

# Megawatt Daily

Friday, July 1, 2011

## Delay of Calif. cap-and trade regime supported

California stakeholders are expressing initial support for California Air Resources Board Chairwoman Mary Nichols' decision to postpone to 2013 from 2012 compliance with the nation's first economy-wide cap-and-trade system to reduce emissions from greenhouse gases.

Testifying before the Senate Select Committee on the Environment, the Economy, and Climate Change on Wednesday, Nichols said CARB has been working to finalize details for cap-and-trade and other regulations in its climate plan. The plan requires the state to reduce greenhouse gas reductions to 1990 levels by 2020.

But Nichols said, "in light of the importance of this regula-  
(continued on page 12)

## Cal-ISO presents verification straw proposal

The California Independent System Operator will hold a stakeholder teleconference Tuesday to debate its recently released straw proposal for a verification process for minimum participation requirements under the Federal Energy Regulatory Commission's credit reform order.

Cal-ISO's straw proposal limits verification requirements to companies that hold "the riskiest" credit revenue rights portfolios, according to Kevin King, Cal-ISO's senior financial analyst and credit manager. The ISO staff announced during a June 24 teleconference that they would develop a verification process after discussions with the Commodity Futures Trading  
(continued on page 13)

## CEO wants CFTC rules released at same time

The CEO of Nodal Exchange still is not sure what his Virginia-based exchange will register as when financial reforms go into effect, and likely will not know until after the Commodity Futures Trading Commission finalizes new derivatives rules.

This could be a problem if certain rules come out at different times, Paul Cusenza, the exchange's CEO, wrote in a letter to the CFTC Thursday.

Nodal Exchange, which was launched in 2009 and offers cash settled contracts for power and natural gas in North  
(continued on page 14)

### Holiday Notice

Per the Platts Holiday schedule (www.platts.com/HolidayHome), Megawatt Daily will not publish Monday, July 4, because of the Independence Day holiday. Electricity price information collected Friday, July 1, will be published in the July 5 issue. Flow dates for power packages traded Friday vary among markets and regions and will be specified in published price tables.

### Day-ahead markets for delivery Jul 1 (\$/MWh)

ERCOT	Index	Change	Range	Deals	Volume	Avg \$/Mo
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#### On-peak

ERCOT, North	52.45	-8.02	50.65-53.75	98	6,900	52.45
ERCOT, Houston	52.48	-8.06	52.00-53.00	8	750	52.48
ERCOT, West	52.00	-9.00	52.00-52.00	N.A.	N.A.	52.00
ERCOT, South	50.97	-6.22	48.90-53.00	10	600	50.97

#### Off-Peak

ERCOT, North	27.67	-1.25	27.00-28.05	33	2,300	27.67
ERCOT, Houston	27.75	-0.75	27.75-27.75	N.A.	N.A.	27.75
ERCOT, West	21.00	-0.75	21.00-21.00	N.A.	N.A.	21.00
ERCOT, South	27.00	-0.75	27.00-27.00	N.A.	N.A.	27.00

Southeast	Index	Change	Range	Deals	Volume	Avg \$/Mo
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#### On-peak

VACAR	46.00	1.75	46.00-46.00	N.A.	N.A.	46.00
Southern, into	45.50	1.50	45.50-45.50	N.A.	N.A.	45.50
Florida	57.75	2.00	57.75-57.75	N.A.	N.A.	57.75
TVA, into	69.50	5.00	69.50-69.50	N.A.	N.A.	69.50
Entergy, into	39.25	-3.00	39.25-39.25	N.A.	N.A.	39.25

#### Off-Peak

VACAR	27.75	0.50	27.75-27.75	N.A.	N.A.	27.75
Southern, into	25.75	0.25	25.75-25.75	N.A.	N.A.	25.75
Florida	26.25	0.25	26.25-26.25	N.A.	N.A.	26.25
TVA, into	28.75	1.00	28.75-28.75	N.A.	N.A.	28.75
Entergy, into	23.25	-0.50	23.25-23.25	N.A.	N.A.	23.25

West†	Index	Change	Range	Deals	Volume	Avg \$/Mo
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#### On-peak

COB	N.A.	N.A.	N.A.-N.A.	N.A.	N.A.	29.00
Mid-C	N.A.	N.A.	N.A.-N.A.	N.A.	N.A.	23.64
Palo Verde	N.A.	N.A.	N.A.-N.A.	N.A.	N.A.	45.47
Mead	N.A.	N.A.	N.A.-N.A.	N.A.	N.A.	46.13
Mona	N.A.	N.A.	N.A.-N.A.	N.A.	N.A.	44.00
Four Corners	N.A.	N.A.	N.A.-N.A.	N.A.	N.A.	47.00
NP15	N.A.	N.A.	N.A.-N.A.	N.A.	N.A.	37.00
SP15	N.A.	N.A.	N.A.-N.A.	N.A.	N.A.	40.50

#### Off-Peak

COB	17.25	15.10	17.25-17.25	N.A.	N.A.	2.15
Mid-C	11.19	12.54	10.00-12.50	99	2,650	-1.35
Palo Verde	39.00	24.76	37.00-40.00	12	325	14.24
Mead	36.50	21.25	36.50-36.50	N.A.	N.A.	15.25
Mona	32.00	18.00	32.00-32.00	N.A.	N.A.	14.00
Four Corners	35.50	21.50	35.50-35.50	N.A.	N.A.	14.00
NP15	32.00	16.00	32.00-32.00	N.A.	N.A.	16.00
SP15	37.00	18.00	37.00-37.00	N.A.	N.A.	19.00

Northeast	Index	Change	Range	Deals	Volume	Avg \$/Mo
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#### On-peak

Mass Hub	46.75	0.50	46.75-46.75	N.A.	N.A.	46.75
N.Y. Zone-G	53.00	1.00	53.00-53.00	N.A.	N.A.	53.00
N.Y. Zone-J	60.25	-1.00	60.25-60.25	N.A.	N.A.	60.25
N.Y. Zone-A	40.25	0.75	40.25-40.25	N.A.	N.A.	40.25
Ontario*	32.25	0.50	32.25-32.25	N.A.	N.A.	32.25

## MARKET WRAP

## EAST MARKETS

## Dailies and forwards flat to higher

Power prices for Friday delivery in the East finished flat to higher on Thursday. A similar pattern held for futures in the region as the NYMEX August natural gas futures contract settled at \$4.374/MMBtu on Thursday, 5.9 cents higher than Wednesday's settle price.

Northeast dailies were steady Thursday as spot natural gas prices dipped and peak load projections for today were down. High temperatures in New York state were forecast around normal in the low 80s today, while lows were expected to range from the low 50s to the low 60s, a bit below normal. Spot gas at Transco Zone 6 New York traded off 5 cents from the Platts index around \$4.73/MMBtu on IntercontinentalExchange. The New York ISO projected peak load today at 23,813 MW, down 120 MW from Thursday. New York Zone-G day-ahead peak power traded around \$51.75/MWh on ICE, down a quarter from the Platts for-Thursday index. Zone-G next-week was bid at \$64 and offered around deals seen Wednesday on ICE at \$69/MWh.

Zone-G 3x16 weekend packages, for Saturday through Monday delivery, traded around \$60/MWh on ICE. Zone-A day-ahead peak power traded around \$40/MWh, up 50 cents from the Platts index. Zone-A next-week traded around \$44/MWh, down from Wednesday on ICE. In New England, spot gas at Tennessee Zone 6 delivered traded around \$4.78/MMBtu on ICE, down 6 cents from the Platts index. Boston was forecast to have a high temperature of 78 degrees and a low of 62, just below normal. The ISO New England projected peak load today at 18,220 MW, down 4% from Thursday. Mass Hub day-ahead peak power traded around \$46.75/MWh on ICE, up 50 cents from the Platts for-Thursday index. Mass Hub day-ahead off-

## Day-ahead markets for delivery Jul 1 (\$/MWh)

## Off-Peak

Mass Hub	34.75	-0.75	34.75-34.75	N.A.	N.A.	34.75
N.Y. Zone-G	35.00	-0.75	35.00-35.00	N.A.	N.A.	35.00
N.Y. Zone-J	35.50	-1.50	35.50-35.50	N.A.	N.A.	35.50
N.Y. Zone-A	29.50	-1.25	29.50-29.50	N.A.	N.A.	29.50
Ontario*	22.75	-3.00	22.75-22.75	N.A.	N.A.	22.75

