

**STATE OF NEW HAMPSHIRE
BEFORE THE PUBLIC UTILITIES COMMISSION**

EnerNOC, Inc.

Docket No. DE 18-142

Petition for Approval of Use of Live, Online Reverse Auction in Electric Procurement

**Direct Testimony of
James R. Shuckerow and Frederick B. White for
Public Service Company of New Hampshire d/b/a Eversource Energy**

1 **I. INTRODUCTION**

2 **Q. Mr. Shuckerow, please provide your name, business address and title.**

3 A. My name is James R. Shuckerow. I am the Director, Electric Supply for Eversource
4 Energy Service Company. My business address is 107 Selden Street, Berlin, Connecticut

5 **Q. Please describe your responsibilities as Director, Electric Supply for Eversource**
6 **Energy.**

7 A. In my position as Director, Electric Supply, my responsibilities include procurement of
8 wholesale power supply contracts for Eversource customers in Connecticut, Massachusetts
9 and New Hampshire who have not selected retail power supply, and contracting for
10 renewable power.

11 **Q. Mr. White, please provide your name, business address and title.**

12 A. My name is Frederick B. White. My business address is 107 Selden St, Berlin,
13 Connecticut. I am a Supervisor in the Electric Supply department of Eversource Energy
14 Service Company.

15 **Q. Mr. White, please describe your responsibilities at Eversource Energy.**

16 A. I supervise and provide analytical support required to fulfill the power supply requirement
17 obligations of Public Service of New Hampshire, d/b/a Eversource Energy ("Eversource"
18 or the "Company"). This included, prior to the divestiture of Eversource's generation fleet,
19 supporting the development of default Energy Service rates, evaluation of the need to
20 supplement Eversource's resources for the provision of energy service, and acquisition of
21 Financial Transmission Rights to manage congestion. Subsequent to the divestiture, this
22 involves conducting solicitations for the competitive procurement of power for energy
23 service and the fulfillment of Renewable Portfolio Standards obligations. I am also

1 responsible for on-going activities associated with independent power producers and
2 purchase power agreements.

3 **II. PURPOSE**

4 **Q. What is the purpose of your testimony?**

5 A. The purpose of our testimony is to discuss the Company's evaluation of the petition of Enel
6 X, Inc. ("Enel X")¹ regarding the use of live, online reverse auctions for the procurement of
7 electric supply for default Energy Service ("Energy Service" or "ES") customers of
8 Eversource.

9 In brief, Enel X has asked the Commission to order Eversource to switch from using a
10 sealed-bid request for proposals ("RFP") process for obtaining bids to provide ES for
11 customers in New Hampshire. In place of that process, Enel X is asking that the
12 Commission order Eversource to use an online reverse auction method for procuring ES
13 and that it do so for at least three procurements. As Eversource understands, Enel X is not
14 asking that the Commission order Eversource to use Enel X's services for this new
15 procurement method, but only that the new method be used on a pilot basis. A service
16 provider to implement the new process, if needed, will be selected at a later date.

17 **III. EVERSOURCE'S REVIEW AND EVALUATION**

18 **Q. Has the Company investigated the merits of Enel X's petition?**

19 A. Yes, the Company has reviewed Enel X's pre-filed testimony and participated in technical
20 sessions, and has reviewed information provided during discovery. During the process the
21 Company has requested information it believes would aid it in a thorough evaluation of the
22 proposal. Also, the Company has contacted customers identified by Enel X to discuss their
23 experiences associated with electric supply procurement.
24

¹ At the time of its filing, the petitioner was known as EnerNOC, Inc., but subsequently changed its corporate name. Eversource will use Enel X's current name for purposes of this testimony.

1 **Q. Has Eversource had discussion regarding live, online reverse auctions prior to the**
2 **initiation of this docket?**

3 A. Yes. Prior to submittal of the petition, Eversource met several times with Enel X to
4 understand how implementing live, online reverse auctions for the procurement of default
5 Energy Service for its New Hampshire customers would work. After Eversource's initial
6 review, Eversource determined that Enel X provided no evidence that the proposed process
7 would lead to lower cost for its ES customers.

8 **Q. Please describe what has occurred after Eversource did not endorse Enel X's**
9 **proposal.**

10 A. Subsequent to those discussions and having not persuaded Eversource, Enel X filed its
11 petition in the instant docket, seeking to have the Commission order implementation of the
12 same process that Eversource had previously declined to implement.

