



Agenda Date: 3/16/06
Agenda Item: 2D

State of New Jersey
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
www.bpu.state.nj.us

IN THE MATTER OF THE PROVISION OF
BASIC GENERATION SERVICE FOR THE
PERIOD BEGINNING JUNE 1, 2007

ENERGY

DECISION AND ORDER

DOCKET NO. EO06020119

(Service List Attached)

BY THE BOARD:

In 2001, the Board of Public Utilities ("Board") first approved the use of an Internet-based descending clock auction ("Auction") for the procurement of Basic Generation Service ("BGS"). That Auction took place in February 2002. The decision to procure BGS through this type of Auction process was made following a review of alternative options that were considered and debated in written comments and at public hearings open to all interested parties. Since that time the Board has authorized the State's four electric distribution companies ("EDCs") to conduct four additional descending clock auctions to procure BGS service. Each decision was made following a process similar to that conducted in 2001 and each provided ample opportunity for all interested parties, including the general public, to comment and propose alternatives to the descending clock auction.

In 2001 and, to a lesser extent, in the 2002 review process some alternatives to a descending clock auction were put forth during the comment period. The Board considered these comments and determined that an Auction was the best procurement vehicle under prevailing market conditions. Beginning with the 2003 process, comments from the industry focused much more on modifications to the previous auctions with considerably less interest expressed in foregoing a descending clock auction for some other form of procurement vehicle. In the past three BGS procurement proceedings, a significant portion of the filed comments have focused on the retail margin, the size of the hourly-priced customer class and the supplier contract. The Board has been willing to consider and address these subjects in each of its BGS Orders and, to the extent that parties continue to see these matters as the areas of import, it will continue to do so.

While the Board and staff annually consider whether a descending clock auction is the appropriate vehicle for BGS procurement, it is important that the Board also hear from industry participants and the public on this subject. The Board Order approving the 2006 BGS procurement process expressed tentative support for conducting a descending clock auction in 2007. It also indicated that there would be opportunity for public comment. (Order dated December 8, 2005, Docket No. EO05040317). Therefore, the Board is initiating the 2007 BGS procurement process at this time with a consideration of just the procurement process, policy issues directly related thereto and issues that are of particular interest to the Board and warrant

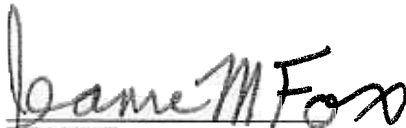
individual consideration. Attached hereto, as Attachment A, is a schedule and a set of questions intended to facilitate such a review.

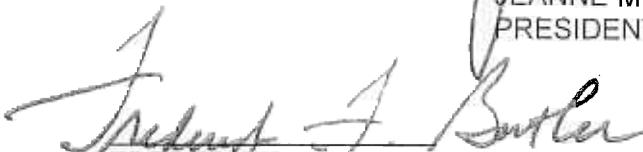
For the foregoing reasons, the Board ADOPTS the preliminary procedural schedule in Attachment A to this Order and DIRECTS any interested party to file preliminary responses to the questions in Attachment A by April 6, 2006. Interested parties should file comments with the Board's Secretary and circulate them electronically through the electric list server used by the industry for these types of communications. Parties should adhere to the attached schedule unless otherwise directed by Staff. Parties will be advised of the time and place of the legislative-style hearing identified in Attachment A through the electric list server used by Staff for these types of communications. The Board and/or Staff will also notify parties through the electric list server and, when possible, through the BPU webpage of the time and location of any meetings or hearings as well as any schedule changes.


Following consideration of the issues identified herein, the Board will issue an Order setting forth the manner and timeframe in which other matters related to BGS procurement for 2007 will be considered.

DATED: 3/24/06

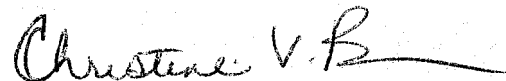
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BY:


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COMMISSIONER

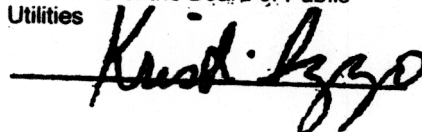

JOSEPH L. FIORDALISO
COMMISSIONER


CHRISTINE V. BATOR
COMMISSIONER

ATTEST:


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



ATTACHMENT A

I/M/O the Provision of Basic Generation Service
for the Period Beginning June 1, 2007
Docket No. EO06020119

Procedural Schedule

March 16	Procedural Order
April 6	Initial Comments on procurement process
Week of April 17	Open meeting to discuss comments
Week of April 24	Legislative-style hearing
May 4	Final comments
June 7	Anticipated Board decision

Further schedules, including utility filings, will be determined based on the Board's June 7 decision. All comments should be filed with the Board Secretary as well as circulated through the electronic list server that staff regularly uses for such electric industry matters.

Areas to be Addressed in April 6, 2006 Filings

- 1) What should be the goal of the Board's BGS procurement process?
- 2) What type of procurement process should be employed to best achieve this goal?
- 3) What is the appropriate term for which bids should be sought?
- 4) Please provide your opinion on the meaning of and need for transparency in a BGS procurement process. What, if any, additional features should be added that do not currently exist?
- 5) Should information about the bidder's underlying supply contracts be available to the Board? Should this be a requirement of future BGS procurements? If you respond in the affirmative, you must answer questions 5a-e.
 - a. What information should be provided to the Board?
 - b. When should this information be supplied?
 - c. What is the purpose in having this information available to the Board? How would you expect the Board to use this information?

- d. What should the consequences be for incomplete or erroneous information?
 - e. Should this information be considered an exception to the Open Public Records Act?
- 6) How can the Board best ascertain and assure that power procured for BGS is purchased at prices consistent with market conditions in a competitive wholesale marketplace?
- 7) If the Board were to initiate a review of the Supplier Master Agreements, which issues would you want the Board to revisit. Please identify the areas of the Supplier Master Agreement, by Article and Section, which might be impacted. Do not include detailed arguments on the issues, at this time.

Parties may provide additional comments pertaining to the philosophy, structure or implementation of a BGS procurement process. However, parties should refrain from comments specific to expansion of hourly pricing or the retail margin, at this time.

Board of Public Utilities
I/M/O the Provision of Basic Generation Service for the
Period Beginning June 1, 2007
Docket No. EO06020119
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