



Agenda Date: 2/7/19
Agenda Item: 2A

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

ENERGY

IN THE MATTER OF THE PROVISION OF BASIC)
GENERATION SERVICE (BGS) FOR THE PERIOD)
BEGINNING JUNE 1, 2019)

ORDER

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)
)
)
) DOCKET NO. ER18040356

Parties of Record:

- Gregory Eisenstark, Esq.**, Windels Marx Lane & Mittendorf, LLP, on behalf of Jersey Central Power & Light Company
- Joseph A. Shea, Esq.**, Attorney for Public Service Electric and Gas Company
- Philip J. Passanante, Esq.**, Associate General Counsel for Atlantic City Electric Company
- Margaret Comes, Esq.**, Senior Attorney for Rockland Electric Company
- Chantale LaCasse**, BGS Auction Manager, NERA Economic Consulting
- Stefanie A. Brand, Esq.**, Director, New Jersey Division of Rate Counsel

BY THE BOARD:

By Order (“November 2018 Order”) dated November 19, 2018 in this docket, the New Jersey Board of Public Utilities (“Board”) approved 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, 2019. In an attempt to mitigate the risk to ratepayers, the Board directed the EDCs to procure approximately one-third of the EDCs’ BGS residential small commercial customers (“BGS-RSCP”) load for a 36-month period through a single clearing price for each EDC’s BGS supply requirements in the auction.¹ The Board also found that a 12-month procurement period for the EDCs’ hourly load BGS commercial and industrial energy pricing customers (“BGS-CIEP”) is appropriate and reasonable. In the November 2018 Order, the Board also committed to review the results of the BGS-RSCP Auction and the BGS-CIEP Auction (collectively the “BGS Auctions” or “Auctions”), respectively, in their 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.

¹ Approximately two-thirds of the EDCs’ BGS-RSCP requirements are already under contract through May 31, 2020, and one-third through May 31, 2021 as a result of the 2017 and 2018 BGS-RSCP Auctions.

The results of the BGS Auctions, if approved by the Board, will then be converted into revised BGS rates for customers beginning June 1, 2019. This is the eighteenth year the Board has authorized a similar auction process to secure BGS supply.

The Auction Manager responsible for conducting the 2019 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 has been the Auction Manager for the prior 17 BGS Auctions. The 2019 Auctions were continuously monitored by the Division of Energy ("Staff"), as well as by the Board's consultant, Bates White, LLC ("Bates White"). Bates White was retained to assist the Board in this process. Bates White has experience with simultaneous descending clock auctions and energy industry experience.

BGS-RSCP AUCTION SUMMARY

The BGS-RSCP Auction began on February 4, 2019 and ended on February 5, 2019 after 24 rounds with all of the EDCs' 54 tranches² secured, with the following closing prices for each EDC:

EDC	Closing Price (cents/kWh)	Total Tranches Sold
ACE	8.740	7
JCP&L	7.715	18
PSE&G	9.804	28
Rockland	8.803	1

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

BGS-CIEP AUCTION SUMMARY

The BGS-CIEP Auction began on February 1, 2019, and ended on February 4, 2019 after 27 rounds with all of the EDCs' 41 tranches³ secured, with the following closing prices for each EDC:

EDC	Closing Price (\$/Mw-day)	Total Tranches Sold
ACE	290.15	4
JCP&L	246.01	11
PSE&G	281.78	25
Rockland	283.36	1

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

² A tranche in the BGS-RSCP Auction is approximately 100 MW.

³ A tranche in the BGS-CIEP Auction is equivalent to approximately 75 MW. However, Rockland only has one tranche with an eligible load of 56 MW.

BGS AUCTION OVERSIGHT

NERA has provided a confidential post-Auction checklist form evaluating how the BGS-RSCP 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;
- neither procedural problems nor errors were observed during the Auctions; all communication protocols were followed;
- neither hardware nor software problems with the Auctions and communication systems were observed;
- 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-RSCP and BGS-CIEP loads.

Bates White has also provided the Board with a confidential post-Auction evaluation form for the BGS-RSCP and BGS-CIEP Auctions, as well as a supplemental checklist reviewing how the Auctions were conducted. Bates White'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 Bates White 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 Bates White, and discussing the results and conduct of the Auctions with Staff, NERA and Bates White, the Board **FINDS** that:

- all 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;

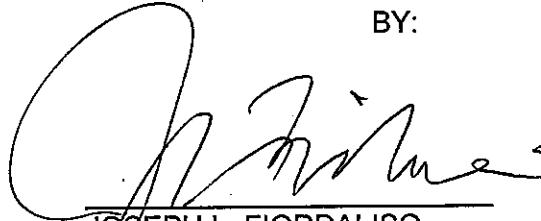
- there were no Auction issues or questions left unresolved prior to the Auctions that created material uncertainty for bidders;
- from what could be observed, there were neither procedural problems nor errors with the Auctions, including the electronic bidding process, the back-up bidding process, and 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 Bates White 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); and
- the Auctions appear to have generated a result that is consistent with competitive bidding, market-determined prices, and efficient allocation of the BGS-RSCP and BGS-CIEP loads.

Based on the foregoing, the Board **HEREBY CERTIFIES** the final results of the BGS-RSCP 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, 2019; and 3) to file tariff sheets reflecting those rates by March 1, 2019.

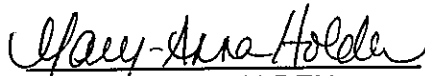
Consistent with past Board practice, the Board is releasing the names of the winning bidders at this time. However, at this time, the Board will not release the specific tranche and service area details for each successful bidder, so as not to compromise the position of the winning bidders in the marketplace. The Board plans to make this additional information public prior to June 1, 2019.

DATED: 2/7/19

BOARD OF PUBLIC UTILITIES
BY:



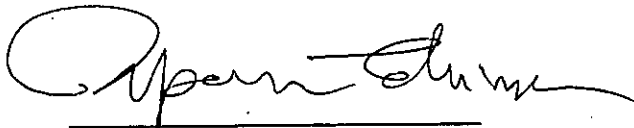
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ATTEST: 

AIDA CAMACHO-WELCH
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, 2019
Docket No. ER18040356**

Auction Winners Approved by the Board of Public Utilities on February 7, 2019

BGS-RSCP Auction Winners

BP Energy Company
Calpine Energy Services LP
Covanta Energy Marketing LLC
DTE Energy Trading, Inc.
Exelon Generation Company, LLC
Hartree Partners, L.P.
NextEra Energy Marketing, LLC
PSEG Energy Resources & Trade LLC

BGS-CIEP Auction Winners

ConocoPhillips Company
DTE Energy Trading, Inc.
Exelon Generation Company, LLC
Hartree Partners, L.P.
PSEG Energy Resources & Trade LLC

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2019
DOCKET NO. ER18040356
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IN THE MATTER OF THE PROVISION OF BASIC GENERATION SERVICE (BGS) FOR THE PERIOD BEGINNING JUNE 1,
2019

DOCKET NO. ER18040356

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