

GOVERNMENT AFFAIRS TEAM

March 28, 2007

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To: New Jersey Board of Public Utilities
Fr: Sara Bluhm
Assistant Vice President, Energy & Federal Affairs
Re: BGS-FP Process

On behalf of the New Jersey Business & Industry Association's 23,700 members, I would like to offer our thoughts on the BGS-FP process. As the commercial and industrial ratepayer composes 64 percent of the electricity consumed in New Jersey, we have a vested interest in any changes to the BGS process.

NJBIA appreciates that the Board is looking into providing greater price stability. As we have consistently seen prices going up over the past several years, there is a growing concern in the business community about energy prices and their effects on business. However, we also recognize that the CIEP ratepayer often subsidizes many programs/benefits for the FP ratepayer.

Since the goal of the auction is to achieve a low price reliable source of power for the ratepayer, NJBIA feels that it should be based on the economics not necessarily policy goals. Therefore, we do not feel that it is appropriate for demand response or renewable targets to be addressed in the auction. These programs are better served outside of the BGS auction process. To date the Board has done little to give incentives in regard to demand response or pilot net metering projects for the FP rate class. Seeing how there are still education issues related to electric procurement at the CIEP rate class level, NJBIA does not feel it is wise to impose rules on the FP rate class at this time related to demand response and renewable.

NJBIA would support the Board pursuing a net metering project to increase awareness of hourly demand and pricing at all rate class levels. In prior comments NJBIA has suggested that the Board use retail adder money to supply net meters to CIEP rate class customers to make them more aware of this pricing reality. Similarly, the Association would support the Board test piloting, as was done in Illinois by Exelon, a program to alert FP customers to their consumption and real time pricing.

The Association would support the creation of a demand response program that provides economic response funding. New Jersey has lagged behind

other PJM participating states in demand response programs. There has been more

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emphasis on clean power than there has been on DSM. The State needs to investigate offsetting DSM with a program similar to PJM's economic and emergency programs. The Board should not rely on the EDC's to implement their own program. It should be coordinated to reflect what is going on in the market place, as well as system reliability. NJBIA understands that an EDC may be more aware of their transmission constraints, but feels that the Board and PJM should also be working together as PJM has control over dispatch and real time pricing.

NJBIA looks forward to working with the Board and the BGS Working Group on these issues.