Restructuring Today

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Friday August 11 2006

Brent Moore expects hot market when Texas junks its PTB

That's why he created SaveOnEnergy.com, an online shopping portal that helps residential customers and C&Is compare prices and pick a supplier.

Customers are going to have to become educated once they lose their regulated backstop in the price to beat, Moore explained.

It's potentially a big market for brokers and other alternate channels as customers seek help in weighing offers.

The end of the price to beat will boost marketers' interest in using third-party channels too, Moore believes.

Some retailers who have ignored alternate channels in the past are starting to reach out to them because of tougher competition, he noted.

Marketers are "waking up" to the untapped residential market and realizing they'll need to step up their efforts to survive next year.

Thus brokering services are becoming more important to retailers.

Moore wants SaveOnEnergy.com to become the LendingTree.com, the home mortgage site, of Texas power sales giving customers a clearinghouse where marketers compete via its online portal.

Online brokering is becoming a hot business.

About half a dozen firms offer Texas customers the chance to shop online, with ChooseEnergy.com being the newest entrant (RT, 7/10).

Moore isn't worried about overcrowding.

The market is so untapped he sees plenty of business to go around. He's confident SaveOnEnergy can do certain things better to attract customers.

Prices on SaveOnEnergy.com are updated daily, Moore told us, but he wants the website to give customers more than just a price comparison.

That's why the site recommends about five products in each service area for residential customers.

It lists prices for marketers that it doesn't recommend so as to give customers a full picture.

Moore researches marketers and studies their management so he can recommend the best options.

He tries to recommend for each territory about three fixed-price deals lower than the price to beat, one green plan and one monthly product that gives customers more flexibility.

Recommendations are based on marketers' savings, financial stability, customer service and quality billing systems.

Moore now recommends plans from 11 marketers -- Accent Energy, Cirro Energy, Commerce Energy, Constellation NewEnergy, Direct Energy, First Choice Power, Econnergy Energy, Green Mountain Energy,

Energy Savings Income Fund tallies most successful quarter

The marketer with HQ in Ontario added 128,000 new customers, up 38% from last year's quarter.

The firm hopes to add 475,000 new customers this year and is well on its way.

It's the fourth consecutive quarter ESIF has signed up more than 100,000 customers, CEO Brennan Mulcahy told analysts yesterday.

ESIF plans to open an office in South Bend, Ind, later this year to sell to NIPSCO's gas customers.

It plans to sell in National Fuel Gas' New York territory later in the year too, Mulcahy noted.

ESIF sells gas and power on five-year, fixed-price deals to residential and small C&I customers.

The business plan -- selling in effect insurance -- has yielded growing returns for fund investors for 23 quarters.

In the quarter ending June 30 -- the first of its 2007 fiscal year -- gross margins jumped 13% to C$48 million with sales growing to $321 million from $263 million in the year-ago quarter.

The tally of long-term customers has jumped to nearly 1.6 million, up 25% from 1.3 million a year ago.

Fastest growth has been in selling power with 67,000 new Canadian and 7,000 new US electricity customers.

In last year's quarter, ESIF signed up only 40,000 new Canadian power customers and hadn't begun selling power in the US.

ESIF entered New York's market late last year.

The bulk of the marketer's sales are in Canada but it's gaining momentum in US markets.

Canadian quarterly gas sales of $142 million are up from $137 million in last year's quarter while electricity sales jumped to $116 million, up from $91 million.

Combined sales in Canada jumped 13%.

US sales took a bigger jump -- almost tripling to nearly $19 million in gas and growing to $9 million in power.

Total US sales are four-times higher than last year's quarter.

Gross margins grew 11% based

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Mpower Energy Services, Reliant Energy and Spark Energy.

He constantly reevaluates them and the deals.

Thus favored providers and plans fluctuate.

Marketers pay SaveOnEnergy a commission for sales brokered through the site.

For customers the service is free.

Marketers don't pay to be listed or recommended.

Incumbents especially "are going to get creative" to keep price-to-beat customers from picking a competitor, he explained.

