



LYNX ELECTRIC CURRENTS

JUNE 2014 NEWSLETTER

EDITOR'S NOTE

The 2013 to 2014 winter reliability performance is getting attention from FERC, state PSC's, state legislators, as well as the regional RTO's and ISO's, so all the players can analyze causes and solutions for the price spikes and overall performance of the grid. Investigators are looking at high prices of coal generation during the "polar vortex" events. Coal prices do not cost justify the high prices generators charged as fuel delivery is not dependent on pipes and most coal plants have several months of coal fuel stored on site. If prices are not cost justified and investigators find prices were manipulated, there could be fines. Other inves-

tigators are looking at natural gas marketing, gas supplies and whether the high prices can be cost justified. FERC is looking at establishing RTO's and ISO's for natural gas to get more transparency in the gas markets, make the market more responsive and avoid a repeat of this past winter. Uplift charges (cost overruns on generation and fuel) do not have a hedging mechanism and have a major impact on market prices. Working commodity fuel pricing into the mix may help avoid capacity price spikes. PJM reported that uplift charges cost ratepayers \$600 million this winter. Regulators are recommending firm fuel

pricing and having the market place values on commodity to lessen the impact of capacity price surges from generators. Rule changes will help but the underlying causes of natural gas pipeline capacity and draconian EPA regulations that are closing coal plants remain. There are some encouraging signs, as the private sector moves to build pipeline capacity that supply NYC, building or converting to dual fuel (oil and natural gas) plants and moves by many state regulators to change marketing rules to avoid outrageous price spikes.

TIP OF THE MONTH

Each newsletter carries information on purchasing REC's, letting Lynx help you with hedging strategies and providing value added services so you can retain your customers. We have also discussed some DR strategies which will provide a revenue stream for you and your customers. One such option is installing backup generators to facilitate SCR load shedding. We have a large range of Cummins generators that you can use to help you

shed load during curtailment events. Generator choices can be air cooled, water cooled, diesel, natural gas or propane. We also suggest you consider purchasing some energy futures to protect your customers from price spikes. Perhaps part of your winter load or even some August load can be purchased now to give you a hedging option should prices spike again. With the demand for natural gas increasing and

depleted reserves in storage that need to be replenished before cold weather, there is some concern about high demand for natural gas this summer causing August price spikes. If you would like more information and take advantage of our offerings, contact our office and let us help you and your customers.

US ENERGY MARKETS

The harsh lessons of the "Polar Vortex" will continue to impact power markets. Ohio is looking at pipeline capacity shortages for this summer peaks. Generators with dual fuel generation are building up oil supplies. Gas prices are staying around \$4.60 per **MMBTU**'s as injection to replenish gas storage supplies is

lagging. Winter demand depleted natural gas storage reserves. Once again regulations that are forcing the shutdown of older coal plants, without sufficient delivery infrastructure for natural gas will have customers paying higher prices for their electric power. NYISO generators weathered the price spikes

better than neighboring regions while relying on natural gas by having a large number of dual fuel units that can run on oil or gas. Economic conditions dictate which fuel is burned to operate the generators.

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FERC UPDATES

Acting chairman [Cheryl La Fleur](#) has been reappointed as a Commissioner by President Obama to a second term. She is the interim acting Chairman of FERC since John Wellinghoff stepped down as Chairman and has been faced with numerous challenges, as reported in previous newsletters.

Waiting in the wings is [Norman Bay](#) whose Senate hearing has been a bit stormy. Senators are challenging his policies towards energy marketing based on his actions while serving as Director of the FERC Office of Enforcement. At issue is the concept of profit maximizing versus

market manipulation. In competitive markets any action could be termed market manipulation based on some regulators interpretation. Part of the hearings are looking at market regulations and the need for reform as FERC is simply enforcing the regulations which means Mr. Bay was doing his

job and not anti-business.

Natural gas suppliers are striving to replenish depleted gas reserves. FERC is projecting higher energy cost for this summer as natural gas prices are expected to rise. Electric futures are already up 20% to 30%.

ISO-NE UPDATES

[PURA](#) of Connecticut is looking at setting maximum prices for retail sales. In addition PURA is looking at regulations in order to change retail marketing rules and enhance retail participation and operations. Under consideration are items such as: Banning variable rates, having all retail sales prices fixed, requiring retailers to conform to proposed financial standards, and faster turnaround for switching vendors or retail programs by customers.

