Nuclear Still An Option In Ontario

New station possible: Premier Ontario's public power generator could build another nuclear station after the restart of Pickering, Premier Ernie Eves said recently.

"I wouldn't rule out any possibility, from wind power to additional nuclear power, and that includes a lot of things in between," Eves said.

The premier's comments come one week after Energy Minister John Baird said Ontario Power Generation is out of the business of building new nuclear plants.

Ontario has frequently had to rely on imported power to keep pace with record consumption levels over the past year. Adding to the concerns, is a recent report by the Independent Electricity Market Operator that almost half of Ontario's generating capacity will have to be replaced in the next 15 years.

Eves said he plans to speak with newly-elected Quebec Premier Jean Charest about plugging into more of his province's hydro as well as generators in Manitoba.

Eves cited Bruce Power, a private power company which leases the provincially-owned nuclear generating station in Bruce County, as an example of a way the province could develop new sources of hydro.

"I think ... a public-private partnership is possible in that regard," Eves said.

The OPG's Pickering A generating station is slated to begin churning out power in June after several delays and cost overruns expected to push the project's price tag near $2.5 billion.

Eves announced plans to investigate the nuclear plant's problems five months ago, but said yesterday the government still hasn't found a qualified expert to do the job.

Speaking at an Ontario Energy Association breakfast meeting yesterday, Baird announced plans to revamp the Ontario Energy Board and to look at the controversial retroactive rate hikes that were recently allowed by the agency.

Baird also named Howard Wetston, vice-chairman of the Ontario Securities Commission, to head up the board.

New 850MW California Unit On Line By Summer

Constellation Energy Group Inc. expects to bring its new 850 megawatt High Desert gas-fired power plant in Southern California on line in "early summer", a company spokeswoman said on Wednesday.

"We are doing some testing but we haven't come on line yet. We are still aiming for early summer," the spokeswoman said.

Speculation about the status of the plant was heightened by its inclusion of the California Independent System Operator's outage list on Wednesday.

The California ISO produces updates four times each day, detailing which power plants within its control area are currently either off line or curtailed.

California ISO spokesman Gregg Fishman said the unit had been put on the list as a "kind of placeholder" but the state agency did not expect to be able to count on any output from the plant yet.

N.Y. Approves PSEG Cross-Hudson Cable

New York approved Wednesday running a new power cable across the Hudson River that will carry 600 megawatts of much-needed electricity into New York City from a power plant in neighboring New Jersey.

PSEG Power Cross Hudson Corp., which filed its application for the line in Oct. 2001, will build and operate the line and a new substation.

The eight-mile line will be capable of suppling electricity to about 600,000 New York City homes. About half the length of the line will be submerged in the Hudson River.

PSEG is a unit of diversified energy company Public Service Enterprise Group Inc. (PEG.N) of Newark, New Jersey.

Officials at PSEG were not immediately available to discuss when they might start building the line or when it would enter service.

"While much attention has been focused on the need for generation, new transmission facilities, such as the Cross Hudson line approved today, also will play a critical role in meeting our future energy needs," said New York Public Service Commission (NYPSC) Chairman William Flynn.

"This new line will bring power from an efficient, gas-fired combined cycle facility into New York City and will help displace the use of older, less efficient generation sources," he said.

The 345 kilovolt (KV) alternating current (AC) transmission line will connect PSEG Power's Bergen generating station in Ridgefield, New Jersey, with a Consolidated Edison Co. of New York Inc. substation in Manhattan.

Con Edison serves some 9 million people in New York City and Westchester County, New York. It is a distribution subsidiary of diversified energy company Consolidated Edison Inc.

The Bergen generating station includes two gas-fired combined-cycle plants. Bergen 1 is 675 MW and Bergen 2, which began operation on June 1, 2002, is 546 MW.

The station also has a small 21 MW gas peaking unit installed in 1967. A third 550 MW unit, Bergen 3, is being planned and could be in operation as early as 2004, according to the company's Web site.

New Jersey Utility Operations Surge

At a time when much of the electricity industry was struggling with overcapacity, a credit crunch, and a sagging economy, New Jersey's largest utility "really had a remarkable year" in 2002, its top executive said Tuesday.