That's going to be a challenge for his firm as it tries to cull through the myriad products and plans to come up with a small number of recommendations.

In fact, he's in talks right now with one of the big incumbents to accommodate about 10 competitive plans the incumbent markets to price-to-beat customers.

Moore chose not to name the firm.

But we have a good idea since he already works with three of the four incumbents -- Reliant, Direct and First Choice.

That would just leave TXU Energy -- who, coincidentally, often touts that it has nine of the 10 cheapest products offered by an incumbent (RT, 5/3).

Moore is focused on Texas right now and for the next year.

Don't rule out SaveOnEnergy expanding in the future.

New York is especially on the horizon, Moore told us, as well as other choice states.

Would his site offer natural gas shopping as well?

It's too soon to tell, he replied.

Obviously his firm has more expertise in power since Texas retail gas isn't open to choice except for large users.

He did pick the name SaveOnEnergy -- instead of SaveOnElectricity -- deliberately, he added.

Offering more energy efficiency products and services is another growth area, he told us.

The site now gives customers a chance to buy efficient products and appliances online.

6 stories in 2 minutes

Texas marketer lacks PUC staff support for getting license: The Texas PUC staff would deny a marketer's license to PowerOne (Consulting Groups Network) because the firm hasn't shown it has expertise in power markets. The marketer's president Heidi Ha has 13 years of experience in wireless, telecom and pharmaceuticals but lacks energy industry background. The retailer didn't list on its application other executives with experience in power marketing although it told the PUC it intended to hire industry experts.

PG&E buys solar deal: Pacific Gas & Electric yesterday signed to buy at least 500 mw of solar power from Luz II starting in 2010. Luz II's plant would use hybrid solar-gas technology that can dispatch power at any time of the day. The technology is much more efficient than prior designs, Luz II claimed. The "dream of cost-effective solar power is finally going to become a reality," declared Arnold Goldman, the firm's chairman.

Improved MISO service blamed for ITC earnings: ITC Holdings quarterly earnings fell to $8 million compared with $11.6 million a year ago. Operating revenue fell 4.4% to $48.5 million from $50.7 million in last year's quarter. Revenues were expected to fall due to lower point-to-point service stemming from improved efficiency in Midwest ISO power markets, CEO Joseph Welch said.

Savings given for negawatt benefit: Electric City's Virtual Negawatt Power Plan saved Commonwealth Edison 1 mw of demand and nearly 50 mwh of power during the Midwest heat wave. Twenty-one C&I customers participated in the program that lets Electric City dial down their lighting systems during a system emergency. VNPP members barely notice the gradual darkening of their facilities but do see actual, near real-time savings. Electric City is adding the ability to control HVAC during system emergencies thus expanding its negawatt resources, the company said.

PUC urges Texas to go easy on power: The Texas PUC yesterday asked customers to conserve power for the rest of the week, declaring a yellow conservation alert due to 100+ degree temperatures.

AEP fined in Texas for reliability ills: The Texas PUC yesterday fined American Electric Power $101,000 for not meeting service quality and reliability standards in 2001-2004. AEP's Texas Central unit will pay $54,540, AEP Texas North unit $35,350 and AEP's Southwestern Electric Power utility $11,110.

Illinois power customers to see limits on shopping – and complicated rules

Who gets to shop in Commonwealth Edison and Ameren territories next year and when exactly?

The rules are to change when utilities end their rate caps Jan 1 and move to rates based on descending clock auctions.

The auctions begin next month.

Larger C&I customers must soon decide how they are to be served next year -- a decision that affects their right to shop.

Large Ameren customers, in fact, have been surveyed already on what service they'll get.

Smaller customers at both utilities have more freedom to shop but almost all face a 12-month minimum-stay rule if they return to fixed-rate SOS.

Ameren customers using less than 1 mw who don't shop are entitled to a fixed rate and can shop anytime.

If they return voluntarily to SOS they have to stay there for a year.

Customers who lose their marketers have two months to find a new supplier before they're bound by the minimum stay rule.

