
<b>On-peak</b>						
COB	49.71	-2.12	49.25-50.00	5	150	52.82
Mid-C	47.86	-0.95	47.00-48.50	79	2,175	48.97
Palo Verde	39.37	-8.13	38.25-41.00	44	1,200	41.86
Mead	43.25	-9.75	43.25-43.25	N.A.	N.A.	47.47
Mona	38.00	-6.00	38.00-38.00	N.A.	N.A.	40.31
Four Corners	36.58	-7.67	34.25-37.25	10	275	40.52
NP15	49.48	-7.95	47.00-51.50	46	1,200	54.94
SP15	49.41	-8.04	46.75-51.45	156	4,175	53.00

<b>Off-Peak</b>						
COB	47.66	-0.95	47.75-49.55	16	575	45.86
Mid-C	48.46	1.01	43.25-49.00	118	3,175	44.28
Palo Verde	36.24	-1.88	37.00-42.00	14	600	33.36
Mead	37.95	-5.27	42.75-45.00	5	225	38.56
Mona	34.00	-1.00	35.00-35.00	N.A.	N.A.	30.98
Four Corners	32.75	-0.86	33.00-35.50	7	200	29.92
NP15	43.55	-2.45	45.50-47.60	71	2,325	44.31
SP15	42.48	-2.98	44.00-47.50	47	1,200	41.16

Northeast	Index	Change	Range	Deals	Volume	Avg \$/Mo
<b>On-peak</b>						
Mass Hub	66.50	-2.50	66.50-66.50	N.A.	N.A.	69.31
N.Y. Zone-G	71.50	-3.50	71.50-71.50	N.A.	N.A.	71.96
N.Y. Zone-J	80.00	-2.00	80.00-80.00	N.A.	N.A.	78.15
N.Y. Zone-A	60.00	-3.00	60.00-60.00	N.A.	N.A.	56.41
Ontario*	75.00	-5.00	75.00-75.00	N.A.	N.A.	62.24

<b>Off-Peak</b>						
Mass Hub	51.00	-4.25	51.00-51.00	N.A.	N.A.	52.50
N.Y. Zone-G	50.75	-4.50	50.75-50.75	N.A.	N.A.	51.72
N.Y. Zone-J	51.25	-4.50	51.25-51.25	N.A.	N.A.	52.61
N.Y. Zone-A	45.50	-4.50	45.50-45.50	N.A.	N.A.	44.78
Ontario	44.00	-4.00	44.00-44.00	N.A.	N.A.	38.10

(continued on page 2)

## MARKET WRAP

### EAST MARKETS

## Spot gas prices pull dailies lower; terms ease

A drop in spot gas prices pulled power prices for Wednesday delivery lower in the East, while forwards in the region were also down, reflecting the fact that the January NYMEX gas contract shed 44.1 cents, or 6.5%, to settle Tuesday at \$6.386/MMBtu.

In the Northeast, daily prices for power delivered on Wednesday tumbled with spot gas prices. Tennessee, zone 6 delivered spot gas fell about 60 cents, trading near \$7.48/MMBtu on the IntercontinentalExchange. Transco zone 6, New York spot gas fell about 43 cents to near \$7.57/MMBtu. Peak demand forecasts were slightly lower. New York ISO forecast a 22-MW drop in today's peak demand at 21,787 MW. ISO New England had a 127-MW drop in demand at 18,300 MW. Weather forecasts were calling for highs to range from the upper 30s to the mid-40s.

New York Zone-A dailies fell \$3.25 below Platts' for-Tuesday index, trading near \$59.75/MWh on ICE. Zone-G dailies fell \$3.50, trading near \$71.50/MWh. Dailies in Zone-J fell \$2 to \$80/MWh.

Zone-A balance-of-the-week, Friday, was bid at \$50.25 and offered at \$54.25/MWh on ICE. Zone-G bal-week was bid at

### Day-ahead markets for delivery Nov 26 (\$/MWh)

PJM	Index	Change	Range	Deals	Volume	Avg \$/Mo
<b>On-peak</b>						
PJM West	56.69	-3.81	56.50-57.50	11	1,550	64.59
Dominion Hub	63.00	-2.25	63.00-63.00	N.A.	N.A.	61.72
AD Hub	48.00	-5.50	48.00-48.00	N.A.	N.A.	52.10
NI Hub	46.50	-4.25	46.50-46.50	N.A.	N.A.	50.46

<b>Off-Peak</b>						
PJM West	40.25	-2.75	40.25-40.25	N.A.	N.A.	44.68
Dominion Hub	44.50	-5.50	44.50-44.50	N.A.	N.A.	47.29
AD Hub	34.00	-4.75	34.00-34.00	N.A.	N.A.	38.92
NI Hub	33.00	-0.25	33.00-33.00	N.A.	N.A.	29.56

MISO	Index	Change	Range	Deals	Volume	Avg \$/Mo
<b>On-peak</b>						
Michigan Hub	49.25	-4.50	49.25-49.25	N.A.	N.A.	51.47
First Energy Hub	47.25	-5.25	47.25-47.25	N.A.	N.A.	46.46
Cinergy Hub	47.50	-6.25	47.50-47.50	N.A.	N.A.	49.72
Illinois Hub	38.75	-3.75	38.75-38.75	N.A.	N.A.	44.43
Minnesota Hub	47.25	-3.00	47.25-47.25	N.A.	N.A.	49.19

<b>Off-Peak</b>						
Michigan Hub	35.25	-0.50	35.25-35.25	N.A.	N.A.	31.57
First Energy Hub	34.25	-1.00	34.25-34.25	N.A.	N.A.	30.39
Cinergy Hub	35.00	-0.50	35.00-35.00	N.A.	N.A.	31.07
Illinois Hub	22.50	-5.75	22.50-22.50	N.A.	N.A.	24.46
Minnesota Hub	24.00	-5.00	24.00-24.00	N.A.	N.A.	22.65

SPP/MRO	Index	Change	Range	Deals	Volume	Avg \$/Mo
<b>On-peak</b>						
MAPP, South	45.00	-1.00	45.00-45.00	N.A.	N.A.	48.89
SPP, North	44.00	-1.00	44.00-44.00	N.A.	N.A.	47.89

<b>Off-Peak</b>						
MAPP, South	23.50	-0.50	23.50-23.50	N.A.	N.A.	25.43
SPP, North	23.00	-0.50	23.00-23.00	N.A.	N.A.	24.88

\*Ontario prices are in Canadian dollars

†West markets traded for Friday and Saturday with off-peak including all day Sunday

## platts Megawatt Daily

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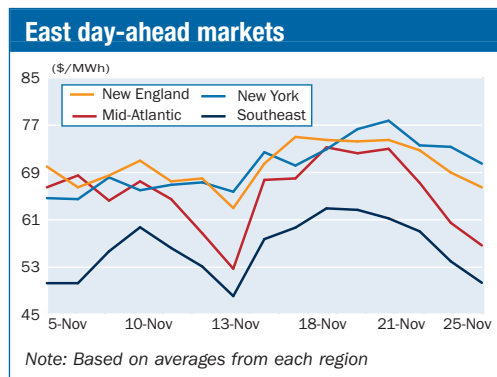
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\$58.50 and offered at \$68.25/MWh. Early on-peak weekend packages were bid at \$45 and offered at \$54/MWh. Next-week packages for the first week of December were flat to lower than trades executed on Monday. Zone-A next-week trades were down about 75 cents, trading near \$54.25/MWh. Zone-G next-week trades were flat at \$80/MWh. Zone-J was offered at \$93/MWh with no corresponding bids. In Zone-A, a package covering December 1-3 was bid at \$41 and offered at \$48/MWh. Further out, Zone-A's December 8-12 weekly package was bid \$4 lower than a day earlier at \$63 and offered \$1 higher at \$73/MWh.

