



**BIDDER INFORMATION MATERIAL**

# **Basic Generation Service (BGS) Load**

## **Statewide Auction Process**

27 November 2017



# **1. BOARD DECISION AND AGENDA**

# REGULATORY PROCEEDING BEGAN IN APRIL 2017

- On **April 21, 2017**, the Board issued an Order soliciting from the EDCs and from other parties proposals on how to procure supply for BGS customers in the state
- The EDCs filed a proposal to continue the **BGS Auction Process** substantially as implemented in the past sixteen years
- The regulatory proceeding included discovery, two rounds of written comments, and a legislative-type hearing
- The Board rendered its decision at its agenda meeting on **November 21, 2017** and this decision is memorialized in the Board Order posted to the BGS Auction website

# BOARD SUBSTANTIALLY APPROVED THE AUCTION PROCESS AS PROPOSED BY THE EDCs

- Board substantially approved the EDC Proposal
  - **Single statewide process:** Offers for all BGS load (not already procured) solicited in one process
  - **Two Auctions:** one for large commercial and industrial customers (“BGS-**CIEP**”) and one for residential and small commercial customers (“BGS-**RSCP**”)
  - **Supply periods:** one year for large commercial and industrial customers and three years for residential and small commercial
  - **Auction format is a clock auction:** Prices tick down as long as more tranches are bid than needed
  - **Board consideration of results:** within two business days of the close of the last auction
- Documents incorporating Board’s decision will become the final and governing documents for the Auctions

# GOVERNING DOCUMENTS POSTED AS THEY BECOME AVAILABLE

- Governing documents are
  - The SMAs: BGS-RSCP Supplier Master Agreement, BGS-CIEP Supplier Master Agreement
  - The Auction Rules: Final BGS-RSCP Auction Rules and Final BGS-CIEP Auction Rules
  - Each EDC's Company-Specific Addendum
  - [Board Order](#) in Docket No. ER17040335
- Any statements made in this presentation or during the webcast describing or referring to the governing documents are summaries only and are qualified in their entirety by our reference here to these documents
- SMAs will be identical in form to those used in 2017 Auctions as the Board did not approve clarification to section 15.9 sought by EDCs

# HARDCOPY BOUND SMAs AND AUCTION RULES AVAILABLE FROM THE AUCTION MANAGER

- Bidders must accept terms of the SMAs and the Auction Rules as a condition of participation in the Auctions
- Thus Bidders bear full responsibility for reviewing and understanding such documents
- In addition to documents being posted to the BGS Auction website, SMAs and Auction Rules are available also in a hardcopy format (one booklet for the BGS-RSCP Auction and one booklet for the BGS-CIEP Auction)
- Email us at [BGS-Auction@nera.com](mailto:BGS-Auction@nera.com) to request a copy to be sent to you

# AGENDA FOR THIS PRESENTATION

- Auction Process and key announcements
- Application process
- Bidding Procedure
- Highlights of SMAs
- Details of Auction Rules

# BIDDER INFORMATION PACKET PROVIDES ADDITIONAL INFORMATION

Information Packet organized into six (6) sections corresponding to subsections of the “BGS Auction Process” section posted on October 9, 2017

- 1. Regulatory Process:** describes regulatory process leading up to the Board decision and provides a summary of that decision
- 2. Activities Prior to the Board Decision:** describes the comment processes and information releases that have occurred
- 3. Application Process:** describes the Part 1 and Part 2 Applications in-depth and provides instructions for submitting materials
- 4. Bidder Training and Additional Information Releases:** describes training activities for Registered Bidders and describes future information releases to be made prior to the Auctions
- 5. Conduct of the Auctions:** describes the auction format and the bidding procedure; provides the software Terms and Conditions
- 6. Post-Auction Activities:** describes the decision of the Board on the auction results and the process for SMA execution



**2. OVERVIEW**  
**KEY ANNOUNCEMENTS**  
**TIMELINE**

# ONE PROCESS, TWO AUCTIONS

- Auctions are separate but concurrent
- **BGS-CIEP Auction:** Larger customers on hourly price plan
  - Auction determines a CIEP Price in \$/MW-day
  - Suppliers are paid this price on the basis of the capacity obligation
  - Suppliers are paid for energy at the real-time PJM hourly price and pre-determined rates for other components of supply
  - Suppliers also paid the CIEP standby fee levied on all CIEP customers
- **BGS-RSCP Auction:** Smaller customers on a stable price
  - Auction determines all-in price in ¢/kWh
  - Suppliers are paid this price for every kWh of load served

