

Massachusetts customers to see higher bills due to increased RMR charges

SUEZ Opposes new RMR fees in SEMA

Situation Analysis

All electricity providers in Southeast Massachusetts (SEMA) are now being invoiced for a Reliability-Must-Run (RMR) fee in connection with the Canal LLC generation plant, located in Sandwich, MA. This fee will eventually impact all customers regardless of their supplier, whether they purchase from a competitive retail electric supplier or receive basic service from the incumbent utility.

ISO New England (ISO-NE) recently changed the Canal generating station to reflect RMR status. The implication of this RMR status has meant significant costs of keeping the unit up and running that must be socialized across load serving entities (LSEs).

Our Position

SUEZ Energy Resources NA supports reliability. However, we do object to the ISO-NE process by which this particular asset was granted RMR status.

There is debate at both FERC and ISO-NE about the efficacy of RMR. Historically, policy makers who are responsible for ensuring reliability have questioned the long term positive impacts of RMR.

These new fees are pro-rated equally, according to the load served by each retail electric supplier.

Additional fees are expected, including retroactive fees dating back to January 2006. It is expected that all electric providers will eventually “pass through” these fees to their customers, if they have not done so already.

What’s Bad For Competition Is Bad For Customers

When a substantial charge is forced upon the marketplace, we will raise questions and advocate on behalf of our customers. In this matter we call attention to the anti-competitive impacts on the retail market.

Month	RMR Charge, \$	\$/MWh
Apr-06	\$5.2MM	\$9.15
May-06	\$8.2MM	\$6.97
Jun-06	\$9.0MM	\$6.88

Customers in SEMA should expect to see higher bills, up to an additional \$9.15/MWh because of a recent ISO-NE decision.

SUEZ is proceeding deliberately in this matter to ensure a sustainable, competitive retail electricity market.

How Did This Happen?

The Canal unit status change was outlined in a May 16, 2006 memo from ISO-NE to market participants, though retailers, who are now required to pay the additional RMR costs, argue that decision came without market participant feedback.

As recently as January 2006, ISO-NE had determined that the Canal unit was not needed on-line for voltage control in the Cape Cod area. However, discussions with NSTAR about the unit’s role in meeting resource adequacy led ISO-NE to change the status of the plant from a “Special Constraint Resource” (SCR). NSTAR is the parent company of Commonwealth Electric,

Alternatives to Committing Generation

Configure the transmission system to automatically shed load upon contingency.

Add fast start generation.

Upgrade transmission system.

Short term: upgrade terminal equipment of limiting circuits. Helps but does not significantly raise the import capability nor avoid dispatch of Area generation.

Long term: add transmission sources to the areas. Significantly raises import capability and the load level at which area generation is required.

the incumbent electricity provider in SEMA and operator of the transmission and distribution system.

What Is RMR?

RMR agreements guarantee payments to generators that are needed to ensure reliability. To obtain an agreement, a generator must receive verification from ISO-NE that it’s needed for reliability and must demonstrate that it is unable to cover its operating costs with revenue from other sources, including day-ahead and real-time energy markets and bilateral contracts.

Canal Cost Comparison

RMR agreements are intended for use only as a last resort to ensure that a unit remains in operation for reliability.

The ISO-NE decision to impose such large and unprecedented charges on load serving entities with substantial impact on customers and the competitive market without input from market participants is inconsistent with its mission. An appropriate notification and comment period would have allowed all stakeholders to work in partnership to address the matter. Instead, it's apparent that private discussions were held that ultimately resulted in a letter that notified all load serving entities of a forthcoming invoice, that will ultimately be passed on to customers.

ISO-NE determined how to allocate costs between the delivery components and commodity charge, shifting millions of dollars in usage charges in SEMA from delivery to commodity charges, thereby relieving NSTAR of these costs and shifting them to all load serving entities. As the only operator of the transmission system, only NSTAR can make improvements, such as the upgrade of transmission lines or the installation of transformers to ensure reliability.

Several retail suppliers have requested a forum so that the RMR status of the Canal generating unit can be discussed and reviewed.

SUEZ and other members of the Retail Electric Supply Association are considering all options, including dispute proceedings with ISO-NE and a complaint with FERC.



Compared to all 237 generating plants in Massachusetts, the Canal plant scores significantly below the average in four key categories. It is 52.8% worse on average heat rate Btu/kWh and 74% below the index on fully loaded tested heat rate Btu/kWh, 103% more costly on weighted average fuel costs \$/MWh, and 70% more expensive on weighted average variable O&M costs \$/MWh. Source: Global Energy Decisions, 2006

ISO-NE has effectively removed the incentive from NSTAR to make such improvements by shifting the financial burden to customers. Such moves reflect a market design that doesn't encourage competition, nor support the innovations that accompany competition such as products, payment terms, additional services or new market entrants.

Be Heard

To express your opinion on this matter, we suggest the following contacts:

ISO-New England
Customer Services Hotline
413-540-4220
custserv@iso-ne.com

Massachusetts DTE Electric Power
Division
617 305 3575
EPD.Filing@state.ma.us

Some owners of RMR units threaten to retire or mothball units unless they receive ample compensation. Fearing the consequences if such threats are carried out, ISO/RTO management is more than willing to give these owners whatever they want. In addition, some distressed merchant generators are claiming RMR status and attempting to bypass the market and get compensated through the more lucrative RMR contracts. According to Platts (2005), about 20% of the generation in the ISO-New England market either operates as RMR or is seeking RMR status.

Source: Electricity Consumers Resource Council August 2005