New England's Mass Hub dailies fell \$2.25, trading near \$66.75/MWh on ICE. Off-peak shed \$4.25 to \$51/MWh. Balance-of-the week, Friday, traded near \$63.50/MWh, with the off-peak bid at \$49 and offered at \$52/MWh. The next-



week package for December 1-5 was bid \$75, down 50 cents, and offered at \$81/MWh, also down 50 cents. Mass Hub had an assortment of packages to cover the upcoming Thanksgiving Day weekend.

On-peak 2-by-16 packages were bid at \$60.50 and offered at \$62/MWh. On-peak 3-by-16 packages for Saturday through Monday were bid at \$64.50 and offered at \$66.75/MWh. Off-peak, 2-by-8 packages were bid at \$47.50 and offered at \$51. Off-peak 3-by-8 packages were bid at \$48.50/MWh with no corresponding offers. A custom package for December 1 was bid at \$71 and offered at \$80/MWh.

Northeast forwards erased most of the gains from the last two days and finished the day lower. Power market bids and offers were available for most packages on ICE but trading volume was low. December Mass Hub dropped \$3 to \$76 and winter was down \$2.75 into the low \$80s/MWh. The spring and summer Mass Hub packages gave back \$2.50 each. December New York Zone-A slid \$1.50 to \$61 and the summer fell \$3 to \$63.75/MWh. December New York Zone-G was down \$2.50 to \$78.25 and winter lost \$1.50 into the mid \$80s/MWh.

In the Mid-Atlantic, prices fell on lower expected load and spot gas prices. The PJM Interconnection predicted peak load to fall slightly from 96,623 MW on Tuesday to 94,252 MW today. Forecasts for today called for highs mostly in the 40s, with overnight lows ranging from the upper 20s to low 30s. Texas Eastern M-3 was trading around \$7.49/MMBtu on ICE, 30 cents lower than Platts' for-Tuesday index. PJM Interconnection West Hub day-ahead traded slightly below \$57/MWh on ICE, \$4 lower than Platts' for-Tuesday index. Off-peak shed \$3, trading around \$40.20/MWh. Balance-of-the-week traded around \$50/MWh, \$5 lower than trades seen

on Monday. Weekend peak traded around \$52.75/MWh, steady with Monday bids and offers. Weekend off-peak traded around \$38.30/MWh, slightly lower than Monday bids.

Mid-Atlantic forwards lost strength Tuesday led by a sharp fall in NYMEX gas. Trading on ICE was very active ahead of the long holiday weekend with more volume going through for most packages. December PJM West lost \$2.25 to \$65.25 and the winter dropped \$2.75 to \$67.50/MWh. The spring and summer package rolled back over \$2 to \$62.50 and \$83.50/MWh.

Forecasts for today predicted highs ranging from 50 in Richmond to 76 in Miami. Overnight lows were predicted to range from 30 degrees to 56 degrees. Into Southern day-ahead was bid at \$44 and offered at \$49/MWh on ICE, compared to

### Generation unit outage report

#### East

Plant/Operator	Cap	Fuel	State	Status	Return	Shut
Browns Ferry-1/TVA	1,120	n	Ala.	PM/RF	Unk	10/25/08
Oconee-2/Duke	846	n	S.C.	PM/RF	Unk	10/25/08
Pickering-1/Ontario Power Gen.	542	n	Ont	MO	Unk	11/20/08
Pickering-4/Ontario Power Gen.	515	n	Ont	MO	Unk	10/25/08
Pickering-7/Ontario Power Gen.	525	n	Ont	PMO	Unk	04/06/08
Robinson-2/Progress Energy	700	n	S.C.	MO	Unk	11/19/08

#### Central

Plant/Operator	Cap	Fuel	State	Status	Return	Shut
Arkansas-1/Entergy	912	n	Ark.	RF	Unk	10/27/08
Cook - 1/AEP	1,026	n	Mich.	MO	Unk	09/20/08
Point Beach-1/FPL Energy	518	n	Wis.	MO	Unk	10/06/08
Prairie Creek/Alliant Energy	185	c	Iowa	MO	2009-Q1	06/13/08
Sixth Street/Alliant Energy	55	c	Iowa	MO	2009-Q3/Q4	06/12/08

#### West

Plant/Operator	Cap	Fuel	State	Status	Return	Shut
Colgate-1/PG&E	177	h	Calif.	PMO	Unk.	10/01/08
Colgate-2/PG&E	176	h	Calif.	PMO	Unk.	10/01/08
Gateway/PG&E	590	g	Calif.	MO	Unk.	11/16/08
Helms Pump-3/PG&E	404	h	Calif.	PMO	Unk.	09/28/08
Huntington Beach-1/AES	226	g	Calif.	PMO	Unk.	11/22/08
Inland Empire-1/Inland	376	g	Calif.	MO	Unk.	08/17/08
Inland Empire-2/Inland	337	g	Calif.	MO	Unk.	08/14/08
Metcalf/Calpine	593	g	Calif.	MO	Unk.	11/13/08
Middle Fork/Placer Co	218	h	Calif.	PMO	Unk.	11/04/08
Morro Bay-3/LS	337	g	Calif.	PMO	Unk.	10/05/08
Palo Verde-2/APS	1,245	n	Ariz.	MO	Unk.	11/22/08
Pine Flat-7/KRCD	210	h	Calif.	MO	Unk.	08/17/08
San Onofre-3/SoCal Ed	1,080	n	Calif.	RF	Unk.	10/13/08
Southbay-3/LS Power	175	g	Calif.	PMO	Unk.	11/16/08

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.

Platts' for-Tuesday index of \$49.25/MWh. Off-peak traded around \$35/MWh, 25 cents lower than Platts' for-Tuesday index. Balance-of-the-week traded around \$41/MWh on ICE, 50 cents lower than trades seen Monday on ICE. Balance-of-the-month off-peak was offered \$1 less at \$38/MWh with no corresponding bids. Three-by-8 was bid at \$28/MWh with no corresponding offers. Into TVA balance-of-the-week traded around \$37.50/MWh.

