



## FERC approves ITC transmission rate plan

**F**ERC yesterday approved the rate plan for International Transmission Company (ITC), the first stand-alone transmission company (transco) created by utility divestiture. ITC was formed from the transmission assets of DTE Energy, owner of Detroit Edison.

Voting three to one in favor of ITC's proposed tariff plan, FERC endorsed the innovative rate plan that ITC claims will help existing wholesale and open-access customers transition through a state-mandated rate freeze.

Even in voting against the proposal, FERC Commissioner Bill Massey said that he supported most of the plan's conditions. He said that a stand alone company that has cut its relationship to the

original utility owner is an "excellent goal" and was "clearly headed in the right direction." However, he alone voted against approval of the plan because ITC did not qualify as a regional transmission organization (RTO) under FERC Order 2000. He claimed this was recognized even by ITC because, "there is no assertion in the record" that it was. His reading of Order 2000 is that only RTOs qualify for innovative rate structures.

The rest of the commission was equally as impressed with the ITC filing, including Commissioner Curt Hebert, who praised the order's provision that refunds money to customers if certain conditions are not met.

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### Key Hub Trades for Standard 16-Hour Daily Products 09/28/00

Weighted average index prices (in \$/MWh) and volumes are shown for selected major hubs. More detailed price information is available on page 3.

Delivery Point	Weighted Average Index	Trading Volume Reported
COB	114.35	850
Mid-Columbia	105.33	1,125
Palo Verde	96.12	1,300
ERCOT-B	42.80	750
Com Ed	15.27	600
Entergy	26.02	2,100
Cinergy	16.38	5,000
PJM	22.89	1,500
TVA	17.53	1,000

## Cal-ISO: underscheduling caused grid failures

**U**nder-scheduling of load on the part of California's utilities caused reliability problems in the state's electricity grid this summer, Ziad Alaywan, the managing director of engineering and support at the California Independent System Operator (Cal-ISO) said. Speaking at a Cal-ISO stakeholder meeting this week, Alaywan said Cal-ISO was forced to spend over \$100 million in out-of-market purchases this summer in order to cover unscheduled load not purchased by the utilities in the day-ahead markets.

A confluence of factors added up to create the emergency situations the Cal-ISO faced this summer, according to Alaywan.

He cited arbitrage between the California Power Exchange (Cal PX) and Cal-ISO markets, a reliance on real-time (rather than day-ahead) markets and a general shortage of power supply in California as reasons why California's power grid was stretched to its limits this summer.

According to figures presented by Alaywan, the instance of under-scheduling was some 50% higher this summer than in the two previous summers. This under-scheduling resulted in a total of 36 stage 1 and 2 emergencies between June 1 and August 15 and dictated that the ISO curtail 13,450 MW on

*(Continued on page 8)*

## FERC upholds N. E. ISO price cap definition

**F**ERC yesterday agreed with the New England Independent System Operator's (ISO) definition of the situations that trigger price caps and will allow caps to extend beyond those conditions.

A request by NSTAR Services and other intervenors to redefine the appropriate time to use the caps was rejected by the commission.

Capacity deficiency periods cause the ISO's operating procedure number 4 to trigger the price caps, and the ISO has defined that period as lasting for the entire minimum run time of a particular unit. Some intervenors disagreed, claiming this view of FERC's original order allowing the \$1,000 per MWh

price cap, issued July 26, was too broad an interpretation.

"ISO New England argues that these proposed interpretations of the commission's bid cap mandate are warranted because market participants are able to reasonably anticipate the implementation of an OP4 condition when there is a known threat of a pool-wide capacity storage," the order says. "ISO New England points out that these situations, the usual market constraints that work to deter a non-competitive bid may be non-existent for a period that may extend beyond the actual OP4 condition."

And by allowing the FERC order to be

*(Continued on page 2)*

## Calif. PUC to examine IOU power cutting programs

The California Public Utilities Commission (PUC) will consider an investigation into California utilities' voluntary power curtailment programs at its next meeting on October 5, the PUC confirmed.

Commissioner Loretta Lynch asked other PUC board members at last Thursday's meeting to consider an agenda item proposing an "order instituting rulemaking into the operation of interruptible load programs offered by [the state's investor-owned utilities] [ISO]." The PUC board did not, however, consider the motion and will, instead take it up at its next meeting on October 5.

According to the wording, the PUC will consider "the effect of these programs on energy prices, other demand responsiveness programs, and the reliability of the electric system."

Representatives at Southern California Edison (SoCalEd) and Pacific Gas and Electric (PG&E) had not been informed about any investigation into the IOUs' load curtailment programs and are unaware of what issues the PUC might want to look into.

"Until we see what the scope [of the inquiry is], it's hard to tell what they're looking at," SoCalEd's director of business and regulatory planning Linda Ziegler said.

The utilities see the load curtailment

programs as a way to respond to power shortages and unforeseen circumstances in the electrical grid. The programs are "a way to address capacity problems on the grid,"

The PUC will consider "the effect of these programs on energy prices, other demand responsiveness programs, and the reliability of the electric system."

Ziegler said.