# AUCTION FORMAT IS A CLOCK AUCTION

- **Multi-product design**
  - Tranches for all EDCs are procured at once
- **Bidding proceeds in rounds**
  - Suppliers state how many tranches they want to supply at prices suggested by the Auction Manager
  - Prices tick down if there is excess supply
  - Suppliers could switch their bids from one EDC to another in a given Auction

BGS-RSCP

**“Price” is in ¢/kWh**

BGS-CIEP

**“Price” is in \$/MW-day**

# CIEP VERSUS RSCP CUSTOMERS

EDC	All customers are CIEP	Customers at or over 500 kW are CIEP
PSE&G	HTS-HV, HTS-Sub, LPL-P	LPL-S
JCP&L	GP, GT	GS, GST
ACE	TGS	AGS-Primary, AGS-Secondary, MGS-Primary, MGS-Secondary
RECO	Service Classification No. 7	Service Classification No. 2

- Non-residential RSCP customers can opt in to CIEP
  - Customer must **notify the EDC** by **January 3, 2018**
- There are **no switching restrictions** so that all BGS customers are free to come and go from BGS provided that they give appropriate notice to the EDC

# BGS-CIEP AUCTION: TRANCHES AND PARAMETERS

- The **minimum starting price** is \$**425**/MW-day and the **maximum starting price** is \$**550**/MW-day

EDC	CIEP Peak Load Share (MW)	Number of Tranches	Tranche Size (%)	MW-Measure
PSE&G	1,903.79	25	4.00	76.15
JCP&L	915.08	12	8.33	76.26
ACE	318.70	4	25.00	79.68
RECO	56.30	1	100.00	56.30
Statewide Load Cap		19		

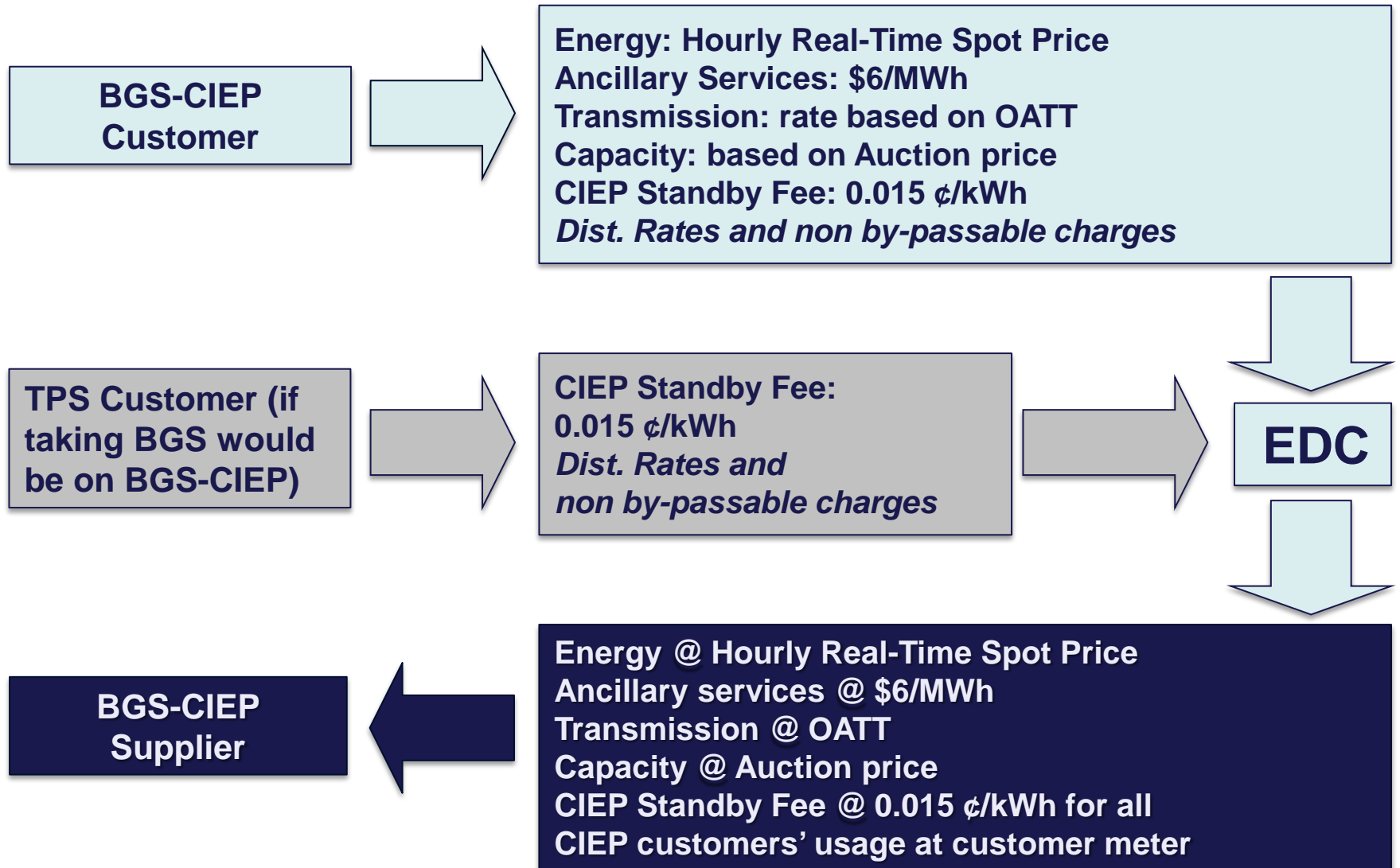
- A **tranche** is a fixed percentage of BGS-CIEP Load for one EDC equivalent to about 75 MW on an eligible basis
- BGS-CIEP Supplier provides energy, transmission, capacity, ancillary services, and any other service as may be required by PJM

