

ASSEMBLY, No. 2263

STATE OF NEW JERSEY

INTRODUCED JULY 18, 1996

By Assemblymen WISNIEWSKI and COHEN

1 AN ACT directing the Board of Public Utilities to establish a pilot  
2 program.

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4 **BE IT ENACTED** by the Senate and General Assembly of the State  
5 of New Jersey:

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7 1. The Legislature finds and declares that:

8 a. The business of generating, transmitting and selling electricity  
9 for ultimate distribution to residential customers within this State is a  
10 matter of the public interest, and that reasonable, competitive  
11 electricity prices are necessary to promote the public health, safety and  
12 economic welfare;

13 b. This State's retail electricity customers pay significantly higher  
14 prices than customers in many other states, and the current negotiation  
15 of special case rate reductions for large commercial and industrial  
16 electric customers, if continued, will increase the pressure for an  
17 ultimate cost shift to smaller customers, including residential  
18 customers;

19 c. Retail wheeling may provide a basis for the determination of  
20 electricity price levels that relies to a greater extent upon competition  
21 than upon regulation, and there are relatively few technical barriers to  
22 the establishment of retail wheeling in this State;

23 d. New Jersey's residential electricity customers may be further  
24 handicapped if this State lags behind other states in the Northeast with  
25 high electricity costs, such as Maine, Massachusetts, New Hampshire  
26 and New York, who have established or are considering retail  
27 wheeling programs; and

28 e. It is in the public interest for the Board of Public Utilities to  
29 develop a pilot program in six municipalities, two each within the  
30 northern, central and southern regions of the State to examine the  
31 benefits and risks of the establishment of retail wheeling in this State.

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33 2. For the purposes of this act:

34 "Central region" means the counties of Hunterdon, Mercer,  
35 Middlesex, Monmouth, Ocean, Somerset and Union;

36 "Local electric public utility" means a public utility regulated by the  
37 Board of Public Utilities which provides electric light, heat or power

1 service to a customer within its service territory and to which the  
2 customer is connected solely for the purpose of transmitting or  
3 distributing electric power to the customer after the implementation of  
4 this act;

5 "Northern region" means the counties of Bergen, Essex, Hudson,  
6 Morris, Passaic, Sussex, and Warren;

7 "Remote supplier" means an electric energy producer, broker, or  
8 other supplier, other than a local electric public utility;

9 "Retail wheeling" means a commercial transaction arrangement by  
10 which an electric power customer contracts with a remote supplier to  
11 transmit energy through the electrical distribution system of the local  
12 electric public utility to which the customer is connected;

13 "Southern region" means the counties of Atlantic, Burlington,  
14 Camden, Cape May, Cumberland, Gloucester, and Salem.

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16 3. Within one year of the effective date of this act, the Board of  
17 Public Utilities (hereinafter, "the board") shall develop a pilot program  
18 to examine the benefits and risks of residential retail wheeling in six  
19 municipalities within this State. Two of each of the six municipalities  
20 shall be located in northern, central and southern regions of the State.  
21 At least one of the six municipalities shall contain residential areas  
22 where residential customers depend on electric power as the primary  
23 source of energy for lighting, heating and air conditioning. A  
24 requirement of the pilot program shall be that the local electric public  
25 utility shall physically continue to provide electric service to the  
26 residential customer, who shall pay the local electric public utility a  
27 regulated fee for the transmission and distribution services provided,  
28 and who shall pay the remote supplier for the electricity in an  
29 unregulated market.

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31 4. The board, after reviewing standards or guidelines in those  
32 states that have established retail wheeling programs or projects for  
33 residential customers, shall develop criteria for the development of  
34 such a program in this State. Such criteria shall include, but not be  
35 limited to: regulatory pricing mechanisms for the "unbundled" costs of  
36 necessary transmission and distribution and the cost effectiveness of  
37 such mechanisms; transmission and distribution performance and safety  
38 standards; the impact on service quality, reliability and adequacy; the  
39 possible disposition of stranded assets of the local electric public  
40 utility; the effect on current environmental and conservation-related  
41 programs; and the effect on low-income subsidies or other energy  
42 assistance programs.

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44 5. Nothing in this act shall reduce or inhibit the amount of revenues  
45 a municipality receives from the annual gross receipts and franchise  
46 taxes paid by public utilities and collected for distribution to

1 municipalities, pursuant to chapters 30 and 30A of Title 54 of the  
2 Revised Statutes.

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4 6. In order to carry out the purposes of this act, the board is  
5 authorized to contract for and to accept any gifts or grants or loans of  
6 funds or property or financial or other aid in any form from the United  
7 States of America or any agency or instrumentality thereof, or from  
8 the State or any agency, instrumentality or political subdivision  
9 thereof, or from any other source, including, but not limited to,  
10 assistance from appropriate sources at Rutgers, the State University,  
11 the New Jersey Institute of Technology, and Stevens Institute of  
12 Technology, and to comply, subject to the provisions of the act, with  
13 the terms and conditions thereof.

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15 7. The board shall prepare a report to the Governor and  
16 Legislature within two years of the effective date of this act,  
17 identifying the department's progress in establishing a residential retail  
18 wheeling pilot program and any findings and recommendations  
19 regarding the costs and benefits of the retail wheeling pilot program,  
20 including recommendations on legislation to expand the program or  
21 make the program permanent.

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23 8. The board shall promulgate, in accordance with the  
24 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et  
25 seq.), such rules and regulations as may be necessary to effectuate the  
26 purposes of this act.

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28 9. This act shall take effect 60 days after enactment, but the board  
29 may take anticipatory administrative action in advance as shall be  
30 necessary for the implementation of the act and shall expire upon the  
31 issuance of the board's report.

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#### STATEMENT

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36 The business of generating, transmitting and selling electricity for  
37 ultimate distribution to residential customers within this State is a  
38 matter of the public interest, and reasonable, competitive electricity  
39 prices are necessary to promote the public health, safety and economic  
40 welfare. Compared with customers in other states, this State's retail  
41 electricity customers pay significantly higher prices, and the current  
42 negotiation of special case rate reductions for large commercial and  
43 industrial electric customers increases the pressure for an ultimate cost  
44 shift to smaller customers, including residential customers. Retail  
45 wheeling may provide a basis for the determination of electricity price  
46 levels that relies to a greater extent upon competition than upon

1 regulation and there are relatively few technical barriers to the  
2 establishment of retail wheeling in this State.

3 The bill tests the concept of competitive electricity pricing by  
4 directing the Board of Public Utilities ("the board") to establish a pilot  
5 program, within one year of the bill's effective date, in six  
6 municipalities, two each within the northern, central and southern  
7 regions of the State, to examine the benefits and risks of allowing  
8 residential electricity customers to choose a source of electricity which  
9 is not the local electric public utility. At least one of the six  
10 municipalities shall contain residential areas where residential  
11 customers depend on electric power as the primary source of energy  
12 for lighting, heating and air conditioning.

13 Nothing in this act will reduce or inhibit the amount of revenues a  
14 municipality receives from the annual gross receipts and franchise  
15 taxes paid by public utilities and collected for distribution to  
16 municipalities, pursuant to chapters 30 and 30A of Title 54 of the  
17 Revised Statutes.

18 The board is to report to the Governor and the Legislature within  
19 two years identifying the board's progress in establishing this pilot  
20 program and any findings regarding the costs and benefits of such  
21 usage, and recommendations on legislation to expand the program or  
22 make it permanent.

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27 Directs BPU to establish "retail wheeling" pilot program for residential  
28 electric customers in six municipalities within the State.

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