Southeast forwards were lower Tuesday amid weaker NYMEX gas and some minor selling interest for prompt on ICE. Into Southern December shed about \$3 to around \$53.25/MWh offered high at \$58/MWh on ICE. The winter package also fell about \$3 to around \$53.50/MWh. In the Tennessee Valley region, Into TVA December lost about \$1 to around \$52.75/MWh, while winter was down about \$2.50 to around \$55.25/MWh.

ket looked to shed some of the previous day's gains.

In the Midwest, daily power prices fell with spot gas prices. Chicago city-gates spot gas was trading around \$6.57/MMBtu on the IntercontinentalExchange, 26 cents lower than Platts' for-Tuesday index. Today forecasts called for highs ranging from 38 in Detroit to 55 in St. Louis with overnight lows ranging from 22 in Madison to 37 in St. Louis. Cinergy Hub day-ahead traded around \$47/MWh, \$6 lower than Platts' for-Tuesday index. Off-peak traded around \$35/MWh, 50 cents lower than Platts' for-Tuesday index. Balance-of-the-week traded around \$37/MWh on ICE, \$2 lower than Monday bids. Next-week traded around \$55/MWh, \$4 lower than trades seen Monday on ICE. Weekend peak was offered at \$44.75/MWh.

In the Midwestern portion of the PJM Interconnection, prices weakened. AEP-Dayton Hub day-ahead was bid at \$45 and offered at \$51/MWh on ICE, compared to Platts' for-Tuesday index at \$53.50/MWh. Off-peak was bid at \$31 and offered at \$37/MWh, lower than Platts' for-Tuesday index of \$38.75/MWh. Northern Illinois Hub day-ahead was bid at \$42 and offered at \$49/MWh on ICE, lower than Platts' for-Tuesday index. Off-peak bid at \$23 and offered at \$33/MWh, steady with Platts' for-Tuesday index.

Midwest terms slid, also in response to weaker NYMEX gas. December Cinergy Hub was down \$1.75 to \$52 and the winter fell \$2.65 into the mid \$50s/MWh. December AEP Dayton Hub lost \$1.75 to \$53.75 and winter dropped \$3.50 to \$57.75/MWh.

Above normal temperature forecasts and lower spot gas

**CENTRAL MARKETS**

**Dailies, near-terms and forwards end lower**

Day-ahead and near term prices end the day mostly lower on Tuesday, falling with spot natural gas prices and influenced by weather forecasts. Forwards lost ground as the January NYMEX gas contract shed 44.1 cents, or 6.5%, to settle at \$6.386/MMBtu on declining petroleum prices and as the mar-

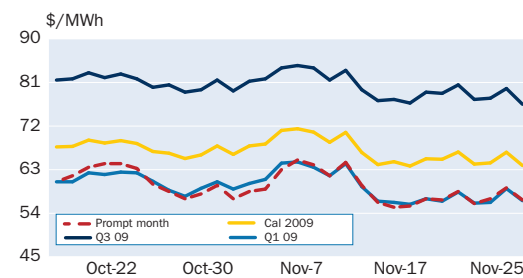
**Platts-ICE Forward Curve — Electricity, Nov 25 (\$/MWh)**

**Prompt month: Dec08**

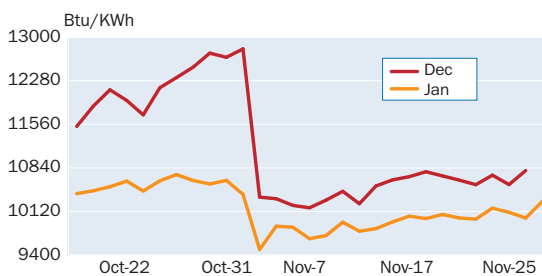
Mass Hub	76.00
N.Y. Zone G	78.25
N.Y. Zone J	88.25
N.Y. Zone A	61.00
Ontario*	64.75
PJM West	65.00
AD Hub	53.75
NI Hub	50.50
Cinergy Hub	52.00
TVA Into	52.50
Southern Into	54.00
Entergy Into	50.50
ERCOT	33.00
Mid-C	55.50
Palo Verde	45.75
NP15	57.75
SP15	56.75

\*Ontario prices are in Canadian dollars

SP15: Key packages, last 30 days



SP15: Marginal heat rate



SP15: Forward curve

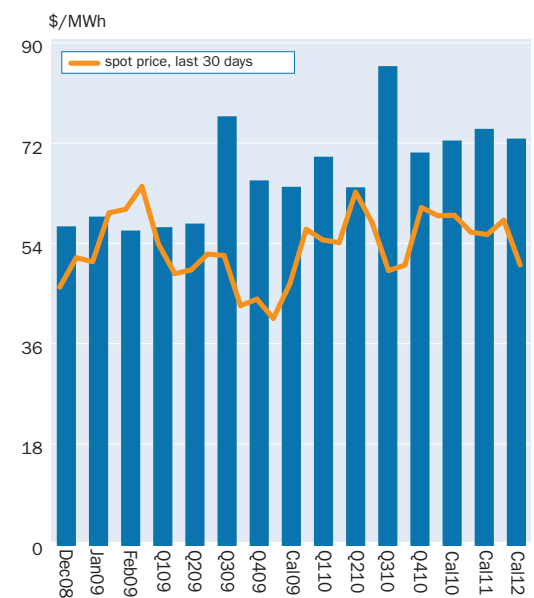
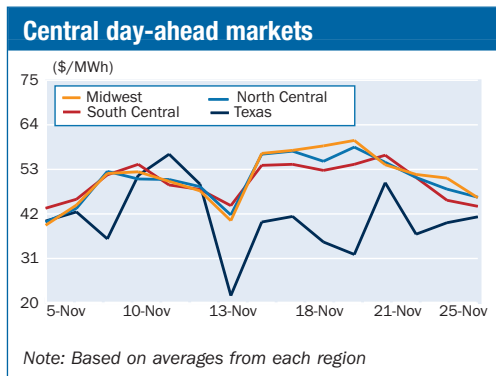


Table and graphs are created using Platts-ICE Forward Curve — Electricity (North America) data. Both on-peak and off-peak electricity forward assessments are available for periods spanning four years. To see a sample and find information on how to subscribe to the full data set go to [www.risk.platts.com](http://www.risk.platts.com). 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

prices in Texas kept ERCOT dailies fairly flat with the previous day. Highs were expected to range from 63 in Amarillo to the mid-70s in Houston and Dallas, 4 to 13 degrees above normal for late November. Spot gas prices were lower at the Houston Ship Channel, trading near \$6.13/MMBtu on ICE, down about 8 cents. ERCOT's peak demand forecast was calling for a 1,000 MW drop on today at 33,680 MW. ERCOT seller's choice next-day traded near \$41.25, up \$1.25. North, Houston and South fell between 25 and 50 cents, with trades in the low \$40s/MWh. Off-peak packages were up \$3 in the North and Houston zones, trading near \$27.75/MWh. Seller's choice off-peak deals fell 75 cents, trading near \$19.75/MWh.



