

PJM Webinar – Q&A
Market Fundamentals Series
July 27, 2006

Do I have to sign any agreements in order to sign up for Price Watch? Is Price Watch available to companies that are under contract with another supplier?

There is no Price Watch contract. Price Watch is a complimentary service for both SUEZ customers and prospective customers. So, as long as we have your load data, we can provide pricing updates based on your desired preferences.

Is your price watch service available to consultants?

Yes. To enroll your customers on Price Watch just contact your salesperson.

Can I send you load data now, or should I wait until my contract is closer to expiration or and new default rates are published?

It is a good idea to stay on top of where market prices are moving. We can gather your load data now and provide you with periodic pricing updates. You can choose to transact before or after the new tariff prices are published, based on your preferences.

Could SUEZ help me to "lock into" a target price now for rates beginning in 2007?

If you have a specific fixed target price for 2007, SUEZ can assist you in monitoring when the market reaches that level using our Price Watch service. As soon as we get your load data and understand your requirements, we will begin monitoring daily prices for your load. When the market price reaches your desired target, we will contact you. It is never too early to begin checking out prices for the next contract term.

Can we get a copy of this presentation so I can review with my manager?

Yes. A copy of the presentation will be emailed to all meeting participants. You can also download a copy from our website www.suezenergyresources.com

What are the differences between bearish and bullish?

Bullish drives prices to increase, whereas, bearish will drive the market down.

I've heard there is a difference in real time index vs. day ahead due to operating reserve cost components, can you comment?

Yes, there is a very different cost for suppliers to deliver a day ahead vs. real time index product. There are 2 ancillary services that are part of the PJM market: day ahead operating reserves and real time operating reserves. Load cleared in the day ahead pays a less expensive and often less volatile operating reserve charges than the operating reserve charges paid for real time. So when a supplier has to calculate the retail adder, there is often a higher premium added for the real time operating reserves. Customers can select between a day ahead or real time index product. Historically, many customers have selected the real time index, and I can only guess that this is because it matched closer with their tariff rate option. However, I recommend that customers consider the day ahead index since the operating reserve costs associated with this index are historically lower and less volatile than with the real time index.

How much will the BGE zone RPM premium be? Will the floating capacity rate be more advantageous to customers in the ComEd region of PJM because they will no longer be subsidizing capacity on the east coast?

The current forward cost for capacity in the eastern Mid Atlantic region and the southwestern Mid Atlantic region (where BGE is located) is about 3X as high as the capacity for the ComEd zone. So on a \$/MWh basis, someone in the BGE zone, would probably be paying \$3 to \$4 more for capacity than someone in ComEd.

Slide 22: Two existing capacity markets -- where are the existing markets? East vs. West?

The 2 capacity markets referred to in slide 22 are the daily and monthly capacity markets. Whether east or west, there is a single market clearing price for all buyers and sellers that clear in the market.

Slide 24: Regulatory costs for ancillary services -- what encompasses regulatory costs?

On slide 24, we mention the Regulation Market (not “regulatory”) of ancillary services. Regulation Service provides for the continuous balancing of resources with load to maintain frequency of 60 HZ or “load following”.

Could you explain PJM West, what it is/how it works?

PJM West is simply an identifiable location within PJM in which the wholesale prices are set by the PJM economic dispatch. And from PJM West you need to add or subtract the congestion costs to get the applicable zonal LMP prices. So it is kind of an identifiable zone within PJM that sets prices.

Can you be competitive today in NJ for a medium size secondary account like a super market?

First, I would like to provide some background information about the NJ market.

The NJ BGS Auction held every February, for rates starting in June/July. Small and mid-sized customers are eligible for the Fixed Price. Multi-term, multi-price BGS contracts are blended into retail rates for all eligible customers. EDCs had 1/3 of their fixed price (FP) supply under contract through 5/31/06, and another 1/3 through 5/31/07. The remaining 1/3 of EDC supply requirements procured in the February 2006 FP BGS auction are a three-year (36-month) period.

Large C&I (>750 kW) receive \$5/MWh retail adder. All C&I > 1,250 kW are classified as CIEP (hourly). The BPU recently directed EDCs to include all C&I customers with a peak load of 1,000 kW and greater in the CIEP class beginning June 1, 2007.

Depending on the contract term and customer profile, SUEZ can offer competitive rates compared to the BGS fixed price. For the best comparison, SUEZ can load the customer’s data and provide a customized price quote for a variety of terms and products.

The cost of electrical energy (just energy portion) is several cents higher in Buffalo as compared to Chicago. Is this due to congestion?

Buffalo is not part of PJM so it is very difficult to determine which component of the energy cost makes Buffalo power more expensive.

Other than obtaining competitive bids, are there any other means for obtaining forward price curves for 2-4 years in PJM? Is there a forward posted power price index? Area of interest is eastern Penn.

The forward power market is primarily a bilateral market thus there is no index. Publications such as Platts attempt to track where forward products are trading by polling various market players, but these prices may not represent where you can expect to transact.

