



Agenda Date: 2/8/23
Agenda Item: 2A

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 1st Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

ENERGY

IN THE MATTER OF THE PROVISION OF BASIC) ORDER
GENERATION SERVICE (BGS) FOR THE PERIOD)
BEGINNING JUNE 1, 2023) DOCKET NO. ER22030127

Parties of Record:

James Meehan, Esq., on behalf of Jersey Central Power & Light Company
Matthew Weissman, Esq., on behalf of 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
Brian O. Lipman, Esq., Director, New Jersey Division of Rate Counsel

BY THE BOARD:

By Order dated November 9, 2022, the New Jersey Board of Public Utilities ("Board") approved the joint Basic Generation Service ("BGS") proposal by 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, "EDCs"), to hold two (2) descending clock auctions to secure the EDCs' BGS electricity requirements for the period beginning June 1, 2023.¹ To mitigate risk to ratepayers, the Board directed the EDCs to procure, through the auction, approximately one-third of their BGS residential and small commercial pricing ("BGS-RSCP") customers' load for a 36-month period via a single clearing price for each EDC's BGS supply requirements.² The Board also directed the EDCs to use a 12-month procurement period for their hourly load BGS commercial and industrial energy pricing ("BGS-CIEP") customers.

In the November 2022 Order, the Board committed to reviewing the results of both the BGS-RSCP Auction and the BGS-CIEP Auction (collectively, "BGS Auctions" or "Auctions") in their entirety and certify the results of each auction for all EDCs, or for no EDC, no later than the second business day following the close of the last Auction.

¹ In re the Provision of Basic Generation Service (BGS) For the Period Beginning June 1, 2023, BPU Docket No. ER22030127, Order dated November 9, 2022 ("November 2022 Order").

² Approximately two-thirds of the EDCs' BGS-RSCP requirements are already under contract through May 31, 2024, and one-third through May 31, 2025 as a result of the 2021 and 2022 BGS-RSCP Auctions.

If the Board approves the BGS Auctions' results, it will then convert those results into customers' revised BGS rates beginning June 1, 2023. This is the 22nd year the Board will consider a similar process to secure BGS supply.

The Auction Manager responsible for conducting the 2023 BGS Auctions is National Economic Research Associates ("NERA"). NERA, an expert in conducting simultaneous descending clock auctions in the energy and telecommunications industries, was the Auction Manager for each prior BGS Auction. Staff of the Board's Division of Water and Energy ("Staff") and the Board's consultant, Bates White, LLC ("Bates White"), continuously monitored the 2023 Auctions. Bates White has a history of monitoring simultaneous descending clock auctions and consulting within the energy industry.

On January 25, 2023, the EDCs requested that they be required to file post-BGS-Auction Tariff sheets by April 10, 2023. The EDCs noted this would permit them to account for the actual Capacity Price for the 2023/2024 Delivery year, thus avoiding duplicative filings and allowing each EDC's final rate design to better match its actual payment to suppliers.

BGS-CIEP AUCTION SUMMARY

The BGS-CIEP Auction was conducted on February 3, 2023; it ended after 15 rounds with 37 total tranches secured, resulting in the following closing prices for each EDC:³

| EDC | Closing Price (\$/Mw-day) | Total Tranches Sold |
|------------|--------------------------------------|----------------------------|
| ACE | 319.27 | 4 |
| JCP&L | 298.04 | 10 |
| PSE&G | 330.72 | 22 |
| Rockland | 288.46 | 1 |

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

BGS-RSCP AUCTION SUMMARY

The BGS-RSCP Auction was conducted on February 6, 2023; it ended after 21 rounds with 53 total tranches secured, resulting in the following closing prices for each EDC:⁴

| EDC | Closing Price (cents/kWh) | Total Tranches Sold |
|------------|--------------------------------------|----------------------------|
| ACE | 9.217 | 8 |
| JCP&L | 9.428 | 15 |
| PSE&G | 9.311 | 28 |
| Rockland | 9.648 | 2 |

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

³ Tranche sizes are approximate amounts of BGS-CIEP eligible load as follows: ACE- 83.58 MW, JCP&L- 73.68 MW, PSE&G- 74.34 MW and RECO- 50.80 MW.

⁴ Tranche sizes are approximate amounts of BGS-RSCP eligible load for a three (3)-year term as follows: ACE- 89.45 MW, JCP&L- 82.98 MW, PSE&G- 90.05 MW and RECO- 82.30 MW.