13 **Q. How does Eversource provide default Energy Service for its New Hampshire**
14 **customers currently?**

15 A. Eversource uses the sealed-bid RFP method as approved following the divestiture of its
16 generating facilities. Consistent with the 2015 PSNH Restructuring and Rate Stabilization
17 Agreement (the "2015 Agreement"), which was approved by the Commission along with a
18 related litigation settlement in Order No. 25,920, on June 29, 2017 Eversource filed a
19 petition and supporting testimony with the Commission seeking approval of a proposal for
20 procuring and providing Energy Service to customers on a competitive basis, rather than
21 through its previous paradigm of a managed portfolio with owned generation resources.
22 That filing initiated Docket No. DE 17-113, "Petition for Approval of Energy Service
23 Supply Proposal." Following discussions among the parties to that docket, a Settlement
24 Agreement was reached which described the method of, and timing for, Eversource's
25 transition to competitively procured Energy Service following the sale of its thermal
26 generating assets. That Settlement Agreement was approved by Order No. 26,092
27 (December 29, 2017), and included among many provisions, the following item:

28 *C. The Settling Parties agree that Eversource's competitive procurement as implemented*
29 *under this Agreement will be in the form of a sealed bid RFP consistent with Eversource's*
30 *initial proposal. The Settling Parties agree that any party may, in the future, petition the*
31 *Commission to amend the manner of ES procurement and supply should circumstances*

1 *warrant a change and Staff, the OCA, and Eversource agree to participate in such a*
2 *docket. Eversource agrees to continue to evaluate procurement methods other than sealed*
3 *bid RFP. The Settling Parties agree that any new proposed method, if approved by the*
4 *Commission, shall be implemented as ordered by the Commission.*

5 Eversource has been a willing participant in this proceeding to understand the benefits to
6 ES customers from a process that differs from the currently approved process by the
7 Commission.

8 **Q. Please comment on the current Eversource procurement process.**

9 A. The procurement process used in New Hampshire is very similar to the sealed-bid
10 procurement process used by Eversource's affiliates in the states of Connecticut and
11 Massachusetts. These processes have evolved since retail choice for customers in
12 Connecticut and Massachusetts began in 2000. This process is well understood by
13 suppliers and the results have been approved by the utility regulators in Connecticut and
14 Massachusetts. On the other hand, the process put forth by Enel X for full-requirements
15 service procurement has no usage experience in New England. To date, only Eversource,
16 the OCA, and Staff have begun to evaluate the proposed process, but no other market
17 participants have opined on its merits. Any changes resulting from this proceeding that the
18 Commission may consider would need to be very carefully weighed in terms of costs and
19 benefits, and likely impact on wholesale suppliers, retail suppliers, retail customers, and
20 others.

21 **Q. Please discuss the perceived advantages of live, online reverse auctions as put forth by**
22 **Enel X.**

23 A. According to Enel X, the advantages are based on the theory that live auctions would affect
24 suppliers' bidding behaviors and drive prices down. In Eversource's assessment, however,
25 the competitive environment in which ES procurements are conducted, and the resulting
26 multi-million-dollar commitments to which suppliers subscribe, do not foster last-minute
27 reactions in bid prices in order to win, as contended by Enel X. Suppliers have pricing
28 limits pre-approved by the senior management of their respective companies which include
29 input from Trading, Credit, Risk Management, Regulatory, and Legal, to name a few, well
30 in advance of the auction. It is entirely possible that as an auction progresses suppliers
31 determine it is not necessary to go to their floor price if other bidders are not lowering their

1 bids. Therefore, the live final bid price could settle above the best and final sealed bid
2 price. Eversource has yet to see any information that clearly shows why submitting and
3 receiving offers in a live, online reverse auction necessarily results in lower prices, when
4 compared to sealed bid auctions.

5 The burden is on Enel X to show that its proposed process is superior to the current well-
6 established process – meaning that it would provide, in a consistent and verifiable way, the
7 lowest prices for customers. Based on the information supplied, Enel X has failed to do so.
8 Instead, Enel X has only offered its belief that its proposed method would be better, but it
9 has not substantiated that belief with any evidence showing it to produce better outcomes in
10 practice. Further, to Eversource’s knowledge Enel X has not participated in other
11 proceedings in Massachusetts, Connecticut or New Hampshire where the costs and benefits
12 of its proposal could have been examined. Indeed, Enel X’s predecessor companies,
13 EnerNOC and prior to that World Energy, have collectively been in business since the early
14 2000s giving ample opportunity to explore these services elsewhere. While Enel X’s
15 proposal for a live online reverse auction may have some surface appeal, Enel X has simply
16 not provided any evidence demonstrating that ES prices would, in fact, be lowered, or that
17 other positive outcomes would be achieved.

18 Moreover, the Company does not see advantages in implementing the kinds of changes
19 sought by Enel X because the benefits are speculative and not definitive. Based upon
20 Eversource’s understanding of Enel X’s proposal, as part of implementing an online reverse
21 auction, Eversource would still have the responsibility of choosing a service provider
22 through some appropriate method to implement the change, and that service provider,
23 whether Enel X or someone else, would need to be paid for its services regardless of the
24 scope of the services. For example, if Enel X was selected as the service provider to
25 conduct only the auction itself and not to develop or issue the RFP, conduct supplier
26 outreach, develop Master Power Supply Agreements, analyze credit requirements, execute
27 Transaction Confirmations, maintain website data, prepare and support regulatory filings,
28 etc., the Company would still retain substantial responsibilities but its ES customers would
29 be responsible for fees paid to Enel X which would be included in the Energy Service
30 charge, along with administrative expenses. In fact, Eversource believes interactions with
31 Enel X would add additional time and complexity by inserting an additional party into the

1 procurement process. The certainty of additional cost and complexity when the benefits are
2 only speculative does not make sense to Eversource.

