

The Energy And Technology Committee

February 26, 2008

**Senate Bill No. 22, AAC A PROCUREMENT AUCTION FOR
ELECTRIC GENERATION SERVICES**

Testimony of

The Office of Consumer Counsel

Mary J. Healey, Consumer Counsel

The Office of Consumer Counsel (OCC) has carefully reviewed and has concerns about Senate Bill No. 22, An Act Concerning a Procurement Auction for Electric Generation Services. As discussed below, the present standard service bid processes are conducted with a reasonable framework and with significant expertise. OCC respectfully suggests that any proposed changes to the procurement process be thoroughly vetted at the DPUC.

The bill seeks to use a "market-based online auction process" for a portion (not more than twenty per cent) of Connecticut Light and Power Company's (CL&P) and United Illuminating Company's (UI) standard service requirements. Senate Bill No. 22 does not provide details about the type of "online auction process" that should be considered, but leaves that issue to the Department of Public Utility Control (DPUC). OCC is certainly willing to work with DPUC and other stakeholders to discuss auction ideas and parameters should the bill pass. However, OCC notes that setting up an online auction process for a load the size of CL&P and UI standard service will likely be an expensive endeavor. Procurement expenses will also increase under the bill's provisions because the auction is to be used for only up to twenty percent of the standard service requirements (for 2009 and 2010), while the remainder of standard service power would presumably continued to be procured in the same way (and with approximately the same existing costs) as is done presently.

Since 2006, OCC has participated actively in each periodic standard service bid process conducted by CL&P and UI. An extremely experienced team of people conducts and oversees each bid process, including OCC and its hired consultants, DPUC and its hired consultants and knowledgeable representatives of CL&P and UI. These people have a deep understanding of what the pricing results for the standard service bid processes should be and, in particular, the relationship between the expected bids and the underlying ISO New England energy markets.

OCC has had access to the confidential bids filed by bidders and has been able to compare them to the reasonable expectations developed at the outset of the process. The results of the bid processes for standard service have been in line with expectations, given the working of the underlying ISO New England energy markets. In other words, Connecticut's power prices are high because the underlying ISO New England energy markets clear at high levels (for a variety of reasons), and not because we use a faulty procurement process.

After several rounds of bid processes for standard service, refinements to the process have been considered and made by DPUC. OCC's deeply held view, based on its experience, is that the procurement processes are being performed appropriately and well, and that our standard service procurement approach has little to do with Connecticut's high electric power prices. To ensure a positive cost-benefit result, OCC respectfully suggests that any proposed changes to the procurement process be first thoroughly vetted at the DPUC.