## PJM

	Index	Change	Range	Deals	Volume	Avg \$/Mo
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## On-peak

PJM West	53.50	8.00	53.50-53.50	N.A.	N.A.	53.50
Dominion Hub	61.00	12.75	61.00-61.00	N.A.	N.A.	61.00
AD Hub	52.25	7.75	52.25-52.25	N.A.	N.A.	52.25
NI Hub	52.00	11.75	52.00-52.00	N.A.	N.A.	52.00

## Off-Peak

PJM West	30.00	1.50	30.00-30.00	N.A.	N.A.	30.00
Dominion Hub	30.75	2.00	30.75-30.75	N.A.	N.A.	30.75
AD Hub	29.00	-0.25	29.00-29.00	N.A.	N.A.	29.00
NI Hub	23.75	7.25	23.75-23.75	N.A.	N.A.	23.75

## MISO

	Index	Change	Range	Deals	Volume	Avg \$/Mo
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## On-peak

Michigan Hub	53.00	9.25	53.00-53.00	N.A.	N.A.	53.00
Cinergy Hub	50.75	8.50	50.75-50.75	N.A.	N.A.	50.75
Illinois Hub	43.00	6.25	43.00-43.00	N.A.	N.A.	43.00
Minnesota Hub	45.50	10.75	45.50-45.50	N.A.	N.A.	45.50

## Off-Peak

Michigan Hub	22.00	-1.00	22.00-22.00	N.A.	N.A.	22.00
Cinergy Hub	21.50	2.00	21.50-21.50	N.A.	N.A.	21.50
Illinois Hub	18.50	4.00	18.50-18.50	N.A.	N.A.	18.50
Minnesota Hub	13.00	3.25	13.00-13.00	N.A.	N.A.	13.00

## SPP/MRO

	Index	Change	Range	Deals	Volume	Avg \$/Mo
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## On-peak

MAPP, South	44.00	1.75	44.00-44.00	N.A.	N.A.	44.00
SPP, North	47.50	1.75	47.50-47.50	N.A.	N.A.	47.50

## Off-Peak

MAPP, South	15.75	-0.25	15.75-15.75	N.A.	N.A.	15.75
SPP, North	14.75	-0.25	14.75-14.75	N.A.	N.A.	14.75

\*Ontario prices are in Canadian dollars

†West off-peak markets are for all-day Sunday and Monday delivery

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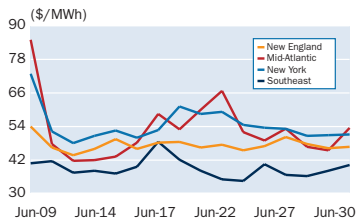
peak was bid at \$33 and offered even with the Platts index at \$35.50/MWh.

Mass Hub next-week was bid at \$53.50 and offered at \$57/MWh, compared with deals around \$55.75/MWh seen Wednesday on ICE. Mass Hub 3x16 weekend packages were bid at \$50 and offered at \$53/MWh.

Northeast forward markets moved little Thursday with gas futures down in early trading, but rising sharply on the release of weekly gas storage data. In New England, Mass Hub on-peak August financial swaps were flat with bids at \$54.60 and offers at \$55.75/MWh on ICE around 2:30 p.m. EDT. The Mass Hub fourth-quarter on-peak package rose 50 cents to \$54.25/MWh. The western portion of New York, Zone-A on-peak August was unchanged at about \$46.75/MWh. Zone-A on-peak Q4 packages held at about \$41.75/MWh on ICE. New York Zone-G August on-peak swaps slipped 25 cents to about \$68.25/MWh. Zone-J August on-peak moved down 25 cents to about \$76.50/MWh.

Mid-Atlantic dailies rose in for-Friday trading on ICE as forecasts for both weather and demand rose. Forecasts called for warmer weather in the region today with highs from the mid-80s to the mid-90s, above seasonal norms. Texas

#### East day-ahead markets



Note: Based on averages from each region

Eastern M-3 spot natural gas traded around \$4.54/MMBtu on ICE, down about 13 cents from the Platts index. The PJM Interconnection projected peak load at 123,307 MW for today, up about 6% from Thursday. PJM West Hub day-ahead peak was trading around \$52/MWh

on ICE, up \$6.50 from the Platts index. Day-ahead off-peak was bid at \$28/MWh, down 50 cents from the index, and offered at \$32/MWh. The PJM West Hub weekend peak package, which includes the July 4 holiday, was trading around \$59/MWh. Weekend off-peak was bid at \$25/MWh.

Mid-Atlantic forwards markets were steady Thursday with gas futures down in early trading, but climbing with the release of weekly gas storage data. PJM West on-peak August financial swaps slipped 5 cents with bids at \$63.35 and offers at \$63.50/MWh on ICE around 2:30 p.m. EDT. PJM West fourth-quarter packages were up 35 cents to about \$48.35/MWh.

Southeast dailies appeared to trend higher as temperatures were forecast holding at above normal levels, with highs in the 90s and lows around the upper-60s and low-70s into next week. Spot natural gas at Transco Zone-3 fell, losing 11 cents to trade around \$4.29/MMBtu on ICE. Into Southern next-day peak traded around \$45/MWh, up \$1. Into Southern next-week was bid at \$46 and offered at \$47/MWh, less than Wednesday bids and offers on ICE. Into TVA next-week was bid lower than Wednesday at \$45/MWh

on ICE.

Southeast August jumped, as NYMEX August gas futures rose. Into Southern August gained \$2.50 to about \$46/MWh, September rose 25 cents to about \$40.75/MWh, and the fourth quarter inched up 10 cents to about \$38.50/MWh.

## CENTRAL MARKETS

### Dailies and forwards end trading mixed

Day-ahead power prices closed mixed on Thursday as spot natural gas prices fell and continued warm weather was in store. Forwards ended mixed as the NYMEX August natural gas futures contract settled at \$4.374/MMBtu, 5.9 cents higher than Wednesday's settle price, on lower than expected storage data and high temperatures in the forecast.

Midwestern dailies rose as forecasts called for warmer weather. Temperatures were expected to rise today, with highs from the mid-80s to the upper 90s, higher than normal for this time of year. Chicago city-gates spot natural gas traded around \$4.34/MMBtu on IntercontinentalExchange, down 13 cents from the Platts index. Cinergy Hub day-ahead peak traded around

#### Generation unit outage report

Plant/Operator	Cap	Fuel	State	Status	Return	Shut
<b>East</b>						
Crystal River-3/Progress	838	n	Fla.	MO	Unk.	09/26/09
Pickering-1/OPG	542	n	Ont.	MO	Unk.	06/19/11
Pickering-4/OPG	542	n	Ont.	MO	Unk.	05/31/11
Pickering-5/OPG	530	n	Ont.	PMO	Unk.	02/05/11
Salem-2/PSEG	1232	n	N.J.	MO	Unk.	06/26/11
<b>Central</b>						
Ft. Calhoun/Omaha PDD	526	n	Neb.	RF	Unk.	04/11/11
<b>West</b>						
Belden/P&G&E	119	h	Calif.	PMO	Unk.	02/07/11
Columbia/EnergyNW	1146	n	Wash.	PMO	Unk.	04/06/11
Electra-1,2/P&G&E	101	h	Calif.	PMO	Unk.	06/29/11
Encina-4/Cabrillo	300	g	Calif.	PMO	Unk.	06/28/11
Encina-5/Cabrillo	330	g	Calif.	PMO	Unk.	06/28/11
Inland Empire-1/Edison	376	g	Calif.	PMO	Unk.	06/29/11
Inland Empire-2/Edison	366	g	Calif.	MO	Unk.	06/15/11
La Paloma-3/LPGC	256	g	Calif.	MO	Unk.	06/29/11
Redondo-6/AES	175	g	Calif.	MO	Unk.	06/29/11

#### Daily generation outage references

MO	unplanned maintenance outage	RF	refueling outage
PMO	planned maintenance outage	Unk	unknown
OA	offline/available		
Fuels: Nuclear=n; Coal=c; Natural gas=g; Hydro=h ; Wind=w			
Sources: Generation owners, public information and other market sources.			

\$49.75/MWh, up \$7.50 from the Platts index. Day-ahead off-peak traded near \$20.50/MWh, up \$1 from the index. Holiday weekend peak packages traded near \$40.75/MWh, with weekend off-peak bid at \$21.50 and offered at \$24/MWh on ICE. Minnesota Hub day-ahead peak was bid at \$44/MWh, up \$9.25 from the Platts index, and offered at \$47/MWh on ICE.