Smaller customers can opt to pay real-time prices but if they shop they have to stay for a year.

If they later choose to return to fixed-rate SOS they must stay there for a year.

Smaller customers who opt for real-time prices are to get their power from suppliers serving the fixed-rate load.

The utility takes care of the billing of real-time customers.

ComEd draws the line between small and large customers at 400 kw.

Its rules for smaller customers are similar to Ameren's except that customers who choose to pay hourly prices are to be served by suppliers winning hourly load in the auctions.

Smaller customers who opt for hourly prices can shop or return to fixed rates anytime.

If they return they have to stay on fixed rates for a year.

Large -- 1-3 mw -- customers at ComEd can shop only during a 50-day enrollment window that begins once the IOU files its SOS rates.

Customers using 3 mw or more have just 30 days to shop and pay hourly rates if they don't shop.

Large customers -- less than 3 mw -- can choose during the enrollment period to pay hourly rates for power from suppliers winning load in the hourly load auction or pick the purchased power option (PPO) to be served by suppliers winning C&I fixed-rate load.

Customers who choose the fixed-rate service have to stay there for 17 months before they can shop in the next enrollment window in spring 2008.

C&I customers who default to fixed-rate service -- those who didn't actively choose fixed-rate service and new customers -- can shop anytime.

Customers who choose the PPO can shop after 12 months.

Customers who shop can't return to fixed-rate SOS.

Large customers -- 1-3 mw -- at Ameren default to a fixed-rate SOS.

They can shop only during a 50-day shopping window.

Customers using 3 mw or more who pre-qualified by answering Ameren's survey are eligible for fixed-rate service but have only 30 days to shop.

Only one customer didn't respond to the survey, according to NERA Economic Consulting, the auction manager.

Customers can choose during the shopping window to pay hourly prices.

If customers don't make another supply choice during the shopping window they have to stay on SOS for 17 months until June 2008.

Ameren doesn't offer a PPO so its customers don't have as many opportunities to change their supply service as ComEd customers.

Energy Savings Income Fund tallies most successful quarter

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on gains in electricity margins since gas margins were down.

Higher sales and margins reflect the jump in customers, ESIF reported.

Building up those numbers is made easier by the firm's 80% renewal rate for customers who complete their contracts.

That figure doesn't include 7% attrition in Canada and 19% attrition in the Illinois gas market.

Attrition includes customers who die, move or are cancelled for non-payment.

The firm signed up 37,000 new gas customers in Canada in the quarter -- 14,000 in Ontario and 23,000 in Quebec, British Columbia, Manitoba and Alberta markets.

Alberta is ESIF's hot gas market now and it expects the province to be the source of future gas growth in Canada.

The firm is serving 607,000 Ontario gas customers and 211,000 elsewhere in Canada.

ESIF expects to make $175 over the life of each new Canadian gas contract and it met that goal in the quarter.

The firm's 67,000 new Canadian power customers were mostly in Ontario's reopened market but Alberta remains strong, the firm reported.

New sales raised ESIF's electricity customers to 622,000.

ESIF expects to make $110 over the life of a power contract and met or beat that target in the quarter.

ESIF signed up 17,000 new gas customers in New York and Illlinois.

That's low compared to its plan for the year but growth should jump later in the year when the firm's selling programs "ramp up."

The firm ended the quarter with 118,000 US gas customers.

Sales to 7,000 new New York electricity customers brings its total there to 30,000, the firm reported.

The marketer opened two new sales offices -- one in New York and one in Illinois -- and expects to enter two new US markets late this year or early next year.

It has five sales offices in Illinois and three in New York.

The challenge has been hiring and training new sales people, Mulcahy explained.

ESIF has had to tighten its credit requirements for Illinois customers and that's depressed new signups, Mulcahy noted.

The firm has had to turn down "thousands" of contracts signed up by sales agents because of credit worries.

It's not about the number of customers but the "quality" of customers, Executive Chair Rebecca MacDonald agreed.

