

Restructuring Today

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Power Buyers Learn How To Spruce Up Appearance

Large C&Is who do their homework and understand their own power needs can save lots of money, consultant David Downes told buyers at Select Energy's prospective customer meeting yesterday.

Buyers can put "a pretty face" on their business making themselves more attractive to marketers, the Salisbury, MD based president of Downes Associates noted.

Features that make customers most attractive are detailed use data including interval data.

Marketers look at customers' capacity for five coincident peaks over five days to figure out PJM's installed capacity penalty and the coincident peak in their zone on one day to figure PJM's TCAP punishment.

Capacity prices are low now - about \$25/mw/day - but he expects them to rise over the next four years to many times that.

If customers can show the ability to avoid high power use at system peaks, they'll get a better deal, Downes advised.

He stressed the importance of giving potential suppliers accurate data on accounts so the switch can be made before deal prices expire.

Customers willing to act quickly on a deal - the same day- pay less because marketers attach a risk premium to having to keep a deal open for more than a few hours.

Downes advises performing due diligence on potential suppliers and hammering out the details of the electric supply agreement before asking for a price.

Good deals aren't just about prices, Downes noted, and customers willing to take some risks may find "the juice worth the squeezing."

Customers who can get by with "something less than a full requirements" agreement will see cheaper prices, Downes added.

C&Is that can control power use keep down congestion costs and unpredictability so suppliers can "dial out" some of the risk premiums typically in supplier offers, Downes noted.

Bear in mind, he added, that suppliers will check your credit rating at the same time you're checking theirs.

Once deals are signed, the process really begins, Downes added.

Setting the right pattern during the contract is weighed when figuring a renewal deal.

Customers with the right use profiles can sign up for more savings through PJM's economic load-cutting, emergency load-reduction and active load management programs thus qualifying for payments from the RTO, Downes added.

Pooling with other users - joining an aggregation for example - may offer "economies of execution" in making deals for supply, Downes explained, but bear in mind that you pay the average price of the pool.

That means half the pool members are paying more than they might need to and half are paying less.

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