

THE ENERGYDAILY

Business and Policy Coverage of the Power, Natural Gas, Oil, Nuclear and Renewables Industries

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Spanish Solar Firm Targets U.S. Market With MMA Purchase

BY JOHNATHAN RICKMAN

In a move that makes the Spanish firm one of the largest developers of solar power in the United States, Fotowatio announced Monday it will buy the core U.S. solar power assets of MMA Renewable Ventures, including the 14-megawatt installation located at Nellis Air Force Base in Nevada.

The deal with MMA Renewable Ventures, a pioneer of innovative financing techniques for U.S. solar projects, will give Madrid-based Fotowatio some 35 MW of solar projects in operation and more than 400 MW in the development stage.

In addition to the high-profile Nellis array, Fotowatio will get the world's largest operating thin-film solar installation using copper indium gallium selenide (CIGS) panels—the 750-kilowatt array at Tucson, Ariz., manufacturing plant of Global Solar Energy Inc., a leading CIGS panel maker.

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RTOs Defend Role In Transmission Expansion Planning

BY JEFF BEATTIE

Amid suggestions from some policymakers that a new approach is needed to speed grid expansion, officials from two regional transmission organizations insisted Monday that they remain the most capable entities to carry out the broad, multi-state planning needed to optimally site new power lines to serve burgeoning renewable generation.

The comments, made by the regional transmission organizations (RTO) at a technical meeting held by the Federal Energy Regulatory Commission, appear aimed at countering recent calls from some lawmakers, interest groups and generators for the creation of two new, planning authorities—one apiece for the U.S. Eastern and Western interconnections—to plan the long-haul, high-voltage transmission projects necessary to link remote wind and solar plants to the grid.

“RTOs should remain the priority [entity] for planning the integration of renewables into the grid,” said Gordon van Welie, president and chief executive officer of ISO-New England Inc., who was joined by a PJM Interconnection LLC official in defending RTOs’

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In Strategy Switch, NRG Buys Reliant's Retail Operations

In an unusual departure from its previous

BY GEORGE LOBSENZ

strategy of being a premier pure-play merchant generator, NRG Energy Inc. announced Monday it was moving into retail electricity supply by buying Reliant Energy Inc.'s extensive Texas retail operations for \$287.5 million.

NRG's acquisition comes as the generator is furiously trying to beat back a hostile takeover attempt by Exelon Corp., which last week increased pressure on NRG by announcing that 51 percent of NRG shareholders had tendered their shares to Exelon.

The deal with Reliant, if consummated, clearly would raise new strategic questions and complications for Exelon, which is focusing on its massive wholesale generation fleet as its engine for growth.

Exelon would not appear likely to want retail operations in Texas' deregulated market given the endless political wrangling it has undergone in Illinois, where state lawmakers have been outraged over rate increases by Commonwealth Edison (ComEd), Exelon's distribution utility, as a result of the deregulation of the state's electricity market.

Exelon Chairman and Chief Executive Officer John Rowe responded cautiously to NRG's announcement, saying it is not clear whether the acquisition of Reliant's retail unit would be a winner for NRG's shareholders.

“NRG hasn't provided enough information about its deal with Reliant to enable us to make an informed judgment about the impact of that deal on Exelon's pending offer to acquire NRG and the resultant impact on the value our deal creates for shareholders,” he said in a statement.

However, he added: “We believe under the right circumstances that an Exelon-NRG-Reliant combination would be good for competition in Texas—particularly because we bring a stronger

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GDF Suez Names Smith To Head North American Retail Unit

Suez Energy Resources NA, the Houston-based energy retailer, announced the promotion Monday of Robert Smith to become the company's new president and chief executive officer.

Smith has been serving as senior vice president of strategy, risk and portfolio management for Suez Energy Resources, which is a business unit of GDF Suez Energy North America.

During Smith's 12-year career at GDF Suez, he also served as senior vice

president of business development.

Smith replaces Michel Sirat, who left last summer to head trading and portfolio management for GDF Suez in Europe. Geert Peeters, the chief financial officer for GDF Suez, had been serving as interim CEO.