BGS AUCTION OVERSIGHT

NERA provided a confidential post-Auction checklist form evaluating the BGS Auctions. NERA concluded that the Board should accept the Auction results, indicating, in part, that:

- no issues or questions unresolved prior to the Auctions created bidder uncertainty;
- neither procedural problems nor errors occurred during the Auctions;
- all prescribed communication protocols were followed;
- neither hardware, software, nor communication system problems occurred;
- 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 materially delayed or impaired the Auctions;
- communication between the Auction Manager and bidders was timely and effective;
- there was no evidence showing the 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 was treated appropriately;
- there were no exogenous factors that materially affected the Auctions; and
- the Auctions generated a result consistent with competitive bidding, market-determined prices, and efficient allocation of the BGS-RSCP and BGS-CIEP loads.

Bates White provided the Board with a confidential post-Auction evaluation form and a supplemental checklist reviewing how the Board conducted the Auctions. Bates White's analysis is consistent with NERA's analysis. Both NERA and Bates White recommend that the Board accept the final Auction results.

FINDINGS AND CONCLUSIONS

The independent NERA and Bates White analyses both concluded that the Auctions proceeded without meaningful interruption, according to the Board-approved Auction Rules, and in a fair and transparent manner. As such, both NERA and Bates White recommend that the Board certify the Auction results. Staff charged with overseeing the Auctions briefed the Board regarding the procedure and results of each Auction.

After reviewing the checklists and evaluation forms from NERA and Bates White, discussing the results and conduct of the Auctions with Staff, NERA and Bates White, and observing the Auctions, the Board **HEREBY FINDS** that:

- all bidders received 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 that created material bidder uncertainty unresolved prior to the Auctions;
- there occurred neither procedural problems nor errors throughout the Auctions, including with the electronic bidding process, the back-up bidding process, and communications between bidders and the Auction Manager;
- the bidders and the Auction Manager adhered to communication protocols;

- appropriate data back-up procedures were planned and carried out;
- no security breaches were observed during the Auction process;
- the EDCs, NERA, Staff, the Board, and Bates White followed the prescribed communication protocols during the Auctions;
- protocols were followed for decisions regarding changes in the Auction parameters (e.g. volume, load cap, bid decrements);
- the Auction Manager double-checked or reproduced calculations (e.g. for bid decrements or bidder eligibility) produced by the Auction software off-line;
- there is no evidence of confusion or misunderstanding on the part of bidders that delayed or impaired the Auctions;
- communications between the Auction Manager and bidders was timely and effective;
- there were no complaints about the process received from the bidders;
- 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 are no concerns regarding the Auctions' outcome as to any specific EDC(s); and
- the Auctions generated a result consistent with competitive bidding, market-determined prices, and efficient allocation of the BGS-RSCP and BGS-CIEP loads.

Based upon the foregoing, the Board **HEREBY CERTIFIES** the final results of the BGS Auctions in their entirety, and **HEREBY APPROVES** the closing prices for each EDC. The Board **HEREBY APPROVES** the EDCs' request to file post-BGS Auction Tariff sheets by April 10, 2023. Furthermore, the Board **HEREBY ORDERS** the EDCs to: 1) execute the necessary documents, including the BGS Supplier Master Agreements, with the winning bidders; 2) implement the BGS rates resulting from the Auctions beginning June 1, 2023; and 3) file tariff sheets reflecting those rates by April 10, 2023.

Consistent with past Board practice, the Board is releasing the names of the winning bidders at this time. However, the Board will not release the specific tranche and service area details for each successful bidder to avoid compromising the winning bidders' positions in the marketplace. The Board plans to make this additional information public prior to June 1, 2023.

The effective date of this Board Order is February 8, 2023.

DATED: February 8, 2023

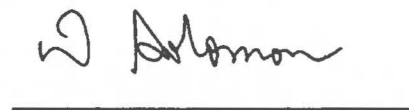
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COMMISSIONER

ATTEST: 
CARMEN D. DIAZ
ACTING 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

In the Matter of the Provision of Basic Generation Service for the Period Beginning June 1, 2023

Docket No. ER22030127

Auction Winners Approved by the Board of Public Utilities on February 8, 2023

BGS-RSCP Auction Winners

BP Energy Company
Calpine Energy Services LP
ConocoPhillips Company
Constellation Energy Generation, LLC
DTE Energy Trading, Inc.
Macquarie Energy, LLC
NextEra Energy Marketing, LLC
Vitol Inc.

BGS-CIEP Auction Winners

ConocoPhillips Company
Constellation Energy Generation, LLC
DTE Energy Trading, Inc.
NextEra Energy Marketing, LLC

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