Seller's choice balance-of-the-week, November 28, traded at \$33/MWh. Trades for Houston bal-week were exchanged at

\$39/MWh. North zone bal-week traded at \$37/MWh. The December 1-5 weekly package was bid at \$38 and offered at \$45.50 for seller's choice. North zone next-week was bid at \$43 and offered at \$47/MWh. A cold front was forecast to arrive mid-week in northern Texas, with highs in the low 40s in Amarillo and lows in the mid-20s along with a mix of rain and snow. In Entergy, dailies fell \$2.75 below Platts' for-Tuesday index to \$43/MWh, as seen on ICE. Highs were forecast near normal in the low and upper 60s. Spot gas at the Henry Hub fell 14 cents, trading near \$6.71/MMBtu on ICE. Balance-of-the-week packages for Friday traded at \$39/MWh. Next-week, December 1-5, bids fell 50 cents to \$49.50 and offers fell \$3 to \$53.25/MWh. Southeast dailies were slightly weaker on softer spot gas prices. Transco zone 3 spot gas was trading around \$6.68/MMBtu on ICE, 40 cents lower than Platts' for-Tuesday index.

South central forwards were weak as January NYMEX gas opened lower and kept falling along with the petroleum complex. Power trading on ICE was limited to December prompt packages. ERCOT December seller's choice lost about \$2.75 to around \$32.75/MWh, bid at \$31 and offered at \$35/MWh on ICE. South zone winter fell about \$3.25 to around \$47.25/MWh. Into Entergy December fell about \$3 to around \$50/MWh offered at \$51.50/MWh without bids on ICE.

**Near-term markets (\$/MWh)**

Contract	Transacted	Range
<b>East</b>		
<b>N.Y. Zone-G</b>		
Next-week	11/25	79.75-80.25
<b>PJM West</b>		
Next-week	11/25	66.00-67.00
Next-week	11/24	69.50-70.00
Next-week	11/21	67.00-68.00
Next-week	11/20	58.75-59.25
Next-week	11/19	60.50-61.00
<b>Southern, Into</b>		
Bal-month	11/25	40.00-41.00
Bal-month (off-peak)	11/24	38.00-38.50
<b>Central</b>		
<b>Entergy, Into</b>		
Bal-week	11/24	40.75-41.25
Bal-month	11/25	38.75-39.25
<b>ERCOT</b>		
Bal-week	11/19	39.75-40.25
<b>ERCOT, North</b>		
Bal-week	11/19	45.50-46.00
Bal-month	11/25	37.50-38.50
Bal-month	11/19	42.50-43.00

Contract	Transacted	Range
<b>ERCOT, Houston</b>		
Bal-week	11/19	50.75-51.25
Bal-week (off-peak)	11/19	30.75-31.25
Bal-month	11/25	39.50-40.00
<b>ERCOT, West</b>		
Bal-week	11/19	38.75-39.25
Bal-week (off-peak)	11/19	21.75-22.25
<b>West</b>		
<b>Mid-C</b>		
Bal-month	11/21	55.25-56.25
Bal-month	11/20	46.00-49.50
Bal-month	11/19	48.75-50.00
Bal-month (off-peak)	11/21	43.50-45.00
Bal-month (off-peak)	11/20	40.00-44.00
Bal-month (off-peak)	11/19	45.00-47.25

\*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/](http://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](mailto:lisa_lawson@platts.com) and Mike Wilczek, (202) 383-2246, [mike\\_wilczek@platts.com](mailto:mike_wilczek@platts.com).

## WEST MARKETS

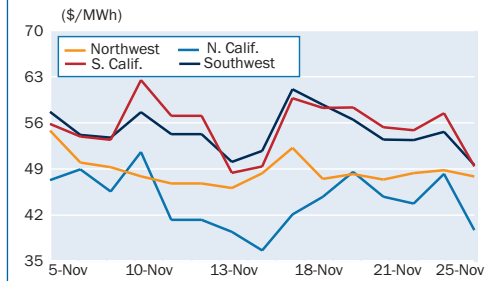
## Dailies fall on weekend discount; terms dive

Western on-peak day-ahead prices fell on the weekend discount and faltering spot gas prices Tuesday, despite the increased risk associated with a three-day altered trading schedule. With Thanksgiving upcoming Thursday and the end of the month approaching, November financial balance-of-

the-month deals were non-existent in the morning on ICE. Forwards moved lower.

West daily prices were down as much as \$8.25 in California, by \$8 in the Southwest and by about 75

## West day-ahead markets



cents in the Northwest in trades on IntercontinentalExchange. Tuesday's trades on ICE were for delivery Friday and Saturday, with off-peak including all-day Sunday. Trades today are for Monday delivery. Western day-ahead trading will not be done on Thursday and Friday due to the holiday.

In day-ahead trades in California, NP15 and SP15 on-peak averaged about \$49.25/MWh on ICE. Los Angeles was forecast by AccuWeather to reach a below-average high of about 69 Friday, while Sacramento warms up to about 63 degrees. The California Independent System Operator projected peak load Tuesday of 30,795 MW and peak load 900 MW lower today. The Western Electricity Coordinating Council projected peak load of 38,833 MW for the California-Mexico border area Tuesday, about 100 MW less than Monday's average.

In day-ahead sales in the Southwest, Palo Verde on-peak averaged about \$39.50/MWh on ICE. AccuWeather forecast an about-average high of 70 for Phoenix on Friday. Total volume traded at Palo Verde on ICE was about 1,975 MW, about 125 MW less than on Monday.

In the Northwest, Mid-Columbia on-peak averaged about \$48/MWh. The Northwest price decrease was mild in comparison to that in the other regions of the West due to the Pacific Direct Current Intertie remaining offline as of Tuesday afternoon for repairs to the Sylmar Converter substation that was damaged November 15 in the Sayre Wildfire. The Pacific DC line enables power from the Northwest to be exported to Southern California. Total volume traded at Mid-C on ICE was about 3,125 MW, about 2,100 MW less than on Monday. The Northwest Power Pool projected peak load of 50,200 MW, about 250 MW more than on Monday. Portland was forecast to reach an about-average high of 49 on Friday.

Forwards crashed, erasing any gains made the previous days, as the January NYMEX gas futures contract came off more than 40 cents. Power trading on ICE was light in terms

of volume, packages were well formed and deals spread out across the curve and out past 2010.