"Bob has been a significant and diverse contributor throughout his tenure at GDF Suez, and I'm confident that he will lead our business to continued successes," said Zin Smati, president and

chief executive officer of GDF Suez, in a written statement

"Bob has the skill and the knowledge of the market that is necessary to capitalize on new opportunities as the industry changes."

Suez Energy Resources serves 30,000 retail and industrial customers in Delaware, Texas, Massachusetts, Maine, Maryland, New York, New Jersey, Pennsylvania, Illinois, Connecticut and Washington, D.C.

The company owns or operates a total of 47 power, cogeneration, steam, and chilled-water facilities, including those in construction, representing a capacity of more than 6,382 megawatts of power.

NRG Buys Reliant's Retail Operations... (Continued from p. 1)

balance sheet to the table--as well as good for the NRG and Exelon shareholders."

NRG officials did not address the impact of the Reliant deal on Exelon's hostile takeover attempt, except to suggest that the acquisition might provide a reason for Exelon to raise its buy-out bid, which NRG officials have said is too low to accept.

Beyond that logic, NRG's purchase of Reliant's retail unit is unusual because NRG has previously sold itself to Wall Street as the best pure-play generating business for investors.

NRG officials contended their shareholders would benefit because the purchase of Reliant's retail business would be a "complementary combination" with NRG's extensive power plant fleet in Texas. In particular, they said NRG's 11,000 megawatts of generating capacity in the state would reduce power purchase and collateral risks for the retail operation, which is the second largest in Texas with 1.8 million customers.

However, while the Reliant buy brings NRG valuable commercial and industrial customers in Texas, NRG has no experience or expertise in marketing to residential customers. At the same time, Reliant's retail operations clearly bring significant financial and political risk that NRG did not have as a generator.

The risky nature of the retail business was evident from the 2008 financial results reported Monday by Reliant, which recorded a loss of \$873 million from continuing operations before income taxes. Houston-based Reliant said much of the loss was caused by the huge reduction in demand caused by Hurricane Ike, which knocked out power for thousands of Reliant customers for weeks.

In addition to such operational uncertainties, by taking over Reliant's politically sensitive retail unit, NRG faces potential scrutiny from Texas lawmakers unhappy about sharply rising electricity rates in the state's deregulated market.

NRG officials brushed off concerns that Reliant's retail op-

erations would raise collateral-posting requirements for NRG at a time of extreme financial pressure due to crashing credit and financial markets. Collateral must be posted by buyers and sellers in connection with wholesale power supply deals; such payments have weighed heavily on merchant generators and electricity marketers in recent months.

But NRG officials said collateral requirements actually would be reduced over time because the retail operation would get power from NRG's generation fleet, thus reducing the need to purchase power in the wholesale market.

Nonetheless, NRG said in the short term it has negotiated a transitional "credit sleeve facility" with Merrill Lynch, the current credit provider for Reliant, under which NRG will inject \$200 million of cash into the retail entity. NRG said the credit sleeve will provide collateral support for the retail operations for up to 18 months so there could be an orderly transition to NRG supplying the retail entity's power requirements.

"Matching NRG's generation with Reliant's retail load reduces the need for third-party power contracts and collateral support for the retail business," Robert Flexon, NRG's chief financial officer, said in a statement. "Merrill Lynch's credit support allows this transformation to happen in a structured and rational way."

NRG's arrangement with Merrill Lynch appears to provide a solution for Reliant, which had been sued by Merrill when it attempted to terminate the credit sleeve arrangement for its retail operations as a way to save money.

Reliant's sale of its retail operations means the company now becomes a pure-play generator, with 14,000 MW of capacity, mainly in Texas and the Mid-Atlantic region. However, while relieving itself of the troublesome retail unit, debt-heavy Reliant remains under the financial gun. The company in December sold off its electricity marketing operations in the Northeast to Hess.

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RTOs Defend Role In Transmission Expansion Planning... (Cont. from p. 1)

performance on the issue to date.

