

# Megawatt Daily

Tuesday, December 2, 2003

## Blackout fears spur new focus on NERC standards

Electric utilities and transmission owners need better training of operations personnel and stronger audits to ensure they are in compliance with voluntary reliability standards if no energy bill is passed next year, panelists told the Federal Energy Regulatory Commission Monday.

To prevent a repeat of the Aug. 14 blackout, the industry needs to build upon efforts started by the North American Electric Reliability Council to clarify rules and responsibilities of control areas throughout the country, panelists said.

"These rules are already in place, the question is, is everyone following them correctly," said Alison Silverstein, senior policy advisor  
*(continued on page 8)*

## FERC challenged over MISO's 'broader' authority

Midwestern transmission owners told the Federal Energy Regulatory Commission to reconsider a recent commission decision that urged the Midwest Independent Transmission System Operator to exercise broader authority over the several control areas within its region.

The transmission owners, all MISO members, said FERC erred in its Oct. 29 order that suggested the grid operator had jurisdiction over control areas as part of its implementation of energy markets.

FERC, in its order, said MISO's transmission-owners agreement (TOA) granted the regional transmission organization substantial leeway to assert authority over control areas. The order also said the RTO's energy market tariff, which it withdrew in October, was moving in a direction consistent with commission policy (ER03-1118).  
*(continued on page 8)*

## Kansas wind developer details up to 310 MW

Kansas Wind Power plans to build a 150-MW to 250-MW wind farm in the Salina area of Kansas and up to 60 MW in a distributed generation wind project for up to 10 municipalities in the state, company officials confirmed Monday.

Geoff Coventry, vice president for business development, said the Smoky Hills Wind Farm would be located along the Ellsworth-Lincoln County line. It is set to begin construction in early 2005 and go on-line later that year at a cost of \$1-million to \$1.1-million/MW.

The Lenexa, Kansas-based company plans to determine the final size of the project after it completes negotiations with one or more of the Kansas and Missouri utilities now in discussions about a power purchase contract, Coventry said.

### Day-ahead markets for delivery Dec 2 (\$/MWh)

East	Index	Change	Range	Volume	Avg \$/MWh
<b>On-Peak</b>					
Mass Hub	60.10	7.85	56.50 - 63.00	900	56.18
N.Y. Zone-G	57.25	8.70	57.25 - 57.25	N.A.	52.90
N.Y. Zone-J	74.35	13.80	74.35 - 74.35	N.A.	67.45
N.Y. Zone-A	51.00	8.00	51.00 - 51.00	N.A.	47.00
Ontario*	54.25	-3.75	54.25 - 54.25	N.A.	56.13
PJM West	48.19	10.44	47.50 - 49.00	1,750	42.97
VACAR	40.00	10.50	40.00 - 40.00	N.A.	34.75
Southern, into	38.20	7.35	38.20 - 38.20	N.A.	34.53
Florida	50.00	7.50	50.00 - 50.00	N.A.	46.25
TVA, into	35.00	3.50	35.00 - 35.00	N.A.	33.25

<b>Off-Peak</b>					
Mass Hub	41.25	5.25	41.25 - 41.25	N.A.	38.63
PJM West	26.50	4.50	26.50 - 26.50	N.A.	24.25
VACAR	22.50	2.00	22.50 - 22.50	N.A.	21.50
Southern, into	21.00	0.75	21.00 - 21.00	N.A.	20.63
Florida	26.00	4.50	26.00 - 26.00	N.A.	23.75
TVA, into	19.00	-0.50	19.00 - 19.00	N.A.	19.25

Central	Index	Change	Range	Volume	Avg \$/MWh
<b>On-Peak</b>					
ECAR, North	35.65	4.75	32.00 - 40.00	1,450	33.28
Cinergy, into	34.16	5.97	31.00 - 36.50	5,150	31.18
MAIN, North	41.00	-7.00	41.00 - 41.00	N.A.	44.50
MAIN, South	34.00	3.00	34.00 - 34.00	N.A.	32.50
ComEd, into	33.55	2.94	31.00 - 35.00	955	32.08
MAPP North	46.00	4.00	46.00 - 46.00	N.A.	44.00
MAPP South	42.00	2.10	42.00 - 42.00	N.A.	40.95
SPP North	39.50	2.10	39.50 - 39.50	N.A.	38.45
Entergy, into	38.02	5.20	37.00 - 38.50	600	35.42
ERCOT	36.84	1.66	36.25 - 37.50	900	36.01
ERCOT, North	37.75	1.10	37.75 - 37.75	N.A.	37.20
ERCOT, Houston	38.00	1.00	38.00 - 38.00	N.A.	37.50
ERCOT, West	37.00	0.00	37.00 - 37.00	N.A.	37.00
ERCOT, South	37.00	0.00	37.00 - 37.00	N.A.	37.00