"Customers in the United States are signing up for five year contracts, there's no doubt about that," MacDonald added.

It makes it tough on the sales people, but they're learning why ESIF is being tougher on credit issues, she noted.

ESIF has seen problems in New York where some customers have been signed up by other marketers -- a problem it's working on with Consolidated Edison and PSC.

New York regulators don't require a notice period when customers switch from one marketer to another.

That's not a problem in other markets, Mulcahy explained, where switches aren't instantaneous.

The firm met its average goal of $140 in margins over the life of new gas contracts and $110 for power.

ESIF hasn't seen its margins erode as natural gas prices declined this year and it hasn't seen an impact on its marketing.

The firm typically contracts for a five-year wholesale supply then markets it at retail prices and so is hedged from the start.

ESIF thus makes its margin whether prices rise or fall, the company said.

The firm meanwhile is monitoring progress in other deregulated markets including Virginia, Maryland, New Jersey, Michigan, Texas, the British Columbia residential gas market and Illinois power market.

One or two new markets a year is prudent, Mulcahy explained.

UK-owned IPP has glorious quarter; looks for IPPs to buy

International Power is weighing using strong quarterly earnings to fund more acquisitions, CEO Philip Cox told investors yesterday.

Quarterly profits before taxes and exceptional items rose to £119 million from £53 million a year ago. Revenues grew 36% to £502 million a year earlier on higher power prices in the US and UK.

The IPP doesn't intend to boost dividends with the higher profits, Cox explained, because the firm is still "very busy [and] very active" looking for firms to buy.

International Power expects to post a strong second half after buying the Coleto coal-fired power plant in Texas (RT, 4/21) and from ongoing strength in wholesale power prices.

Cox forecast the US generation industry will be fully recovered by the 2007-2009 period as spark spreads rise.

US operating profits more than tripled, rising to £28 million.

Direct questions ERCOT reliability calculations

If you take ERCOT's overly conservative forecasting and add to it important modeling errors, here's what you get.

Big replacement reserve service charges.

That's what Direct Energy and others told the Texas PUC this week.

Why?

That's power ERCOT has to buy to keep reliability.

Ancillary services have been around since the market started but ERCOT only started running auctions to set replacement reserve prices since March when it got new software (RT, 4/25).

It's costing stakeholders a lot of money, Phil Tonge, Direct's president of US operations, wrote the PUC.

The replacement reserve market has cost one market segment about $85 million, he wrote.

About $65 million in overcollections has been redistributed to the entire market based on load ratio share, Tonge added.

The problem, he explained, is that ERCOT's forecasting methods are over-estimating the replacement reserves needed -- boosting costs.

ERCOT adds in 1,800 mw to its forecast as an extra margin of safety.

Direct worries that the adder plus general modeling errors are leading ERCOT to buy too much reserves and seeks an immediate review of the practice.

Direct doesn't want to hurt reliability but sees over-buying as an "unreasonable financial burden."

He blamed "an over abundance of caution" stemming from the April rolling blackouts, Tonge cautioned.

Buying too much replacement reserves is causing real-time and day-ahead markets to diverge, added Exelon.

That's hurting forward market liquidity.

Stakeholders agree that those who are short should pay for buying extra power, noted Exelon.

Yet ERCOT's over-buying artificially boosts the need for capacity without linking it to any causation, Exelon said.

In fact, an ERCOT report showed that the replacement reserves it bought in June weren't needed, Constellation NewEnergy wrote.

It's "entirely possible" that none of the buying since March has been needed and was only caused by poor load forecasting, Constellation added.

ERCOT can ensure reliability by using more efficient ancillary services, urged Constellation and Direct.

They're working with ERCOT via the stakeholder process to find a permanent fix for the replacement reserve market.

But stakeholders need relief now thus adjusting ERCOT's load forecasting is appropriate in the interim, they argued.

The PUC urged ERCOT yesterday to fix the problem quickly but did not open a formal rulemaking.

