



STATE OF NEW JERSEY

Board of Public Utilities

Two Gateway Center

Newark, NJ 07102

www.nj.gov/bpu/

ENERGY

IN THE MATTER OF DEMAND RESPONSE
PROGRAMS FOR THE PERIOD BEGINNING)
JUNE 1, 2009 -- ELECTRIC DISTRIBUTION)
COMPANY PROGRAMS)

ORDER

DOCKET NO. EO08050326

and

IN THE MATTER OF DEMAND RESPONSE .)
PROGRAMS FOR THE PERIOD BEGINNING .)
JUNE 1, 2009 -- MARKET-BASED PROGRAMS

DOCKET NO. EO08060421

(SERVICE LIST ATTACHED)

BY THE BOARD¹:

At its April 8, 2008 agenda meeting, the Board directed that Staff from the Energy Division, Counsel's Office and the Office of the Business Energy Ombudsperson, with the support of the Executive Director and the Deputy Attorney General, develop proposals for its consideration for demand response (DR) programs that could be implemented for the energy year beginning June 1, 2009 (EY2009). The Board indicated that DR programs must be made available to all customer classes, so that any proposals it would entertain have provisions for residential, small to mid-sized commercial, and large commercial and industrial customers.

In its recommendations to the Board at the June 13, 2008 agenda meeting, Staff proposed the adoption of two parallel courses of action: one is directed toward the State's four electric distribution companies (EDCs), while the second is a market-based approach directed to all participants in the DR marketplace.

The EDC Approach

Under the first approach recommended by Staff, the Board would direct Public Service Electric & Gas Company, Jersey Central Power & Light Company, Atlantic City Electric Company and Rockland Electric Company to submit proposals for DR programs that could be implemented by June 1, 2009, if approved by the Board.

¹ Commissioner Christine V. Bator voted in the affirmative on this matter at the June 13, 2008, agenda meeting. However, the order was not finalized before her departure from the Board.

This option is authorized pursuant to L. 2007, c. 340, sec. 13(a) (3), codified as N.J.S.A. 48:3-98.1(a) (3), which states that “[t]he board may also direct electric public utilities and gas public utilities to undertake energy efficiency, conservation, and renewable energy improvements, and shall allow the recovery of program costs and incentive rate treatment pursuant to subsection b. of this section.”

DR programs administered by electric utilities in other states have been successful.

EDCs in New Jersey have experience in administering DR programs, having managed interruptible load tariffs prior to the 1999 passage of EDECA, and have conducted air conditioning cycling programs for residential customers.

Staff recommended that the Board set a statewide goal of 300 MW for the first year of the program, and a total of 600 MW by the end of the third year, which would be divided among the four EDCs on a pro-rated basis based on each EDC’s share of statewide load, as follows:

PSE&G	165 MW (55%)
JCP&L	93 MW (31%)
ACE	36 MW (12%)
RECO	6 MW (2%)

The above amounts must be measurable and verifiable, and would be in addition to any existing DR in the EDCs’ service areas.

The Market-based Approach

The second course of action recommended by Staff involves the development of a market-based approach in which all energy industry entities, including but not limited to energy suppliers, curtailment service providers (CSPs) and utilities, are invited to propose programs for decreasing New Jersey’s total annual electricity consumption and/or reducing the State’s electricity peak load. The proposed programs should be designed to achieve one or more of the following objectives: beneficially alter the State’s demand curve, reduce energy capacity requirements, and lower the locational marginal prices (LMPs) during periods of high electricity demand.

Industry proposals would not be constricted to a specific framework, but could be based on a Request for Proposal (RFP) design, a descending clock auction, a comprehensive portfolio approach or any other plan that could have a beneficial impact on the State’s use of electricity, including but not limited to Basic Generation Service (BGS). This approach is based upon the premise that market participants, with their experience in market operations, expertise in energy efficiency and customer load management strategies, and knowledge of supporting technology and equipment, are most qualified to design a program that achieves the greatest amount of DR megawatts at the most cost-effective price.

The goal of this option is the development of up to 600 MW of new DR over a three-year period. This time period could be extended for additional years, depending on the needs of the marketplace. A working group could be convened for the purpose of evaluating the technical merits and cost-effectiveness of the proposals. The working group could include national experts on demand response programs and load control strategies.

Examples of such transparent and competitive market-based DR solicitations are the ISO-New England RFP for DR in southwestern Connecticut; the Con Edison RFP for DR in targeted areas of New York City and Westchester County, and Southern Maryland Electric Cooperative's (SMECO) Virtual Peaking Capacity solicitation. The most recently implemented program, the SMECO DR solicitation (April 2008), contracted for 75 MW of DR to reduce its peak capacity needs. These pay-for-performance programs guarantee that ratepayers only fund demonstrated results at a known cost.

