Agenda Date: 2/9/11
Agenda Item: 2A

STATE OF NEW JERSEY

Board of Public Utilities
Two Gateway Center, Suite 801
Newark, NJ 07102
www.nj.gov/bpu

ENERGY

IN THE MATTER OF THE PROVISION OF BASIC GENERATION SERVICE FOR THE PERIOD BEGINNING JUNE 1, 2011 – AUCTION RESULTS

DECISION AND ORDER

DOCKET NO. ER10040287

(E-SERVICE LIST ATTACHED)

BY THE BOARD:

By Order dated December 6, 2010 in this docket the New Jersey Board of Public Utilities ("Board") approved, with modifications and clarifications, the joint Basic Generation Service ("BGS") proposal of Public Service Electric and Gas Company ("PSE&G"), Jersey Central Power & Light Company ("JCP&L"), Atlantic City Electric Company ("ACE") and Rockland Electric Company ("Rockland") (collectively the "EDCs"), for two descending clock auctions to secure the EDCs' BGS electricity requirements for the period beginning June 1, 2011 ("December 6, 2010 Order"). In an attempt to mitigate the risk to ratepayers, the Board directed the EDCs to procure approximately one-third of the EDCs' current fixed-price ("BGS-FP") BGS load for a 36-month period.[1] The Board also found that a 12-month procurement period for the EDCs' hourly load BGS customers ("BGS-CIEP") is appropriate and reasonable. In its December 6, 2010 Order, the Board also committed to review the results of the BGS-FP Auction and the BGS-CIEP Auction (collectively the "BGS Auctions" or "Auctions") each in its entirety and certify the results of each auction for all of the EDCs, or for none of them, no later than the second business day after the last Auction closes.

The results of the BGS Auctions, if approved by the Board, will then be converted into revised BGS rates for customers beginning June 1, 2011. This is the tenth year the Board has authorized a similar auction process to secure BGS supply.

The Auction Manager responsible for conducting the 2011 Auctions was National Economic Research Associates ("NERA"). NERA brings expertise in the conduct of simultaneous descending clock auctions in the energy and telecommunications industries, and was the Auction Manager for the nine previous BGS Auctions. The 2011 Auctions were continuously monitored by Staff from the Division of Energy, as well as by the Board's consultant, Boston Pacific Company, Inc. ("Boston Pacific"). Boston Pacific was retained to assist the Board in this process. Boston Pacific has

[1] Approximately two-thirds of the EDCs' BGS-FP requirements are already under contract through May 31, 2012, and one-third through May 31, 2013 as a result of the 2009 and 2010 BGS-FP Auctions.

experience with simultaneous descending clock auctions and energy industry experience.

BGS-FP AUCTION SUMMARY

The BGS-FP Auction began on February 4, 2011 and ended on February 8, 2011 after 25 rounds with all of the EDCs' 53 tranches[2] secured, with the following closing prices for each EDC:

EDC	Closing Price ¢/Kwh	Total Tranches Available
ACE	10.095	8
JCP&L	9.256	15
PSE&G	9.430	28
ROCKLAND	10.684	2

A list of the BGS-FP Auction winners is included in Attachment A to this Order.

BGS-CIEP AUCTION SUMMARY

The BGS-CIEP Auction began on February 3, 2011, and ended on February 8, 2011 after 55 rounds with all of the EDCs' 46 tranches[3] secured, with the following closing prices for each EDC:

EDC	Closing Price $/Mw-day	Total Tranches Secured
ACE	114.73	5
JCP&L	120.01	14
PSE&G	116.47	26
ROCKLAND	128.94	1

A list of the BGS-CIEP Auction winners is included in Attachment A to this Order.

BGS AUCTION OVERSIGHT

NERA has provided a confidential post-Auction checklist form evaluating how the BGS-FP and BGS-CIEP Auctions were conducted. NERA's analysis supporting acceptance of the Auction results indicates, in part, that:

> no issues or questions were left unresolved prior to the Auctions that created uncertainty for bidders;
> no procedural problems nor errors were observed during the Auctions; all communication protocols were followed;
> no hardware nor software problems with the Auctions and communication systems were observed;

[2] A tranche in the BGS-FP Auction is approximately 100 Mw.
[3] A tranche in the BGS-CIEP Auction is equivalent to approximately 75 Mw.

- no security breaches were observed during the Auction process;
- all guidelines for setting or changing the Auction parameters were followed;
- there was no evidence of confusion or misunderstanding on the part of bidders that delayed or impaired the Auctions in a material manner;
- communications between the Auction Manager and bidders was timely and effective;
- there was no evidence that bidders were rushed;
- no complaints were received from the bidders;
- the Auctions were carried out in a fair and transparent manner;
- there was no evidence of collusion or gaming by the bidders;
- public and sensitive information were treated appropriately;
- there were no factors exogenous to the Auctions that materially affected the Auctions; and
- the Auctions appear to have generated a result that is consistent with competitive bidding, market-determined prices, and efficient allocation of the BGS-FP and BGS-CIEP loads.

