

The Procurement Process In Connecticut

BY:

JEFFREY R. GAUDIOSI, ESQ.

POWER PROCUREMENT MANAGER

PURA



Background

- Current Procurement process has been in place since 2012
- Plan can be found in PURA Docket 12-06-02 and reopeners
- Legislature dictated Procurement process from 2006-2011
- PA 11-80 created the position of Power Procurement Manager who was tasked with creating a new procurement plan that could take advantage of falling market prices

History: 1999-2006

- The electric market was legislatively deregulated in 1999.
- Legislature instituted Transitional Standard Offer(TSO). The TSO was a capped generation price offered by the Electric Distribution Companies (EDCs) while they divested assets and designed to spur a retail market.
- After a series of TSOs, the market fully opened to competition in 2006 for CL&P and 2007 for UI.
- In 2006 Standard Service was implemented, purchased in a semi-long term 3 year laddering pattern designed by the Legislature.

History: 2006-2012

- With each procurement, the EDCs would purchase energy to be used each year over the next 3 years.
- The generation charge would now include energy purchased up to 3 years ago. When the market began to fall, Connecticut could not react as the energy was already purchased when the market was much higher. Consumers were stuck with high prices from these long term contracts.

History: 2012-today

- February 2012-June 2012 a team led by the Power Procurement Manager and including PURA Consultants (Levitán & Assoc.), OCC, Eversource and United Illuminating, developed the current Power Procurement Plan.
- June 2012 – PURA initiates Docket 12-06-02 to conduct a public hearing process on the Plan.
- October 2012 – PURA approves the Plan and the new procurement process begins.
- The Plan as been reopened multiple times for technical changes allowing adaptation with the current market.

Current Plan

- The two EDCs (Eversource & UI) procure separately.
- Both EDCs hold four procurements per year - January, April, July, October.
- The year is divided into 2 rate periods – Jan 1-Jun 30 & July 1-Dec 31.
- EDC load for each rate period is divided into 10 equivalent tranches.
- A rate period is made up of 10 tranches filled with energy purchased in each of the last four procurements.
- Procurements require the supplier to make “Full Requirements” bids for each tranche they are interested in serving.

Full Requirements Bids

- Each tranche is 10% of the total load.
- Historical load is used as a guide when bidding on a tranche, the total load actually used may change by the end of the rate period.
- Bidder is responsible for the total load for each tranche at the end of the rate period. The rate cannot change if load fluctuates from the historical guide.
- In addition to energy, each tranche is also made up of ancillary components – Renewable requirements, capacity costs, risk premium, etc.
- Full Requirements Bid = energy + ancillary components x total load.
- Full Requirements cost is passed on to consumer in the Generation Service Charge with no markup by the EDC.

Sample Procurement Schedule A

100%	Q4 18	Q2 19	Q4 19	Q2 20
90%	Q4 18	Q2 19	Q4 19	Q2 20
80%				
70%	Q3 18	Q1 19	Q3 19	Q1 20
60%				
50%				
40%	Q2 18	Q4 18	Q2 19	Q4 19
30%				
20%	Q1 18	Q3 18	Q1 19	Q3 19
10%				
	1H19	2H19	1H20	2H20



Sample Procurement Schedule B

	Variable	Variable	Variable	Variable
100%				
90%				
80%	Q4 18	Q2 19	Q4 19	Q2 20
70%				
60%				
50%	Q3 18	Q1 19	Q3 19	Q1 20
40%				
30%				
20%	Q2 18	Q4 18	Q2 19	Q4 19
10%				
	1H19	2H19	1H20	2H20

Supplier of Last Resort Service

- LRS is available to Commercial & Industrial customers with a demand >500kWh.
- Separate, independent bid process from Standard Service.
- Bid quarterly in the quarter prior to use.
- Very few customers use this rate. Designed to be a fall back for companies as they shop their usage to third parties.