Dailies were higher in the Midwestern portion of the PJM Interconnection. AEP-Dayton Hub day-ahead peak traded around \$52.25/MWh on ICE, up \$7.75 from the Platts index. Day-ahead off-peak was bid at \$28 and offered at \$30/MWh, up 75 cents from the index. Weekend peak packages, which include Independence Day, traded around \$49/MWh. Weekend off-peak was bid at \$22/MWh on ICE. Northern Illinois Hub day-ahead peak traded near \$52/MWh on ICE, up \$11.75 from the Platts index. Day-ahead off-peak was bid at \$17/MWh, up 50 cents from the index, and offered at \$25/MWh. Holiday weekend peak was bid at \$40 and offered at \$50/MWh.

Midwest forwards also moved little in sympathy with gas futures. Cinergy Hub August on-peak swaps held steady with bids at \$45.35 and offers at \$46.25/MWh on ICE. AD Hub on-peak August rose 25 cents to about \$51.75/MWh and NI Hub August on-peak fell 25 cents to about \$48.25/MWh.

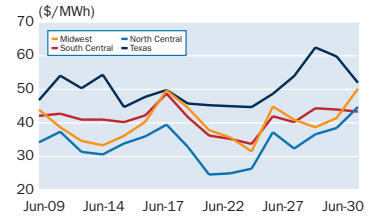
A big drop in spot gas prices and projections for falling power demand rattled South Central dailies in for-Friday trading on ICE, with peak prices falling as much as 15%. Spot gas at Houston Ship Channel traded around \$4.36/MMBtu on ICE, a 10-cent discount to the Platts index. The Electric Reliability Council of Texas forecast peak demand today at 60,472 MW, 3% less than Thursday. Temperatures across the state were forecast steady and above normal, with highs in the mid- to upper-

90s today and throughout the holiday weekend. Lows were forecast in the 70s. ERCOT Houston next-day peak traded around \$52.75/MWh, down \$7.75. North traded around \$52.25/MWh, down about \$8.25. West traded around \$52/MWh, down about \$9. South fell \$6.50 to trade around \$50.50/MWh on ICE.

ERCOT Houston next-day off-peak traded down about 75 cents around \$27.75/MWh. North traded around \$27.50/MWh, down \$1.50. South traded around \$27/MWh, down 75 cents. West next-day off-peak was offered at \$28/MWh on ICE, compared with the Platts index of \$21.75/MWh. ERCOT North next-week packages were bid at \$51 and offered at \$54.75/MWh. North bal-month was bid at \$53.25 and offered at \$57/MWh. Houston next-week was bid at \$49/MWh. Into Entergy next-day peak traded around \$43/MWh, up 75 cents. Next-day off-peak was bid at \$18/MWh, \$5.75 less than the index. The high today in Little Rock was forecast up 2 degrees at 98 with a normal low of 71. Temperatures were expected to remain there over the weekend. Into Entergy bal-month was offered at \$44/MWh on ICE.

South Central terms were up. ERCOT Houston August rose 25 cents to about \$57.25/MWh, September gained 50 cents to about \$42.50/MWh, and the fourth quarter was unchanged at about \$38/MWh. Heat rates were down on ICE at about 2:30 p.m. EDT. ERCOT North August rose 25 cents to about \$55.25/

**Central day-ahead markets**



Note: Based on averages from each region

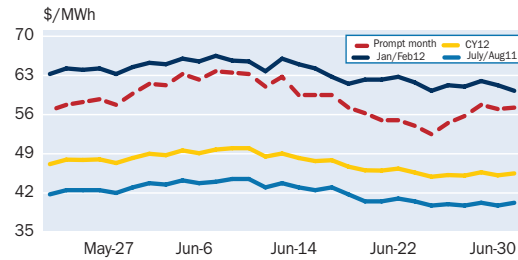
**Platts-ICE Forward Curve -- Electricity, Jun 30 (\$/MWh)**

**Prompt month: Aug 11**

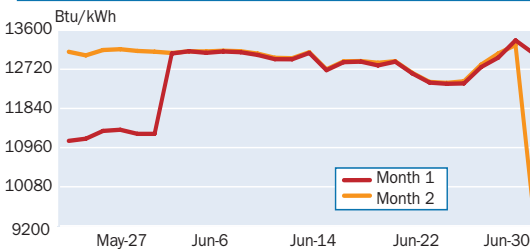
Mass Hub	55.25
N.Y. Zone G	68.25
N.Y. Zone J	76.50
N.Y. Zone A	46.75
Ontario*	40.75
PJM West	63.45
AD Hub	51.75
NI Hub	48.25
Cinergy Hub	45.75
Southern Into	46.00
Entergy Into	42.50
ERCOT North	55.00
Houston	57.25
ERCOT West	55.50
ERCOT South	55.00
Mid-C	37.25
Palo Verde	45.75
NP15	46.00
SP15	48.50
Mead	49.00

\*Ontario prices are in Canadian dollars

ERCOT Houston: last 30 days



ERCOT Houston: Marginal heat rate



ERCOT Houston: Forward curve

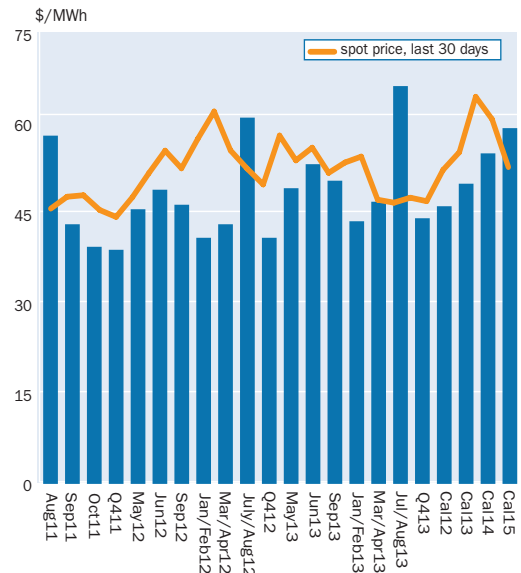


Table and graphs are created using Platts-ICE Forward Curve — Electricity (North America) data. Both on-peak and off-peak electricity forward assessments are available for periods spanning four years. To see a sample and find information on how to subscribe to the full data set go to [www.risk.platts.com](http://www.risk.platts.com).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

MWh, September climbed 50 cents to about \$41.75/MWh, and Q4 stayed at about \$37.60/MWh. Into Entergy August rose 25 cents to about \$42.25/MWh, and September rose 25 cents to about \$37.25/MWh.

## WEST MARKETS

### Dailies surge; forwards finish mixed

Day-ahead off-peak prices surged Thursday, trading for all-day off-peak delivery on Sunday and Monday, and also bolstered by continued high temperatures. Terms in the West were mixed as the NYMEX August natural gas futures contract settled at \$4.374/MMBtu on Thursday, 5.9 cents higher than Wednesday's settle price.

In the Desert Southwest, Palo Verde off-peak next-day prices jumped about \$25, trading around \$38.50/MWh on IntercontinentalExchange. High temperatures in Phoenix, Arizona, were forecast around 109 degrees Sunday and Monday. OPAL spot gas was down 12 cents, trading around \$4.03/MMBtu on ICE. Palo Verde on-peak balance-of-the-month swaps for July were bid at \$44.75 and offered at \$47/MWh. Off-peak had bids at \$15 with no offers on ICE.

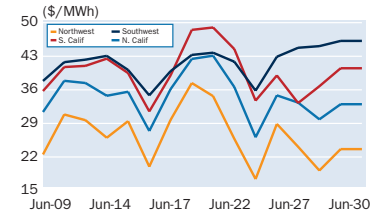
In the Pacific Northwest, Mid-Columbia off-peak next-day prices gained about \$12 day-on-day, trading between \$10 and \$13/MWh on ICE. Mid-C on-peak bal-month swaps

were bid at \$29.25 and offered at \$29.75/MWh, and off-peak had bids at \$3.50 and offers at \$3.75/MWh. The forecast in Portland, Oregon showed highs in the low to mid-70s through Monday. Rockies spot gas traded down about 12 cents, around \$4.02/MMBtu on ICE.

The Bonneville Power Administration showed wind generation at 2,910 MW at 1:30 p.m. EDT, and hydroelectric output at 13,825 MW. Wind generation in BPA's balancing area was forecast peaking around 2,800 MW at 10 a.m. PDT, but dropping off to about 300 MW by noon Friday.