Boston Pacific has also provided the Board with a confidential post-Auction evaluation form for the BGS-FP and BGS-CIEP Auctions, as well as a supplemental checklist reviewing how the Auctions were conducted. Boston Pacific's analysis is consistent with NERA's analysis. Both consultants recommend that the Board accept the final Auction results.

BGS AUCTION FINDINGS AND CONCLUSIONS

The independent NERA and Boston Pacific analyses are consistent with each other and indicate that the Auctions proceeded without meaningful interruption, according to the Board-approved Auction Rules, in an acceptably fair and transparent manner, and they both recommend that the Board certify the Auction results. Staff assigned to oversee the Auctions has also briefed the Board on the conduct and results of each Auction.

After reviewing the checklists and evaluation forms from NERA and Boston Pacific, and discussing the results and conduct of the Auctions with Staff, NERA and Boston Pacific, the Board FINDS that:

- bidders had sufficient information to prepare for the Auctions;
- information was generally provided to bidders in accordance with the published timetable, and the timetable was adjusted appropriately as needed;
- there were no Auction issues or questions left unresolved prior to the Auctions that created material uncertainty for bidders;
- from what could be observed, there were no procedural problems nor errors with the Auctions, including the electronic bidding process, the back-up bidding process, and communications between bidders and the Auction Manager;
- from what could be observed, communication protocols between bidders and the Auction Manager were adhered to;
- appropriate data back-up procedures were planned and carried out;
- no security breaches were observed during the Auction process;
- from what could be observed, communication protocols among the EDCs, NERA, Staff, the Board, and Boston Pacific were followed during the Auctions;
- protocols were followed for decisions regarding changes in the Auction parameters (e.g. volume, load cap, bid decrements);

- the calculations (e.g. for bid decrements or bidder eligibility) produced by the Auction software were double-checked or reproduced off-line by the Auction Manager;
- there was no evidence of confusion or misunderstanding on the part of bidders that delayed or impaired the Auctions;
- from what could be observed, the communications between the Auction Manager and bidders was timely and effective;
- there were no complaints received from the bidders about the process;
- the Auctions were carried out in an acceptably fair and transparent manner;
- there was no evidence of gaming on the part of bidders;
- there was no evidence of collusion among bidders;
- information was made public in an appropriate manner, and from what could be observed sensitive information was treated appropriately;
- there were no factors exogenous to the Auctions (e.g. changes in market environment) that materially affected the Auctions in unanticipated ways);
- there are no concerns with the Auctions' outcome with regard to any specific EDC(s);
- the Auctions appear to have generated a result that is consistent with competitive bidding, market-determined prices, and efficient allocation of the BGS-FP and BGS-CIEP loads.

Based on the foregoing, the Board HEREBY CERTIFIES the final results of the BGS-FP and BGS-CIEP Auctions in their entirety, and subsequently APPROVES the closing prices for each EDC. Furthermore, the Board HEREBY ORDERS the EDCs: 1) to execute the necessary documents with the winning bidders, including the BGS Supplier Master Agreements, 2) to implement the BGS rates resulting from the Auctions beginning June 1, 2011, and 3) to file tariff sheets reflecting those rates by March 1, 2011.

Consistent with past Board practice, the Board is releasing the names of the winning bidders at this time. However, at this time, the Board will not release the specific tranche and service area details for each successful bidder, so as not to compromise the position of the winning bidders in the marketplace. The Board plans to make this additional information public prior to June 1, 2011.

DATED: 2/9/11

BOARD OF PUBLIC UTILITIES
BY:

LEE A. SOLOMON
PRESIDENT

JEANNE M. FOX
COMMISSIONER

JOSEPH L. FIORDALISO
COMMISSIONER

NICHOLAS ASSELTA
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, 2011
Docket No. ER10040287

Auction Winners Approved by the Board of Public Utilities on February 9, 2011

BGS-FP Auction Winners

ConocoPhillips Company
Constellation Energy Commodities Group, Inc.
DTE Energy Trading, Inc.
Exelon Generation Company, LLC
NRG Power Marketing LLC
NextEra Energy Power Marketing, LLC
PSEG Energy Resources and Trade LLC
TransCanada Power Marketing Ltd.

BGS-CIEP Auction Winners

ConocoPhillips Company
Consolidated Edison Energy, Inc.
Constellation Energy Commodities Group, Inc.
DTE Energy Trading, Inc.
Dominion Retail, Inc.
NextEra Energy Power Marketing, LLC