<b>Off-Peak</b>					
ECAR, North	15.93	0.43	15.00 - 18.50	800	15.72
Cinergy, into	16.61	0.61	15.50 - 17.50	1,150	16.31
MAIN, North	13.50	-0.50	13.50 - 13.50	N.A.	13.75
MAIN, South	14.50	-0.50	14.50 - 14.50	N.A.	14.75
ComEd, into	13.00	-1.50	13.00 - 13.00	N.A.	13.75
MAPP North	18.00	1.00	18.00 - 18.00	N.A.	17.50
MAPP South	16.50	1.50	16.50 - 16.50	N.A.	15.75
SPP North	16.00	0.00	16.00 - 16.00	N.A.	16.00
Entergy, into	19.00	0.00	19.00 - 19.00	N.A.	19.00
ERCOT	17.00	-1.90	17.00 - 17.00	N.A.	17.95
ERCOT, North	17.25	-1.75	17.25 - 17.25	N.A.	18.13
ERCOT, Houston	17.25	-1.75	17.25 - 17.25	N.A.	18.13
ERCOT, West	17.00	-2.00	17.00 - 17.00	N.A.	18.00
ERCOT, South	17.00	-2.00	17.00 - 17.00	N.A.	18.00

West	Index	Change	Range	Volume	Avg \$/MWh
<b>On-Peak</b>					
COB	41.38	-0.83	40.50 - 42.75	825	41.80
Mid-C	38.15	-0.98	37.25 - 39.00	1,150	38.64
Palo Verde	40.37	0.15	39.00 - 41.50	1,075	40.30
Four Corners	40.00	0.00	40.00 - 40.00	N.A.	40.00
NP15	44.95	-0.58	44.50 - 45.25	2,100	45.24
SP15	45.10	-0.57	44.50 - 45.75	2,100	45.39
<b>Off-Peak</b>					
COB	32.25	-1.00	32.25 - 32.25	N.A.	32.75
Mid-C	31.02	-2.06	30.50 - 31.25	700	32.05
Palo Verde	27.76	-0.17	26.75 - 28.25	650	27.85
Four Corners	27.50	-0.25	27.50 - 27.50	N.A.	27.63
NP15	33.10	-0.51	31.25 - 34.00	1,050	33.36
SP15	30.81	-0.98	29.25 - 32.00	675	31.30

\*Ontario prices are in Canadian dollars

Coventry said the cities of Russell, Winfield and Larned are now under contract to participate in the Kansas Municipal Wind Project, a concept the company said has been used in Europe but is unique in the U.S. It allows construction of individual wind farms to meet the needs of each participating municipal utility while utilizing joint financing, procurement and contracting to take advantage of the economies of scale.

A fourth city is in final contract negotiations and the group could grow as large as 10, he said, making 45 MW to 60 MW sold under aggregation.

Coventry talked about the projects during an interview after his company announced that engineering company Black & Veatch would study the impact of KWP's major wind projects on the Southwest Power Pool transmission system. It also will be the preferred contractor for engineering, procurement and construction work on the large projects.

## Illinois EPA issues Calpine a revised plant permit

The Illinois Environmental Protection Agency has issued a revised construction permit for Calpine's 450-MW, natural-gas fired Zion Energy Center peaking plant to be located north of Chicago after the agency reached an agreement with the company earlier this year resolving a dispute over the height of the facility's stacks.

IEPA cited Calpine in August 2002 for violating its construction permit by altering the proposed height of the plant's stacks. Instead of constructing 125-foot-high stacks to comply with air modeling conducted for the project, the San Jose, Calif.-based company unilaterally reduced the height of the stacks to 75 feet to conform to local building codes.

After Calpine remodeled air emissions based on the lower height and determined it would be in compliance even with the shorter stacks, the state agency agreed to settle the dispute without requiring the company to pay a fine.

An IEPA spokeswoman said the permit was approved last week but she was not aware of it until Monday. Calpine had no comment on the new permit by press time.

## V.C. Summer nuclear plant returns to service: Company

South Carolina Electric & Gas Company, the main subsidiary of SCANA Corp., said Monday its 1,000-MW V.C. Summer nuclear plant returned to service Nov. 26 after a 47-day refueling and maintenance outage.

The plant is currently operating at 100% power, the utility said.

During the scheduled outage, which occurs about every 18 months, approximately one-third of the reactor's 157 fuel assemblies were replaced and maintenance activities completed. This was the plant's 14th refueling outage since it began commercial operation in 1984.