Can I buy wholesale and deliver to my facilities without being a certified retail energy supplier. If not, how do I become a certified retail supplier? Is there a savings doing it myself?

It is best to contact PJM directly regarding your situation and questions.

Does Suez allow for Congestion pass thru?

Yes, SUEZ does offer the pass through of congestion. Congestion is referring to basis. Congestion can be a pass through charge with a fixed price product and stipulated block product.

In PJM, is there a limit to how far generated electricity can be transmitted?

I do not believe so.

We have been using a fixed price contract because our load shape for operating heavy rail transit trains closely matches the demand curve especially in the afternoon and evening. We have found that getting the best fixed price is largely a matter of timing. Could you discuss market timing and how commodities markets affect a customer's ability to get a favorable fixed price?

Timing is a very important determining factor in price. In fact, we looked at several factors today that affect price including weather, season, geopolitical events and customer behavior. Most importantly, I think that you need to work on a strategy that fits your budgetary needs. And this might include a focused strategy in which you buy at different times throughout the year or twenty four or thirty six month period. This could be more strategic than simply buying one time. Trying to time the market is obviously the toughest part, and I think that your best bet is working with a SUEZ rep that can provide market information, help with strategy development and help monitor your prices with our Price Watch service.

Will ComEd fixed price components starting in 2007 be similar to MD DC and NJ?

Yes, overall the fixed price components will be fairly similar. In each of the markets, the fixed price is a full requirements electricity product. In fact, ComEd recently joined the PJM market. Also, in each of these markets (ComEd, MD and NJ) there is a procurement auction that is used to determine the price for energy.

What do you feel is the best time of the year to lock into a new contract rate?

One time of year is not necessarily better than another time of year. Prices fluctuate throughout the year and other factors to consider are current contract expiration and timing of tariff rate expirations. It is good to always stay on top of where market prices are moving. We can gather your load data now and provide you with periodic pricing updates. You can choose to transact at any time based on your preferences.

In what way is the new RPM different from the current model and what is reliable about it?
Please refer to the reference material that has been added to the appendix of the PJM presentation for a detailed description.

You had mentioned that in the NJ market the threshold of 1250 kw has decreased to 750 for the 5 mill adder discount, my question is when did this change occur, and does Suez anticipate an additional decrease in this market.

A retail adder of 5 mills is applied to all HEP customers and as of 6/01/04, all HEP customers and all customers with peak demands over 750 kW will have a retail adder applied. The BPU rejected proposals to reduce the retail margin in 2005 (for example, PSE&G contended that the retail margin is not a sustainable way to develop competitive markets and also favors reducing or eliminating it). The BPU opted to not alter the retail margin at this time, but established this working group to review this issue in 2006. However, the BPU also directed EDCs to include all C&I customers with a peak load of 1,000 kW and greater in the CIEP class beginning June 1, 2007

Do suppliers in PJM offer power contracts based on a heat rate price formula?

Some suppliers do offer contracts based on heat rates in the PJM market. However, this type of contract is not as popular in PJM as it is in the ERCOT market where natural gas is correlated higher with the power market.

Can PJM change real time prices after the fact? Have If yes, then has PJM done this?

Yes, I believe they can, but I'm not sure how frequently it actually occurs.

What is the difference between an LMP and a Zone?

Zone is a pricing point and actual location where the power needs to be delivered while LMP is the applicable price to deliver it to that zone.

Is it better to have a higher load factor or a lower one?

A higher load factor is preferable. A customer with a higher load factor is less peaky compared to their average load and therefore makes it easier for a supplier to hedge the customer's load which can greatly reduce premiums related to providing full requirements electricity supply. Also, high load factor customers tend to take a higher percent of their energy in the lower costs off peak hours.

How often do real time prices change during the course of an operating day?

PJM recalculates costs every 5 minutes but the prices that you are settled on are based on hourly prices.

What factors cause the RT to be more volatile than the DA price?

Unanticipated events such as weather uncertainty and unexpected generation and transmission outages.

What does FERC stand for?

FERC stands for Federal Energy Regulatory Commission.

What does Suez anticipate as the cost change once the RPM is put into effect?

It will depend on where the customer is located within PJM. There will probably be a sharper capacity price increase for someone in New Jersey or Maryland versus someone in the Midwest or western PA. A ballpark for someone in the eastern Mid Atlantic you might see an increase in the \$4 range.

Can I opt out of ancillary services?

Ancillary services are a component of the overall costs. You can not opt out of ancillary services but in certain markets there are certain products in which ancillary services can be priced as a pass through charge. Again, it is market and product specific.

Do you have a list of price increases for the markets that Suez is in? Knowing all markets that have increase would be helpful in budgeting for 2007.

SUEZ will work with our customers to review tariff prices and tariff price increases in the markets that we serve. We will work with our customers to provide budget and savings analysis. Please contact your sales rep to learn more.