California's three IOUs, SoCalEd, PG&E and San Diego Gas & Electric, all run voluntary power curtailment programs under which consumers agree to cut power use during a shortage. The customers are offered lower rates in exchange for their agreement to cut power but must pay a penalty if they do not do so.

SoCalEd has some 15,000 commercial and industrial customers in its program, contributing some 2,200 MW of interruptible power. The company claims that about 60% of those customers comply with requests to cut use. PG&E has about 500 MW of power in its program and claims close to 100% compliance.

The request for an investigation into the load curtailment programs comes when

SoCalEd, the company running the largest interruptible programs, is attempting to renew customers' memberships in the program. While company representatives are always working with customers involved in or considering joining the programs, current customers will have a window during November when they will have to decide whether to renew or cancel their membership in the program, Ziegler said.

The process is "definitely more difficult because there have been more interruptions this year," she said. There were 11 service interruptions this summer, effecting customers on the programs an average of seven times.

SoCalEd plans to file new plans for further voluntary reduction programs with the PUC later this fall, Ziegler said. Those plans would complement current programs and go into effect next summer, she said. ADP

## FERC upholds N.E. ISO caps ... (from page 1)

applied to a single unit, the ISO says the chance of the system getting gamed by participants is reduced.

"ISO New England also interprets the Commission's bid cap mandate as being applicable to a particular unit, once the OP4 condition is triggered, for its entire minimum run time," the order says. "ISO New England argues that this interpretation is necessary

in order to prevent market participants from extending their minimum run times for the purpose of capturing a non-competitive price."

Voting in favor of the ISO's interpretation of the rules three to one, FERC refused intervenor requests. Only Commissioner Curt Hebert, a staunch critic of price caps, voted against the ISO's position. MP

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FINANCIAL TIMES  
Energy

# MarketReport

Indexes and Transaction Record for 09/28/00

Thursday, September 28, 2000

## Explanations

**Index** – Volume-weighted average of all trades reported.

**Absolute Low** – Lowest trade reported.

**Absolute High** – Highest trade reported.

**Trading Volume Reported** – Volume of trades per hour for each of 16 peak hours.

**Total Peak Volume** – volume for all peak hours, found by multiplying the trading volume by 16.

**Number of Trades** – Volume divided by 50 MW/h for ERCOT, Com Ed, Entergy, Cinergy, PJM, TVA. Volume divided by 25 MW/h for COB, Mid-C, Palo Verde and NEPOOL.

**Volume Divisor** – This number is used to calculate a reliable volume of megawatt hours sold in the spot market. Megawatt Daily talks to the full spectrum of market players – utilities, marketing firms, and brokerages – and thus gets some duplicate trades. The total peak volume reported divided by the volume divisor is meant to be an accurate estimate of the actual volume being transmitted.

## Trades for Standard 16-Hour Daily Products; all prices and volumes in \$/MWh

Delivery Point	Weighted Average Index	Absolute Low	Absolute High	Trading Volume Reported	All Peak Hours Volume	Number of Trades Reported	Volume divisor
COB	114.35	112.00	120.00	850	13,600	34	1.4
Mid-Columbia	105.33	101.00	109.00	1,125	18,000	45	1.4
Palo Verde	96.12	95.00	100.00	1,300	20,800	52	1.4
ERCOT-B	42.80	40.00	44.00	750	12,000	15	2.4
Com Ed	15.27	15.00	16.00	600	9,600	12	2
Entergy	26.02	23.00	31.00	2,100	33,600	42	2.2
Cinergy	16.38	14.25	18.25	5,000	80,000	100	2.2
PJM	22.89	22.25	23.50	1,500	24,000	30	2.1
TVA	17.53	16.00	19.00	1,000	16,000	20	2.1

## Trades for Standard Forward Products (all prices in \$/MWh)

Delivery Point	Next-Week 10/02 to 10/06		Friday-Only 09/29/00		Prompt Month 10/00		Index	All pk. hrs. vol.	No. of Trades
	Low	High	Low	High	Low	High			
COB	—	—	—	—	125.00	128.50	126.50	2000	5
Mid-Columbia	—	—	—	—	120.00	127.50	125.15	4800	12
Palo Verde	—	—	—	—	111.50	114.00	112.50	1200	3
ERCOT-B	—	—	—	—	—	—	—	—	0
Nepool	—	—	58.00	61.00	—	—	—	—	0
Entergy	—	—	—	—	—	—	—	—	0
Cinergy	25.00	27.50	17.00	18.00	26.00	26.85	26.46	57600	72
PJM	32.00	33.00	22.00	22.50	32.00	33.00	32.64	82272	103
TVA	—	—	16.50	17.50	—	—	—	—	0

## Methodology

The prices displayed in the table to the right are for power, in \$/MWh, traded at the locations and regions listed. Peak hours are 0600-2200 hrs.; PJM and New York peak hours are 0700-2300. Off-peak hours generally start at 2200 hrs. on the date before the delivery date and end at 0600 on the delivery date. Not included are 24-hour deals categorized in some NERC regions as off-peak hours over Saturdays and Sundays. Transactions at the hubs listed in the separate table at the top of this page are financially firm. Deals at other locations may be unit-firm or system-contingent, and may include capacity reservation charges. Transactional data is gathered from utilities, marketers, co-ops, brokers, municipals and government power agencies. Deals done in the West are excluded if done after 1015 hrs. PT; deals done in the East and Central areas are excluded if done after 1100 hrs. CT. The middle column is the volume-weighted average of all deals reported and should be used for indexing purposes. The common range represents pricing for most of the trading volume; the absolute range represents lowest and highest prices reported. Copyright 2000 by Financial Times Energy.