ALJ sees no harm in billing utility for SECA charge

The Midwest ISO properly billed Green Mountain Energy for seams elimination charge adjustments (SECA), a FERC ALJ found yesterday in an initial decision (docket ER05-6).

Green Mountain had argued that it shouldn't have to pay the seams costs since it was not a MISO transmission customer (RT, 12/1).

The fees were added to compensate grid owners for lost revenues when regional through-and-out rates (charges for moving power from one control area to another) between PJM and MISO ended.

The prohibitive expenses forced Green Mountain to exit the Ohio market (RT, 10/27).

FERC allowed the ISO to impose the charges on load-serving entities, the ALJ noted.

Thus it's OK to charge retailers even where they don't take grid service directly from the ISO, the ALJ explained.

Green Mountain held the "ultimate responsibility for transmission charges," the ALJ found, because it was buying power from a supplier taking ISO grid service.

Tell us what you think. We want to hear from you. Send your comments, questions and suggestions about today's RT to editor@restructuringtoday.com.

Abbreviations: To see a glossary of RT's abbreviations, go to www.restructuringtoday.com/about/glossary.html.

Restructuring Today (ISSN 1522-7324) is published 247 times a year on business days by **ghi** llc at 4418 MacArthur Boulevard, Washington DC 20007. Phone 800-486-8201 or 202-298-8201 and fax to 202-298-8210. One year's subscription is $487 in US funds (plus 8% sales tax in the District of Columbia). Significant discounts for site licenses that allow you to put our copyright-protected issues on your internal intranet site for others to see. George Spencer, editor& publisher; Joan Henderson, managing editor; Season Crawford, marketing director.

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The outlook for demand response in a high-price environment

***Restructuring Today*'s live interactive audio conference, September 22, 2006, 12:00 - 1:30 PM EDT**

Record heat pushed the nation's grid to its limit during the summer but system operators and utilities kept the lights on in large part due to demand response (DR). With demand and supply conditions tightening in many areas, and new generation taking years to build, now is the time for demand response to break out and truly grow. What's the outlook for the demand response industry given high fuel and power prices?

Get insiders' perspectives on where the demand response industry is going and how industry leaders are taking advantage of volatile energy prices and record demand.

Get expert advice from these presenters:

Phil Giudice, EnerNOC's senior vice president of corporate development. His firm intends to manage 10,000 mw of power within the next five years.

Reena Russell, ConsumerPowerline's chief officer for market & product development, is charged with selling DR solutions for the biggest firm in the industry.

Bud Vos, Comverge's vice president of marketing, products, & strategy, brings experience from selling DR in RTO markets as well as in traditional utility franchise territories.

Dan Delurey is executive director for the Demand Response & Advanced Metering Coalition and US Demand Response Coordinating Committee. DOE picked him as one of two official experts in the field.

Here the panel face these questions as well as your own:

- Do current high energy prices give DR the needed push to reach a critical mass?
- Is this the best time to market DR services?
- Is more consolidation coming to the DR industry... is there a "natural" level for firm size? Is there an ideal footprint?
- What are the best and growing markets for DR?
- Are DR opportunities better right now in organized markets/RTOs or utility systems?
- What's the growing model or trend in DR firms -- offering more energy management services in addition to load curtailment, or just sticking to DR?
- What obstacles are keeping DR from growing despite high prices?
- What are customers' biggest needs when signing up for DR?
- Is DR getting a push from state regulators who want to avoid customers financing new power plants for demand growth?
- What states are leaders in using DR as a capacity resource?
- Is DR set to grow as RTOs open up more markets (such as ancillary services) to DR firms? Will other RTOs follow PJM's lead?
- What needs to be done to truly make DR a substitute for capacity in organized markets?
- It's been over a year since the Energy Policy Act was signed. What has been the progress on the few DR-related initiatives in the law?
- What type of DR programs are poised for the biggest growth?
- Are utilities more interested in starting (or restarting) their DR programs now?

The Outlook for Demand Response in a High Price Environment audio conference Sept 22, 12:00 - 1:30 PM EDT

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