Rule for accurate billing and clear contracts that explain pricing, contract termination and specific terms of the contract are also being developed. As utilities continue to deploy smart meters, it will allow retailers to provide new products and pricing methodology to benefit customers and lower costs.

As a result of effective energy efficiency upgrades, ISO-NE anticipates having sufficient capacity to handle a 95° F

day. The ISO has a generating capacity of 29,135 MW and is projecting the summer peak to be around 26,600 MW. In addition to the generator capacity the ISO also has 700 Mw of DR capacity, and contractually has the ability to import 1,280 MW of outside capacity. Consideration over the impact of closing of the Salem Harbor plant with a capacity of 585 is a concern still to be resolved.



NY STATE UPDATES

Con Edison will be paying 60% more for DR this summer. Potential participants can still register for monthly payments; however, the summer strip is already closed. Customers equipped with advanced metering can also earn additional dollars by participating in “sell back” program. This involves customers shedding load or capacity based on market price signals. Con Edison will also be looking for energy efficiency upgrades for customers willing to reduce their capacity needs. Costs are typically a co-pay for customers and the utility on approved projects. Customers can also participate in NYISO programs and receive payment for load shedding. In that scenario customers receive incentives from both NYISO and Con Edison. [NEMA](#) requested NY-PSC to

delay or review certain provisions in their latest marketing orders. The PSC has issued a stay of implementation for the following provisions:

- Third party verification for customer switching suppliers
- New regulations for suppliers selling into Home Energy ASSISTANCE Program customers.
- Implementing the PSC Choose website is on hold
- Retailer specific purchases of receivables on hold

The issue of a new capacity Zone, Lower Hudson continues to raise controversy. Once again the NY-PSC is requesting FERC to delay implementation of the new capacity zone. Concern for higher prices resulting from the new zone is the reason given for requesting the delay. State regulators claim the new initiative being implemented by Governor

Cuomo’s “Energy Highway” will negate the need for establishing the Lower Hudson Capacity Zone. NYISO reported that prices in the Lower Hudson area are already up \$2/kWh month in the most recent strip auction. Regulators estimate it will cost an additional \$280 million per year for Lower Hudson utility customers. Forecaster for NYISO project a hot summer and prices could reach \$53/MWh this summer. Delaying the new capacity zone until the “Energy Highway” measures are installed would save the regional customers an estimated \$70 million. The latest update shows FERC has refused to reconsider the delay and NYISO and NYS PC are challenging the ruling in US Federal Courts.

PSC’s [Audrey Zibelman](#) presented REV (Reforming the

Energy Vision) at the recent [National Energy Marketers](#) conference. Key points of her presentation centered on retail markets in the various states. Chairman Zibelman is looking to redesign the market and the NY grid to benefit NY customers. She pointed out that NY-ISO spends \$450 million per year to maintain enough capacity to handle “super peaks” which the ISO established as demand above 33,000 MW. The PSC Commissioner claims better management by NYISO could lower that number. The commissioner wants more [DG](#) and [DR](#) to lower peak demand and allow the grid to be more responsive using their resources for innovation in the retail market.

AARP, a newcomer to NY energy pricing, is raising the

PJM UPDATES

Ohio has approved construction of a new natural gas power plant with a capacity of 742 MW. The new plant is being built at the Carroll County Energy Center located in Washington Township Ohio. Exelon is planning to expand their holdings in Mid-Atlantic with the recent purchase offer of \$6.8 million to buy [PEPCO](#). PEPCO has utilities in Maryland, Delaware, New Jersey and Washington DC. The purchase, when approved, will make Exelon a key player

having over 10 million customers and providing a \$26 billion rate base. The purchase will require FERC approval before moving forward, followed by state regulators and the US Deputy of Justice also reviewing the proposal.

The latest PJM auction secured energy resources through 2018. The RTO added 4,800 MW of new natural gas combined cycle turbines. The clearing price is \$120 per MW day, with the exception of PSE&G which cleared

at \$215 per MW day because of transmission constraints. The total capacity secured in the auction was 167,000 MW giving the RTO 19% reserve margin. In addition to generation, the auction also secured 10,975 MW of demand response and 1,334 MW of energy efficiency projects.