In California, SP15 next-day off-peak financial swaps gained about \$17, trading around \$36/MWh on ICE. NP15 off-peak swaps gained \$16 going to around \$32/MWh. SP15 on-peak bal-month swaps were bid at \$47.25 and offered at \$48/MWh on ICE, and off-peak were bid at \$23.50 and offered at \$25/MWh. On-peak next week was bid at \$52.25 and offered at \$53.50/MWh. PG&E Citygates spot gas dropped about 9 cents to \$4.55/MMBtu on ICE. The high temperature in Sacramento, California was forecast in the high-90s Sunday and Monday, and Burbank

### West day-ahead markets



Note: Based on averages from each region

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

Contract	Transacted	Range
<b>East</b>		
<b>PJM West</b>		
Bal-week	06/29	54.75-55.25
Bal-week	06/28	50.25-50.75
Bal-week	06/27	50.50-51.00
Next-week	06/29	67.25-67.75
Next-week	06/28	62.25-62.75
Next-week	06/27	59.00-59.50
Next-week	06/24	66.25-66.75
<b>Southern, Into</b>		
Bal-month	06/28	41.25-41.75
Next-week	06/30	46.75-47.25
Next-week	06/29	48.75-49.25
<b>Central</b>		
<b>ERCOT, North</b>		
Bal-week	06/29	55.00-55.50
Bal-month	06/30	55.75-56.25
Bal-month (off-peak)	06/27	29.75-30.25
<b>ERCOT, Houston</b>		
Bal-month (off-peak)	06/27	29.75-30.25

### ERCOT, South

Bal-month (off-peak)	06/27	29.75-30.25
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### West

### Mid-C

Bal-week	06/28	19.50-20.50
Bal-month	06/27	23.25-24.25
Bal-month	06/24	28.00-29.25
Bal-month (off-peak)	06/30	4.00-5.00
Bal-month (off-peak)	06/29	5.75-6.75

### Palo Verde

Bal-month (off-peak)	06/29	23.00-24.00
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### Mead

Bal-month (off-peak)	06/29	24.50-25.50
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\*Ontario prices are in Canadian dollars

### Market coverage

Platts provides a detailed Data Submission Guide specifying the information it collects in its North American gas and electricity price surveys. The guide is available at [www.platts.com](http://www.platts.com). From the home page, follow links to either Electricity or Natural Gas and then to Methodology & Specifications.

was expected to reach 92 degrees on Sunday. The California Independent System Operator showed wind generation at 27 MW around 1:30 p.m. EDT. The ISO forecast the state's demand to peak Sunday at 39,303 MW, climbing to 41,156 MW Monday, its first time surpassing 40,000 MW this year.

Western August on-peak terms were mixed Thursday, as natural gas prices strengthened after the weekly gas storage report. In California, SP15 on-peak August financial swaps were unchanged with bids at \$48.50 and offers at \$48.75/MWh on ICE around 2:30 p.m. EDT. SP15 September swaps stayed at about \$46.25/MWh, and the fourth quarter stayed at about \$43.60/MWh. NP15 August rose 25 cents to \$46/MWh. Perhaps in reaction to the news that California is delaying implementation of its emissions cap-and-trade program until 2013, the 2012 on-peak price for SP15 dropped \$2.55 to \$46.50/MWh. NP15 had no calendar-year 2012 offers on ICE. In the Northwest, Mid-Columbia on-peak August lost 50 cents to about \$37.25/MWh, September fell 25 cents to about \$39.50/MWh, and Q4 was virtually unchanged at about \$40.35/MWh. In the Southwest, Palo Verde on-peak August was unchanged at about \$45.75/MWh, September climbed 50 cents to about \$41.75/MWh, and Q4 fell 50 cents to about \$38.15/MWh. Carbon Markets

## CARBON MARKETS

### RGGI futures rise slightly

Regional Greenhouse Gas Initiative futures inched up 2 cents.

The Chicago Climate Futures Exchange's December 2011 vintage 2011 RGGI contract settled Wednesday at \$1.86/st, up from \$1.84/st the previous week. The December 2011 vintage 2011 contract settled at \$1.84/st every day of the week. There were no trades settled during the week.

The bid-ask spread for vintage 2009-11 contracts in over-the-counter markets stayed at \$1.85-\$1.89/st.

The bid-ask spread for December 2013 delivery of California allowances was \$16.75-\$17.25/mt, slightly higher than levels seen recently, but trading volume remained weak, according to a broker. California's Air Resources Board said late Wednesday that the California cap-and-trade program's start date would be delayed from 2012 to 2013. Also, the bid-offer spread for offsets increased to \$8.25-9.00 from \$7.75-\$8.50 a week earlier.

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### RGGI carbon allowance futures, Jun 29 (\$/allowance)

CCFE	Settlement	Volume	NYMEX GE	Settlement	Volume
Jul11 V09	1.87	0	Jun11	1.84	0
Jul11 V10	1.89	0	Jul11	1.84	0
Jul11 V11	1.85	0	Aug11	1.84	0
Jul11 V12	1.80	0	Sep11	1.84	0
Dec11 V09	1.88	0	Oct11	1.84	0
Dec11 V10	1.90	0	Nov11	1.84	0
Dec11 V11	1.86	0	Dec11	1.85	0
Dec11 V12	1.81	0	Jan12	1.91	0
Dec12 V09	1.89	0	Feb12	1.95	0
Dec12 V10	1.91	0	Mar12	1.95	0
Dec12 V11	1.87	0	Apr12	1.94	0
Dec12 V12	1.84	0	May12	1.87	0

The Regional Greenhouse Gas Initiative is a carbon cap-and-trade program for power generators in 10 Northeast and Mid-Atlantic US states. One RGGI allowance is equivalent to one short ton of CO<sub>2</sub>. The volume listed is the number of futures contracts traded. Each futures contract represents 1,000 RGGI allowances.

### Spark spreads for Jul 1

	Marginal heat rate	Spark spreads				
		@7k	@8k	@10k	@12k	@15k
<b>East</b>						
Mass Hub	9750	13.19	8.39	-1.20	-10.79	-25.18
N.Y. Zone-G	11700	21.29	16.76	7.70	-1.36	-14.95
N.Y. Zone-J	12698	27.04	22.29	12.80	3.31	-10.93
N.Y. Zone-A	8935	8.72	4.21	-4.80	-13.81	-27.33
Ontario*	7465	2.01	-2.31	-10.95	-19.59	-32.55
PJM West	11823	21.83	17.30	8.25	-0.80	-14.38
TVA, into	16172	39.42	35.12	26.53	17.93	5.04
<b>Central</b>						
Cinergy Hub	11653	20.27	15.91	7.20	-1.51	-14.58
NI Hub	11982	21.62	17.28	8.60	-0.08	-13.10
Entergy, into	9306	9.73	5.51	-2.93	-11.36	-24.01
ERCOT, Houston	12023	21.93	17.56	8.83	0.10	-13.00
<b>West</b>						
Mid-C	5731	-5.24	-9.36	-17.61	-25.86	-38.24
Palo Verde	10667	15.63	11.37	2.85	-5.68	-18.47
NP15	8404	6.18	1.78	-7.03	-15.83	-29.04
SP15	9247	9.84	5.46	-3.30	-12.06	-25.20

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

### Daily emissions assessments, Jun 30

	\$/allowance	Change	\$/st
SO <sub>2</sub> 2011	2.00	0.00	4.00
NO <sub>x</sub> 2011	16.00	0.00	16.00

For methodology, visit [www.emissions.platts.com](http://www.emissions.platts.com). Full coverage of SO<sub>2</sub> and NO<sub>x</sub> 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.

## IN THE NEWS

### Legal opinion backs governor on RGGI withdrawal

A new legal opinion in New Jersey says that Governor Chris Christie has the authority to withdraw the state from the Regional Greenhouse Gas Initiative if he follows administrative procedures, including taking public comment and holding public hearings, Assemblyman Upendra Chivukula, chairman of the General Assembly Telecommunications and Energy Committee, said Thursday in an interview.

"He cannot do it by executive order," Chivukula said.

Christie said in late May that he would withdraw from RGGI by the end of the year.

The governor still must meet the obligation of the Global Warming Response Act, the Office of Legislative Services told Chivukula, who had asked the office if a governor has the right to violate legislative intent of a law.

