

STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
www.bpu.state.nj.us

I/M/O The Provision Of Basic)	ENERGY
Generation Service Pursuant)	
To The Electric Discount And)	DECISION AND ORDER
Energy Competition Act,)	
<u>N.J.S.A. 48:3-49 et seq.</u>)	Docket No. EX01110754
Basic Generation Service ("BGS"))	
Auction Results)	

(Service List Attached)

BY THE BOARD:

By Order dated December 18, 2002, the Board approved with modifications and clarifications the joint proposal of Public Service Electric and Gas Company ("PSE&G"), Jersey Central Power & Light Company ("JCP&L"), Connecticut Power Delivery ("Conectiv") and Rockland Electric Company ("Rockland") (collectively the "EDCs") for a BGS-FP Auction and BGS-HEP Auction (collectively the "Auction"), as the best means to secure electricity for Year One (August 1, 2003-May 31, 2004), as well as a portion of the electricity required for Years Two and Three of the post-Transition Period. At the same time, the Board also directed the EDCs to make a Compliance Filing by November 15, 2002, which was subsequently approved at the Board's regularly scheduled Agenda meeting of November 20, 2002.

By Order dated December 18, 2002, the Board also found that an Auction process for two-thirds of the EDCs' BGS-FP load for 10 months and for one-third of such load for 34 months balances risks and provides a reasonable possibility for price stability under current conditions. Also, in that Order, the Board committed to addressing the results of the BGS-FP Auction and the BGS-HEP Auction each in its entirety and certify the results of each for all of the EDCs or for none of them no later than the second day after the last Auction closes.

By Order dated December 3, 2003, the Board directed its custodian that certain information concerning the Auction process and its bidders be treated as confidential and not included as a government record pursuant to the Open Public Records Act ("OPRA").

AUCTION SUMMARY

The BGS-HEP Auction began on February 3, 2003 and ended on February 4, 2003 after 15 rounds. The BGS-FP Auction began on February 3, 2003 and ended on February 4, 2003 after 14 rounds. The Auction Manager, responsible for conducting the Auction, 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 last year's Auction. The Auction was continuously monitored by Staff from the Economist's Office and the Division of Energy, as well as by the Board's consultant Charles River Associates ("CRA").

CRA was retained to assist the Board in this process, due to both its extensive experience with simultaneous descending clock auctions and its vast energy industry experience. CRA also advised the Board and Staff during last year's Auction process.

The BGS-FP Auction concluded after 14 rounds with all of the EDCs' 155 tranches¹ filled (104 10-month tranches and 51 34-month tranches), and with the following closing prices for each EDC:

BGS-FP 10 Month Tranches

<u>EDC</u>	<u>Closing Price</u>	<u>Total Tranches</u>	<u>Load Served</u>
	<u>¢/Kwh</u>	<u>Available</u>	<u>By Auction</u>
PSE&G	5.386	56	100 %
JCP&L	5.042	30	100 %
CONECTIV	5.260	15	100 %
ROCKLAND	5.557	3	100 %

BGS-FP 34 Month Tranches

<u>EDC</u>	<u>Closing Price</u>	<u>Total Tranches</u>	<u>Load Served</u>
	<u>¢/Kwh</u>	<u>Available</u>	<u>By Auction</u>
PSE&G	5.560	29	100 %
JCP&L	5.587	14	100 %
CONECTIV	5.529	7	100 %
ROCKLAND	5.601	1	100 %

The BGS-HEP Auction concluded after 15 rounds with all of the EDCs' 107 tranches¹ filled and with the following closing prices for each EDC:

BGS-HEP

<u>EDC</u>	<u>Closing Price</u>	<u>Total Tranches</u>	<u>Load Served</u>
	<u>\$/MW-day</u>	<u>Available</u>	<u>By Auction</u>
PSE&G	\$60.00	61	100 %
JCP&L	\$65.25	37	100 %
CONECTIV	\$56.10	8	100 %
ROCKLAND	\$59.80	1	100 %

A list of the fifteen (15) BGS-FP Auction winners and the eight (8) BGS-HEP Auction winners, is attached.

¹ A tranche in the BGS-FP Auction is equivalent to approximately 100Mw. A tranche in the BGS-HEP Auction is equivalent to approximately 25 Mw.