# CIEP MIGRATION IS SUBSTANTIAL

- As of **October 2017** there was **substantial switching** to Third Party Suppliers (TPSs)

EDC	Accounts			Load		
	Total	Switching	%	Total	Switching	%
PSE&G	1,887	1,355	71.81	2,173.20	1,855.20	85.37
JCP&L	917	673	73.39	882.65	739.59	83.79
ACE	229	193	84.28	318.70	266.99	83.77
RECO	67	56	83.58	58.88	51.14	86.85
<b>Statewide</b>	<b>3,100</b>	<b>2,277</b>	<b>73.45</b>	<b>3,433.43</b>	<b>2,912.92</b>	<b>84.84</b>

# CIEP PAYMENTS AND RATES



# BGS-RSCP AUCTION: TRANCHES AND PARAMETERS

- The **minimum starting price** is **11.5¢**/ kWh and the **maximum starting price** is **17.0¢**/kWh

EDC	RSCP Peak Load Share (MW)	Number of Tranches	EDC Load Cap	Tranche Size (%)	MW-Measure
PSE&G	2,606.51	29	14	1.18	89.88
JCP&L	1,824.78	20	9	1.93	91.24
ACE	641.90	7	3	4.55	91.70
RECO	96.68	1	1	25.00	96.68
Statewide Load Cap		21			

- A **tranche** is a fixed percentage of BGS-RSCP Load for one EDC equivalent to about 100 MW on an eligible basis
- BGS-RSCP Supplier provides energy, transmission, capacity, ancillary services, and any other service as may be required by PJM



# RSCP MIGRATION MORE MODEST

- Statewide migration is approximately **31% of load** and **16% of accounts** for customers under 500kW

**Migration Among RSCP Customers with Peak Load Share of <500kW  
As of October 2017**

EDC	Accounts			PLC (kW)		
	Total	Switching	%	Total	Switching	%
PSE&G	2,179,043	285,133	13.09	7,218,231	2,078,272	28.79
JCP&L	1,123,226	259,021	23.06	4,700,421	1,713,399	36.45
ACE	552,184	92,034	16.67	2,012,555	626,523	31.13
RECO	72,897	6,840	9.38	425,072	83,299	19.60
<b>Statewide</b>	<b>3,927,350</b>	<b>643,028</b>	<b>16.37</b>	<b>14,356,279</b>	<b>4,501,493</b>	<b>31.36</b>

# BGS-RSCP PAYMENTS AND PRICING

2016		2017		2018	
Auction Price	# Tranches	Auction Price	# Tranches	Auction Price	# Tranches
8.214¢/kWh	7	7.549¢/kWh	8	10.000¢/kWh	7