But while the RTOs were claiming they are up to the job, the head of a large transmission company argued the opposite at FERC's conference on integrating renewable resources into the electric grid.

Joseph Welch, chairman, president and chief executive officer of ITC Holdings Corp., said RTOs have too many internal conflicts to iron out intense disputes over which power lines should be built and where they should run.

Welch said RTOs cannot foster optimal region-wide transmission planning because utilities and other RTO members can exercise too much control in defense of their local interests, including by threatening to pull out and take their membership dues with them.

"Stakeholder involvement is good; stakeholder control is not," Welch said.

Welch and several other industry officials at Monday's conference pushed for the creation of interconnection-wide planning authorities that they said would be better able to direct and coordinate transmission planning by states, RTOs and other stakeholders.

The same idea has been put forth in numerous recent proposals to revise the process by which U.S. power lines are approved and sited. In particular, legislation expected within days from Senate Majority Leader Harry Reid (D-Nev.), is expected to give planning authority over certain types of power lines to new interconnection-wide planning authorities.

The proposals are all designed to make it easier to help feed power from renewable generators like wind farms and solar plants into the grid—a major goal of the Obama administration and Acting FERC Chairman Jon Wellinghoff.

To achieve that goal, many policymakers have concluded they need to give a federal entity like FERC authority to approve and site multi-state power lines. State regulators currently have authority over power line siting, but frequently oppose lines that would run through their states while providing most electricity supply benefits to other states.

Virtually all of the transmission proposals in circulation would rely heavily on new interconnection-wide planning processes to win support from states and other stakeholders that have in the past opposed large transmission lines.

Most of the proposals then would give FERC, or the new regional planning authorities, the power to approve the new lines over state objections. Importantly, most of the proposals would limit the new federal authority to high-voltage lines connected to renewable generators, and in some cases

to smaller "feeder" lines.

However, at Monday's meeting, the officials from ISO-New England and PJM, the Mid-Atlantic grid operator, suggested that the proposed interconnection-wide authorities are unnecessary because RTOs already are working together effectively on multi-state transmission planning.

For example, van Welie said ISO-New England had worked smoothly with the adjacent New York Independent System Operator to import wind-generated power from New York.

And Michael Kormos, senior vice president of operations for PJM, said the creation of new, interconnection-wide planning entities would not solve any of the fundamental problems now hampering transmission expansion.

"A new interconnection-wide planning entity would still have to face the same questions, the same issues and the same challenges currently before this commission and the RTOs today—with one exception: RTOs have an existing regional planning process that provides independence, technical expertise and a proven track record," Kormos said.

Beyond planning, industry experts at the FERC meeting identified a daunting number of obstacles to increasing wind, solar and other intermittent power sources on a grid accustomed to a steady flow of electrons from coal, nuclear and natural gas plants.

"We have a lot of work to do," said Rick Sergel, president and chief executive officer of the North American Electric Reliability Corp. (NERC), the nation's grid reliability monitor.

Sergel said NERC is working on a report that will identify technical barriers to greater renewable usage across the U.S. grid, and he previewed a few key conclusions. Among other things, Sergel said sophisticated weather forecasts should be better integrated into control room operations to better allow grid managers to predict supplies from power plants that depend on fluctuating wind and sunshine levels.

In a broader recommendation, Exelon Executive Vice President Elizabeth Moler urged FERC to ensure that outside competitors be allowed to compete with incumbent utilities to build any transmission that would be authorized with expected new federal siting authority.

"In Exelon's view, such a process will ensure that the transmission system developed is effective and cost-effective," said Moler, a former FERC commissioner.

Although Moler did not mention the topic, some utility officials have grumbled about large amounts of money awarded to federal power authorities for new transmission in the recently passed stimulus plan, theorizing that utilities could build the lines more quickly and efficiently.

Editor's note: Access Intelligence LLC, the parent company of *The Energy Daily*, Monday announced the purchase of EnergyOcean, a conference-based tradeshow event, from Technology Systems Corp. EnergyOcean focuses on the fast-growing ocean energy industry, which includes innovative wave, tidal, ocean current and offshore wind installations.

