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September 3, 2021

Via Electronic Mail

Ms. Aida Camacho-Welch, Secretary
Board of Public Utilities
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**Re: In the Matter of the Provision of Basic Generation Service for
the Period Beginning June 1, 2022
BPU Docket No. ER21030631**

Dear Secretary Camacho-Welch:

Pursuant to the schedule set forth in the Board's Decision and Order dated April 7, 2021, the Division of Rate Counsel submits its Initial Comments in connection with the above-referenced matter.

Thank you for your attention to this matter.

Respectfully submitted,

BRIAN O. LIPMAN, ACTING DIRECTOR
DIVISION OF RATE COUNSEL

By: /s/ David Wand
T. David Wand, Esq.
Deputy Rate Counsel

DW/dl
Enclosure
c: Electronic Mail Distribution List

**I/M/O the Provision of Basic Generation Service
(BGS) For the Period Beginning June 1, 2022
BPU Docket No. ER21030631**

Initial Comments of the Division of Rate Counsel

September 3, 2021

I. Introduction

The Division of Rate Counsel (“Rate Counsel”) is pleased to provide these comments to the Board of Public Utilities (the “Board” or “BPU”) pursuant to the 2022 BGS procedural schedule established by Board Order, dated April 7, 2021, in I/M/O the Provision of Basic Generation Service (BGS) for the Period Beginning June 1, 2022, BPU Docket No. ER21030631, (“2022 BGS Procedural Order”).

In a joint filing (“Joint Filing”), dated July 1, 2021, the Electric Distribution Companies (the “EDCs”), specifically: Public Service Electric and Gas Company (“PSE&G”); Jersey Central Power and Light Company (“JCP&L”); Atlantic City Electric Company (“ACE”); and Rockland Electric Company (“RECO”), propose one significant and two minor changes to the BGS process.¹ The EDCs recommend that the Board approve a modification to the current load obligation process which would transfer unaccounted for energy (“UFE”) from the final monthly energy allocation (“FMEA”) of BGS suppliers, third party suppliers, and municipalities to the EDCs. The EDCs also propose to transfer the responsibility for costs and/or credits related to meter corrections and inadvertent energy from BGS suppliers to the EDCs.²

¹ Proposal for Basic Generation Service Requirements To Be Procured Effective June 1, 2022 (July 1, 2021) (“Joint Filing”).

² Id. at 6.

The EDCs have proposed that the deferral and recovery of costs/credits from the transfer of UFE in the FMEA to the EDCs be done through an annual reconcilable non-bypassable charge, such as the Non-Utility generation charge (“NGC”) mechanism.³ ACE, JCP&L, and PSE&G currently already have a NGC, however RECO would need to create an NGC mechanism.⁴ The EDCs further propose to include all costs and/or credits related to meter corrections and inadvertent energy in their respective reconciliation charges.⁵ The EDCs contend that the actual amount of money collected from ratepayers will not change, and that suppliers may provide lower bids to reflect reduced risks.⁶

The EDCs are also seeking to add Capacity Supplements to the BGS-RSCP SMA to include capacity proxy prices due to currently unknown PJM Base Residual Auction (“BRA”) auction results for the 2023/2024 and 2024/2025 delivery years.⁷ Finally, the EDCs recommend that the Board allow the EDCs to continue the virtual auction format for this upcoming auction and explore ways to eliminate the BGS physical office.⁸

As set forth more fully below, Rate Counsel is unpersuaded by the EDCs’ arguments that ratepayers would see reduced bids with the proposed change. At this time, Rate Counsel respectfully requests that the Board reject the EDCs’ proposed changes to assume the responsibility of UFE from the FMEA of BGS suppliers, third-party suppliers, and municipalities. Regarding the use of capacity proxy prices, Rate Counsel believes using a proxy price for the 2024/2025 delivery year is consistent with the EDCs’ treatment of unknown capacity prices in last year’s BGS auction. However,

³ Id.