SCANA Corp., headquartered in Columbia, S.C., is an energy-based holding company.

SCE&G is a regulated public utility providing electricity to 567,000 customers and natural gas to 270,000 customers in portions of central and southern South Carolina.

## Electricity market coverage

More information about Platts electricity market coverage, explanations of methodology and descriptions of delivery points are available at <http://www.platts.com/electricpower/specification.shtml>.

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## MARKET WRAP

### EAST MARKETS

## Northeast dailies up on cold; gas jumpstarts term

New England Mass Hub dailies for Tuesday delivery remained strong at \$58.75/MWh behind a band of snow showers and temperatures well below seasonal norms. Tuesday off-peak averaged \$41.25/MWh.

The Boston-Hartford forecast calls for high temperatures in the low 30s. Following the front, cold air should hold for the next 24 hours. The New England Independent System Operator projects peak load at 19,825 MW.

The balance-of-the-week ranged \$55 to \$56/MWh, up a bit on static weather forecasts.

On Monday, Dominion Resources' 880-MW nuclear unit Millstone-2 in Waterford, Conn., reached 28% after ramping down in mid-October for refueling, one Nuclear Regulatory Commission report said. The unit's return brought the ISO's readjusted generation outages and reductions to 7,726 MW.

PJM dailies averaged \$48.25/MWh, up \$11 with light volume and shifting weather patterns.

On Monday, more generation was available with the return of PSE&G's 1,115-MW nuclear unit Salem-1 in Hancocks Bridge, N.J. The reactor was at 79% Friday. Tuesday's forecasted peak load is 39,500 MW during hour-ending 19.

In central New Jersey, partly cloudy skies could bring a stray flurry of snow to the region, with high temperatures in the mid-30s. To the west, Erie, Pa., is anticipating daytime snow showers, accumulating 1 to 3 inches, with highs in the mid-20s.

The balance-of-the-week changed hands a few times at \$44.50/MWh. The NYMEX balance-of-December settled at \$40.75/MWh, up \$2.75.

New York dailies averaged \$10 higher across the zones with near-seasonal temperatures on Monday expected to plunge as much as 18 degrees below normal by Tuesday. Sources said strong cash gas and a large unit failing to return helped bolster the near-term.

Zone G dailies traded mostly near \$57.25/MWh in the Hudson Valley. To the west, Zone A dailies traded mostly near \$51/MWh, with the high at \$52/MWh. Zone J traded mostly near \$74.35/MWh in New York City.

Tuesday forecasts show weather averaging 15 degrees below norms with highs near 34 degrees in New York City and in the mid- to upper 20s in

### Near-term forward markets (\$/MWh)

Contract	Date	Deal
<b>East</b>		
<b>Mass Hub</b>		
Bal-week	12/1	55.00-58.50
<b>N.Y. Zone-A</b>		
Bal-week	12/1	48.00-48.25
Bal-month	12/1	45.00-45.00
<b>Ontario*</b>		
Bal-week	12/1	55.00-56.50
Bal-month	12/1	51.00-51.00
Next-week	12/1	[50.00/58.00]
<b>PJM West</b>		
Bal-week	12/1	44.50-44.50
<b>Central</b>		
<b>Cinergy, into</b>		
Bal-week	12/1	33.00-33.00
<b>Entergy, into</b>		
Bal-week	12/1	37.25-37.25
Bal-month	12/1	36.50-36.50
<b>ERCOT</b>		
Bal-week	12/1	[37.00/39.00]
Bal-month	12/1	38.00-38.00
<b>West</b>		
<b>Mid-C</b>		
Bal-month	12/1	[40.00/40.75]
<b>Palo Verde</b>		
Bal-month	12/1	[40.25/42.50]
<b>NP15</b>		
Bal-month	12/1	[45.75/48.75]
<b>SP15</b>		
Bal-month	12/1	[46.25/48.25]

\*Ontario prices are in Canadian dollars

### Daily generation outage references

MO	unplanned maintenance outage
PMO	planned maintenance outage
RF	refueling outage
Unk	unknown
OA	offline/available

Fuels: Nuclear=n; Coal=c; Natural gas=g; Hydro=h

Sources: Generation owners, public information and other market sources.