The Office of Legislative Services provides legal opinions to the Legislature.

The memorandum of understanding signed by the governors of the 10 RGGI participating states is "best characterized as policy statements by the governors," Chivukula said. "The legal foundation of RGGI is fragmented with no common source of legal authority," Chivukula said.

The General Assembly on Wednesday night approved a bill that requires the state to participate in RGGI. The Senate approved the bill on Monday.

The bills, A-4108 and S-2946, were a reaction to Christie's decision in late May to pull out of the 10-state cap-and-trade compact.

A second measure passed by both chambers this week is a resolution saying that the state's withdrawal from RGGI is inconsistent with the legislative intent of the Global Warming Response Act, which was passed in 2007 and requires the state to participate in a cap-and-trade program but does not specifically require it to participate in RGGI. "That was a big mistake," Chivukula said.

The votes on the measures in both houses were along party lines. The Democrats control both houses of the Legislature.

Chivukula said the Assembly is now in a position of having to wait and see what Christie, a Republican, will do. The Assembly is on summer break and does not have a schedule that calls it back into session until after the November elections, Chivukula said.

Christie is expected to veto the bill that requires New Jersey to participate in RGGI and political observers expect the Legislature will not have the votes to override it. "This week the Republicans showed they are in lock step with the governor to get rid of RGGI. It was so frustrating to hear Republican after Republican saying they didn't want to buck the governor," Matt Elliott, global warming and clean energy advocate for Environment New Jersey, said.

Just a few years ago the Global Warming Response Act was a bipartisan issue, Elliott said. "It had a number of supporters

from both parties who fought hard for it," he said.

Elliott said he is "fairly optimistic" that the state can find a way to stay in RGGI. Environmental groups, clean energy businesses and faith-based groups are considering their alternatives, he said.

Chivukula and Elliott both wonder why Christie has attacked RGGI as ineffective and expensive for ratepayers. It only adds about \$3 a year to the average customer's bill, Elliott said. Withdrawing from RGGI would not affect rates in New Jersey because the state is part of the PJM Interconnection, he said. Chivukula thinks that Christie took the step to further his national political aspirations by supporting the more conservative view of RGGI.

"Christie is deluding himself if he thinks New Jersey controls electricity rates. The governor can't even build the power plant he wants because he's part of the PJM system so why would he think he could control rates," Elliott said.

The aim of RGGI was never to reduce emissions, Michael Jennings, a Public Service Enterprise Group spokesman, said. "We viewed it more as a demonstration project," he said.

Elliott agreed. The only thing that Christie has said that is true is that RGGI is not doing enough to reduce emissions, he said. "We agree. The program was established to set up a good model and then review it in 2012 to see what was working and what was not. Instead of doing the hard work of cooperating with states and fixing the program, Christie is abandoning it," Elliott said.

— Mary Powers

### Conn. advocate asks court to order merger review

The Connecticut Office of Consumer Counsel filed a legal challenge Thursday that attempts to force state regulators to review the proposed merger between Northeast Utilities and NStar.

The OCC petitioned the Connecticut Superior Court to reverse the Department of Public Utility Control's June 1 decision to forego the review. The DPUC had said the \$4.2 billion all-stock deal did not fall within its jurisdiction.

Northeast Utilities, the parent company of Connecticut Light & Power and Yankee Gas Services, plans to merge with NStar, a Massachusetts-based electric and natural gas utility.

Announced in October, the merger would create New England's largest utility and one of the nation's largest.

"This merger transaction between NU and NStar is of such an enormous magnitude that it should not escape rigorous review by the DPUC," said Mary Healey, consumer counsel. "Just as Massachusetts is taking extensive efforts to ensure that this merger, if completed, would benefit Massachusetts, we need to make sure that the merger is in the interest of CL&P and Yankee Gas customers here in Connecticut

Massachusetts plans to conduct an extensive review that will include more than a dozen days of hearings.

Healey earlier this year unsuccessfully pressed state regula-

tors to review the merger contending that the merger will create a new company that NStar - an out of state company - will largely control. Thomas May, NStar's CEO, will take the reins as head of NU following the merger, replacing NU's current CEO Chuck Shivery, who will retire. In addition, half of the board of directors and half of the senior executive team would come from NStar.

In Thursday's petition, Healey made a similar argument saying that the "new NU is a different company than the present NU in that over half the executive power is shifting to NStar."

This argument is significant because under Connecticut law, the DPUC would have jurisdiction over the merger if the deal were going to transform NU into a new entity and change its ability to control its regulated subsidiaries in the state.

In declining to review the merger, the DPUC said that the merger would not lead to that kind of change because NU is acquiring NStar, not the other way around, and NU will remain the same entity it was before the merger.

But the OCC said in its petition Thursday that "when two companies blend their organizations into one company, as NU and NStar admit they are doing, the blended company is necessarily not the same as either company that went into the mix."

Earlier, Connecticut Attorney General George Jepsen made a similar argument before the DPUC, pointing out that NU's voting shares will be diluted as result of the merger and the Connecticut company will add a second headquarters, this one in Boston.

Anthony Krize, the AG's executive assistant, said that Jepsen has not changed his stance. "The attorney general's view remains that the DPUC has legal authority to review this merger and should exercise it," he said Thursday. "We are hopeful that today's events will eventually lead to the DPUC reviewing this merger, as the attorney general's view was that they have legal authority to review it and should exercise it."

Al Lara, NU spokesman, said he could not provide an immediate response to the OCC's court challenge because the company had not yet seen the petition.

The utilities expect the merger to close in the second half of 2011. Together, the utilities would serve nearly 3.5 million electric and natural gas customers, and have 9,000 employees, about 4,500 miles of electric transmission lines, 72,000 miles of electric distribution lines and 6,000 miles of gas distribution lines.

Following the merger, NU shareholders would own 56% of the combined company and NStar shareholders 44%.

— Lisa Wood

## DOJ seeks more Exelon merger information

The Department of Justice's Antitrust Division has asked prospective merger partners Exelon and Constellation Energy for more information about their planned \$7.9 billion deal.

In a Securities and Exchange Commission filing Thursday, Constellation said DOJ asked for "additional information and

documentary material" about the deal, which was announced April 28.

The two companies requested antitrust approval from DOJ and the Federal Trade Commission under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 on May 31, Constellation said in the filing.

The request, which is generally consistent with Constellation's expectations regarding the scope of DOJ's review of the proposed transaction, has the effect of extending the waiting period under the HSR Act until 30 days after both companies have substantially complied with the requests, unless that period is extended voluntarily by the companies or is terminated sooner by the DOJ, the Baltimore-based company said.

The market capitalization of the combined company would be \$34 billion, with an enterprise value of \$52 billion, the companies said when unveiling the deal.

Constellation Chairman, President and CEO Mayo Shattuck would become executive chairman of the combined company, with Exelon's Christopher Crane president and CEO. Exelon Chairman and CEO John Rowe intends to retire upon closing of the deal.

To be known as Exelon, the merged entity would be the US' second-largest residential electricity and natural gas distribution company "with 34 GW of largely clean generation, 7,300 circuit miles of infrastructure delivering [electricity] to 6.3 million

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customers,” primarily in Illinois, Maryland and Pennsylvania, Crane said when the deal was announced.

Shattuck said the companies would need to “divest about 2,600 MW” of generation within the PJM Interconnection, which he characterized as a “modest amount.”

— Keiron Greenhalgh

## Progress Energy Carolinas issues wind RFP

Proposals are due July 25 in response to a request for proposals issued Thursday by Progress Energy Carolinas that seeks wind power supplies.

While Progress Energy Carolinas has more than 100 MW of renewable energy under contract to comply with the North Carolina renewable energy and efficiency portfolio standard, it does not yet have any contracts for electricity generated from wind power.

The company is seeking proposals from newly constructed or existing projects for the supply of wind power, as well as renewable energy certificates, that comply with the requirements of the REPS. The minimum project size under the RFP is 5 MW.

Facilities located in North Carolina are preferred, but others outside the state will be considered, provided the energy from the facility can be delivered to the Progress Energy Carolinas transmission grid.

Progress Energy Carolinas said it is investing in a three-year study of the potential for offshore wind power in North Carolina. Led by the University of North Carolina at Chapel Hill, “this is the most comprehensive mapping of offshore wind to date and will provide specific data and forecasting tools to help decision-makers plan for potential offshore wind power projects,” the company said.