In California, SP15 on-peak December financial swaps shed about \$2.50, with bids at \$56.25 and offers at \$57/MWh on the ICE near 2:30 pm EST. SP15 first-quarter 2009 gave up about \$2.50, with bids at \$55.25 and offers at \$56.25/MWh. NP15 December gave up about \$1.75, with bids around \$57.25 and offers close to \$58.25/MWh.

In the Northwest, Mid-Columbia December tumbled about \$3, with bids at \$55.25 and offers at \$55.75/MWh. Mid-Columbia first quarter 2009 lost about \$3.25, with bids at \$51.25 and offers at \$52/MWh.

In the Southwest, Palo Verde December fell about \$1.75, with bids at \$45 and offers at \$46.50/MWh. Palo Verde first quarter was hammered about \$3 lower, with bids at \$46 and offers at \$48/MWh.

## Daily emissions assessments, Nov 25

	\$/allowance	Change	\$/st
SO2 2008	175.00	0.00	175.00
NOx 2008	550.00	0.00	550.00
NOx 2009	550.00	0.00	550.00
NOx 2010	500.00	0.00	500.00

For methodology, visit [www.emissions.platts.com](http://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](mailto:support@platts.com) or call 1-800-PLATTS-8.

## Spark spreads for Nov 26

	Marginal heat rate	Spark spreads				
		@7k	@8k	@10k	@12k	@15k
<b>East</b>						
Mass Hub	8873	14.03	6.54	-8.45	-23.44	-45.92
N.Y. Zone-G	9508	18.86	11.34	-3.70	-18.74	-41.30
N.Y. Zone-J	10568	27.01	19.44	4.30	-10.84	-33.55
N.Y. Zone-A	8409	10.06	2.92	-11.35	-25.62	-47.02
Ontario*	8910	16.08	7.66	-9.18	-26.01	-51.27
PJM West	7604	4.50	-2.95	-17.86	-32.77	-55.14
TVA, into	7044	0.29	-6.38	-19.73	-33.07	-53.09
<b>Central</b>						
Cinergy Hub	6815	-1.29	-8.26	-22.20	-36.14	-57.05
NI Hub	7311	1.98	-4.38	-17.10	-29.82	-48.90
Entergy, into	7919	5.07	-0.45	-11.50	-22.55	-39.12
ERCOT	6758	-1.48	-7.59	-19.81	-32.03	-50.36
<b>West</b>						
Mid-C	8074	6.50	0.45	-11.64	-23.73	-41.86
Palo Verde	9709	13.25	8.36	-1.42	-11.21	-25.89
NP15	9167	13.58	7.31	-5.22	-17.75	-36.54
SP15	11490	22.45	17.45	7.45	-2.55	-17.55

\*Ontario prices in Canadian dollars

†Spark spreads are reported in (\$) and Marginal heat rates in (Btu/kWh)

## IN THE NEWS

### ISO-NE participants support queuing process

ISO New England market participants are showing general support for a new generator interconnection queuing process submitted by the grid operator to federal regulators, although the PSEG Power Companies said Monday that aspects of the proposal are unfair to some interconnection customers.

The Federal Energy Regulatory Commission is considering ISO-NE proposed tariff changes that would link the grid operator's generation interconnection queue process to its forward capacity market, taking comments from the industry as it considers the proposal.

ISO-NE and the New England Power Pool say their proposed tariff revisions filed with FERC October 31 are necessary to resolve issues related to the relationship between the independent system operator's forward capacity market and its generation interconnection procedures.

Like most other ISOs, ISO-NE is dealing with a severely clogged interconnection queue, which many say results from flimsy requirements for getting a spot in the queue and an overly simple "first-come, first-served" approach to interconnecting.

The filing includes queue reform measures, including increasing initial deposits from \$10,000 to \$50,000, new milestones required to stay in the queue, and a modifying of the current "first-come, first-served" queue ranking.

The new approach attempts to integrate the queue process with the forward capacity market auction by allocating interconnection capacity rights to units that clear ISO-NE's forward capacity market auction. The forward capacity market is a resource-based market rather than a financially based market, and uses auctions to procure capacity equal to the ISO's installed capacity requirements three years ahead.

Currently the interconnection queue is used to allocate the priority among "overlapping resources" to participate in the forward capacity market, with higher-queued projects having priority.

According to ISO-NE, the changes were supported by 95% of NEPOOL members and the New England Conference of Public Utility Commissioners, with a requested implementation date of February 1.

The PSEG Power Companies, which consists of PSEG Power and PSEG Energy Resources & Trade, complained that under the proposed rules, a customer that has already completed its interconnection studies and upgrades might lose its spot in the queue to a project that sits behind it in the queue but clears the forward capacity market auction.

"Resources that clear in FCM will now essentially be exempt from the interconnection queue process, and the rights of projects in the queue that have complied with all queue requirements but do not clear in an FCM auction will be degraded," said the PSEG Power Companies, calling this an "unacceptable result."

The PSEG Power Companies requested that FERC reject the "first-cleared, first-served" approach and adopt a single queue approach

whereby the new fees and milestones could still be implemented.

The Connecticut Department of Public Utility Control requested FERC approve the ISO-NE filing, calling it "a broadly supported, consensus proposal" that took 13 months to create.

"Current tariff rules allow ISO-NE to bar a potential new entrant based solely on its interconnection queue position," the DPUC said. "This discriminatory practice has disproportionately affected the high-growth, electrically congested areas in Connecticut.... These revisions substantially improve existing procedures and are necessary for the FCM to support development of competitive, locational new investment in New England over the long term."

The Massachusetts Department of Public Utilities and Dominion Resources Services also asked FERC to approve the proposal as submitted by ISO-NE. Many other market participants have filed as intervenors in FERC's proceeding but have yet to file comments (Docket No. ER09-237). — *Jason Fordney*

### Exelon to NRG shareholders: 'send a message'

Exelon urged NRG Energy shareholders on Tuesday to "send a message" to the Princeton, New Jersey-based merchant company's management and board by tendering their stock by the January 6 deadline.

But NRG shareholders already may be sending a message — one Exelon does not want to hear, a NRG executive countered in an interview.

Exelon's hostile takeover bid for NRG is intensifying in the wake of an NRG board of directors decision earlier this week to reject the \$6.2 billion all-stock offer launched on October 19. Exelon's offer of .0485 shares of Exelon stock for each share of NRG stock "significantly undervalues" NRG, the board said.

Undaunted, Exelon, the Chicago-based parent company of Commonwealth Edison and PECO Energy, fired back. "In light of NRG's continued refusal to discuss the merits of our offer, the NRG board clearly stands in the way of the opportunity Exelon is offering NRG investors to realize both immediate and long-term value for their shares," John Rowe, Exelon chairman and CEO, said in a statement. "We are determined to complete our proposed transaction and urge the NRG shareholders to speak strongly and convincingly to the NRG board by tendering their shares pursuant to our offer, which will send a clear message that they want NRG to enter into a definitive agreement to create a company that will deliver substantial value for its investors."