⁴ Id. at 6-7.

⁵ Id. at 19.

⁶ Id.

⁷ Id. at 15-16.

⁸ Id. at 4-5.

the EDCs' justification for using a capacity proxy price for the 2023/2024 delivery year is less clear, given that results of the BRA are expected well before the BGS auction. Last, Rate Counsel does not object to the EDCs using a virtual auction format this year, so long as the Board finds that the integrity of the auction process can be maintained.

II. Discussion

a. Unaccounted for Energy

Historically, BGS suppliers have incorporated UFE based on published tariff loss factors provided by the EDCs.⁹ The EDCs contend that their proposal would “reduce uncertainty to BGS Loads and thus . . . [benefit] customers by reducing any related risk premiums BGS suppliers may include in their bids related to the same.”¹⁰ As noted earlier, the EDCs' proposal would transfer the responsibility of the final monthly energy allocation (“FMEA”) from BGS suppliers, third party suppliers, and municipalities to the EDCs and also transfer the responsibility for costs and/or credits related to meter corrections and inadvertent energy from BGS suppliers to the EDCs.¹¹ In responses to RCR-BGS-17 and RCR-BGS-28, the EDCs state that they have not conducted a legal analysis to determine if the proposed change is “permissible and consistent with the current Board-approved TPS Agreement” nor have they discussed modifying the TPS Agreement with third-party suppliers.¹² Nonetheless, the EDCs assert that their proposal would only require editing the third-party supplier operating manuals but no amendment to the TPS Agreement.¹³

⁹ Id. at 6.

¹⁰ Id. at 7.

¹¹ Id. at 6.

¹² See id. at 8. See also RCR-BGS-17 and RCR-BGS-28.

¹³ RCR-BGS-17.

Rate Counsel notes that, based on the discovery responses provided by the EDCs, JCP&L has had much higher aggregate levels of UFE relative to the other EDCs as shown in the table below:¹⁴

Table 1 EDCs Reported UFE (MWh)

EDC	EY2019	EY2020	EY2021
PSE&G	(284,195)	(154,459)	156,890
JCP&L	(1,025,898)	(987,926)	(873,601)
ACE	54,133	97,733	104,673
Note			
negative values reduces load obligation			
positive value increase load obligation			

RECO did not provide any information on UFE, because it does not have this information available and will need to install settlement software in the Spring of 2022 which would allow it to obtain the information provided by the other EDCs.¹⁵ The table shows that on an aggregate and absolute value basis, JCP&L has the largest amount of UFE of the three reporting EDCs. When compared to monthly loads (MW), JCP&L also has the largest proportional amount relative to the other two EDCs. It is not clear why JCP&L UFE values are so much larger relative to the other EDCs.

In their filing, the EDCs identified several factors that contribute to UFE.¹⁶ These include:

- the difference between customer class average (tariff) loss factors and the actual losses on an EDC's system (which vary hour by hour);
- the difference between hourly loads for non-interval metered accounts and the actual hourly loads of such customers;
- estimated bills;
- estimates used in the submittal of generation and transmission tie-line information in determining the EDC's system load;
- meter error; and

¹⁴ RCR-BGS-9.

¹⁵ Id.

¹⁶ Joint Filing at 6.

- energy theft.

However, in response to RCR-BGS-11, the EDCs state they have not conducted an analysis of the causes of UFE for their respective service territories.¹⁷ Additionally, in response to RCR-BGS-12, the EDCs provided UFE associated with meter error and energy theft.¹⁸ These values are provided below:

Table 2 Reported UFE Associated with Meter Error and Inadvertent Energy

BGS Meter Correction (MWh)			
EDC	EY2019	EY2020	EY2021
PSE&G	(17,537)	(15,447)	(6,034)
JCP&L	7,549	(6,228)	121
ACE	3,633	(3,671)	(2,254)
Note			
negative values reduces load obligation			
positive value increase load obligation			