[PA-PUC Chairman Robert Powellson](#) is encouraging consumers to sign up for retail power purchasing to lock in favorable rates now before summer. Summer rates could jump by as

much as 50% according to the PUC. At the present time PA has over 2 million customers participating in retail electric markets. As generator costs increase bundled rates from utilities will reflect those costs. West Penn Power has indicated their "Price to Compare" will go from \$0.04961 per kWh to \$0.0751 per kWh. PECO rates are dropping from \$0.0866 per kWh to \$0.0837 per kWh prices.

NYISO

Canadian based owners of [Ravenswood](#) plants in NYC have filed with FERC in order to be compensated for using fuel oil this past winter. NYISO and the PSC are asking FERC to ignore the request as Trans-Canada should go through the normal stakeholder process before elevating their claim to FERC. The issue revolves around the Ravenswood plant

being required to store and burn fuel oil during the natural gas shortages and having to pay \$16.1 million to comply with EPA air emissions because of the additional air permitting charges. Therefore they are asking for a demand charge increase of 40% to cover EPA costs. NYISO points out Ravenswood is simply switching

fuels and payment mechanisms are already in place to address costs, therefore FERC involvement is not needed.

As with other ISO's, NYISO is looking forward to a hot summer and making sure they have sufficient capacity. At the present time NYISO has 37,978 Mw of generation. In addition there is 1,189 MW of DR and 2,130 of contract import power available.

The expected summer peak is 33,666 MW. NYISO maintains a 17% Reserve Capacity. Changes are impacting the generation mix. Since 2012, over 2,000 MW of generation has been retired. While conversions of some older coal plants are slowly moving forward. NYISO is confident that they have sufficient capacity to weather a hot summer.

US ENERGY

Ripple effects from this winter continue to impact retail markets and regulatory policies as [USEF](#) reviews natural gas and electricity interaction which resulted in higher energy prices. The "[Quadrennial Energy Review](#)" DOE Secretary [Ernest Moniz](#) pointed out that the U.S. is on the verge of a major energy revolution. Topping his presentation was the pressing topic of adequate transmission capacity for both electric and natural gas. With less coal and nuclear generation capacity (because of plant closings and retirement) changes to oil and gas will require infrastructure upgrades. FERC commissioner [Philip Moeller](#) pointed

out that as base load for generation changes, FERC is changing marketing rules and times for supply nomination of natural gas. The changes will allow quicker market response and make prices more equitable. Mr. Moeller further stated that states that pushed for closing coal plants are now facing the reality of higher energy prices. All parties agree action must be taken to avoid blackouts this coming summer. Surprisingly, changing the timing of the EPA regulations was not discussed. It would make financial sense to allow existing plants to continue operating until adequate infrastructures such as new pipelines

are in place. The current policy will do little to stimulate economic recovery and job creation.

President Obama's "[Climate Action Plan](#)" calls for a 17% drop in CO2 emissions from the 2005 baseline by 2020. Nuclear advocates claim their plants represent 0% CO2 emissions, and are needed to achieve the new goals. However, upgrading nuclear plants make them uneconomical to operate. Case in point: Indian Point nuclear power plant might be forced to close because it would have to install cooling towers costing billions of dollars, rather than using river water. NY State no longer permits the use of river water for cooling purposes. Should the northeast nuclear plants close, the region would lose 11 GW of

capacity and replacement generators burning natural gas would increase regional CO2 emissions by 40%. In addition natural gas pipelines already under capacity would be stressed which could result in more price spikes in electric markets.

EPA is expecting to release their new greenhouse gas limiting rules, Section 111 of the clean Air Act in June. Because Congress did not approve a Cap and Trade type CO2 legislation, the EPA is depending on individual states to limit CO2 emissions. [RGGI](#) has been cited as a model of interstate cooperation provided EPA is willing to consider CO2 reduction on a regional basis.

NYSDERDA PON UPDATES

Current PON's (Program Opportunity Notices), which are available to qualified customers from NYSDERDA.

- **PON 1219 Existing Buildings:** Provides rebates and performance incentives for existing buildings including lighting, motors, generators, HVAC equipment etc. through 12-31-2015.
- **PON 1601 New Construction Financial Incentives:** Provides incentives for new and remodeled buildings, paying for architectural and engineering services, rebates

on electric equipment, appliances, HVAC equipment, and building envelope, through 2015.