NERA has provided the Board and the Ratepayer Advocate with a confidential final report that includes an in-depth analysis on how the Auction was conducted, and also includes a post-Auction evaluation form. The analysis indicates the following in support of accepting the Auction results: bidders had sufficient information to prepare for the Auction; information was provided to bidders in a timely manner; no issues nor questions were left unresolved prior to the Auction that created uncertainty for bidders; no procedural problems nor errors were observed during the Auction; all communication protocols were followed; no hardware nor software problems with the Auction and communication systems were observed; appropriate data back-up procedures were planned and carried out; no security breaches were observed during the Auction process; all guidelines for setting or changing the Auction parameters were followed; calculations produced by the auction software were double-checked off-line by the Auction Manager; there was no evidence of confusion or misunderstanding on the part of bidders that delayed or impaired the Auction in a material manner²; 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 Auction was carried out in a fair and transparent manner; there was no evidence of collusion nor gaming by the bidders; there was no evidence of a breakdown in competition during the Auction; public and sensitive information were treated appropriately; there were no factors exogenous to the Auction that materially affected the Auction; there were no concerns with the Auction outcome with regard to any specific EDC(s); and finally the Auction appears to have generated a result that is consistent with competitive bidding, market-determined prices, and efficient allocation of the BGS-FP and BGS-HEP loads.

CRA has also provided a confidential pre-certification report on how the Auction was conducted to the Board, which includes a post-Auction evaluation form. CRA's analysis is consistent with NERA's analysis, and both recommend that the Board accept the final Auction results.

FINDINGS AND CONCLUSIONS

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

By Order dated December 18, 2002, the Board indicated that it would address the BGS-FP Auction and the BGS-HEP Auction results by the end of the second day after the last Auction closes.

After reviewing the reports from NERA and CRA, and discussing the results and conduct of the Auction with Staff, the Auction Manager and CRA, the Board FINDS that:

- bidders had sufficient information to prepare for the Auction;

²It should be noted that two bidders appeared to experience some confusion concerning the rules for entering last second bids, even though they were warned of the dangers of last minute bidding. The two bidders had requested time extensions and then entered last second bids, which were not able to be verified and recorded prior to the end of the bidding round. These bidders believed that their bids should have been accepted, but after further review by the Auction Manager, CRA, and Staff it does not appear that the bidders complaints are warranted, nor that this impaired the Auction in a material manner.

- information was generally provided to bidders in accordance with the published timetable, and the timetable was adjusted appropriately as needed;
- there were no issues or questions left unresolved prior to the Auction that created material uncertainty for bidders;
- from what could be observed, there were no procedural problems nor errors with the Auction, 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;
- from what could be observed, there were no hardware or software problems nor errors with the Auction system or its associated communication systems;
- 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 CRA were followed during the Auction;
- 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 Auction in a material manner (see footnote 2);
- from what could be observed, the communications between the Auction Manager and bidders was timely and effective;
- there was no evidence that bidders felt unduly rushed during the process;
- there were no legitimate complaints received from the bidders about the process;
- the Auction was 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;
- there was no evidence of a breakdown in competition in the Auction;
- information was made public appropriately, and from what could be observed sensitive information was treated appropriately;
- there were no factors exogenous to the Auction (e.g. changes in market environment) that materially affected the Auction in unanticipated ways;
- there are no concerns with the Auction's outcome with regard to any specific EDC(s); and
- the Auction appears to have generated a result that is consistent with competitive bidding, market-determined prices, and efficient allocation of the BGS-FP and BGS-HEP loads.

Therefore, the Board hereby CERTIFIES the final results of the BGS-FP and BGS-HEP Auctions in their entirety and subsequently APPROVES the closing prices for each EDC. Furthermore, the Board ORDERS the EDCs to execute the necessary documents, including the BGS Master Supply Agreements, with the winning bidders within two business days of the date of this Order.

DATED: 2/6/03

BOARD OF PUBLIC UTILITIES
BY:

(SIGNED)

JEANNE M. FOX
PRESIDENT

(SIGNED)

FREDERICK F. BUTLER
COMMISSIONER

(SIGNED)

CAROL J. MURPHY
COMMISSIONER

(SIGNED)

CONNIE O. HUGHES
COMMISSIONER

(SIGNED)

JACK ALTER
COMMISSIONER

ATTEST:

(SIGNED)
KRISTI IZZO
SECRETARY