BGS Inadvertent Energy (MWh)			
EDC	EY2019	EY2020	EY2021
PSE&G	(1,870)	(4,799)	2,395
JCP&L	(922)	(2,311)	1,299
ACE	(314)	(912)	587
Note			
negative values reduces load obligation			
positive value increase load obligation			

Compared to the values provided in response to RCR-BGS-9, the contribution of meter error and inadvertent energy to UFE appears to be small. This suggests that other factors, not analyzed by the EDCs at this time,¹⁹ appear to be a large contributor to UFE. Since it is unclear what the major factors comprising the EDCs' UFE are, further inquiry is necessary. Therefore, if the UFE is an important issue to the Board, the Board should

¹⁷ RCR-BGS-11.

¹⁸ RCR-BGS-12.

¹⁹ See RCR-BGS-11.

take the time to fully examine the drivers of UFE in a separate proceeding outside this BGS proceeding.²⁰

The EDCs contend that their proposal would also eliminate the need to have all suppliers and/or PJM sign-off on the settlement transactions resulting from post-FMEA adjustments.²¹ In response to RCR-BGS-16, only JCP&L was aware of suppliers that have not participated in a post-FMEA adjustment settlement.²² JCP&L did not elaborate on the circumstances of the non-participation.²³

At this time, Rate Counsel recommends that the Board reject the EDCs' proposed change to make the EDCs responsible for UFE. The EDCs have not shown how ratepayers would specifically benefit from the proposed change or whether BGS suppliers, TPS Suppliers, or municipalities are in favor of this change to the BGS product. Rate Counsel also notes that, of the four EDCs, JCP&L appears to have the largest UFE and has had issues with suppliers regarding the final reconciliation of UFE. Rate Counsel recommends that the Board open a proceeding to examine the issue of UFE for all the EDCs generically but also to specifically examine the issues and/or factors affecting JCP&L.

²⁰ Rate Counsel also notes that, of the four EDCs, RECO is the only one with full AMI deployment, yet does not have detailed data on UFE. Therefore Rate Counsel questions the EDCs' assertion that deployment of AMI can identify the causes of UFE. See BGS-RCR-11.

²¹ Joint Filing at 7.

²² RCR-BGS-16.

²³ See Id.

b. Delay in PJM Base Residual Auction and Capacity Proxy Price

Normally, the capacity prices for the three-year delivery period starting on June 1 of a given year would be known at the time of the auction for that year, which typically happens in February of the same year. As noted in our comments for the last two years, FERC originally ordered PJM not to hold the capacity auction for the 2022-2023 delivery year in August 2019.²⁴ On September 27, 2019, PJM announced that it would suspend all auction activities and deadlines for the 2022/23 and 2023/24 Delivery Years.²⁵ These auctions were to have occurred in May 2020 and May 2021 accordingly. On November 12, 2020, FERC issued an Order in Dockets EL19-58-002 and EL19-58-003 that effectively enabled PJM to restart the capacity market auction process.²⁶

In May 2021, PJM held the base residual auction for the 2022/23 Delivery Year.²⁷ PJM plans to hold the auction for the 2023/2024 Delivery Year in December 2021 and the auction for the 2024/2025 Delivery Year in June 2022.²⁸

The EDCs argue that potential BGS-RSCP suppliers may include risk premiums into their bids or choose not to participate altogether if the capacity proxy price is not known prior to auction. To address this concern, the EDCs propose to extend the Capacity Proxy Price to the BGS-RSCP SMA to include currently unknown BRA auction prices for the 2023/2024 and 2024/2025 delivery years since those auctions have not yet

²⁴ Calpine Corporation v. PJM Interconnection LLC, 168 F.E.R.C. ¶ 61,051 (2019).