UK Agency Advances Scottish Offshore Wind Projects

The Crown Estate, a UK government agency that oversees sensitive shore and coastal areas, announced last month it has awarded 10 agreements to nine wind energy companies to develop wind farms off the coast of Scotland.

In awarding exclusive agreements to Danish energy company Dong Energy, German energy giant E. ON AG and others to develop 10 sites in Scottish territorial waters, the agency said the project promises to generate 6 gigawatts (GW) of offshore wind power and advance Scotland's renewable energy industry.

The February 16 announcement comes as the United Kingdom and European Union look to get 15 percent and 20 percent of total energy, respectively, from renewable sources by 2020. It also follows the UK government's December announcement of a new national target to generate 33 GW, up from 8 GW, of renewable energy from offshore wind by 2020.

Developers awarded deals for the Scottish offshore wind farms now can begin surveying the sites while the Scottish government conducts a strategic environ-

mental assessment for wind development off its coast. The assessment, which was launched January 23, is expected to be completed in 12 months, after which the Crown Estate will offer agreements for leasing suitable sites.

Other companies awarded exclusive agreements include Scottish Power Renewables, Fred Olsen Renewables Ltd., Mainstream Renewable Power Ltd., NPower Renewables Ltd., SeaEnergy Renewables Ltd., Fluor Ltd. and Airtricity Holdings UK Ltd., the renewable energy division of Scottish and Southern Energy.

Spanish Solar Firm Targets U.S. Market... (Continued from p. 1)

The asset sale by MMA, which is owned by MuniMae, a real estate finance and investment management company, is not surprising given the hard times facing the company and the solar industry, which has seen financing dry up due to the credit crunch.

MMA flourished in the early days of the solar boom through an innovative financing model utilizing power purchase agreements (PPA) with customers who agree to provide sites for solar farms. Under the concept, MMA agrees to finance, own and operate a solar energy system at the customer's location and sell the electricity it generates to the customer for a pre-determined period before giving the customer the option to buy the installation. The model allowed customers to avoid paying big upfront installation costs while giving MMA a steady revenue stream it could use to get financing for a project.

Embraced by numerous industry startups, MMA used its PPA model to finance about 40 MW of commercial solar systems in operation and under development in eight states. MMA has also invested some \$900 million in wind and other renewable energy projects.

MMA Chief Executive Officer Matthew Cheney told *The Energy Daily* Monday that MuniMae initially was a good fit, but the financial crisis forced the company to look for a new investor. "A good choice was made" in agreeing to merge with an energy company, said Cheney.

"We have a soft landing here....It's a very exciting opportunity," he added. "We're looking to our new partner to keep us on the value-creation track and we expect Fotowatio to do that."

Upon completion of the deal, MMA will merge its portfolio—including its non-solar assets—and management team with that of Fotowatio's Washington-based U.S. subsidiary, Fotowatio U.S.A., to form a new U.S. business unit dubbed Fotowatio Renewable Ventures. The new unit will focus on developing commercial- and utility-scale solar projects.

An interesting angle to the deal is the link to CIGS projects, which may allow Fotowatio to make inroads in the promising thin-film solar sector. However, CIGS production remains limited to date and CIGS solar cells are far from matching crystalline silicon solar cells in efficiency.

"This acquisition will significantly expand Fotowatio's portfolio, allowing us to meet our aggressive growth targets

earlier than expected," said Rafael Benjumea, chief executive officer of Fotowatio in a statement.

Fotowatio has invested more than \$800 million in solar projects since 2006 and plans to invest up to \$3.2 billion by 2012 in Spain, Italy and the United States.

Pending completion of its deal with MMA, Fotowatio's global portfolio will include more than 130 MW of operating solar projects in the United States and Spain and more than 1,000 MW in development.

The Spanish company's various shareholders include GE Energy Financial Services, which has a 32 percent stake in Fotowatio.



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