## Ranges and Indexes of Trades for Standard 16-Hour Daily Products

Delivery Point	PEAK HOURS, 0600 TO 2200					OFF-PEAK HOURS, 2200 TO 0600				
	Common Low	Common High	Wtd. Av. Index	Absolute Low	Absolute High	Common Low	Common High	Wtd. Av. Index	Absolute Low	Absolute High
<b>West</b>										
COB	\$112.25	\$116.25	\$114.35	\$112.00	\$120.00	\$81.25	\$84.75	\$83.00	\$80.00	\$87.00
Four C	—	—	—	—	—	—	—	—	—	—
Mead, Nev.	\$99.25	\$99.75	\$99.50	\$99.00	\$100.00	\$45.00	\$45.00	\$45.00	\$45.00	\$45.00
Mid-C	\$103.25	\$107.25	\$105.33	\$101.00	\$109.00	\$73.50	\$78.50	\$76.06	\$70.00	\$80.00
NP15	\$107.25	\$110.75	\$109.00	\$105.00	\$112.00	\$73.50	\$74.50	\$74.00	\$73.00	\$75.00
Palo Verde	\$95.00	\$100.00	\$96.12	\$95.00	\$100.00	\$37.75	\$39.50	\$38.54	\$37.50	\$41.00
SP15	\$92.75	\$94.75	\$93.81	\$92.00	\$96.00	\$64.50	\$65.00	\$64.67	\$64.00	\$65.00
<b>Central</b>										
ERCOT, econ. B	\$41.75	\$43.75	\$42.80	\$40.00	\$44.00	—	—	—	—	—
Ameren	\$17.25	\$17.75	\$17.50	\$17.00	\$18.00	—	—	—	—	—
Cilco/IP	—	—	—	—	—	—	—	—	—	—
Com Ed Border	\$15.00	\$15.50	\$15.27	\$15.00	\$16.00	—	—	—	—	—
MAIN north	\$19.25	\$20.75	\$20.00	\$19.00	\$22.00	—	—	—	—	—
MAPP	\$18.25	\$20.75	\$19.57	\$17.00	\$22.00	—	—	—	—	—
Entergy, into	\$24.00	\$28.00	\$26.02	\$23.00	\$31.00	—	—	—	—	—
SPP	\$22.00	\$30.00	\$24.39	\$22.00	\$44.00	\$19.00	\$19.00	\$19.00	\$19.00	\$19.00
<b>East</b>										
Cinergy, into	\$15.50	\$17.50	\$16.38	\$14.25	\$18.25	\$10.25	\$10.25	\$10.25	\$10.25	\$10.25
NorthECAR	\$20.00	\$21.00	\$20.60	\$20.00	\$22.00	\$12.25	\$13.00	\$12.74	\$12.00	\$13.50
PJM-West	\$22.50	\$23.25	\$22.89	\$22.25	\$23.50	—	—	—	—	—
NEPOOL	\$60.50	\$62.25	\$61.45	\$59.50	\$63.00	—	—	—	—	—
NY Zone G	—	—	—	—	—	—	—	—	—	—
NY Zone A	\$47.50	\$47.75	\$47.50	\$47.00	\$47.75	—	—	—	—	—
Southern	\$22.25	\$26.75	\$24.60	\$21.00	\$30.00	—	—	—	—	—
TVA, into	\$16.75	\$18.25	\$17.53	\$16.00	\$19.00	—	—	—	—	—
TVA, out of	—	—	—	—	—	—	—	—	—	—
Fla.-Ga.	\$26.25	\$28.25	\$27.25	\$25.00	\$29.00	—	—	—	—	—
Fla. in-state	\$64.25	\$69.00	\$66.67	\$60.00	\$70.00	\$17.00	\$17.00	\$17.00	\$17.00	\$17.00

### Western Snow-Precipitation Levels as Percent of Normal as of 09/27/00

This table lists selected major river basins that feed western hydro projects. The data below from the USDA, Natural Resources Conservation Service (NRCS) comes from selected SNOTEL (SNOWpack TELemetry) sites that record daily precipitation and water levels in or near the river basins. The data is provisional and subject to revision by NRCS. The left column of data is the snow water equivalent found at the sites compared to the average value for those sites on the same day. The right column of data represents the total precipitation, since Oct. 1, found at the sites compared to the average value for those sites on the same day. An asterisk \* means data is not available or valid for more than half the recording sites in a basin. The reference period for average conditions is 1961-1990. An asterisk \* means data is not available or valid for more than half the recording sites in a basin. The reference period for average conditions is 1961-1990.