Although earnings are expected to be flat this year, the outlook for the next four to five years is promising, James Ferland, chairman and chief executive of Public Service Enterprise Group, told shareholders at the company's annual meeting at the New Jersey Performing Arts Center in Newark.

"We encountered some choppy seas during the year, especially in the international part of our business," Ferland said. "Yet overall and compared to many others, we did quite well."

Public Service got off to a good start in the first quarter of 2003, with revenues reaching $676 million, or $3 a share, compared with $60 million, or 29 cents a share a year earlier. Those figures are somewhat misleading, because this year's numbers are inflated by a change in an accounting rule for dealing with money set aside for future decommissioning of nuclear plants.

Even so, income from ongoing operations — helped by a colder than normal winter — rose to $321 million, or $1.42 a share, from $181 million, or 88 cents a share, Ferland said.

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Even with earnings held down by rate caps imposed under New Jersey's historic energy deregulation legislation, Public Service continued to outperform its peer group last year, Ferland said. The caps forced the company to sell electricity below market prices.

Those caps are due to expire Aug. 1, and if the company's requested rate increase is approved by the Board of Public Utilities, most or all of the savings customers enjoyed over the past four years will be wiped out.

Still, rates are expected to be no higher than they were in 1999, proof that consumers have benefited from electric deregulation, even if the process isn't working the way state legislators thought.

The law was expected to produce retail competition, but that has been almost non-existent. On the wholesale level, however, competition is strong, and that will benefit consumers, Ferland said.

TVA, MISO and PJM To Integrate Markets

Three of the biggest power grid operators in the eastern-half of the United States agreed to work together to integrate their power markets, the companies said in a joint statement Wednesday.

The Midwest Independent Transmission System Operator Inc. (MISO), PJM Interconnection (PJM) and the Tennessee Valley Authority (TVA) said this was the first step in a process that would, when complete, create a wholesale power market covering a significant portion of the nation east of the Rockies.

The announcement furthers the Federal Energy Regulatory Commission's (FERC) goal of creating a national standard market design (SMD) based, in part, on the PJM market model.

Separately, Exelon Corp.'s Commonwealth Edison utility on Wednesday set June 1 as a target date to begin connecting its transmission grid with the PJM system.

On that day, ComEd wants to allow PJM to operate an electronic bulletin board for scheduling flows across its 3,100 miles of transmission lines, the two groups said in a release.

In the PJM market, generators compete with each other to provide wholesale electricity. Generators offer to supply the power at various prices. The offers are accepted by PJM based on price, beginning with the lowest-priced offers, until the generating supply meets the demand for electricity.

The PJM system is the world's largest wholesale electricity market serving 25 million people in all or parts of seven states and the District of Columbia.

MISO operates the transmission serving some 24 million people in all or parts of 15 states and parts of Canada.

TVA is a federal corporation that is the sole power wholesaler to more than eight million residents in all or parts of Kentucky, Tennessee, Virginia, North Carolina, Georgia, Alabama and Mississippi.

Together the area covered by MISO, PJM and TVA includes: 295,000 megawatts (MW) of generating capacity, 150,000 miles of transmission lines and more than 57 million customers.

Last year Allegheny Power, which delivers power in five Midwest states, joined the PJM market, resulting in overall savings of more than $100 million to wholesale customers in the PJM region. Allegheny Power is the energy delivery business of Allegheny Energy Inc. of Hagerstown, Maryland.

In January 2002, MISO, PJM and Southwest Power Pool Inc. (SPP) said they would start taking steps to create a single energy market covering their collective regions.

In March 2003, however, PJM announced it would delay the May 1 date for the full integration into its wholesale power market of American Electric Power Co Inc. , Commonwealth Edison, and the Dayton Power & Light Co., a subsidiary of DPL Inc.

The implementation was delayed due to "necessary regulatory approvals," according to a statement from PJM.

In April FERC approved requests by ComEd and AEP to transfer grid control to PJM. That move put FERC at odds with Virginia's legislature, which passed a law barring AEP and Dominion Resources Inc. from joining a regional transmission group until 2004 — and then only with express permission from the state.