### East generation unit outage report

Plant/Operator	Cap	Fuel	State	Status	Return	Shut
Browns Ferry-1/TVA	1065	n	Ala.	RF	unk	03/03/85
Oconee-1/Duke	885	n	S.C.	RF	unk	09/18/03
Millstone-2/Dominion	880	n	Conn.	RF	11/27/03	10/12/03
Salem-2/PSEG	1,115	n	N.J.	RF	Unk	10/09/03
Summer/SCEG	990	n	S.C.	RF	Unk	10/15/03
Three Mile Island/AmerGe	819	n	Pa.	RF	Unk	10/19/03
Ravenswood-3/KeySpan	1,027	g	N.Y.	MO	Jan	11/05/03
Sequoyah-2/TVA	1,220	n	Tenn.	RF	Dec	11/10/03
Catawba-1/Duke	1,145	n	S.C.	RF	Dec	11/09/03
Surry-2/Dominion	845	n	Va	MO	Unk	11/17/03

\* for methodology, see page 3

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higher elevations.

Zone A traded mostly at \$50.25/MWh for Wednesday, the balance-of-the-week traded at \$48/MWh and the balance-of-the-month traded at \$45/MWh.

Sources said KeySpan's 1,027-MW gas and oil-fired Ravenswood-3 in Long Island City, N.Y., failed to return as expected on Nov. 30. A spokesman said the unit, known as Big Allis, could remain off until mid- or late January. He said the unit was first scheduled for maintenance in January but went down early, back on Nov. 5, because of a turbine issue.

Southeast dailies gained behind cooler forecasts and stronger gas prices. Southern Company dailies traded mostly around \$38/MWh, jumping more than \$7 from for-Monday's index. Forecasts for Atlanta and Montgomery, Ala., predict highs in the mid- and upper 50s respectively.

Into TVA dailies increased several dollars to near \$35/MWh in conjunction with northern neighbors and high temperatures to only reach the upper 40s. Meanwhile, VACAR next-day deals jumped by more than \$10 to near \$40/MWh amid forecasts calling for daytime highs to plunge into the 40s.

In Florida, offers in-state skyrocketed to the \$60s/MWh, but no deals were confirmed. Day-ahead markets were assessed at \$50/MWh. At the border, dailies increased substantially as well, with trading done in the upper \$30s/MWh to mid-\$40s/MWh ahead of cooler forecasts. Off-peak jumped up to \$25/MWh amid expectations for lows in the 30s.

South Carolina Electric and Gas' 966-MW nuclear unit, Summer, near Jenkinsville, S.C., ramped up to full power Monday after being down for refueling and additional maintenance.

Northeast term gained as much as \$1.75 or so at some points behind stronger gas futures. New York winter traded up \$1.50 or so to \$49/MWh in Zone A, to \$58.95/MWh in Zone G and to \$76.70/MWh in Zone J. In the Mass Hub, January settled at \$59.25/MWh, a \$1 increase. The prompt month finished at \$44.95/MWh in PJM.

Ontario dailies retained strength on forecasts for near-seasonal weather on Monday to turn much colder by Tuesday with daytime temperatures expected to stall at 11 degrees below normal. Highs are expected near 26 degrees, with lows near 16 in Toronto.

Dailies were assessed at C\$54.25/MWh [US\$41.65] for Tuesday flow on bids at C\$49/MWh and offers at C\$58/MWh. The balance-of-the-week traded mostly near C\$55.75/MWh, up C\$1.75. on outlooks for another day of freezing weather Wednesday before temperatures trend up to near seasonal by Thursday.

Next-week remained fairly flat, valued at C\$54/MWh on bids at C\$50/MWh and offers at C\$58/MWh. The balance-of-the-month traded at C\$51/MWh.

The IMO's latest 48-hour delayed outage report showed Ontario Power

### Central generation unit outage report

Plant/Operator	Cap	Fuel	State	Status	Return	Shut
Davis-Besse/FirstEnergy	906	n	Ohio	MO	Dec.	02/17/02
Wolf Creek	1,170	n	Kan.	RF	Nov.	10/20/03
Quad Cities-1/Exelon	855	n	Ill.	MO	unk	11/12/03
Arkansas-1/Entergy	850	n	Ark.	MO	Unk	11/15/03
Duane Arnold	580	n	Iowa	NO	unk	11/26/03

\* for methodology, see page 3

## New suitor looking to buy Ky., Ill., coal-fired plant sites

Khanjee Holdings, the new prospective owner of Kentucky-based EnviroPower, has agreed to enter into a draft purchase agreement with bankrupt coal company Horizon Natural Resources to acquire sites in eastern Kentucky and southern Illinois for a pair of 525-MW, coal-fired power plants.

EnviroPower's proposed Kentucky Mountain Power and Franklin County LLC projects, in Kentucky and Illinois, respectively, have been delayed for several reasons, including the credit crunch and softness in the wholesale power market.

In September, EnviroPower, a Lexington, Ky.-based independent power developer, told Kentucky regulators it was in the process of being acquired by an unidentified company. Khanjee Holdings apparently is that company.