NRG's response "provides no economic alternative to Exelon's offer for NRG shareholders, and, unfortunately, it brings nothing new to the table," Rowe added. "While it remains our hope that the NRG board will negotiate terms and work constructively toward a transaction, we have not seen any inclination by them to do so. Thus, we have gone directly to NRG's owners to give them an opportunity to build a company that we believe will provide them with superior returns on their investment."

Bob Flexon, NRG executive vice president and CFO, said that while the energy portfolio of Exelon, the nation's largest nuclear generator, fits in nicely with NRG's natural gas, coal and nuclear

holdings, "For us, it's just been about value." And Exelon, he added, is not offering enough value to NRG to do a deal.

Exelon officials are believed to be talking with some of NRG's largest shareholders and continue to say they are receiving encouragement to continue moving forward. They refuse, however, to identify those shareholders or reveal the amount of shares that have been tendered thus far, if any.

Flexon said he doubts Exelon is meeting with a robust response. "We've always been very accessible to our shareholders," he said. "We talk to them on a regular basis and are speaking to them more frequently" during the Exelon takeover attempt.

Exelon and NRG "have some common shareholders," he noted, and Exelon may be talking to shareholders who already hold a bigger stake in Exelon than in NRG.

Exelon also announced that J.P. Morgan has joined its team of financial advisors for the proposed NRG acquisition. The team now consists of Barclays Capital, J.P. Morgan Securities, Lazard Freres, Loop Capital Markets, RBS Securities and UBS Securities.

A negotiated business combination, Exelon said, can be structured in a way to reduce refinancing requirements to \$4 billion or less. Exelon expressed confidence it can secure committed financing for that amount "at the appropriate time."

Christopher Crane, Exelon president and COO, indicated recently that once the January 6 deadline is reached, the company will assess the results and decide whether to extend the offer or terminate the proposed transaction. — *Bob Matyi*

## PDCL to be repaired by Saturday: LADWP

The Pacific Direct Current Line is expected to be returned to service by the end of this week after repairs are completed to the wildfire-damaged Sylmar Converter Station, the Los Angeles Department of Water and Power said Tuesday afternoon.

The station was damaged November 15 in the Sayre Wildfire. Sylmar receives the direct current sent via the PDCL to the Los Angeles area from the massive hydroelectric dams in the Northwest and converts it back to alternating current. LADWP operates the station.

Work began to restore the station shortly after the fire burned through that area, northwest of Los Angeles, the Western Electricity Coordinating Council reported on November 17.

Due to the potential for flooding, mud flows and debris in and around the Freeway, Sayre and Tea fire burn areas, Governor Arnold Schwarzenegger on Tuesday directed his Office of Emergency Services to work with the Federal Emergency Management Agency and prepare to help local agencies if assistance from the state is needed as a result of the forecast this week of heavy rains in those areas by the National Weather Service.

The LADWP did not expect the flooding would delay the return of the station and the PDCL to service by the week's end. — *Daniel Guido*

## CPS Energy cautious on nuclear stake decision

The staff at CPS Energy told the board of trustees at San Antonio's municipal utility that participating in the proposed expansion of the South Texas nuclear station near Bay City, Texas, is "the most cost-effective option" for securing needed baseload capacity.

However, staff urged at a late Monday meeting that the board and the San Antonio city council put off a final decision on joining the NRG Energy-led expansion project until the fall of 2009, explaining that the delay would give the muni and city officials time to evaluate potential impacts such as financial market uncertainty, the energy priorities of the incoming Obama administration, federal incentives for energy development and congressional action on carbon legislation.


Speaking for staff, Paul Barham, CPS Energy's senior director of electric generation research and planning, told the board that the muni's 40% ownership interest in the two existing 1,250-MW nuclear units at South Texas provide about one-third of the utility's energy needs. NRG, which owns 44% of the South Texas station, has proposed adding two 1,350-MW nuclear units at the site.

Barham said that CPS Energy's staff and its consultants came to the conclusion that participation in the South Texas expansion "currently has the highest probability of delivering power at the lowest cost to our customers over the long term" after what he called "exhaustive research of a dwindling number of options for a large-scale, long-term source of electricity."

He noted that while natural gas-fired plants are less expensive to build, gas prices are subject to volatility, and that coal plants with carbon capture and sequestration have not been proven to work on a commercial scale.

Barham said that in addition to considering participation in that expansion project, CPS Energy should implement an energy-efficiency plan that will reduce peak demand by 771 MW by 2020 and complete two ongoing plant-construction projects: a 750-MW coal plant and four 45-MW, natural gas-fired peaking units.

John Bonnin, CPS Energy's manager of wholesale power marketing, noted that muni has set a goal of 20% renewable power by 2020 and that its existing portfolio includes more than 500 MW of renewable capacity, almost all of it the form of long-term



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power purchase agreements with wind farms. The utility also plans to enter into PPAs for a total of 100 MW of solar capacity, some of which could come online by the end of 2010.

Bonnin said that 24 companies submitted a total of 36 responses to CPS Energy's recent solicitation for solar-based power supply offers, and that the winner or winners will be selected over the next few months. The respondents, he said, included NRG, SunEdison, Sithe Global, Babcock & Brown, and Acciona Energy.

The responses included a broad mix of project sizes and technology types, including solar-photovoltaic projects, and solar-thermal trough and tower projects, Bonnin said. Levelized prices for the solar power offered range from \$150 to \$315/MWh, he added, noting that the muni's decision on which proposals to select will depend not only on price but on project location and the company's track record and financial strength.

CPS Energy serves about 690,000 electric customers, as well as 320,000 gas customers. Barham noted that the muni has been adding about 1,000 electric customers/month.— *Housley Carr*

## DOE IG faults cybersecurity at three PMAs

The security of computerized information systems used by three of the Department of Energy's power marketing administrations is still lacking, despite recent steps to improve them, DOE's inspector general said in a report released Tuesday.

IG Gregory Friedman said the shortcomings, if not corrected, could lead to disruptions in major portions of the electricity grid.

Among the problems that Friedman said his office found in the Southeastern, Southwestern and Western Area power administrations were inadequate security plans, insufficient testing of physical and cybersecurity controls and a lack of corrective action plans to resolve weaknesses in controls.

"Problems with the certification of these systems — some of which are integral to controlling electrical transmission in major portions of the nation's power grids — were attributable to the PMAs' failure to fully adopt a risk-based approach for implementing security controls designed to satisfy federal requirements," Friedman said.

Friedman said that the PMAs, which provide electricity to customers in 29 states, have recognized problems with their cybersecurity programs and have taken actions to address certain weaknesses. For example, Southeastern is updating security plans and re-certifying its systems, he said.

"These actions are positive steps that should help Southeastern, Southwestern and Western strengthen the protective measures applied to their critical information systems," Friedman said. He added, however, that "additional action...is necessary," and offered several recommendations.