- **PON 1746 Flex Tech:** Provides funding for a variety of feasibility and energy related studies through 12-31-2015.
- **PON 2112 Solar PV Program Financial Incentive** through 2015
- **PON 2439 Wind Turbines:** This PON pays incentives to certified installers of DG wind-mills under 2 MW through 2015.
- **Multi Family Performance Partners:** Facilities with 5 or

more housing units are eligible for energy audits and energy efficiency funding through 2015.

- **PON 2456 Industrial and Process Efficiency Program:** This PON is can pay up to \$4.5 Million per project through Dec. 2015.
- **PON 2568 CHP Acceleration:** Funding for onsite generation with heat recovery (DG/CHP) packaged units through 2015.
- **PON 2758 Gas Station Back up Power Program.** This PON provides emergency power for generators in Downstate gas stations, and will do so until the

funding runs out.

- **PON 2689 Emerging Technologies and accelerated Commercialization** through Dec. 2016
- **PON 2701 Combined Heat and Power CHP Performance Program** through Dec. 2016
- **PON 2846 Innovations in Data Center Information & Communications Technology Energy Efficiency:** This PON has funding through April 2015.
- **PON 2828 Renewable Portfolio Standard Customer-Sited Tier Anaerobic Digester Gas to Electricity** Through 2015

NY STATE UPDATES (CONTINUED)

alarm over potential higher prices. As gas suppliers work at replenishing depleted gas supplies to increase gas inventories, they will be competing with generators for natural gas. The increase demand for natural gas will raise prices. AARP is asking for a consumer advocate to represent consumers during regulator meetings of the NY-PSC and NYISO. The NYS Assembly passed a bill to have a consumer advocate. The Senate has not passed their version of the bill to date. Fears of a hot summer

and an active hurricane season could further impact the supply of natural gas. Fuel injection will be competing with generators resulting in higher prices for electricity this summer.

In a proactive measure the Trans Continental Gas Pipe Company has received approval to expand natural gas pipelines to NYC. The expansion is in response to multiple peak demand that occurred last winter. The pipeline capacity upgrades will provide 646,000 MMBTU's, for the National Grid service territory.

US ENERGY (CONTINUED)



Jurisdictional rights will be contested in the courts.

US DOE is sponsoring offshore wind power projects. Recipients of the \$47 million grants each, are: New Jersey, Oregon, and Virginia:

- **Fisherman's Energy** will be installing 5 MW of offshore wind turbines outside of Atlantic City NJ
- **Principle Power** is installing 6 MW of offshore wind power in Coos Bay, Oregon
- **Dominion Virginia Power** is installing 6 MW of offshore wind power in Virginia Beach Va.

GLOSSARY OF ACRONYMS

AEPS - Alternative Energy Portfolio Standard

DG - Distributive Generation

DR - Demand Response

MMBTU - one million British Thermal Units

NEMA - National Energy Marketers Association

PURA - Public Utilities Regulatory Authority

PEPCO - Potomac Electric Power Company

RGGI - Regional Greenhouse Gas Initiative

USEF - US Energy Forum

June 2014

Sun	Mon	Tue	Wed	Thu	Fri	Sat
1	2	3	4	5	6	7
8	9 <i>NYISO ICAP Monthly Auction</i>	10 <i>NYISO ICAP Monthly Auction</i>	11	12 <i>NYISO ICAP Monthly Auction Results</i>	13	14
15	16	17	18	19	20 <i>Certification</i>	21
22	23 <i>NYISO ICAP Spot Auction</i>	24 <i>NYISO ICAP Spot Auction</i>	25	26 <i>NYISO ICAP Spot Auction Results</i>	27	28
29	30					

FUTURE DATES

June

- 9-10 NYISO ICAP Monthly Auction
- 12 NYISO ICAP Monthly Auction Results
- 20 Certification
- 24-25 NYISO ICAP Spot Auction
- 27 NYISO ICAP Spot Auction Results

July

- 9-10 NYISO ICAP Monthly Auction
- 12 NYISO ICAP Monthly Auction Results
- 20 Certification
- 24-25 NYISO ICAP Spot Auction
- 27 NYISO ICAP Spot Auction Results

