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Sept. 10, 2018*

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**RECEIVED
CASE MANAGEMENT**

September 05, 2018

Via Electronic & Overnight Mail

SEP 06 2018

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Hon. Aida Camacho-Welch
Secretary of the Board
Board of Public Utilities
44 South Clinton Avenue
3rd Floor, Suite 314
PO Box 350
Trenton, New Jersey 08625-0350

**BOARD OF PUBLIC UTILITIES
TRENTON, NJ**

SEP 06 2018

**BOARD OF PUBLIC UTILITIES
TRENTON, NJ**

**Re: In the Matter of the Provision of Basic Generation Service ("BGS")
For the Period Beginning June 1, 2019 – Docket No. ER18040356
Initial Comments of Hartree Partners, LP**

Dear Secretary Camacho-Welch:

Hartree Partners, LP ("Hartree") appreciates the opportunity to provide initial comments on the proposed BGS-CIEP and BGS-RSCP Supplier Master Agreements ("SMA") in the above-captioned proceeding.

Specifically, Hartree respectfully recommends a change to the treatment of charges for Firm Transmission Service as currently set forth in section 15.9 of the existing and the proposed SMAs. The current mechanism is untenable for BGS suppliers and New Jersey ratepayers as it creates uncertainty around the recovery of Schedule 12 transmission costs where significant and unexpected changes to the allocation of transmission costs are ordered by the Federal Energy Regulatory Commission ("FERC") and implemented by PJM.¹ Under the current mechanism, suppliers have faced large shortfalls between the PJM collected firm transmission charges and the portion of payments made to suppliers related to these transmission specific costs, with total non-reimbursed costs of approximately \$125 million since June 2017. Moreover, the situation is worsening as the shortfall is growing at a rate of over \$21 million per-month. There is no market-based means available to suppliers to hedge against this unanticipated regulatory change and resulting shortfalls. Absent the requested change in treatment, suppliers will be exposed to financing costs on the mismatch between the PJM payable and potential utility payments, which leads to the need for higher risk premiums and lower supplier participation rates in BGS auctions due to uncertainty about these non-market related costs.

The SMA should be amended to provide a transparent and direct solution that allocates these non-market related costs appropriately to the parties best able to carry such costs, the Electric

¹ See, e.g., *PJM Interconnection, L.L.C.*, Order on Contested Settlement, Docket No. EL05-121-009 (May 31, 2018).

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Distribution Companies ("EDC"), effectively removing the firm transmission rate component from the BGS auction clearing price. Such an amendment would allow suppliers to focus on market related costs and eliminate risk premiums related to supplier projected shortfalls of non-market related costs. Such an amendment has precedent in many other competitive supply auction processes. For example, the First Energy Ohio CBP, the AEP Ohio CBP, the Duke Ohio CBP, the Dayton Power and Light Company CBP, the Maryland utility procurements, the PPL Default Service procurements and the PECO Default Service procurements all exclude transmission costs entirely from their supply master agreements via PJM's billing line item transfer mechanism.

An amendment along the lines discussed above would be designed so as not to limit the BPU ability to contest transmission cost allocations and protect New Jersey's ratepayers from unjust allocations of Schedule 12 transmission costs. The BPU has expressed concern that any reimbursements to BGS suppliers would have to be returned by those same suppliers at a later date pending PJM tariff changes or FERC commission rulings that yield a more favorable cost allocation to the rate payers of New Jersey. By automatically passing charges and credits directly to the applicable EDC with no intervention on the part of BGS suppliers, the BPU retains full control over changing the refund and collection mechanism should FERC or PJM tariff changes yield a different cost allocation to the rate payers of New Jersey. In our view, this represents an efficient and transparent mechanism that matches costs directly with BGS customer collections while also reducing risk for BGS suppliers, which will translate to a more competitive BGS auction process.

This solution could also be easily implemented with existing BGS supply contracts through a simple amendment, thereby reducing any challenges to participation by existing suppliers in future BGS auctions. The proposed solution would ultimately improve competitiveness in future BGS auctions thereby benefiting ratepayers as more suppliers will be willing to participate if they have reduced uncertainty about significant FERC and/or PJM changes to existing transmission project cost allocations.

Thank you for your consideration of the foregoing comments.

Very truly yours,

AW
HARTREE PARTNERS, LP

By: 

Name: T. A. MBRISOW

Title:

MD