The PMAs use information systems for financial management, marketing and transferring wholesale electric power across US grids. In addition, Southeastern and Western operate supervisory control and data acquisition systems (SCADA), which are considered critical to controlling the flow of electricity to grids.

Managers of the PMAs generally agreed with the IG's findings and recommendations, although Southwestern questioned some of the report's broad conclusions.

In a September 24 memo included in the IG's report, Southwestern PMA Administrator Jon Worthington criticized a statement by Friedman that the nation's critical infrastructure may not be adequately protected from external attacks or insider threats because of shortcomings in cybersecurity. "This language could lead the casual reader to erroneously conclude that the nation's power grid is vulnerable to external cyberattack and at risk of imminent disruption or failure," Worthington said.

"Southwestern does not concur with these assertions and respectfully notes that these conclusions should not be drawn from a review of [certification and accreditation] documentation." — *Bill Loveless*

## US Power Generating withdraws planned IPO

New York-based US Power Generating is withdrawing a proposed \$500 million initial public stock offering because of "market conditions," it said Tuesday.

The privately held merchant generator, which owns 5,223 MW in New York City and the Boston metropolitan area, filed for the IPO in mid-August, saying it would use the money to finance capital expenditures, including planned capital improvements and capacity expansions.

In its August filing, the company — which operates the Astoria, Gowanus, and Narrows plants in New York City and the Mystic 8 and 9, Mystic 7, Mystic Jet and Fore River plants in Massachusetts — said it can generate sufficient power to serve about 20% of New York City's peak summer load and about 31% of the peak summer load in eastern Massachusetts.

The company told potential investors that it believes it has "a competitive advantage due to our strategic urban locations that have high costs of entry, favorable siting within these urban locations, access to well-developed capacity markets and an asset portfolio consisting primarily of clean-burning natural gas-fired units with significant dual fuel capability."

US PowerGen added that demand is expected to grow by a compound annual rate of 1.7% in New York City from 2007 through 2017, and by 1.3%/year over the same period in New England. It also said new entrants into the Boston and New York City markets will face "challenges associated with limited site availability, difficult permitting processes, high construction costs and long development times."

"We believe that we are well positioned to provide future generating capacity since we currently have the available land, infrastructure and market and regulatory knowledge to support expansion at our existing sites," the company said.

In announcing plans to withdraw its IPO, US PowerGen said it may undertake a private offering to raise capital. — *Jeff Barber*

## BC grid operator to spend \$4.34 billion

BC Transmission expects to spend C\$5.3 billion (US\$4.34 billion) on the upkeep of British Columbia's grid over the next decade, it told the BC Utilities Commission late Monday, a rise

of C\$200 million compared with a similar 10-year plan it submitted in January.

BC Transmission is a provincial Crown corporation that plans, operates and maintains the province's publicly-owned electrical transmission system.

January's C\$5.1 billion total was some C\$1.9 billion more than BC Transmission said a year earlier that it expected to need to spend in the following 10 years.

Among the projects BC Transmission is planning are its Interior to Lower Mainland Transmission Project, expected online in 2014; a Vancouver Island transmission reinforcement project to be completed in January; a central Vancouver Island project expected to come into service in 2010 and the Mount Pleasant reinforcement project in Vancouver, which is to be energized in 2011.

"The transmission system is BC's electricity highway powering virtually every home and business in the province. BCTC continues to invest in improvements to the transmission system to ensure electricity is delivered across the province, when and where it is needed," BC Transmission CEO Jane Peverett said.

"Significant investment is required to maintain and expand the province's transmission system to secure our long-term electricity needs and to retain the ongoing competitive advantage these assets provide to British Columbians," she added. — *Staff Report*

## Postal Service seeks renewable project ideas

The US Postal Service is inviting interested suppliers to submit informational proposals describing how the USPS might use its existing facilities, rooftops and vacant land to host renewable energy projects and technologies.

In a recent request for information, the USPS said that renewable technologies include but are not limited to energy generated from wind, photovoltaic, biomass, geothermal, fuel cells and hydro.

The USPS noted that it maintains approximately 34,000 buildings totaling over 320 million square feet and approximately 1.6 billion square feet of land with a presence in every state of the country.

The USPS is looking for recommendations for financially viable projects and technologies funded by a combination of capital, incentives and grants, lease agreements, purchase power agreement and/or third party financing. The USPS is looking to retain ownership of the system and the renewable energy credits associated with these systems.

The RFI said that in fiscal year 2008, the USPS spent over \$650 million on building energy. The RFI is intended to provide information on the feasibility of achieving a 15% annual cost avoidance with the installation of the proposed renewable energy project(s). "Interested suppliers will include their recommendations to meet this requirement and describe their ability to assist with project implementation."

These informational proposals will assist the USPS to evaluate market and supplier capability and to pre-qualify suppliers to which a future request for proposals may be issued.

USPS does not intend to award a contract on the basis of the

RFI or pay for the information solicited.

Questions related to the solicitation should be directed in writing in WORD format to Michael Bacha at michael.j.bacha2@usps.gov.

Proposals are due December 17 and should be hand delivered or mailed to the attention of Michael Bacha, SMFP, Suite 300, 4301 Wilson Blvd., Arlington, VA 22203-1840. — *Staff Report*

## Georgia Power suspends planned RFP... from page 1

[the Georgia Public Service Commission] staff to determine whether the RFP should continue for 2015 needs." Accion noted that it will provide an update on the status of the RFP by April 1, 2009.

Asked about the change in demand growth, Georgia Power spokeswoman Lynn Wallace said that "the short answer is the economic downturn ... It played a very big part in this."

In an explanatory letter to the Georgia Public Service Commission, Georgia Power Regulatory Affairs Manager Jim Fletcher said that his utility's retail sales are expected to grow in 2009 at a rate "slightly less than" previously predicted, and that the compound annual average growth rate through 2018 now is expected to be "lower in most major sectors of our business. The slower long-term growth is largely the result of sustained increases in energy prices that are driven by higher fuel prices."

Fletcher added, "The new forecast also reflects an updated economic forecast" that calls for a "slightly lower" growth rate in electricity sales to commercial customers, as well as actual declines in 2009 and 2010 sales to industrial customers. The heavily redacted letter did not provide details, or characterize the change in Georgia Power's residential-sales forecast.

Georgia Power said that it now expects to need no incremental power in 2012, 2013 or 2014, and to need 450 MW in 2015 and another 450 MW in 2016.

Georgia Power in July issued the first draft of the then-planned 2013-14 RFP, in which the utility said it would be seeking 700 MW of year-round capacity and energy for delivery beginning in 2013 and an additional 300 MW starting the following year. The draft suggested that tolling proposals involving natural gas-fired combined-cycle and combustion-turbine plants would be preferred, and that bids with terms of five, 10 or 15 years will be accepted.