	Percent of Snow water Equivalent	Percent of Average Accumulated Precipitation
<b>Montana</b>		
Kootenai River	*	96
Flathead River	*	91
Upper Clark Fork River	*	76
Bitterroot River	*	86
<b>Idaho</b>		
Priest and Other Basins	*	102
SNAKE above Palisades	*	79
Henry's Fork, Teton Basins	*	76
Big and Little Wood Basins	*	85
Big and Little Lost Basins	*	80
Clearwater	*	93
Salmon	*	85
<b>Washington</b>		
Columbia above Methow	*	81
Chelan, Entiat, Wenatchee	*	107
Yakima, Ahtanum	*	109
Lewis, Cowlitz	*	111
White, Green, Others	*	112
Skykomish, Others	*	109
<b>Oregon</b>		
Owyhee	*	75
Malheur	*	84
Grand Ronde, Others	*	91
Umatilla, Others	*	92
Deschutes, Others	*	91
Lower Columbia	*	107
Willamette	*	97
Rogue, Umpqua	*	84
Klamath	*	84
Lake County, Goose Lake	*	85
Harney	*	81
<b>California Basins</b>		
Northern Great Basin	*	80
Truckee River	*	87
Lake Tahoe	*	92
Carson River	*	83
Walker River	*	87
Klamath	*	84
<b>Basins Feeding Hoover Dam</b>		
<b>Colorado</b>		
Upper Colorado	*	96
San Miguel, San Juan	*	73
<b>New Mexico</b>		
San Juan Headwaters	*	58
<b>Utah</b>		
Green River	*	*
<b>Wyoming</b>		
Upper Green River	*	75
Lower Green River	*	75

### Less power moving firms up dailies, October

Next-day prices moved up slightly yesterday with scheduled line and unit maintenance and low water flows.

Traders reported some transmission constraints with the COI derated 1,100 MW north and south for maintenance. Others said another 1,000 MW from unidentified units in California could be lost by this weekend to maintenance.

"They've deferred maintenance as long as they can," a trader said. "Units have been running full out since May."

The Bonneville Power Administration had no surplus power to sell today. Traders said the agency was buying.

Some other smaller generators also said they were not selling their usual one or two pieces, instead holding onto their power to ensure sufficient reserves for in-house use.

"With line maintenance, outages and hydro cuts there's likely 3,000 less megawatts available," one observer said. "It's like the small street vendor. A penny here and a penny there and at the end of the day you have a dollar."

Also in the near future is the annual fish migration for which Bonneville will adjust water flows to allow Salmon to spawn. Last year flow was restricted 1,500 to 2,000 MW from mid October until the last week in November.

At the same time last year, even with line maintenance and a half dozen units down, including some nukes, dailies ranged from the low \$40s at SP15 to the mid \$50s at COB and Mid-Columbia in October, and in the mid \$30s in November.

Dailies for today traded up to near \$120 at COB, \$112 at NP15, \$109 at Mid-Columbia, \$100 at Palo Verde and Mead and \$96 at SP15. Generally, prices rose on average \$5.

Traders said with mild weather forecast to continue those gains would erode at about the same amount in package deals done today for delivery tomorrow and Saturday.

The California Power Exchange's (Cal-PX) price for peak today was \$102.74, down from \$132.60 a day earlier. Off-peak was \$68.06, down from \$69.13. The 24-hour average was \$92.88, down from \$114.86 the previous day.

The term strengthened a bit with October trading up to \$128.50 at COB, to \$127.50 at Mid-Columbia and \$114 at Palo. December sold for \$113.50 at Mid-Columbia. At COB, the first quarter went for \$90, and summer traded up to \$152. BM

Western Markets

### Next-day range moves upward in Entergy

Improved transmission yesterday in Entergy lifted dailies above the teens to near \$23 on the low end.

One trader said utilities were fat and the market over reacted a day earlier to eastbound transmission problems.

The confirmed high trade of \$31 was down about \$5 from deals done a day earlier. However, several players said they heard \$40 trade late, but that was not confirmed.

Volume fell markedly. One source said lead traders were out of town for a charity golf event and firmed up their positions earlier with balance-of-the-week deals.

January-February 2001 moved at \$45.

UB dailies in ERCOT hit a low of \$40 for the first time since June 16. Meanwhile, players seemed hesitant to trade October, possibly because of the difference between deals done (Aug. 31) at \$65 for September and next-day prices being below \$50 for more than half of this month.

One trader believed dailies would move above \$50 because of a current 60-cent monthly index increase. Another believed only a serious heat wave or cold front creating some peak loads would push prices to \$50.

UG moved in the low \$40s and UD sold just below \$40.

January-February 2001 traded around \$54.