DISCUSSION

Based upon the foregoing and after review and consideration of Staff's recommendations, the Board hereby **ADOPTS** Staff's recommendations in this matter and **ORDERS** the following:

The EDC Approach

- 1) Pursuant to N.J.S.A. 48:3-98.1(a) (3), Public Service Electric & Gas Company, Jersey Central Power & Light Company, Atlantic City Electric Company and Rockland Electric Company shall submit proposals to the Board by August 1, 2008 for Demand Response programs for the period beginning June 1, 2009 under Docket No. EO08050326.
- 2) These EDC proposals shall be geared toward achieving a statewide goal of 300 megawatts of Demand Response above current levels for EY 2009, and a total of 600 megawatts of Demand Response above current levels by the end of EY 2011. These statewide goals shall be allocated among the four EDCs on the basis of their respective shares of statewide electric load, as cited above. These goals are open to comment and further review as part of the procedural schedule.
- 3) The EDC proposals shall provide opportunities for all customer classes to participate in the Demand Response program.
- 4) The EDC proposals should consider incorporating outside energy contractors for program services including, but not limited to, installation services and operational support, and shall be based on a competitive process for the procurement of equipment and technology.
- 5) The EDC proposals shall be specific in terms of projecting the cost effectiveness of each DR program component. Cost effectiveness will be a primary criterion in the Board's evaluation of the proposals.

The Market-based Approach

- 1) Staff shall notify the energy community and other potentially interested parties of the opportunity for energy industry entities, including but not limited to energy suppliers, curtailment service providers and utilities, to submit Market-based Programs as outlined in this Order through the BPU website (www.nj.gov/bpu), the BGS listserv and any other means that Staff may find appropriate. Parties choosing to file proposals under this approach should do so under Docket No. EO08060421.
- 2) Industry proposals should include the following:
 - The amount of DR targeted by the proposal with the development of up to 600 MW of new DR over a three-year period beginning June 1, 2009 as the goal;
 - A specific program design, including but not limited to, an RFP solicitation process; a descending clock auction, or any other format;
 - Whether the DR procurement process should be conducted separately from the BGS auction; prior to the BGS auction; or in some way integrated into the BGS auction, so that DR results can be reflected in the utilities' load curves and BGS auction participants' bids;
 - Whether the total DR should be provided from one bidder or solicitation source or be divided into individual slices for multiple awards;
 - Whether the program should be statewide or divided by utility service territories;

A description of the targeted classes, with a goal that all customer classes be included;
 - Whether the program includes participation in the PJM DR programs and energy and ancillary markets;
 - Program length with initial operation over a three-year period, and possible extension after review and Board approval;
 - The identification of a timeline for action;
 - The identification of expected benefits for participating customers, including but not limited to, monetary payments or revenues, rebates, shared technology financing or any other customer support;
 - Estimated program cost per kilowatt hour and total;
 - Identification of responsible parties for program administration and oversight function, and a description of the role of the utilities, if any.

Although separate dockets have been established for the EDC Programs and the Market-based Programs, both proceedings will follow the same procedural schedule developed by Staff and attached to this Order as Exhibit A. This schedule is designed to maximize stakeholder participation, while at the same time recognizing the need to expedite the process to increase the use of Demand Response at a time when energy prices have been increasing.

DATED: *July 1, 2008*

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ATTEST:

Kristi Izzo

KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within
document is a true copy of the original
in the files of the Board of Public
Utilities

Kristi Izzo

EXHIBIT A
PROCEDURAL SCHEDULE

IN THE MATTER OF DEMAND RESPONSE) ORDER
PROGRAMS FOR THE PERIOD BEGINNING
JUNE 1, 2009 -- ELECTRIC DISTRIBUTION
COMPANY PROGRAMS DOCKET NO. EO08050326

and

IN THE MATTER OF DEMAND RESPONSE)
PROGRAMS FOR THE PERIOD BEGINNING
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ACTION

DEADLINE

Pre-filing Conference	July 1, 2008*
Filing and notice for participation	August 1, 2008
Discovery	August 15, 2008
Responses to Discovery	August 29, 2008
Initial Comments	September 12, 2008
Legislative and Public Hearings	September 15 – October 3, 2008**
Final Comments	October 10, 2008
Reply Comments	October 17, 2008
Anticipated Board Decision	Mid-November, 2008

* Applicable only to proposals filed under N.J.S.A. 48:3-98.1(a) (3).

** Dates to be determined and posted on the BPU website and the BGS listserv.

Board of Public Utilities
 I/M/O Demand Response Programs for the Period Beginning June 1, 2009 – Electric Distribution Company Programs,
 Docket No. EO08050326 and
 I/M/O Demand Response Programs for the Period Beginning June 1, 2009 – Market-based Programs,
 Docket No. EO08060421
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