²⁵ See <https://www.pjm.com/-/media/markets-ops/rpm/rpm-auction-info/2023-2024/2023-2024-pjm-message-regarding-suspension-of-rpm-base-residual-auction-activities-and-deadlines-until-further-notice.ashx?la=en>

²⁶ PJM Interconnection, L.L.C., FERC Docket Nos. EL19-58-002 and EL19-58-003 (Nov. 12, 2020)(Available at <https://elibrary.ferc.gov/eLibrary/filedownload?fileid=15658712>).

²⁷ 2022/2023 RPM Base Residual Auction Results (available at <https://www.pjm.com/-/media/markets-ops/rpm/rpm-auction-info/2022-2023/2022-2023-base-residual-auction-report.ashx>).

²⁸ Market Implementation Committee, 2022/2023 BRA schedule (Dec. 2, 2020) (available at <https://www.pjm.com/-/media/committees-groups/committees/mic/2020/20201202/20201202-item-05a-2022-2023-base-residual-auction-schedule.ashx>).

occurred.²⁹ The EDCs propose utilizing the Capacity Proxy Price if the BRA results are not known at least 20 business days prior to the EDCs BGS-RSCP Auction.³⁰ The EDCs do not provide a basis for choosing 20 business days other than by stating it is their intent to provide “adequate time” to bidders.³¹

Rate Counsel believes that the extension of the capacity price proxy for the 2024/25 delivery year is warranted given that the results of the auction will be available in late June well after the February 2022 auction date. With regard to the 2023/2024 delivery year, Rate Counsel is not convinced that 20 business days advanced notice of the BRA is necessary for bidders seeking to participate in the 2022 BGS-RSCP auction. At this time, Rate Counsel recommends that the Board continue to allow the EDCs to use a capacity proxy price for the 2024/2025 Capacity Auction for this proceeding. However, Rate Counsel recommends the Board consider shortening the amount of notice that would trigger implementing the Capacity Proxy Price for the 2023/2024 delivery year.

c. Remote Auction

Due to the COVID-19 public health crisis and restrictions on public gatherings, last year’s auction was held remotely. In this year’s proceeding, the EDCs recommend continuing the practice of holding the auction remotely for this proceeding and for future proceedings.³² The EDCs note that the protocols for the remote auction are already in place from last year.³³ In addition, the EDCs request the Board’s approval to take the necessary steps to close and/or sublet the physical BGS space.³⁴ The EDCs indicated that the average cost of maintaining the physical BGS office space for EY2017 through

²⁹ Joint Filing at 12.

³⁰ Id. at 13.

³¹ RCR-BGS-22.

³² Id. at 4.

³³ Id. at 5.

³⁴ Id.

EY2020 was approximately \$73,625 per year.³⁵ Rate Counsel does not object to the EDCs' proposal that the 2022 BGS Auctions be conducted remotely, so long as the security and integrity of the auction process can be maintained. While Rate Counsel is in favor of reducing the costs associated with the physical BGS Auction office while the auctions are being conducted remotely, Rate Counsel recommends that the Board reevaluate the benefits of a remote auction in subsequent BGS proceedings.

III. Conclusion

Based on the foregoing, Rate Counsel respectfully requests that the Board reject, at this time, the EDCs' proposal to include UFE costs from the BGS product. Rate Counsel acknowledges that of the four EDCs, JCP&L appears to have the largest UFE and has had issues with suppliers regarding the final reconciliation of UFE. Rate Counsel recommends that the Board open a proceeding to examine the issue of UFE for all the EDCs generically and also specifically for JCP&L. In addition, Rate Counsel agrees with the EDCs proposal to include a proxy capacity price for the 2024/2025 capacity auction that has yet to occur. However, it is unclear the same necessity exists for 2023/2024 BRA auction results. Finally, Rate Counsel agrees with the EDCs' proposal to conduct the February 2022 auction remotely and for the EDCs to take the necessary steps to limit costs associated with the BGS physical office space while the EDCs are conducting the BGS auctions remotely. Rate Counsel thanks the Board for this opportunity to provide Initial Comments and looks forward to working with all parties throughout this BGS proceeding.

³⁵ RCR-BGS-7.