*Suppose the 2018 summer factor is 1.0284*

$$10.000 \times 1.0284 = 10.284 \text{ ¢/kWh}$$

Summer rate paid to BGS-RSCP Supplier  
(winning bidder in 2018 auction)

Tranche-weighted avg. price seasonally adjusted for 2018  
= 8.540 ¢/kWh

Rate Design Methodology -  
 $1.015 \times 8.540 = 9.822 \text{ ¢/kWh}$

Summer rate paid by rate class

# PROVISIONAL EDC-SPECIFIC SEASONAL FACTORS

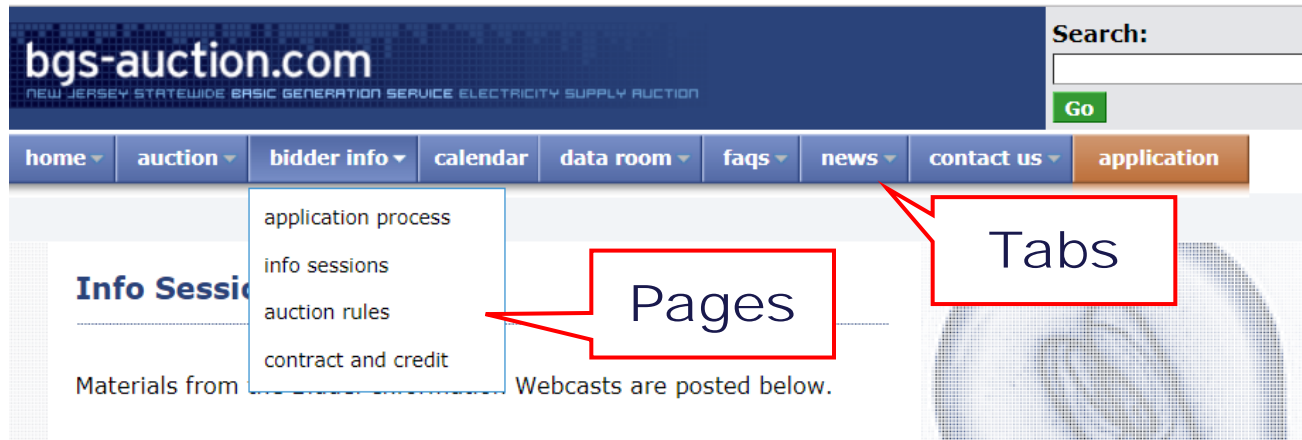
- Each EDC has a **summer factor** and **winter factor** used to translate the final Auction price into the supplier payment rate by season
- Provisional **summer and winter factors are 1** for each EDC based on the updates to the rate design methodology for the compliance filing
- **Final EDC-specific seasonal factors** will be determined no later than 6 days before the Auction and, once determined, will apply for the entire three years of the supply period

EDC	PSE&G	JCP&L	ACE	RECO
Summer Factor	1.0000	1.0000	1.0000	1.0000
Winter Factor	1.0000	1.0000	1.0000	1.0000

# AUCTION PROCESS TO DATE

<b>August 15, 2017</b>	First FAQs posted
<b>October 06, 2017</b>	October Information webcast on EDC Proposal
<b>September-October</b>	Bidders may submit alternate forms of guaranty or may propose modifications to the Letters of Credit
<b>October 18, 2017</b>	Illustrative Application Forms posted
<b>November 06, 2017</b>	Final Letters of Credit posted
<b>November 06, 2017</b>	Final lists of acceptable modifications posted
<b>November 15, 2017</b>	Tranches and Parameters announced
<b>November 20, 2017</b>	Association and Confidential Information Q&A

# WHERE TO FIND DOCUMENTS ON THE BGS AUCTION WEBSITE



Information organized by page under various tabs

- Scroll over tabs to access pages
- **“auction”** tab contains pages relating to BGS proceeding
- **“bidder info”** tab has core documents for bidders
  - Auction Rules found on **“auction rules”** page
  - SMAs and credit documents found on **“contract and credit”** page
- **“data room”** tab contains data made available by EDCs

[www.bgs-auction.com](http://www.bgs-auction.com) has search capability and a site map