A firm four-day deal in SPP pushed dailies up to a high near \$44 yesterday, a \$13 increase

Central Markets

**FUTURES Results for 09/27/00**  
**NYMEX**  
**California-Oregon Border**

*Settlement	High	Low	Change	Volume
October	114.00	—	—	0
November	105.00	—	—	0
December	112.00	—	—	0
January	97.00	—	—	0
February	73.00	—	—	0
March	75.00	—	—	0
April	44.90	—	—	0
May	44.30	—	—	0
June	65.00	—	—	0
July	137.30	—	—	0
August	154.45	—	—	0
September	149.25	—	—	0
Volume of contracts (unofficial)				0
Total open interest Tuesday				41

**Palo Verde**

*Settlement	High	Low	Change	Volume
October	110.00	—	—	0
November	82.00	—	4.00	0
December	80.00	—	4.00	0
January	67.85	—	—	0
February	66.90	—	—	0
March	66.25	—	—	0
April	61.00	—	2.00	0
May	64.00	—	2.00	0
June	100.50	—	-7.50	0
July	138.50	—	—	0
August	159.50	—	—	0
September	136.50	—	—	0
Volume of contracts (unofficial)				0
Total open interest Tuesday				388

**Cinergy**

*Settlement	High	Low	Change	Volume
October	25.50	—	—	0
November	26.50	—	0.40	0
December	28.25	—	0.25	0
January	34.00	—	—	0
February	34.00	—	—	0
March	28.25	—	—	0
April	28.75	—	—	0
May	38.00	—	—	0
June	68.50	—	—	0
July	118.00	—	—	0
August	118.00	—	—	0
September	31.50	—	—	0
Volume of contracts (unofficial)				0
Total open interest Tuesday				25

**Entergy**

*Settlement	High	Low	Change	Volume
October	42.75	—	—	0
November	40.25	—	-0.75	0
December	42.00	—	-0.50	0
January	44.75	—	—	0
February	44.75	—	—	0
March	41.25	—	-0.25	0
April	41.25	—	-0.25	0
May	51.00	—	—	0
June	77.50	—	—	0
July	130.00	—	0.50	0
August	130.00	—	0.50	0
September	44.00	—	-0.50	0
Volume of contracts (unofficial)				0
Total open interest Tuesday				0

**Pennsylvania/New Jersey/Maryland**

*Settlement	High	Low	Change	Volume
October	32.25	—	—	0
November	31.50	—	0.15	0
December	35.00	—	-0.05	0
January	46.00	—	1.15	0
February	46.00	—	1.15	0
March	34.50	—	0.10	0
April	33.60	—	0.10	0
May	38.60	—	0.25	0
June	68.50	—	0.50	0
July	101.75	—	0.75	0
August	101.75	—	0.75	0
September	35.20	—	-0.20	0
Volume of contracts (unofficial)				0
Total open interest Tuesday				29

Settlement is weighted average of trades in last two minutes of trading, except on expiration day, when last 30 minutes are used. Change is from previous settlement price. Daily volumes are not official.

from a day earlier.

However, the majority of trades moved near \$24, down about \$4 from a day earlier. Hourlies were heard around \$28 but not confirmed. Off-peak sold for about \$19.

In **MAIN**, ComEd dailies came off about \$6 on the high end to near \$16. Pleasant fall temperatures shunted loads, including in Chicago where cool, sunny weather prevailed.

Ameren dailies held steady around \$18.

Northern **MAIN** dailies traded flat, near \$22. A short peaking schedule was confirmed at \$23.

**MAPP** dailies traded down to \$22, off about \$5 from a day earlier. A small peaking schedule sold near \$26.

With mild weather and low demand, reported outages and maintenance on the Byron-Adams line couldn't prop up the softening market. In addition, the new line Prairie Island-Byron south of the Twin Cities was reported to be loading, which also contributed to the already faltering prices. SS/AC

**Warmth heats up next-week in Cinergy**

**F**orecasts for warmer weather in Cinergy and PJM advanced next-week prices in deals done yesterday.

In **Cinergy**, next-week hit a high of \$27.50, up about \$2.75 from a day earlier. The range for next-day power narrowed a bit with most trades moving near \$16.50, up about \$2. The high end of the range, in the \$17s and \$18s, went late. An outage was suspected.

Eastern Markets

Friday-only ranged \$17-\$18. October rose \$1.50 to \$26.85, possibly due to planned maintenance outages.

Northern **ECAR** dailies were flat, in the low \$20s.

**PJM** dailies remained soft with the low trade down about 50¢ from a day earlier. Mild weather continued to be the driver behind lower prices and volume.

Next-week trades, however, moved up \$2, trading to a high of \$33, on heavy volume. October traded up \$1, to \$33. Traders said next-week and October deals strengthened on forecasts for temperatures to warm up about 10 degrees to about the mid 70s.

Tight generation forecasts were cited by one trader who said internal and external transmission curtailments would trim exports and prices next week.

Next-day prices rose a few dollars on the high end in **Nepool**, where volume was down from a day earlier. Some traders attributed the rise more to one large buyer who spooked the market a day earlier than to any fundamentals.

"I think today's prices reflect a carry over from the market movement of the day before," one trader said.

Next-day prices started out a dollar shy of \$60, the high of the previous day, then climbed to \$63. Most volume sold above \$61, about \$5 higher than a day earlier. Friday-only was a bit softer on the high end, ranging \$58-\$61.