Last week, Horizon told a bankruptcy court in Kentucky about an Oct. 29 meeting involving several Khanjee, EnviroPower and Horizon officials, including Akhtar Ali Khan, Khanjee's chairman and CEO, and Frank Rotondi, EnviroPower president and CEO.

The session produced a consensus to draft purchase agreements for the plant sites. Horizon previously claimed EnviroPower was in default of lease agreements for the acquisition of the properties. Khanjee had argued it was being asked to pay for the properties but would not receive consideration because the leases are in the names of EnviroPower, which Khanjee said it would not own "until financial close of the power plant construction financing."

Rotondi did not return phone calls Monday seeking comment on the status of the draft purchase agreements, and Khan could not be reached.

The timetable for the EnviroPower projects has slipped considerably since they first were announced three years ago. The company has said the plants are not expected to be in commercial operation until 2007 or 2008.

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Generation's 540-MW nuclear reactor Pickering-4 in Pickering, Ontario, back on-line and ramping up.

Ontario winter was assessed at C\$62.50/MWh, up C\$1.25 or so from last week.

## CENTRAL MARKETS

### Gas drives ERCOT dailies to higher prices; forwards gain

ERCOT dailies for Tuesday flow gained more than \$1 on average, indexing near \$37/MWh amid stronger cash gas prices.

"We saw next-day gas gain as much as a quarter before (morning) was out," one trader said.

Zonal products held a slight premium over the seller's choice market as congestion risks were minimal. ERCOT Houston traded between \$38 and \$38.25/MWh and ERCOT North posted near \$37.75/MWh.

High temperatures are forecast to range near seasonal norms, dragging Tuesday's demand to below 30,000 MW. Peak demand is expected to edge above 30,000 MW for a few intervals during the evening. The balance-of-the-week was bid at \$37/MWh and offered at \$39/MWh. The balance-of-the-month was done at \$38/MWh.

Into Entergy dailies added \$4.50 to the high end, reaching \$38.50/MWh on stronger gas prices. Heat rates also edged up, posting near 7,500 for Tuesday flow. Lower volume was seen to start the new month in the day-ahead markets.

The balance-of-the-week traded at \$37.25/MWh. The balance-of-the-month was valued near \$36/MWh.

The winter package jumped \$4.25, finishing the day at \$42.25/MWh.

Into Cinergy dailies for Tuesday delivery averaged \$34.15/MWh, up nearly \$6 as high temperatures are forecast to fall into the mid- to upper 30s. Off-peak prices also gained, averaging near \$16.65/MWh, up 65 cents with prices dipping into the teens.

The balance-of-the-week traded at \$33/MWh. Balance-of-the-month traded at \$29.75/MWh.

## West generation unit outage report

Plant/Operator	Cap	Fuel	State	Status	Return	Shut
Alamitos-1/AES	174	g	Calif.	PMO	Unk	11/3/03
Contra Costa-6/Mirant	337	g	Calif.	PMO	Unk	10/6/03
Encina-3/Cabrillo	110	g	Calif.	MO	Unk	12/1/03
Encina-4/Cabrillo	300	g	Calif.	PMO	Unk	12/01/03
Etiwanda-3/Reliant	320	g	Calif.	PMO	Unk	11/12/03
Etiwanda-4/Reliant	320	g	Calif.	PMO	Unk	11/12/03
Power Project/HDPT	787	g	Calif.	PMO	Unk	12/1/2003
HuntingtonBch-2/AES	226	g	Calif.	PMO	Unk	11/10/03
LaPaloma-4/LaPaGenCo	235	g	Calif.	MO	Unk	11/24/03
Mandalay-2/Reliant	215	g	Calif.	PMO	Unk	11/17/03
Mandalay-3/Reliant	120	g	Calif.	PMO	Unk	11/3/03
Morro Bay-4/Duke	336	g	Calif.	MO	Unk	11/18/03
Moss Landing-6/Duke	754	g	Calif.	PMO	Unk	12/1/03
Palo Verde-2/APS	1,249	n	Ariz.	PMO	mid-Dec	09/27/03
Pittsburg-5/Mirant	312	g	Calif.	PMO	Unk	12/1/03
Shasta Hydro-5/USBR	142	h	Calif.	PMO	Unk	09/29/03
Southbay-3/Duke	175	g	Calif.	MO	Unk	12/1/2003

\* for methodology, see page 3

### WSI expects cooler temperatures on East Coast

This winter should be slightly cooler-than-normal in the Southeast and along the East Coast, and warmer-than-normal elsewhere in the U.S., particularly in the Southwest, a national weather forecasting company said.

