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VIA ELECTRONIC AND REGULAR MAIL

The Honorable Kristi Izzo
Secretary, New Jersey Board of Public Utilities
44 South Clinton Avenue
Trenton, NJ 08625

Re: In the Matter of the EDCs' Basic Generation Service ("BGS") Reconciliation Charge

Dear Secretary Izzo:

On behalf of the Retail Energy Supply Association ("RESA"),[1] please accept these letter comments in lieu of more formal comments in the above-referenced proceeding, addressing the Board's investigation of the EDC's BGS Reconciliation Charges. RESA is a broad and diverse group of retail energy suppliers who share a common vision that competitive retail energy markets deliver more efficient, customer-oriented outcomes than do regulated utility providers. RESA is pleased that the Board of Public Utilities ("BPU" or "Board") has initiated this proceeding, as the various reconciliation charges have created confusion for third party suppliers ("TPSs") and for ratepayers alike. RESA believes that the current, various timeframes for implementation of the reconciliation charge create the perception of volatility in the electric market and deter the goal of sending timely and accurate price signals to customers. RESA will address Board staff's six questions, provided in the meeting notice, and will follow with other comments on the proceeding and further questions for future discussion.

[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 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.

1) **Are the current reconciliation methods used by the EDCs contributing to price volatility? If so, provide examples of collection disparity. In terms of billing accuracy, is there a differing level of customer complexity, FP customers versus CIEP customers? Please explain.**

RESA believes that the current methods used by some of the EDCs contributes to price volatility for both Fixed-Price ("FP") and Commercial and Industrial ("CIEP") customers. The varying methods used by each of the EDCs also contributes to confusion for third party suppliers ("TPSs") and more significantly, customers, who are trying to calculate the price of electricity in each of the EDCs' territories. It appears from the EDCs' presentations that the reconciliation charge is calculated in the same manner for FP and CIEP customers, with the only differences occurring between the different EDCs, not within the same EDC. There may also be differences between FP and CIEP customers as the FP customers for all of the EDCs are billed on a per kWh basis, while some of the CIEP customers are billed on a per kW basis.

2) **Should the EDCs be required to adopt a uniform reconciliation method and timeframe? Conversely, should each EDC be allowed to adopt its own individual reconciliation practices?**

RESA believes that the EDCs should be required to adopt a uniform reconciliation timeframe. Based on the information presented by the EDCs, it appears that there is general consistency and uniformity in the actual calculation of the individual reconciliation charges; however the differing timeframes utilized by each of the EDCs changes the formula for calculating the reconciliation charge and affects interest rates. RESA believes all of the EDCs should utilize a quarterly reconciliation timeframe and publish the reconciliation charge for the quarter prior to implementation. To the extent there are differences in calculating the reconciliation charge among the EDCs, those differences should be eliminated so that all of the EDCs are calculating the reconciliation charge in the same way and are implementing the charge for the same timeframe. The reconciliation charges should also be publicly available prior to implementation.

3) **Is the increasing trend of customer migration away from BGS to Third Party Suppliers in the State affecting the EDCs' ability to project accurate collection data? If so, please explain.**

Based on the information presented, RESA believes that customer migration is only one of several factors contributing to the EDCs' ability to project accurate collection data. The EDCs presented a list of factors on December 5 which contribute to volatility in the BGS reconciliation charge, as described below in response to Question 4. While the Board makes "switching" data

available on its website, RESA notes that only data as of October 2011 can be accessed, so no comparison for switching statistics can be made between October 2011 and some earlier date. RESA notes that the switching rates are much higher for customers in the C&I category than for residential customers, yet residential customers experience just as much or more volatility in their reconciliation charges, leading RESA to presume that "switching" plays only a minor role in BGS price volatility.

Switching statistics are also available on the BGS website, however the statistics and information are not presented in a uniform manner by the EDCs, creating difficulties in making a meaningful comparison regarding the switching rates of each of the customer classes.

4) **What factors other than variations in sales forecast and customer migration are contributing to any volatility in the BGS reconciliation charges?**

The EDCs have indicated that weather, the economy, distribution system losses, rebilling customers after corrections, rebilling after estimated bills, changes in the mixture of sales among classes, changes to customer usage characteristics, switching to or from a TPS, PJM meter corrections, and PJM losses all contribute to volatility in the BGS reconciliation charge. Some of the factors, such as rebilling after corrections or PJM meter corrections, could be eliminated or downplayed as factors for volatility if a quarterly timeframe were implemented – monthly billing errors, for example, would be corrected before a new reconciliation charge was issued, thereby eliminating some of the volatility created by a monthly reconciliation charge timeframe.