Progress Energy Carolinas last month issued a solicitation for solar photovoltaic projects with capacity of 1 MW to 3 MW. Bids in response to that solicitation are due July 20.

Additional details about both RFPs are available at: [www.progress-energy.com/renewableRFP](http://www.progress-energy.com/renewableRFP).

Progress Energy, which is headquartered in Raleigh, North Carolina, has more than 22,000 MW of capacity. The company includes two major electric utilities that serve about 3.1 million customers in the Carolinas and Florida.

— Paul Ciampoli

## National Grid RFP seeks renewable energy

National Grid is seeking at least 3.6 MW of renewable energy under 10- to 15-year contract terms for its Rhode Island utility.

Bidders are being asked to submit a notification by July 20 that they intend to bid. Proposals are due August 4 in response to the request for proposals, which was issued Thursday.

This is the utility’s second renewable energy solicitation out of four it has planned to meet a state requirement that it sign long-term deals for a minimum of 90 MW. The utility may voluntarily contract for more green power through the solicitations.

National Grid must meet half of the 90 MW requirement by the end of this year, and it is well on its way with contracts signed earlier, including an 11.5 MW deal with Deepwater Wind’s Block Island offshore wind demonstration project and a 27.3 MW deal with Rhode Island LFG Genco.

The supply block sought in the latest RFP represents the amount that the utility must secure to meet the end-of-year requirement.

Projects do not need to be located in Rhode Island as long as they have certified their renewable energy certificates through the New England Power Pool. They must be new projects, not yet financed, unless they are located in Rhode Island, in which case they can already have financing, as long it was secured no earlier than January 1, 2009.

Wherever the project is located, it must provide economic benefits to Rhode Island, such as job creation or increased property tax revenue.

The contract must be “commercially reasonable,” meaning it is reasonably consistent with what an experienced power market analyst would expect for a new renewable energy project.

Contracts may exceed 15 years, if bidders can show why

### Planned replacement of Cinergy Hub by Indiana Hub

In the North American electricity market, Platts is planning to replace, effective January 1, 2012, the Cinergy Hub with the Indiana Hub.

Platts’ planned replacement reflects the decision by the Midwest Independent Transmission System Operator to replace the existing Cinergy Hub with a new Indiana Hub on that date.

MISO is making the change because a portion of the area within the existing Cinergy Hub in MISO will become part of the PJM Interconnection when Duke Energy Ohio and Duke Energy Kentucky move from MISO to PJM effective January 1, 2012.

The existing Cinergy Hub comprises 336 nodes in the portion of the MISO electric grid covering parts of southwestern Ohio, northern Kentucky, and Indiana. MISO’s new Indiana Hub comprises 186 nodes in the Duke Energy Indiana footprint that are part of the current Cinergy Hub, plus one additional node in Indiana.

MISO defined the new Indiana Hub so the pricing would be as similar

as possible to the existing Cinergy Hub. Additional information and MISO studies regarding the new Indiana Hub are available at: <https://www.midwestiso.org/Library/MeetingMaterials/Pages/THTF.aspx> (Click on “2010” and then on “20101008” to see the price comparison study and other materials.)

PJM has decided against designating as a trading hub the portion of the existing Cinergy Hub that will move from MISO to PJM.

The Cinergy assessment is published in Megawatt Daily and Energy Trader, and on Platts Electricity Alert pages 502 and 503. It is also available with other electricity assessments via Platts Market Data services under category ES. The final assessment for the existing Cinergy Hub will be for trade date December 30, 2011, and flow date December 31, 2011.

Please submit comments or questions by July 5 to Mike Wilczek at [mike\\_wilczek@platts.com](mailto:mike_wilczek@platts.com) with a cc to [pricegroup@platts.com](mailto:pricegroup@platts.com).

the extra term is appropriate. No projects can be smaller than 1 MW. There is no maximum project size. Developers must be able to begin construction within two years of signing a contract with the utility, and the project must be ready for commercial operation within five years.

Bids will be evaluated in three stages. First, the utility will look at the bids to be sure they meet minimum threshold requirements. For example, they must be proposed by a developer with experience and offer feasible technology. Second, National Grid will look at price and non-price benefits without considering technology. Third, the utility will consider how well the projects help it meet a variety of goals, including portfolio diversity. After that, National Grid will begin negotiating with selected bidders.

National Grid expects to select a short list of bidders by October 18, execute contracts by December 6 and submit contracts by January 5 for approval from the Rhode Island Public Utilities Commission.

The solicitation contact at National Grid is Madison Milhous, (516) 545-2309, madison.milhous@us.ngrid.com.

The RFP is available at:

[www.nationalgridus.com/energysupply/current/20112906/RFP\\_RI\\_Solicitation\\_2011.pdf](http://www.nationalgridus.com/energysupply/current/20112906/RFP_RI_Solicitation_2011.pdf).

— Lisa Wood

## Avista picks wind project as a result of RFP

Avista will buy power from First Wind's Palouse Wind project in Whitman County, Washington, as a result of a request for proposals for renewable energy issued in February, Avista said Thursday.

The Palouse Wind project will provide Avista with as much as 100 MW of nameplate wind capacity under a 30-year power purchase agreement with deliveries beginning in 2012. The energy qualifies under Washington state's Energy Independence Act to meet Avista's state-mandated renewable portfolio standard requirements, Avista said. The Palouse Wind project has a potential generating capacity of up to 100 MW.

In order to comply with renewable portfolio standards detailed in the act, Avista must acquire the output from eligible renewable resources, purchase qualifying renewable energy credits or a combination of both, to meet the following annual targets: 3% of energy used to meet customer demand by January 1, 2012, 9% by January 1, 2016 and 15% by January 1, 2020.

To meet the 2012 targets, Avista said it has added qualifying renewable generation capacity with upgrades at its hydroelectric projects and purchased RECs. The power purchased from Palouse Wind is expected to satisfy Avista's RPS requirements for 2016.

"Recent market changes, including reductions in the cost of wind power facilities and tax incentives that remain in effect, have combined to make this an excellent time to acquire long-term output from a cost-effective wind resource, which has the added benefit of being located in our service territory," Dick Storro, Avista's vice president of energy resources, said in a news release.

Avista anticipates that the cost of the power purchased from the Palouse Wind project will be recovered through retail rates.

Palouse Wind will tie into Avista's electric system via Avista's Benewah/Shawnee transmission line.

Located on private land in northern Whitman County, the Palouse Wind project is being developed by First Wind, a Boston-based independent wind energy company with 635 MW of existing wind capacity.

The Palouse Wind project received a permit from the Whitman County Department of Public Works on May 23. First Wind hopes to begin construction on the project this year and have the project online by the end of 2012, according to spokesman John Lamontagne.

— Juliana Brint

## Storage injection lower than expected

A 78-Bcf injection boosted storage stocks to 2.432 Tcf for the week ending June 24, the Energy Information Administration said in its weekly report Thursday.

The build was smaller than the 80 to 84 Bcf that most analysts predicted, but larger than the 63-Bcf injection reported a year earlier and in line with the 77-Bcf five-year average.

In the same week of 2010, EIA reported 2.675 Tcf in storage. As a result, the 258-Bcf deficit to the year-ago level shrank to 243 Bcf and the 64-Bcf deficit to the five-year average of 2.495 Tcf narrowed to 63 Bcf.

Phil Flynn, an analyst with PFGBest, said the report was a "bit of a surprise. It's a little on the low end of expectations so I guess it was hotter than I thought it was."

The report sent the NYMEX August gas futures contract up about 5 cents/MMBtu higher just after its release, which Gelber & Associates analyst Pax Saunders attributed to overreaction since the "number was only a few off of expectations and right at the five-year average."

Saunders noted that weather forecasts going forward are moderately bullish, which could help boost storage stocks compared to last summer, which "was a scorcher. So even an average summer will help the market close the storage gap to last year."

According to EIA, inventories now are 124 Bcf below the five-year average of 1.251 Tcf in the East, 44 Bcf below the five-year average of 379 Bcf in the West, and 105 Bcf above the five-year average of 865 Bcf in the producing region.

— Stephanie Seay

## Auction called to sell New England RECs

An auction of 25,000 renewable energy certificates cross-registered in four New England states will be held July 14, Evolution Markets said Thursday.

The RECs are certified as Class I RECs in Connecticut, Massachusetts, Maine and New Hampshire.

There will be 10,000 RECs for sale generated during 2011 and scheduled for delivery by May 15, 2012. In addition, the auction

will feature 15,000 RECs with a 2012 vintage and delivered by May 15, 2013. One REC equals a single megawatt-hour of electricity.