In its seasonal outlook for the months of December through February, to be released Tuesday, WSI Corp. said it expects cooler-than-normal temperatures east of the Mississippi River in December, with the coolest, relative to normal, in the Southeast. Warmer-than-normal temperatures are expected this month in the western two-thirds of the country, particularly in the Southwest.

WSI sets a normal temperature referencing temperatures over a 30-year period from 1971 to 2000.

Cold weather so early in the winter may lead power and natural gas markets to expect higher demand and prices. It also may spark concerns about heavy draws on gas inventories, WSI said. Its expectation for warmer-than-normal temperatures in the East in January and February, however, should moderate prices, it said.

For next month, Billerica, Mass.-based WSI said it expects cooler-than-normal temperatures in the Pacific Northwest, northern and central Rockies, the Plains and Great Lakes states. The coolest temperatures, relative to normal, are still expected in the central and southern Plains. WSI said the cooler temperatures should cause increased demand for gas, offsetting the lower demand from warmer-than-normal temperatures in the East.

Also in January, WSI said it expects warmer-than-normal temperatures in California, the Southwest, and most of the region east of the Mississippi River, with the largest positive temperature anomalies in the Southwest.

In February, WSI expects all regions to experience warmer-than-normal temperatures, with the warmest again in the Southwest.

WSI said it would release its next forecast Dec. 16.

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Forward deals climbed as NYMEX prompt-month gas prices gained more than 35 cents. January traded up 60 cents to \$36.65/MWh. February gained \$1.20, settling at \$35.85/MWh.

Into ComEd dailies averaged near \$33.75/MWh, up more than \$3 on expectations for temperatures to fall into the mid-30s.

Balance-of-the-week traded at \$31/MWh with highs forecast into the upper 30s by the end of the week.

On Monday, Exelon's 789-MW nuclear unit Quad Cities-2 in Cordova, Ill., restarted and reached 85% power, a Nuclear Regulatory Commission report said. The unit shut in mid-November for equipment evaluation.

To the west, North MAPP dailies traded in the mid-\$40s/MWh, up about \$4. "It's slim pickings out there today," a source said.

Nebraska Public Power District shut its 778-MW nuclear unit Cooper, near Nebraska City, Neb., the NRC said Monday.

## New Brunswick says to open power markets April 1

New Brunswick officials on Monday said that April 1 would be the official start date for the government's plan to partially restructure the province's electricity industry.

That plan, which was initially expected to be implemented this past April but was delayed, calls for allowing the province's three municipal utilities and the 39 large industrial customers directly connected to New Brunswick Power's transmission grid to select their power suppliers.

Province-owned NB Power will continue to provide traditional, rate-regulated retail service to all its residential, commercial and small-industrial customers.

Also on April 1, NB Power will be separated into five units—a holding company and subsidiaries for nuclear generation, non-nuclear generation, transmission and distribution, and customer service—and a newly formed independent system operator will begin overseeing the province's transmission system.

The province's Public Utilities Board on April 1 will be given the authority to rule on any request by NB Power to increase its retail rates by 3% or more per year. The PUB also will monitor the power market, report on the conduct of the system operator and market participants, and issue licenses to market participants.

In announcing the start date for partial restructuring, New Brunswick Energy Minister Bruce Fitch said the plan "will ensure that New Brunswick enjoys the full benefit of exporting our surplus electricity to the United States, which keeps our rates lower." Reorganizing NB Power, he added, "will strengthen the corporation's financial position, thereby reducing risk to taxpayers."

## WEST MARKETS

### Last week's gains for dailies tempered in new action

Western dailies trading for Tuesday delivery retreated, as prices softened after gaining the previous week on the holiday premium and trading four days out.

Mid-Columbia on-peak fell about \$1, with deals averaging around \$38.25/MWh. Mid-C off-peak dropped \$2 with deals at \$31/MWh. Traders expect prices to remain in these ranges as temperatures in the Northwest are predicted to be mild over the next couple of days with forecasts of rain in the mix.

Mid-C real-time prices were valued close to the day-aheads, in the mid- to upper \$30s/MWh. Mid-C on-peak balance-of-the-month were heard traded at \$40/MWh. Mid-C off-peak bal-month were heard at \$36/MWh.

California-Oregon Border on-peak averaged around \$41.50/MWh, about a 75-cent loss. California-Oregon Border on-peak balance-of-the-month deals traded at \$44/MWh.

