Public Power Daily

A daily news service of the American Public Power Association April 22, 2009

McCullough finds bids in RTO markets are often ‘100 times higher than common sense would expect’

The balancing energy markets run by regional transmission organizations often are plagued by hockey stick bids that can be “a hundred times higher than common sense would expect,” energy consultant Robert McCullough said in a report, *Analysis of the Balancing Energy Market.* The balancing energy markets frequently set prices in the larger markets at very high levels, he said. At least some non-economic bidding occurs every day in every RTO, he said.

The central problem is market structure, McCullough said. Real-time markets generally do not meet the five characteristics of perfect competition: many buyers; many sellers; transparency; freedom of entry; and freedom of exit. While the non-economic bids are often cited as proof of scarcity in balancing energy markets, the authoritative reliability council reports have not identified any cases of scarcity on a planning basis for the 10 years that the RTO balancing energy markets have been active, McCullough said.

Evidence from five of the six RTOs indicates that the high prices “are actually market failures,” McCullough said. In the sixth, the Midwest ISO, there are insufficient data to show anomalous bids, since MISO does not report bids that have not been accepted in the market.

In the New York ISO market, at least one high bidder “files bids for every hour of the year—apparently never facing maintenance or forced outages,” McCullough said. “Obviously, this implies that not only is the bid artificial, but the plant itself may also be artificial.”

McCullough recommends two steps to improve the balancing energy markets run by the RTOs. One is “to level the proverbial playing field by allowing consumers, the media and decision-makers access to the same information.” His second recommendation is to limit real-time bids “by documentable marginal costs including fuel, variable O&M, and verifiable environmental charges.” -ROBERT VARELA

APPA Webinar on April 28 will offer information on how to apply for CREBs and other stimulus bonds

APPA is offering a Webinar next week about the Treasury Department’s bond programs and how utilities can apply for a share of these bonds. Treasury has recently issued guidance on how to apply for three types of bonds: Clean Renewable Energy

Bonds, Qualified Energy Conservation Bonds, and Build America Bonds.

The Webinar will take place Tuesday, April 28 from 2 to 3:30 Eastern time. The chief presenter will be Ed Oswald, partner with Orrick, Herrington & Sutcliffe. Oswald has expertise in municipal finance and has spoken frequently on public finance policy and on regulations affecting pulbic power utilities. APPA Government Relations Representative Amy Hille will be the moderator. For more information, see the description posted on APPAnet.

To participate, you need a telephone and a computer with Internet access. There is a registration fee of $79 for APPA members and $159 for others. Register at APPAnet.org. If you need an APPAnet username/password, e-mail Kimani Kinyua, APPA, at kkinyua@APPAnet.org or call him at 202/467-2955.

Registration is for one computer and one phone line (a speaker phone is allowed). When you register, information on the toll-free number and link will be provided. The Webinar will be archived and available as a download to attendees. A DVD of the archived Web conference will be available later through the APPA Product Store.

You can keep track of other opportunities provided by the federal stimulus bill, the American Recovery and Reinvestment Act, on APPA's Stimulus Information Page. -JEANNINE ANDERSON

Short takes. . .

Barney Frank, D-Mass., chairman of the House Financial Services Committee, is expected to introduce legislation before summer to help the municipal bond market in a difficult economy. The legislation is expected to include provisions to: require credit rating agencies to rate municipal and corporate bonds the same way; provide for federal assistance to insure short-term debt; provide federal assistance for insurance for long-term debt; provide a federal guarantee of general obligation debt; and provide a federal backstop to liquidity providers. A hearing in the House Financial Services Committee on assisting the municipal bond market is expected some time in early May.

Public Power Daily is produced by the editorial staff of *Public Power Weekly* newsletter.

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