Evolution Markets will auction the RECs on behalf of the University of New Hampshire, which owns the RECs created by on-campus power plants burning methane sourced from a nearby landfill.

Interested parties should contact Andrew Kolchins of Evolution Markets at (914) 323-0257.

— *Geoffrey Craig*

## Suppliers want FERC ruling on refunds

Two retail electricity suppliers told the Federal Energy Regulatory Commission that its delay in ruling on seams elimination cost adjustment — or SECA — charges for years has denied them refunds that they are due.

"Justice delayed is justice denied," Quest Energy and Integrys Energy Services repeatedly told FERC in the Tuesday filing imploring the commission to issue an order on their rehearing request of a May 21, 2010, FERC decision.

"Quest/Integrys continue to wait to obtain a refund of amounts collected in error in 2003-2004 — nearly eight years ago!" the companies said. "The parties with claims remaining subject to the commission's orders continue to suffer significant financial consequences in a proceeding where the presiding [administrative law judge] found, based on the record developed through a hearing, that the rates that were collected were unjust and unreasonable."

The funds are excessive payments made to American Electric Power and other transmission owners related to SECA charges, they said. Quest and Integrys also said that a federal appeals court will not hear the case until FERC issues a final order. Aside from the rehearing request, the companies want FERC to issue a decision on related compliance filings made by transmission owners in the Midwest Independent Transmission System Operator and the PJM Interconnection.

In 2002 and 2003, Quest and Integrys engaged in sales transactions and paid out \$19.6 million in SECA charges because of seams that existed between PJM and MISO, the filing says.

A FERC administrative law judge found that revenue collected by transmission owners was improper, but FERC in its May 2010 decision rejected most of the ALJ's findings. FERC did find that Quest and Integrys had been improperly assessed SECA charges associated with the Northern Ohio Aggregation Coalition and North Star because they did not serve loads in the transition period to a seamless market.

Transmission owners were directed to make appropriate changes, which they did in August 2010 compliance filings that still await commission approval, Quest and Integrys said (Docket No. ER05-6 *et al*).

"The requests for rehearing of the commission's order on initial decision have been pending for more than a year and the compliance filings have been awaiting commission approval since October 2010," Quest and Integrys said. "The additional delays bring this proceeding's pendency to nearly ten years for a

case that was docketed in 2002."

The companies said the delay is affecting their financial reports and their ability to "bring closure to its profit/loss picture for the period at issue."

— *Jason Fordney*

## Energy crisis settlements get FERC nod

Three settlements have been approved by the Federal Energy Regulatory Commission related to the Western energy crisis of 2000-01.

Each settlement involves a group commonly referred to as the California parties, comprised of Pacific Gas and Electric, San Diego Gas & Electric, Southern California Edison, California Department of Water Resources, California Public Utilities Commission and the California attorney general.

FERC on Monday approved a deal involving the City of Glendale in which a little more than \$4 million, plus 50% of the interest that accrued, will be released from an energy crisis-related escrow account and distributed among the California parties. California Power Exchange will hold back \$870,000 to cover any future shortfalls in interest due the parties.

The settlements fall under a commission proceeding initiated in 2000 to investigate rates in the markets operated by California Independent System Operator and the CalPX, which was the day-ahead market platform at the time (Docket No. EL00-95). Dozens of entities have since settled.

Under another FERC-approved settlement, \$5.37 million of funds in escrow will be released on Modesto Irrigation District's behalf and distributed among the California parties, and any other entities that opt-in to the deal. CalPX will hold about \$743,000 to cover future potential shortfalls in interest. In addition, Modesto is required to pay the California parties \$3.35 million.

The third settlement involves the City of Burbank in which CalPX will release from escrow \$123,585, plus interest, to be distributed among the California parties. Furthermore, Burbank will pay the parties about \$106,400 and give CalPX \$3,600 to cover future interest shortfalls.

— *Esther Whieldon*

## Higher prices, volume for NYISO July TCCs

Prices for many transmission congestion contracts in New York state strengthened for July as auction volume and total value rose, according to New York Independent System Operator data.

Prices ranged from negative \$11,092/MW to \$15,436/MW for July, strengthening on both ends compared with a range of negative \$11,068/MW to \$9,457/MW for June.

In total, about 3,160 MW of TCCs were traded in the auction for July, with a total value of about \$3.49 million. About 1,300 MW were counterflow TCCs.

For June, 2,715 MW were traded in the auction, with a total value of about \$2.48 million. The total value includes the clear-

ing prices of both positive and negative TCCs.

TCCs enable energy buyers and sellers to hedge transmission price fluctuations. A TCC holder has the right to collect or the obligation to pay congestion rents in the day-ahead market for energy associated with transmission between specified points of injection and withdrawal.

When the price of a TCC is negative, it means NYISO pays the buyer the clearing price for accepting it. This occurs when congestion is expected in the direction opposite of the way a TCC is labeled. The auction was held in June for TCCs throughout the month of July.

Prices for TCCs out of the Hudson Valley zone to Dunwoodie zone cleared at \$1,302/MW for July, up from around \$672/MW for June. TCCs from Hudson Valley zone to Millwood cleared around \$1,155/MW.

TCCs for the path from the Hudson Valley zone to the New York City zone cleared at nearly \$4,183/MW.

For the Millwood zone to New York City zone, TCCs cleared at about \$3,028/MW, up from about \$2,846/MW for June.

TCCs from the Dunwoodie zone to New York City zone cleared at about \$2,880/MW, about \$95 higher than June.

TCCs from the West zone to the Central zone cleared around \$150/MW, up from about \$80/MW in June.

EDF Trading was the most active in the auction, trading 642 MW with a net worth of \$6,046. DC Energy was the second-most active, trading 471 MW with a net worth of almost negative \$62,000.

PSEG had the largest net financial position in the auction at around \$422, 600 for 71 MW. SESCO Enterprises had the largest negative net financial position at about negative \$78,700 for 20 MW.

— *Patrick Badgley*

## Delay of cap-and trade regime supported ... from page 1

tion to the success of California's climate change program, and the need for all necessary elements to be in place and fully functional, we are proposing to initiate the program in 2012, but start the requirements for compliance in 2013."

"This would not affect the stringency of the program, or change the amount of emission reductions that the program will achieve, keeping us on track to meet the 2020 target required by A.B. 32," Nichols said, referring to the 2006 climate law.

The cap-and-trade regulation is projected to achieve about 20% of total reductions, Nichols said, and other policies such as the renewable portfolio standard are responsible for a greater percentage of overall reductions.

But Nichols said, the "hard and declining cap will cover about 85% of total statewide emissions, meaning that even if other policies underperform," regulated entities will still need to reduce emissions to meet the 2020 target.

Tiffany Roberts, an official with the Legislative Analyst's Office, questioned whether CARB has the expertise to guard

against potential gaming of the cap-and-trade market.

While CARB plans to contract with an independent market monitoring service to detect potential gaming, disciplinary action would be taken after the fact, and the agency may not be able to undo harm that had already taken place, Roberts said.

Clare Breidenich, consultant with the Western Power Trading Forum, called LAO's concerns about gaming overblown. "WPTF's view is that the breadth of California's market, with multiple sectors and participants including market intermediaries, is the best deterrent to market manipulation. In the event that market monitoring does identify suspicious activity, this can be addressed through existing regulatory authority such as the [Commodity Futures Trading Commission.]," Breidenich said in an email.

Steven Kelly, policy director with the Independent Energy Producers Association, expressed a similar perspective.

"It's easy to allege that markets would be gamed, because all markets have that potential," Kelly said. But there are lots of mechanisms available to identify and prosecute allegations of gaming," as well as enough legal and political tools to help CARB deal with these potential problems, Kelly said.

Releasing generators and other obligated load-serving entities from the responsibility to obtain emissions allowances in 2012, Kelly said, gives CARB more time to road test its auction mechanism. It also provides generators a "measure of certainty that they have more time to understand the program before being thrust into it.

Said Breidenich, the delay "gives CARB time to get all the necessary infrastructure in place and tested, and greatly increases the likelihood of a smooth start, without unintended consequences in 2013."

Gary Stern, Southern California Edison director of market strategy and resource planning, said given the complications of getting a program like this implemented correctly, "we applaud Mary Nichols for [choosing to] delay the cap-and-trade element of A.B. 32."

