NEW JERSEY BOARD OF PUBLIC UTILITIES
I/M/O THE REVIEW OF THE BASIC GENERATION SERVICE
PROCUREMENT PROCESS
DOCKET NO. ER12020150

HEARING – MAY 4, 2012

STATEMENT OF MURRAY E. BEVAN,
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Good morning. My name is Murray Bevan and I serve as counsel for the Retail Energy Supply Association ("RESA")[1]. In addition to the proposals raised by our New Jersey State Chairman of RESA, Jay Kooper—i.e., lowering the Commercial and Industrial Energy Pricing ("CIEP") threshold and requiring more frequent, shorter-term procurements in the BGS-Fixed Price ("FP") structure—RESA is also advocating in this proceeding that (1) contrary to the position of the EDCs and Rate Counsel, the lack of interval meters for some utility customers with peak load demand below 750 kW should not be an obstacle to lowering the CIEP threshold;

[1] RESA's members include: Champion Energy Services, LLC; ConEdison Solutions; Constellation NewEnergy, Inc.; Direct Energy Services, LLC; Energetix, Inc.; Energy Plus Holdings LLC; Exelon Energy Company; GDF SUEZ Energy Resources NA, Inc.; Green Mountain Energy Company; Hess Corporation; Integrys Energy Services, Inc.; Just Energy; Liberty Power; MC Squared Energy Services, LLC; Mint Energy, LLC; NextEra Energy Services; Noble Americas Energy Solutions LLC; PPL EnergyPlus, LLC; Reliant; Stream Energy; TransCanada Power Marketing Ltd. and TriEagle Energy, L.P.. The comments expressed in this filing represent the position of RESA as an organization but may not represent the views of any particular member of RESA.

and that (2) the BGS procurement process retains its full-requirement nature inclusive of procurement of Renewable Portfolio Standards obligations.

During the legislative-style hearing regarding the 2012 BGS auction proceeding in September, RESA advocated, as it continues to advocate in the current proceeding, that the BGS-CIEP threshold should be lowered from 750 kW to 300 kW. The EDCs suggested that the threshold could not be lowered, because many customers in the 750 kW to 300 kW range did not have the appropriate metering equipment to allow the EDCs to monitor and charge them for their usage on a real-time basis. Actually, it was—and continues to be—RESA's understanding that utilities in other states do not require interval meters in order to support hourly pricing, but use rate class load profiles to charge customers on a real-time basis. In fact, this is exactly the practice employed today when a customer without an interval meter shops for service with a TPS. The TPS's cost to supply energy to such customers as determined at the wholesale level by PJM is based on a load profile for that customer. The customer's basic summary meter measures monthly consumption and this consumption value is extrapolated into an hourly usage distribution using the load profile. The load profile is developed by the EDC based on a sophisticated analysis of historical usage patterns of customers in a particular rate class. Accordingly, full deployment of interval meters need not be considered as a prerequisite for lowering the CIEP threshold.

However, RESA believes that there are significant benefits to broader implementation of interval, or "smart" meters that are capable of measuring customer consumption on a real-time basis. RESA supports expanded deployment of such metering technology as it would encourage more efficient consumption patterns, promote innovative time of use product offerings from TPSs, and facilitate customer participation in demand response programs.

With respect to Rate Counsel's proposal to remove the RPS component from the BGS product definition, RESA does not support this recommendation in isolation. RESA is sympathetic to Rate Counsel's concern over the increasing cost of RPS compliance. As the Board is well aware, these obligations impact not only BGS pricing by imposing the RPS obligation on wholesale BGS suppliers, but also TPS costs and pricing, because TPSs are similarly obligated to meet the RPS requirements. By assigning the RPS procurement requirement to both BGS suppliers and TPSs, the current RPS market structure in New Jersey was originally intended to create a fair and level playing field for both BGS pricing and TPS offers. Removing the RPS component from the BGS product definition would upset the original intent of this market design. Including the RPS cost as an obligation for BGS suppliers ensures that resulting BGS prices truly and accurately reflect the contemporaneous cost of acquiring RECs in the open market to meet the state's RPS standard. Establishing a separate procurement process, to be managed by the EDCS, for RECs and/or SRECs could result in the RPS component of resultant BGS prices becoming significantly divorced from current market prices for RECs and SRECs. This could exacerbate the competitive disadvantage that TPSs have already experienced as a result of the incongruous exemption from certain portions of the SREC obligation for pre-existing BGS contracts. While RESA does not support the Rate Counsel's position to remove the RPS component from the BGS product at this time, given the significant uncertainty introduced into the RPS market by continual legislative revisions to the RPS requirements, most notably with frequent proposed modifications to the solar requirements and the introduction of a new off-shore wind carve out, the concept of completely transitioning the RPS obligation to the EDCs (and removing the obligation from BGS Suppliers and TPSs) may warrant consideration in the future.

RESA appreciates the opportunity to testify regarding this important matter and Jay and I would be happy to answer any questions you may have.