The fourth quarter traded for \$41. January-February packages were done at \$90.50.

**New York's Zone A** dailies rose a bit to \$47.75. Balance of the week ranged \$46.50-\$47.25. Next-week sold for \$50.75. January-February went for \$61.50.

*(Continued on page 6)*

**Spark Spread for September 28**

These spark spreads (in \$/MWh) compare the cost of generating power using a gas turbine at various heating efficiencies with the cost of buying peaking from the grid. The \$/mmBtu column is based on the closest geographic Gas Daily price posting midpoint, while the \$/MWh column is based on the Megawatt Daily index. A positive spread indicates it's economical to buy gas, while a negative spread indicates it's economical to buy power from the grid. The gas and power transactions were generally conducted yesterday for delivery today, weekends excepted. Copyright 1999 by FT Energy.

	\$/mmBtu	\$/MWh	7000	8000	10000	12000
COB/Malin, Ore.	5.470	114.35	76.06	70.59	59.65	48.71
Mid-Columbia/Stanfield	4.895	105.33	71.07	66.17	56.38	46.59
Palo Verde/El Paso San Juan	4.280	96.12	66.16	61.88	53.32	44.76
ERCOT/Houston Ship Channel	5.315	42.80	5.59	0.28	-10.35	-20.98
Com Ed/Chicago Citygates	5.515	15.27	-23.34	-28.85	-39.88	-50.91
Entergy/Henry Hub	5.350	26.02	-11.43	-16.78	-27.48	-38.18
Cinergy/Columbia Gas, App.	5.605	16.38	-22.86	-28.46	-39.67	-50.88
PJM-West/Transco Z 6 (non-NY)	5.725	22.89	-17.19	-22.91	-34.36	-45.81
Nepool/Tennessee Zone 6	5.695	61.45	21.59	15.89	4.50	-6.89
NY Zone G/Transco Z6 (NY)	5.770	na	—	—	—	—
Fla. in-state/Fla. Citygates	5.930	66.67	25.16	19.23	7.37	-4.49

## GISB releases plan for combined gas-electric board

A combined electric and gas industry standards board moved a little closer to reality yesterday as the board of directors of the Gas Industry Standards Board (GISB) voted to release for review a proposal for a combined standards group.

The vote came at a board meeting following the end of GISB's sixth annual meeting in San Antonio. A task force formed by the board earlier this year drafted the proposal for a combined standards board, which would be a successor organization to GISB. The proposal sets forth a possible governance structure for an organization that would be responsible for creating and maintaining standards for doing business in the rapidly converging gas and electric markets.

"The board's vote was not an endorsement of a combined standards organization," said GISB Chairman Stan Horton, who also serves as chairman and CEO of Enron Transportation Services. "It was simply a

procedural action that allows us to have something specific on the table as we continue our talks with the electric industry, regulators and others about the feasibility of forming such an organization."

It has been a year since the Coalition on Uniform Business Rules asked GISB to consider taking on the task of writing standards for wholesale and retail electric transactions. "Since then, we have been working continuously to gauge the level of support for an electric standards organization and to determine whether this is an appropriate role for GISB," Horton said.

The proposed structure of the nonexistent energy standards organization mirrors GISB's own structure, with an emphasis on independence, openness, voluntary membership and representation of all industry segments.

"The purpose of this new organization would be to propose and adopt voluntary

standards designed to promote more competitive, efficient and reliable energy services," the draft document reads. "Such standards would apply to electronic exchange of information, record and data formats, communications protocols and related business practices that streamline the transactional and coordination processes of the electricity and natural gas marketplace."

Advocates of a combined energy industry standards board hope that the GISB proposal will serve as a springboard to discussions with the electric industry and others interested in this issue.

"I commend the task force for crafting a proposal that focuses on the key changes that would need to be made in GISB's governance and structure if GISB were to be expanded into an electric-natural gas standards board," Horton said.

The task force's proposal has been posted on GISB's web site, [www.gisb.org](http://www.gisb.org). JM

## PSE&G, El Paso restructure service deal

El Paso Merchant Energy and Public Service Enterprise Group subsidiary PSE&G have restructured a long-term power sales agreement between the Newark Bay generating project in New Jersey and PSE&G, the companies said yesterday.

El Paso Merchant Energy manages the 135-MW natural gas-fired cogeneration facility, and sells the generated output to PSE&G under a federally regulated power purchase agreement. However under the old deal, PSE&G paid for power that was priced often above the regular market price.

Under the terms of the new agreement, El Paso Merchant Energy will supply a fixed amount of electricity to PSE&G at reduced rates, possibly saving PSE&G customers \$75 million over the remaining 13-year term of the contract.

Also, El Paso Merchant Energy will be able to minimize the costs associated with

the agreement by having the option of delivering power from alternative sources.

"The original contractual agreements between Newark Bay and PSE&G were negotiated in the 1980s under an industry structure and cost environment dramatically different from the industry environment that exists today. By adjusting the contract to fit today's environment, El Paso Merchant Energy and PSE&G have been able to structure a truly win-win outcome," El Paso Merchant Energy Managing Director Tim Sullivan.