## Long-term forward markets, Dec 1 (\$/MWh)

### EAST

	Jan	Feb	Jan/Feb 04	Mar/Apr 04	May 04	Jun 04	Jul/Aug 04	Sep 04	Q4-04	Cal 2004	Cal 2005	Cal 2006
Mass Hub	59.25	59.00	59.15	50.00	49.50	51.00	59.00	48.75	48.00	53.25	50.00	50.25
PJM West	44.95	44.55	44.75	41.80	38.75	43.20	54.55	37.60	36.00	42.75	42.25	43.50
N.Y. Zone-G	58.95	58.55	58.75				65.50			54.25	53.50	
N.Y. Zone-J	76.70	76.30	76.50				90.00			70.00	69.00	
N.Y. Zone-A	49.20	48.80	49.00				51.50			43.00	42.50	
Ontario*	62.00	61.00	61.50				67.00			56.75	55.75	
TVA, into	36.35	35.65	36.00				43.00			34.85	36.10	

### CENTRAL

	Jan	Feb	Jan/Feb 04	Mar/Apr 04	May 04	Jun 04	Jul/Aug 04	Sep 04	Q4-04	Cal 2004	Cal 2005	Cal 2006
Cinergy, into	36.65	35.85	36.50	35.25	31.50	36.25	43.10	31.85	29.75	35.00	36.00	37.50
ComEd, into	34.40	33.70	34.05	34.25	30.15	35.35	42.80	30.90	27.95	33.75	34.65	36.20
Entergy, into	40.55	39.15	39.85	38.70	33.75	38.10	44.10	34.55	33.80	37.25	36.85	37.15
ERCOT	42.70	41.80	42.25	40.05	42.15	42.40	45.95	41.35	38.65	41.60	40.05	40.65

### WEST

	Jan	Feb	Q1 04	Q2 04	Q3 04	Q4 04	Cal 2004	Cal 2005	Cal 2006
Mid-C	43.25	41.50	40.50	26.50	41.75	44.25	38.25	40.25	40.25
Palo Verde	44.25	43.50	43.75	43.25	54.50	44.00	47.75	47.50	47.50
NP15	50.75	48.00	50.50	44.75	57.50	50.75	50.90	52.50	52.50
SP15	51.25	50.00	49.25	48.50	60.00	51.00	52.20	54.00	54.00

\*Ontario prices are in Canadian dollar figures

† All forward assessments are for on-peak delivery

The California Independent System Operator forecast Monday's peak demand at 30,524 MW with 8,881 MW of generation out. The ISO forecast Tuesday peak load at 31,417 MW. Temperatures across California are projected to be slightly above normal the next couple of days with scattered showers in some areas.

NP15 on-peak lost about 50 cents, averaging just under \$45/MWh. NP15 off-peak fell about the same settling around \$33/MWh.

SP15 fell in tandem with the North deals. SP15 on-peak shed 50 cents to end just above \$45/MWh. SP15 off-peak fell a buck trading around \$30.75/MWh.

Palo Verde was the only hub that held holiday gains. Palo Verde on-peak traded flat to slightly up, with most of the deals done at \$40.25/MWh. PV off-peak lost a quarter, with deals done at \$27.75/MWh. Southwest forecasts are calling for sunshine with slightly above-normal temperatures.

Arizona Public Service's Cholla-3 returned to service last week, according to a spokeswoman with Arizona Public Service. The unit went down in August because of a generator failure. The 260-MW coal-fired unit is located in Joseph City, Ariz.

Western forwards moved up as the NYMEX prompt-month gas contract rallied 35 cents. Trading was light Monday, traders said, as most market players watched the gas market.

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### Spark Spreads for Dec 2

	Marginal Heat Rate	\$/MMBtu	\$/MWh	7000	8000	10000	12000
COB/PG&E, Malin	9196	4.500	41.38	9.88	5.38	-3.62	-12.62
Mid-C/Stanfield, Ore.	8612	4.430	38.15	7.14	2.71	-6.15	-15.01
Palo Verde/El Paso San Juan Basin	9011	4.480	40.37	9.01	4.53	-4.43	-13.39
ERCOT/Houston Ship Channel	7488	4.920	36.84	2.40	-2.52	-12.36	-22.20
Com Ed, into/Chicago city-gates	6578	5.100	33.55	-2.15	-7.25	-17.45	-27.65
Entergy, into/Henry Hub	7604	5.000	38.02	3.02	-1.98	-11.98	-21.98
Cinergy, into/Columbia Gas, App.	6588	5.185	34.16	-2.13	-7.32	-17.69	-28.06
PJM West/Transco zone 6 non-N.Y.	7686	6.270	48.19	4.30	-1.97	-14.51	-27.05
Mass Hub/Tenn. zone 6 del.	8838	6.800	60.10	12.50	5.70	-7.90	-21.50
N.Y. Zone-G/Transco Zone 6 N.Y.	8821	6.490	57.25	11.82	5.33	-7.65	-20.63
Florida/Fla. city-gates	11001	4.545	50.00	18.18	13.64	4.55	-4.54

\*Spark spreads and electricity prices reported in (\$/MWh), gas prices in (\$/MMBtu), and marginal heat rates in (Btu/kWh).