As for the market's vulnerability to gaming, Stern said it is "quite possible that the GHG emissions market in California could be more difficult to manipulate than our electricity markets were during the energy crisis."

While electricity supply needs to constantly match demand, load-serving entities have more flexibility under cap-and trade because they will be able to bank allowances.

With the exception of 2012, entities are required to demonstrate compliance every three years, Stern said.

"That provides more flexibility which should reduce the likelihood of manipulation, but not eliminate any possibility," he said.

Henry Derwent, President and CEO of the International Emissions Trading Association, also weighed in favorably on the delay.

The one-year compliance delay "will give market participants an extra year to create a functioning market and gain certainty and confidence that the program will work effectively as

intended," Derwent said in a statement.

Nichol's decision had a mixed impact on emissions and power markets.

In terms of emissions, the market has been trading California-compliant carbon dioxide allowances since November.

The typical contract was for a December 2012 delivery. Most of these contracts included a provision pushing back the delivery date to December 2013 if the cap-and-trade program were delayed, according to Lenny Hochschild, managing director at Evolution Markets.

"The market reaction was muted," Hochschild said. "We haven't seen much trading activity of late or today. The only meaningful activity that resulted was in the Western power market."

Energy traders had been factoring the cost of complying with California cap-and-trade program into wholesale power prices for 2012 and beyond, he said. News about the program's delay led traders on Thursday to lower prices for 2012 delivery to California.

On Thursday afternoon, power swaps on the IntercontinentalExchange for 2012 delivery at the SP 15 hub in Southern California were trading at a \$2.50-\$3 discount, compared with a day earlier.

While on Thursday there was little day-to-day change in 2012 power swap prices at the Mid C hub for delivery to the Pacific Northwest, or at the Palo Verde hub for delivery to the Desert Southwest.

Meanwhile in another wrinkle for CARB, the 1st Appellate District of the California Court of Appeals court is reviewing the merits of San Francisco Superior Court Judge Ernest Goldsmith's ruling that the agency violated environmental law by not thoroughly evaluating alternatives before adopting cap-and-trade.

Goldsmith's ruling arose from a lawsuit filed by environmental groups who believe cap-and-trade would unfairly burden low-income communities.

CARB spokesman Stanley Young on Thursday said the legal challenge was "one consideration among many," that contributed to Nichol's decision. More important is the need to get all the elements in place and road test them," he said.

The agency's board does not need to consider the compliance extension for approval but it may choose to, Young said.

— Lisa Weinzimer and Geoffrey Craig

## Cal-ISO presents proposal ... from page 1

Commission and FERC revealed that such a process would be a necessary component of minimum participation requirements under FERC Order 741.

Under Cal-ISO's straw proposal, market participants' CRR portfolios — called financial transmission rights portfolios in other markets — would have to meet two criteria before the verification process would be mandatory. First, the company's net portfolio in the CRR market would have to be valued at less than \$200,000 at some point during the past 12 months. Second, the ratio of the absolute value of positively valued CRRs to the absolute value of negatively valued CRRs would have to be less than two.

If both those conditions are met, the company would be required to submit copies of its current governing risk management policies as applicable to CRR trading. Cal-ISO would then evaluate whether those policies conform "to generally accepted practices for entities in CRR-type markets," according to the straw proposal.

According to King, the ISOs learned that CFTC and FERC expected to see verification processes for minimum participa-

### Power supply solicitations issued in June (as reported in *Megawatt Daily*, excludes solicitations whose response deadlines have passed)

Soliciting Entity	Type of Supply/Due Date	Contact
<b>Northeast</b>		
United Illuminating Co.	Standard Service, Last Resort, July 26	uipower@uinet.com
National Grid (Rhode Island)	Renewable Energy, August 4	madison.milhous@us.ngrid.com
United Illuminating/CL&P	Renewable Energy Credits, July 20	roganpm@nu.com, with a copy to: Alan.trotta@uinet.com and chowj@nu.com
<b>Southeast</b>		
Entergy Arkansas, Inc.	Power Purchase Agreement, Intermediate, Peak, July 8	esirfpl@entergy.com
Progress Energy Carolinas	Solar, Power Purchase Agreement, July 20	www.progress-energy.com/renewableRFP
Progress Energy Carolinas	Wind Power, July 25	www.progress-energy.com/renewableRFP
<b>Southwest</b>		
Tucson Electric Power Co.	Wind, PPA, Renewable Energy Credits, August 25	Harry Judd: hjudd@acciongroup.com; Sheri Vincent-Crisp: svincentcrisp@acciongroup.com
Roseville Electric Dept.	Renewable, PPA, Renewable Energy Credits, July 26	James Takehara: jtakehara@roseville.ca.us
<b>West</b>		
Western Area Power Administration	Renewable, Renewable Energy Credits, July 1	Mike Radecki: radecki@wapa.gov
<b>Other</b>		
DLA Energy	Renewable Energy Credits, July 18	Bryan Simmons, (703) 767-8531, Bryan.Simmons@dla.mil

tion requirement just two weeks before the June 30 deadline for FERC Order 741 compliance filings. Because Cal-ISO had already concluded its stakeholder review process for its compliance filing when it learned about the verification process expectation, it will submit its proposed verification process as a supplemental filing in mid-July.

King said the verification process laid out in Cal-ISO's straw proposal is designed to apply to companies that participate in the CRR market to make a profit, not those that use it only for hedging.

"Our position is CRRs are created differently, some come with inherent risk and some do not," King said. "The whole premise is we're trying to find an approach that isolates the riskiest CRR portfolios."

King said that in designing its straw proposal Cal-ISO thought about the factors that contributed to the major FTR default by one of the Tower Research Capital affiliate companies in the PJM Interconnection in 2007: a lack of economic and geographic diversification that created an "all your eggs in one basket" situation.

"We believe that in our proposal we've addressed the economic diversity portion of that," King said. "That leaves the geographical angle. We are continuing to work on that [and] hope to have something else to say on the call."

The conference call with stakeholders will be held at 4 p.m. EDT. According to King, the ISO staff hopes to present a final verification process proposal to the Cal-ISO board of governors at their meeting next week and submit it to FERC shortly thereafter.

— *Juliana Brint*

## **CEO wants rules released at same time** ... from page 1

America, is currently registered as an exempt commercial market with the CFTC. Once new rules being developed under the Dodd-Frank Wall Street Reform and Consumer Protection Act take effect, however, ECMs will no longer exist and Nodal

Exchange will either have to register as a designated contract market or a swap execution facility.

Both DCMs and SEFs have different rules and costs associated with them and until those rules are finalized "a determination of which registration will be most appropriate is not yet possible," Cusenza wrote.

Cusenza wants the CFTC to issue its final rules on DCMs and SEFs at the same time, which would give the exchange time to determine which entity it plans to be.

Cusenza's letter was submitted as part of a public comment process on the CFTC's proposed order which would exempt certain swaps transactions, particularly in financial and energy commodities, from facing new rules under the OTC derivatives regulatory regime the CFTC is still developing. The proposed order, which was unveiled on June 14, still needs final approval from commissioners, which could take place as early as next week.

Current regulatory exemptions for these transactions are scheduled to be repealed by July 16 under the Dodd-Frank Act, but the CFTC proposed order would essentially leave these exemptions in place until the end of the year, or until the CFTC finalizes new rules regarding these transactions.

In addition, provisions scheduled to go into effect on July 16 that reference the terms swap, swap dealer, major swap participant or eligible contract would not go into effect until the end of the year, or until the CFTC and Securities and Exchange Commission finalize the definitions for these terms.

The CFTC on Thursday released a working draft of the "no action" letter which would supplement this exemptive relief.

In his letter, Cusenza wrote that the extension "will enable a more orderly transition to a regulated market for swaps."

"The proposed relief will provide clarity and permit markets, like Nodal Exchange, to continue to operate without disruption while the rules and definitions are being finalized," Cusenza wrote.

Today is the deadline to file comments on the proposed order.

— *Brian Scheid*

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*Rep. James L. Keffer (R – Eastland)*

*Rep. Phil King (R – Weatherford)*

*Rep. Eddie Rodriguez (D – Austin)*

*Rep. Mark Strama (D – Austin)*

**Other Key Texas Power Professionals Speaking:**

*Donna Nelson, Texas PUC*

*Ken Anderson, Texas PUC*

*Jess Totten, Texas PUC*

*Brian Shaw, TCEQ*

*Kathleen White, Texas Public Policies Foundation*

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