5) **Should the BGS reconciliation charge be subject to one-way interest like the BGSS charge?**

Only one EDC, PSE&G, released information on its current interest charge.

6) **What effect does the allocation of transmission costs on kWh basis have on volatility in the BGS prices? Can the cost allocation be modified to lessen or eliminate the volatility in BGS prices.**

While not directly related to the volatility in reconciliation charges, there is still an issue of concern to RESA. Presently, ACE and PSE&G both calculate transmission charges for customers served under BGS based on $/kW-month rates. JCP&L on the other hand charges for transmission service on a $/kWh basis. Because the actual cost to serve transmission service (primarily NITS charges) is based on an account's specific Network PLC, (i.e. a kW value) we recommend that the $/kW-month method be used by all EDC's. When the $/kWh method is

used for transmission costs, it ends up causing cost subsidies across accounts with varying load factors and creates an unlevel playing field between BGS service and that provided by a TPS. This is because the transmission cost allocation is primarily based on the customer's Network PLC value and less so on the amount of energy consumed by the customer. Consequently, a TPS must "price in" this transmission cost component because they will be assigned the cost in this manner by PJM. The TPS then allocates this cost across the kWh being utilized by the customer. By comparison, this same customer may not be paying its fair share (or, conversely, may be subsidizing others) if a class based $/kWh method is used which creates disparity between BGS and TPS supply options. Therefore, we recommend that JCP&L convert to the transmission charge methods being utilized by ACE or PSE&G.

RESA COMMENTS

RESA believes that a uniform timeframe should be adopted by the EDCs for calculating and implementing the reconciliation charge. Based on the information presented, a quarterly timeframe would allow for the EDCs to calculate their reconciliation charge and implement it in a timely manner. RESA also believes that the EDCs should make the reconciliation charge data easily available (for example, PSE&G's reconciliation charges are easy to locate online, however the other EDCs do not publish their reconciliation charge in a manner that is as easy to locate) in a prospective manner, so that customers and TPSs can see the reconciliation charge for a given period prior to its implementation.

While RESA notes the concerns of some of the EDCs with regard to changing to a quarterly timeframe, RESA believes that a quarterly timeframe will decrease the perceived volatility in the energy market. It is true that by moving from a monthly reconciliation charge to a quarterly reconciliation charge, there will be some customers who might switch to another supplier who do not realize the benefits of an over-collection from their EDC. However, this occurs whether there is a monthly reconciliation charge, or a quarterly reconciliation charge. The current calculation methods presented show that when a monthly charge is utilized, it is based on the over and under collections from the prior two months – meaning that a customer who switches in June never sees a potential credit from the reconciliation charge, as the June reconciliation charge is applied to the August bill. Therefore, this concern exists regardless of the monthly or quarterly timeframe, and cannot be eliminated.

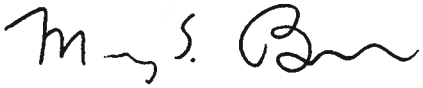
RESA is also concerned by the admission by some of the EDCs that while a monthly reconciliation charge is implemented, on occasion this reconciliation charge exceeds an informal cap. When this happens the EDC will spread out the reconciliation charge over two months, rather than one. This seems to undercut the value of a monthly reconciliation charge, as a

quarterly charge would alleviate some of the sharp swings in monthly collections. RESA would also like more information on instances where a monthly charge exceeds an informal cap implemented by the EDC, specifically how many times this has happened over the past two years, and how the reconciliation charge was spread out to attempt to minimize volatility. RESA is concerned about this practice, as it clearly shows that appropriate and timely price signals are not being given to customers, and that a monthly reconciliation charge is creating confusion and the perception of volatility in New Jersey's energy market.

Finally, RESA has questions for further follow up and discussion. At the December 5 Technical Conference, Board staff requested additional information from all of the EDCs. RESA reviewed the information submitted by the EDCs and noticed that while the requested "backcast" analysis of reconciliation charges on a quarterly (and in ACE's case, monthly) basis was performed and presented, it appears that the backcast was only done for FP customers, not CIEP customers. As there are different reconciliation charges for both customer classes, a similar backcast for CIEP customers would be beneficial. RESA would also like to know if there are any circumstances in which a customer who has migrated to a TPS would be subject to any charge or credit as part of the reconciliation mechanism to account for prior BGS over or under collections.

RESA appreciates the opportunity to participate in this proceeding. In the meantime, please do not hesitate to contact me should you have any questions.

Very truly yours,



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Dated: January 20, 2012

cc: Rosalie Serapiglia