NYISO SCR CURTAILMENT PROGRAM

Proposed changes by the NYISO will impact SCR customers. Lynx will work to keep you informed and updated as changes get approved. **Prices for participation in DR programs are up as Governor Cuomo is getting behind peak load reduction programs.** Lynx is providing assistance for our customers with event notification and supplying documentation to the NYISO verifying results. A major obstacle for customers having peak demand less than 500 kW is having an interval meter. Lynx can help you with securing grants for interval meters, and getting those meters installed. Many customers willing to participate in NYISO programs need help in determining what items can be curtailed and to determine the kW value of those items to be shut off. Lynx can help your customers determining kW loads that can be curtailed. In addition Lynx can now provide **Cummins Generators** which can be used for curtailment purposes along with providing protection for property and life during emergencies. Lynx will work with you to get customers registered in a NYISO program. So help your customers get some cash for shedding electric loads during peak load emergency events. ESCO's or suppliers will also earn funds. With Lynx guidance you can avoid costly pitfalls and potential fines. We urge our customers to get their information in to our office now before the summer strip starts. Should you miss the deadline customers can still participate on a monthly basis but will miss out on May payments for 2014. Call Lisa Klein or Bert Spaeth in our Lynx office at 716-774-1341.

COMMODITY PRICING

Historical - Flat DAM

	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14
NYISO-A	43.99	106.48	73.00	80.97	38.46	31.35
NYISO-F	63.61	176.83	135.16	106.16	43.82	33.91
NYISO-J	61.14	175.92	122.84	102.52	46.49	37.31
NYISO-K	76.26	187.11	145.94	108.43	50.75	48.89
PJM-PSEG	45.79	184.41	89.93	78.53	45.95	38.55
PJM-JCPL	42.56	176.63	78.12	73.97	41.79	37.75
PJM-APS	39.15	107.43	69.25	65.20	41.10	41.92
PJM-PECO	40.15	168.45	74.00	72.74	41.60	37.11
PJM-PPL	40.34	167.39	74.13	72.14	40.63	37.14
PJM-DLCO	36.65	83.22	57.65	52.31	38.13	40.25
PJM-PENELEC	40.50	116.57	72.96	67.47	41.47	45.19
PJM-METED	40.44	166.67	73.72	72.41	40.62	36.40
PJM-BGE	44.68	179.66	75.97	77.21	44.24	48.36
ISONE-CT	87.97	166.29	153.89	109.27	45.02	37.28

Current Projections

	Jul-14	Aug-14	Sep-14	Jul-14 to Jun-15		
	Flat	Flat	Flat	Flat	Peak	Off Peak
	52.36	47.83	37.33	45.94	55.31	37.77
	54.08	48.52	41.06	62.57	74.24	52.40
	65.88	59.42	45.63	65.56	79.18	53.69
	76.01	65.20	52.98	72.77	88.35	59.19
	60.49	52.67	42.25	51.13	63.23	40.59
	59.59	51.79	41.45	49.53	60.78	39.72
	52.93	46.68	38.24	44.52	53.51	36.69
	58.31	50.52	40.07	47.65	58.34	38.34
	56.25	49.39	39.57	47.08	57.55	37.96
	49.19	43.55	36.60	41.68	50.34	34.14
	55.19	48.70	39.63	46.20	56.37	37.34
	57.56	50.45	40.12	47.65	58.24	38.42
	65.07	56.35	43.89	52.07	64.50	41.24
	57.75	50.83	41.14	74.70	86.58	64.34

Note: On-peak is defined as HE08- HE23 Weekdays (less NERC Holidays)
 Commodity pricing at MWh reflects an estimate of pricing based on current information available at time of printing from various market sources. The prices are not intended to be used as hard data for contractual purposes. Prices are represented in dollar per MWh.

GREEN ENERGY

As state mandates are phased in, suppliers or ESCO's will be required to purchase REC's (Renewable Energy Credits) and show documented proof of purchase. Some states require a percentage of Solar REC's or offshore wind depending on the host states social policies. Each category, whether it is called Tier or Class has different pricing and some states mandate a mix. Suffice it to say, Solar is the most expensive and Tier or Class II is the least expensive. Failure to purchase green energy or [AEPS](#) or REC's will result in a default REC. PJM customers would pay Alternative Energy Credits (AEP) at \$500 per credit. Connecticut has a default rate as well. Lynx will assist you in locating cost effective green REC's to meet your needs. In addition, Lynx can handle your reporting and assist you in purchasing REC's. The percentage of renewable energy is expected to increase up to 27% in certain states by 2025.

Note: To ease the burden of purchasing annually and the large cash expenditure, Lynx is recommending purchasing REC's on a quarterly basis to avoid higher prices at the end of the reporting period.

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