Georgia Power noted in the draft RFP that the utility may provide one or more self-build proposals that would be compared to the bids it receives.

To meet its near-term incremental needs, Georgia Power is building three gas-fired combined-cycle plants at its McDonough station near Atlanta. Wallace said that the first new plant is coming online in December 2010; the second will follow in April 2011 and the third in April 2012.

The utility also is planning to build two 1,100-MW nuclear units at its Vogtle nuclear station near Waynesboro, Georgia, with the first unit coming online in 2016 and the second the following year. Georgia Power holds a 45.7% ownership interest in each of the two planned Vogtle units.

The RFP suspension is the third by a major utility in the South in recent months. Gulf Power — which like Georgia Power is a subsidiary of Southern Company — said early last month that

it has suspended its RFP for 800 to 1,000 MW deliverable starting in 2014 because of the slowing economy and other factors.

Later in October, Entergy Services said that because of the market uncertainty caused by the financial crisis it has suspended the long-term portion of the "Summer 2008" RFP for up to 1,500 MW deliverable starting in January 2010, and indefinitely delayed plans for an RFP it had planned to issue in February for up to 550 MW of long-term power in Entergy's "Amite South" region in Louisiana.

Entergy also said that it was evaluating whether to cancel or postpone a planned December RFP for up to 550 MW of long-term power in the western part of the Entergy region. The utility has since said that the RFP will not be issued in December.

— *Housley Carr*

## **PJM will soon file proposals...** from page 1

Some of the more controversial revisions related to unsecured credit are yet to be discussed in more detail at the Market Implementation Committee and voted on.

The first group of proposed changes focuses on more immediate credit changes easier to implement for both the members and PJM, Suzanne Daugherty, CFO of PJM, said in an interview. All proposed changes related to this set of rules will be filed with FERC around December 1 and hopefully implemented February 1. This first set of proposals includes five credit policy revisions and 12 tariff clarifications.

One of the most important changes from PJM's perspective will be the modification of "eSchedules" internal bilateral transactions, which would be excluded from socialized default allocation assessments. eSchedules is an internet application used by power marketers, load serving entities and generation owners in PJM to submit internal PJM energy schedule data. All PJM internal transactions are handled through the eSchedules system.

"Energy market transactions on a bilateral basis will be excluded from possible socialized charges," Daugherty said, explaining that the change will result in a \$1 billion annual reduction in the pool peak net exposure.

Under the new proposal, parties to an internal bilateral transaction will inform PJM about the transaction through eSchedules but should arrange payment and collateral between themselves, without any PJM involvement. Thus, PJM will end up dealing with only one party to the bilateral transaction — the buyer, who will be the title holder of the energy according to the PJM tariff.

As a result, the buyer will be obligated to indemnify PJM and its members in case the seller defaults on a transaction, as opposed to socializing the default. The rule applies to physical transactions and non-physical transactions need not be reported to PJM.

The second change aiming to directly reduce the dollar amount of pool exposure is related to the financial transmission rights market. Under current credit provisions, an "established monthly FTR participant" who was active in the monthly actions for at least six months and met all payment obligations was not subject to credit requirements for prompt month FTR actions. The revised tariff would eliminate this possibility and require all members to post financial security at the prompt-month FTR auctions. PJM estimated that the change could reduce the pool

peak net exposure by about \$12 million a year.

The third change will exclude historical FTR net charges/credits from the total FTR credit requirement calculation. The removal of the historical net charges/credits from the formula would decrease credit requirements for 17% of the FTR market members. The remaining 83% of members participating in the market would have to post more financial security, according to PJM. The range of decreases or increases in credit requirements is from hundreds of dollars to tens of millions of dollars, PJM documents show.

In addition, among other things, PJM will reduce the collateral call and payment cure periods from three to two business days and inform market participants if a collateral default occurred in addition to the current notice for payment defaults.

The second group of proposed changes is more complex and includes a transition to accelerated weekly settlements and revisions of the unsecured credit provisions, which are to be discussed by members in the next two months. PJM expects to file the proposal with FERC in February and implement the changes no later than June 1.

According to Daugherty, the accelerated settlements will affect the market in two important ways — the net transaction exposure will be reduced by about \$1.4 billion and the same \$1.4 billion will be returned to members faster. "Right now the credit for peak activity is tied to a nine-week period. When we go to weekly, it would be the highest three weeks," she said.

Another change in this second set of rules includes giving PJM the authority to terminate and liquidate FTR portfolios in case of a default. However, this change would only quantify any potential losses sooner but would not guarantee an absence of a loss on the portfolio, Daugherty said, adding that without affirmative action to cut the existing \$150 million unsecured maximum credit, members could hypothetically transact three times more after PJM switches to accelerated settlements June 1.

Recently at a Members' Committee meeting, PJM asked members to vote on "conceptual endorsement" of an unsecured credit package, which calls for a reduction of the maximum allowed unsecured credit, a complete elimination of unsecured credit for the FTR market and for establishment of an unsecured credit cap for all groups of affiliated companies. The members supported further discussions with a very slight margin, after rejecting the issue several times in the past.

No specific dollar amounts were attached to the proposed unsecured credit changes so far. PJM had originally proposed to cut unsecured credit from \$150 million to \$50 million and cap credit to affiliated groups at \$100 million. However, members sharply disagree on these numbers and no consensus has been reached yet. According to Daugherty, these dollar amounts will be used as a starting point for further discussions on the issue at a committee level. — *Milena Yordanova-Kline*

## **Mock auctions successful ...** from page 1

auction on November 18 tested how the daily auction will run.

When launched, the daily auction will sell off 71 different products representing hubs and zones spread across the ISO New England, the Midwest Independent Transmission System

Operator, New York ISO and the PJM Interconnection.

The second auction on November 19 tested how the weekly one will trade approximately 1,800 nodes across the four regional grid operators' footprints.

Cusenza said the players taking part in the mock auction represented about 85% of those physical and financial players already partaking in the financial transmission rights auctions held by the grid operators.

Besides those participating in the current grid operator markets, the Nodal Exchange appears to be attracting new players because of the liquidity the new market offers, he said.

The current frequency of FTR auctions by regional transmission organizations and independent system operators is limited to once a month or annual, which marries participants to positions, makes the products illiquid or forces a party to go

through a broker to get out of a position.

One of the benefits of the Nodal Exchange, argues Cusenza, is it gives market participants the opportunity to change positions more frequently. This will help "facilitate more players to the marketplace," he said.

When launched, the exchange will offer the products on a rolling 13-month concept and after some time of operation will consider offering products further out.

Moving ahead, the exchange said it will continue to receive and analyze feedback from the market community about the mock auctions and is looking to hold another round in 2009 before official launch.

In December, the Nodal Exchange plans to formally establish a membership, which will entail a process similar to other commodity exchanges. — *Eric Wieser*

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