"At the same time, El Paso Merchant Energy is able to reposition the Newark Bay asset to effectively interact in the competitive wholesale power market within the region," he added.

The New Jersey Board of Public Utilities has already approved the new agreement. MCM

## Prices steady in TVA, drop in Fla. ... (from page 5)

TVA dailies rose about \$1 as chilly weather hovered in the region. Dailies were done near \$17.50. Balance-of-the-week deals ranged \$16.50-\$17.50.

Into Southern Co. dailies dropped a bit, to \$24.60.

In Florida, next-day prices came off about \$18, to near \$70. Short schedules were light in volume, trading about \$97. Off-peak sold for \$17.

At the Florida-Georgia Border temperatures held in the mid 80s but dailies fell \$11, to near \$29. LL/NM/SS/BM

## CME eyes Ohio for 2,200-MW facility

CME North American Merchant Energy, a subsidiary of CME International, hopes to expand its generation portfolio with a new 2,200-MW natural gas-fired merchant plant in Lawrence County, Ohio.

The company has an option to purchase 280 acres for the plant site. Nothing has been finalized; CME has yet to file an application with either the Ohio Power Siting Board or the state's Environmental Protection Agency. "We are in the process of drafting [the applications]," CME Energy's Nedal Deeb said.

Despite the lack of permits, CME is "committed" to the facility and anticipates the first phase of the project to begin operation by summer 2003, Deeb said.

In addition to this project, CME Energy is planning to build an 800-MW natural gas-fired plant in Benton Harbor, Mich., and has teamed up with Calpine to produce a gas-fired merchant plant in Freemont, Ohio. MCM

## Calpine plans immediate generation for California

California's newly deregulated market was knocked to the ground this past summer, with a combination of hotter than normal temperatures and increased demand that has left California struggling to find its footing. Increasing prices, rising demand and dwindling supplies have raised the issues of proposed power generation, available natural gas supply and environmental responsibility.

Calpine, a San Jose-based independent power producer, has jumped at the chance to provide "clean" generation to the environmentally conscious state. The power producer already has several natural gas-fired plants under review by the California Energy Commission (CEC), with two gas-run facilities slated to come online by summer 2001, and another operating by 2002.

"[T]his need for more power generation snuck upon everybody," Calpine Vice President of Business Development-Western Region John King said. "I don't believe anyone felt, until the last eighteen months or so, that there was going to be this kind of shortfall in supply."

California has been a steady importer of generation from neighboring regions, he explained, adding "part of what happened is that those [exporting] regions have experienced growth as well, so they're no longer exporting as much power into California." Demand from increased population, Internet use and a strong economy has led to a "growth [that] just exceeded what people had expected" in California, he said.

The volatile market may be playing havoc on utilities, but it has provided independent power producers an opening to build plants and have a market to sell generation into, King explained.

"Calpine as a generation company saw the potential in California ... we're familiar with California and its issues and its opportunity," King said. "We have three of the first four merchant plants that have received their CEC permits."

In line with its plans for more generation, Calpine recently acquired the remaining interest in the 29-MW gas-fired Agnews plant in San Jose, Calif., and now has full ownership and operational control of the facility. The cogeneration plant currently supplies Pacific Gas and Electric with 28

MW of generation, with the remaining 1 MW going to the Agnews Development Center.

The company also has several fully owned and operational gas-fired facilities throughout California, including the 120-MW power plant in Gilroy, Calif., the 120-MW power plant in King City, Calif., and the 70-MW power plant in Pittsburg, Calif., to name a few.

In addition to plants already in operation, Calpine is knee-deep in the environmental permitting process to get more facilities constructed and online within the next year or two. "We've started our permitting process for these power plants and only in summer 2001 will the first power plants, Los Medanos and Sutter, come online to be followed by ... the Torres Martinez [Cahuilla] Indian Reservation [facility] in Riverside County, which will serve Southern California that will come online in summer 2003," King explained. "We hope to have more power generation announcements to make before the end of the year."

The 500-MW Los Medanos facility in Pittsburg, Calif., which Calpine bought the developmental rights to from Enron, is expected to begin production next summer, along with the 500-MW Sutter facility in Sutter, Calif., both of which had to pass stringent regulatory processes.

The company also experienced strong local opposition to the proposed Metcalf Energy Center, a 600-MW generation facility that Calpine co-developed with San Francisco-based Bechtel Enterprises, set for San Jose, Calif. "There's a reaction to the announcement that a power generation facility is being built nearby and people's initial reaction is that, 'This is a heavy polluter and I'd rather see it located somewhere else'," King said, adding consumer

education is the first step in responding to local concern.

"The footprint of the modern facilities are one-tenth the size [of older facilities] and the emissions controls and efficiency of the new units is so much greater than what there was in the past. By installing this new cleaner generation and more efficient generation to displace the older, dirtier generation, you actually have a net benefit scenario," he explained.

With Calpine's proposed generation plants expected to burn natural gas, the issue of sufficient supply came into question.