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## Auditing methods come under question ... from page 1

to FERC Chairman Pat Wood and co-chair of the electric system working group, part of the joint U.S.-Canadian task force investigating the Aug. 14 blackout.

FERC scheduled the meeting expecting Congress to pass a comprehensive energy bill last month. The bill would require the agency to oversee the creation of an electric reliability organization. But after senators failed to pass the bill, the commission changed the focus to discuss the blackout and determine what FERC can do to promote reliability without the legislation.

Silverstein said the interim report on the blackout released last month demonstrated that FirstEnergy violated several NERC regulations, including standards on vegetation management and situational awareness. The utility knew some action needed to be taken to trim trees in certain regions of its footprint, but had not done so, she said.

To prevent this in the future, NERC should employ stronger auditing techniques to ensure that utilities are following the rules, she said. "There are audits, and then there are audits," Silverstein said. Industry and NERC need "to make sure that the players live up to the standards and metrics that are set."

Moreover, utilities need to train their control area operator personnel so they are more familiar with their responsibilities and can handle emergency situations, she said. FirstEnergy, according to Silverstein, does not invest as much into training as other utilities. "There are many other organizations...that have a more significant commitment to training than FirstEnergy," she said.

To that end, NERC General Counsel David Cook admitted that his organization's auditing techniques are a work in progress and need improvement. "It is only a growing program," he said. It "just started a few years ago...[and] is not nearly as vigorous as conditions warrant."

Cook also noted that NERC certification of operators "is not nearly as rigorous" as similar certifications performed by the Nuclear Regulatory Commission. Training is generally performed on a utility-by-utility basis, he said, noting that "there's clearly a need for more" training throughout the industry.

## FERC's findings called incorrect ... from page 1

But the transmission owners—including Ameren, Aquila, LG&E Energy, Indiana Municipal Power Agency, and Lincoln Electric System—said the commission grossly misinterpreted the TOA, claiming the agreement does not specify that MISO can assert authority over control areas as it relates to market functions.

"There can be no doubt that the TOA provides not one iota of support for any conclusion that the Midwest ISO possesses authority over control areas with regard to implementing energy markets in a non-emergency situation," the group said. "In fact, when the TOA was developed by transmission owners, there was never any intent that the Midwest ISO [would] operate energy markets. Rather, the transmission owners at that time did not expect or support the Midwest ISO operating energy markets."

FERC's findings in this case "are factually incorrect," the transmission owners said, and the commission should reconsider its conclusion.

"[T]he Midwest ISO transmission owners find it unacceptable for the Midwest ISO to provide itself with the ability to operate by fiat with control areas with respect to energy markets," the group said. "The cost, liability, and reliability issues are far too important to the public interest to allow that to happen."

## Calif. ISO to consider new grid congestion plan

The board of the California Independent System Operator on Thursday is set to vote on a new proposal for relieving intrazonal transmission congestion that calls for creating a new zone in the southern part of the state.

In a Nov. 24 memo, ISO staff recommended that the grid operator modify its existing software to relieve congestion ahead of real-time with the creation of a new "Miguel Imperial Valley" zone, adding to the three that exist across the state. The new zone would benefit the system by reducing costs and management workload, while providing a more transparent, market-based approach to open access to limited transmission capacity, staff said.

Intrazonal congestion in the San Diego area became a costly problem this year with the connection of nearly 6,000 MW of new generation around the Arizona and Nevada borders and nearly 1,600 MW in Mexico. Relieving the congestion in real-time is expected to cost consumers \$32-million annually.

ISO staff said the new zone concept is the ISO's best option until the grid operator implements locational marginal pricing as part of its market redesign, but staff acknowledged problems with the plan. In particular, costs could increase for consumers depending on the interpretation of the state Dept. of Water Resources' long-term power contracts. "Cost savings are expected if the current practice of payment of bilateral energy is based upon ISO final forward schedules," the staff memo said. "However, if the state contracts are interpreted differently, the new zone could increase the total cost to consumers."

On a conference call Monday, stakeholders criticized ISO staff for promoting an idea when there are better options to move mitigation out of the real-time market. One option proposed by Southern California Edison would allow the ISO to reject the generation side of a day-ahead schedule to relieve congestion and force-balance load prior to issuing final hour-ahead schedules. Another option by Coral Power would take the same tack but require that specific scheduling coordinators be forced to modify their hour-ahead schedules.

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