BC Hydro Eyes 3300 GWh of Green Power

BC Hydro has pre-qualified 30 of the original 70 proposals received from Independent Power Producers (IPPs) as the next step in securing additional new green electricity through its 2002/03 Green Power Generation (GPG) procurement process. BC Hydro's target for the 2002/03 GPG is to bring up to 800 gigawatt-hours per year (GWh/year) on line, although Hydro reserves the right to increase this cap.

"We were extremely pleased with the strong response received from the private sector and have a good variety of pre-qualified project types," said BC Hydro's Senior Vice President of Distribution, Bev Van Ruyven. "BC Hydro is relying on the private sector to meet the future energy needs of our customers, and this response confirms they can do that. Green power generation projects will also help BC Hydro meet its clean energy commitments and stimulate economic growth and development."

Pre-qualified projects are predominately small hydroelectric, but woodwaste, biogas and a wind proposal were also pre-qualified. Proponents will also be responsible for submitting an interconnection application to BC Hydro outlining their requirements for grid connection. The award of electricity purchase agreements to successful bidders will be made in late 2003.

"The competitive Call for Tenders process used in BC Hydro's acquisition programs allows us to acquire electricity from the private sector on a least-cost basis and in accordance with our 5.5 cents per kWh long run marginal cost for electricity," concludes Van Ruyven. "Only the most competitive pre-qualified projects will be offered an electricity purchase agreement."

Bid prices from proponents will be adjusted, for comparison purposes, for several factors - including location, firmness of energy and transmission impacts - that represent the proposed project's costs and benefits to Hydro. Adjusted bid prices will then be compared against the ceiling price of 5.5 cents per kWh (Hydro's long run marginal cost).

BC Hydro will then award electricity purchase agreements based on the ranked adjusted bid prices below the ceiling price, starting with the project with the lowest adjusted bid price until the 800 GWh/year energy cap for the 2002/03 GPG procurement process is reached. **ET**

Recent Changes For BC Hydro

Utilities throughout North America are under pressure to reduce costs while improving the level of service they provide to customers, all in an increasingly competitive business environment. Enter outsourcing. While not new to the utility sector, the concept was a new one for BC Hydro, a provincially owned Crown corporation.

BC Hydro was clear from the onset of its competitive Request for Expressions of Interest process back in October 2001. It was looking for private sector interest in providing Customer Services (including the development of a new Customer Information System), IT services (currently provided by Westech), Network Computing Services, HR Services, Financial Systems, Purchasing, and Building and Office Services. BC HydroÕs assets werenÕt on the table, but a service contract to provide these services was if BC Hydro could save money and maintain or improve service levels. That, in turn, would allow Hydro to refocus on its core business of generating, transmitting and distributing electricity.

Just one year later a milestone for BC Hydro was achieved, and an agreement was reached with outsourcing-saavy Accenture, creating a new entity called Accenture Business Services of BC (ABS).

Based in BC, the new entity will guarantee cost savings of $250 million over 10 years and the same or higher levels of customer service. ABS will tap into a $58 billion dollar outsourcing market and this new company will grow as a viable business and provide new sources of revenue and new jobs for BC while offering new added value for ABS BC customers. Approximately 1,500 BC Hydro employees chose to move to the new company; that works out to more than 90 per cent of those who had the option to do so.

ÒAccenture Business Services of BC will become the cornerstone of our ability to offer clients an immediate opportunity to reduce costs and receive a higher quality of service in a number of important areas of their business,Ó said Mary Tolan, Chief Executive of AccentureÕs Resources Group.

This initiative is consistent with BC HydroÕs corporate goals of cost-efficiency and customer-service excellence. It is also consistent with the BC governmentÕs direction from the Energy Plan to outsource functions where possible to improve efficiency.

ÒThis agreement makes it possible for BC Hydro to continue delivering the world-class customer care our ratepayers expect, while at the same time significantly reducing our costs and dramatically increasing our operational efficiency,Ó said Larry Bell, Chair and Chief Executive Officer of BC Hydro.

ÒWith the contractual obligation to assure savings and service levels, this is a terrific opportunity for the BC economy, consumers, employees and both companies. This type of agreement makes solid, sound business sense and gives us clarity moving forward.Ó

Accenture Business Services of BC began operations on April 1, 2003. Both BC Hydro and Accenture look forward to the benefits this new BC-based company will bring to both the customers and the province of BC.ET