"We're very comfortable that there will be some natural gas to supply all these power plants," King said. Calpine is also one of the largest gas producers in the Sacramento Basin, with roughly 90 billion cf of proven gas reserves in California and 430 billion cf nationwide.

"We, in fact, bought the pipelines and we bought the gas reserves so we could deliver directly to our power plants we own. It's a way for us to backwards integrate, better control our cost and our supply," he said.

With California suffering from lack of generation and record prices for wholesale power, Calpine's ambitious generation portfolio may be what the state needs most. "California is seeing some peak demand of its own and they're finding that's there just not enough in-state generation. Everyone was surprised, people didn't see it coming," he said, adding that Calpine's goal is to meet generation demand in the state. "People are more confident to enter in and make the huge capital commitments it takes to build these infrastructure projects ... our view was that there was going to be a need for new generation [in California]," King added. MCM

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## Shell Canada signs three-year wind contract

Shell Canada Ltd. has entered into a three-year contract to purchase wind-generated electric power that should net the company some 3,000 MWh per year. Shell Canada agreed to purchase all of the power produced by three new 375-kW wind turbines operated by Calgary-based Canadian Hydro Developers at the Cowley Ridge Wind Plant in southern Alberta. Neither company disclosed the financial terms of the deal.

The contract, taking effect in early October, also includes greenhouse emissions credits for Shell Canada. The contract is Shell Canada's first purchase deal with a

supplier of energy from renewable resources and is the first time Shell Canada has purchased environmental credits, Shell Canada's public affairs manager Jan Rowley said. Because environmental credits are not yet recognized by law, their value and use has not yet been determined, Rowley said.

As part of Shell Canada's annual greenhouse gas management plan, the company is also examining renewable energy from an investment point of view, Rowley said. The company has so far made no investments in energy produced from renewable resources. ADP

## FERC approves DTE plan ... (from page 1)

"If the transco doesn't work, then no one is going to get shot," he said.

ITC officials were pleased with the order and the conditions set by FERC on its approval.

"This order sends a strong signal to the industry that the FERC is serious about working with companies that are moving aggressively to open up the bulk power market," ITC President Joseph Welch said. "Our innovative rate proposal was developed because we believe that the markets are best facilitated when transmission is owned

and operated completely independent of generation. Only a truly independent transmission company has the necessary and appropriate business focus to provide customer-driven service. We believe that ITC is the model for the future — the establishment of independent, for-profit transmission companies, which can attract the investment necessary to expand the transmission grid."

The plan was originally filed on July 28, following FERC's June 29 approval of the original application to form a transco. MP

## Cal-ISO suggests solutions ... (from page 1)

12 different occasions. In addition, the ISO spent \$100,820,000 on out-of-market electricity purchases during that period, up from \$790,000 the previous year.

As a solution, Alaywan suggested increasing incentives to engage in forward scheduling of power and that supply be increased. The Cal-ISO has made a request for proposals for some 3000 MW for next summer to be used as a peaking management tool, as well as allotting \$800 million for transmission upgrades over the next five years, Alaywan said.

Elena Schmid, Cal-ISO's vice president of strategic development and communication, also speaking at the meeting cited

insufficient generation, inadequate transmission, under-scheduling of load, a lack of price responsive demand, and the exercise of market power as market failures handicapping the ISO's smooth delivery of power. To combat these shortcomings, Jeanne Sole, in charge of long-term grid planning at the ISO, suggested that the ISO encourage expansion of the grid and the competitive provision of electricity for the California market. Changes must be made in the ISO and other entities involved in power transmission and regulation over the next 18 months to lessen the likelihood of such problems occurring in the future, the speakers said. ADP

## Michigan community considers proposed plant

CME North American Merchant Energy, a subsidiary of Boston-based CME International, has its eye on 40 acres of land near Benton Harbor, Mich., where the company is proposing to build an 800-MW natural gas-fired power plant. The estimated cost for the facility ranges between \$300-\$400 million.

In a recent town meeting last Tuesday, CME President William Martin went before the Benton Township Board of Trustees to make clear his company's intentions. Currently, the company has an option to the land for the proposed site, which is in the tax-free Renaissance Zone.

However, nothing has been finalized, and the company won't make a move until it is sure it has community support, said Jamie Nelson, a representative for Cornerstone Alliance, a non-profit economic organization based in Benton Harbor that helped organize the meeting last week's meeting. "Right now, we're dating CME," she said, adding that the small town has been swept off its feet, but talks between the two parties will continue.

CME is not the only company considering building plants in Michigan. In July, Indeck Energy Services proposed a \$500 million, 1,100-MW gas-fired merchant plant in Niles, Mich., and has encountered local environmental opposition (*MWD* 7/24).

During the meeting, Martin answered questions by residents and business representatives, in an effort to mollify concerns the proposed plant may raise. Work before construction begins could take roughly a year to complete and cost about \$1.5 million. Also, if the township approves of the project, the company will apply for an air quality permit from the Environmental Protection Agency, in addition to various permits needed.

"We're just talking," Nelson reiterated, adding that more town meetings have been scheduled to further discuss the proposal. MCM

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