3 **Q. Are there any concerns about supplier liquidity in using live online auctions?**

4 A. Yes. Energy Service is a very complex product in that it is full-requirements load-
5 following service lasting for a period of six months. Over this period, the supplier must
6 take on considerable risks – customer migration, price volatility, load variations due to
7 weather, changes in the economy, and other factors. There are few entities in the New
8 England market with the trading and risk management capabilities necessary to manage
9 such service. Therefore, for any particular auction and any particular tranche of load, there
10 may be a limited number of suppliers. In a sealed bid process, suppliers do not know if
11 there are competitors bidding on a particular tranche of load. Under a live reverse auction,
12 an individual supplier can see the current prevailing low bid. If that bid is the supplier's
13 own bid, that supplier may be able to determine whether there are other competitors and
14 then stop bidding lower. Since bidding typically starts high, customers may end up with a
15 higher price than under a sealed bid auction. Enel X has indicated that it could manage this
16 process by discussing with suppliers and getting an early read on liquidity. While
17 Eversource could have Enel X, or another entity provide that “discussion” service (at an
18 additional cost), it would not solve the problem inherent in the live auction where a supplier
19 can see if there is or is not competition.

20 **Q. Has Eversource made inquiries of others who utilize live, online reverse auctions for**
21 **the procurement of full-requirements default energy service?**

22 A. Yes. Eversource received from Enel X information regarding other utilities that utilize
23 their process for procurement. In response to a Company data request 1-1 (which is
24 attached to this testimony as Attachment A), Enel X provided the names of Delmarva (as
25 subsidiary of Exelon) and Consolidated Edison and Orange and Rockland in New York, as
26 utilizing Enel X for the procurement of similar services to default Energy Service. While
27 Enel X had indicated that it has run other auctions for other entities, those were for products
28 and services different from the full-requirements load-following default energy service
29 Eversource would be seeking. Therefore, Eversource did not seek any information from
30 those entities. For the three utilities Enel X claimed had used Enel X or its predecessors at
31 some point, only Delmarva was currently using them. Of the entities Eversource contacted,

1 one no longer utilizes Enel X's services and has brought many functions in-house. Another
2 uses their services for one subsidiary, but not for others whose sealed bid procurements are
3 managed within the same department, as approved by their various regulatory agencies.
4 Overall, the current experience for services like those promoted by Enel X is minimal.

5 Also, it appears that at least some of the factors supporting the involvement of a third-party
6 like Enel X in procurements by those companies were the desire and/or need for
7 transparency, and the desire for an independent party to conduct the solicitations to avoid
8 any manner of supplier complaints/claims of skew or bias, particularly because in all cases,
9 affiliates may participate in the auctions. Enel X's process does appear to provide the
10 desired objectivity, but that need does not exist for Eversource in New Hampshire.
11 Eversource's procurements in New Hampshire are already, by their regulatory nature,
12 transparent. Moreover, Eversource does not have any affiliates that could or would
13 participate in the auctions.

14 **Q. Was Eversource able to determine the cost of the Enel X service?**

15 A. No. In response to Eversource data request 1-22 which is attached to this testimony as
16 Attachment B, Enel X responded that the costs range depending on the services offered but
17 would be borne by the Energy Service supplier. In the end, there is a cost for the service
18 which would be passed along to customers in the form of higher Energy Service prices.

19 **Q. Was Eversource able to evaluate the cost benefits of utilizing live, online reverse**
20 **auctions versus the costs of Enel X's fees?**

21 A. No. As described before, the benefits touted by Enel X are theoretical and Enel X has not
22 offered any proof that they actually exist. The only definitive aspect of the proposed
23 changes is an increase in costs to customers due to the fees of any service provider who
24 might be needed to conduct the kinds of auctions Enel X believes ought to be used.

25 **IV. CONCLUSION**

26 **Q. Has the Company reached a conclusion as to the overall benefits to implementing a**
27 **change to current processes?**

28 A. While it may be that actually implementing the proposed changes would be workable
29 (subject to reaching satisfactory agreements with any new service providers), Eversource

1 has not seen anything demonstrating that it would be worthwhile for the Company, the
2 Commission, or customers. Inserting a new third party and added costs into a process that
3 is working well for Eversource's and all of New Hampshire's electric utility customers
4 simply is not justified.

5 **Q. What is Eversource's position to change from the current process?**

6 A. Much time has been spent evaluating the possibility of switching to live, online reverse
7 auctions, including participation in discussions with Enel X, Commission staff, and the
8 OCA. Eversource believes no evidence has been provided that would result in savings to
9 Eversource's customers and that a change from the current process is not warranted.

10 **Q. Does that complete your testimony?**

11 A. Yes, it does.