# CALENDAR OF EVENTS

November				
Monday	Tuesday	Wednesday	Thursday	Friday
27 Webcast	28 Part 1 Form Opens	29	30	1
December				
11	12 Part 1 Application Date	13	14	15 Bidders Qualified
January				
8	9	10 Part 2 Application Date	11	12
15 MLK Day	16	17	18 Bidders Registered	19
22	23 Webcast for Registered Bidders	24	25 Trial Auctions	26
February				
29	30	31	1	2 BGS-CIEP Auction Begins
5 BGS-RSCP Auction Begins	6	7	8	9

# ADDITIONAL INFORMATION RELEASES

January				
<u>Monday</u>	<u>Tuesday</u>	<u>Wednesday</u>	<u>Thursday</u>	<u>Friday</u>
1	2	3	4	<b>5</b> <b>Transmission Rates</b>
8	9	10	11	12
15 MLK Day	16	<b>17</b> <b>Final Rate Spreadsheets</b> <b>Final Seasonal Factors</b>	18	19
22	<b>23</b> <b>MtM Info Release</b> <b>Final Decrements</b> <b>Tranche Fees</b>	24	25	26
29	<b>30</b> <b>Registered Bidders</b> <b>Informed of</b> <b>BGS-CIEP Starting Prices</b>	<b>31</b> <b>Registered Bidders</b> <b>Informed of</b> <b>BGS-RSCP Starting Prices</b>	1	2

# AUCTION RESULTS SUBJECT TO BOARD APPROVAL

- **Board has two (2) business days from close of last auction to consider results**
  - Board may consider BGS-CIEP Auction results and BGS-RSCP Auction results at different times
  - However, if weather or other conditions make the Board's offices inaccessible, the decision period will run an extra business day
- Results of each Auction are considered separately but in their entirety
  - It **is possible** that results of the BGS-RSCP Auction are approved while results of the BGS-CIEP Auction are not (or vice-versa)
  - However, the results are approved for all EDCs or for none so that it is **not possible** for results to be approved for one EDC but not the others





## **3. APPLICATION PROCESS**

# HIGHLIGHTS OF THE APPLICATION PROCESS

- Application Process is in **two parts**
  - Part 1: interested parties become Qualified Bidders
  - Part 2: Qualified Bidders become Registered Bidders
- Application Forms are **online**
  - Fill in the form to provide information in response to requirements
  - Upload supporting documentation
  - Provide certifications and other documents requiring a signature by the use of **Inserts**
  - Only pre-auction security required in Part 2 must be provided in **hardcopy**

[www.bgs-auction.com](http://www.bgs-auction.com) **information website**

[www.bgs-application.com](http://www.bgs-application.com) **application website**

# PART 1 REQUIREMENTS ARE SIMPLE

Section	Title	Requirements
1-4	Applicant Contact Information	<ul style="list-style-type: none"> <li>• Designate “Bidder Team”</li> <li>• Designate Legal Representative in NJ: accept service of process</li> <li>• Designate Credit Representative</li> </ul>
5	Licensing Requirement	<ul style="list-style-type: none"> <li>• Applicants that are not yet BGS Suppliers show that they are LSEs or certify that they have no impediments to becoming an LSE in PJM</li> </ul>
6-7	Financial Information	<ul style="list-style-type: none"> <li>• Financial information</li> <li>• Senior unsecured debt ratings</li> <li>• Determine pre-auction security required by the Part 2 Application</li> </ul>
8	Foreign Entities	<ul style="list-style-type: none"> <li>• Additional information for entities not incorporated or otherwise formed under the laws of the United States</li> </ul>
9-10	Certifications	<ul style="list-style-type: none"> <li>• Agree to terms of applicable Supplier Master Agreement</li> <li>• Agree to applicable Auction Rules</li> <li>• Agree to confidentiality of list of Qualified Bidders</li> <li>• Agree not to assign rights as a Qualified Bidder</li> </ul>
11	Justification of Omissions	<ul style="list-style-type: none"> <li>• Explain or provide any missing information</li> </ul>

# NEW APPLICANTS REQUEST AN ACCOUNT

**bgs-application.com**  
NEW JERSEY STATEWIDE BASIC GENERATION SERVICE ELECTRICITY SUPPLY AUCTION

home **get account** part 1 application inserts

## Get Account

Fields marked with a \* are required

Name: \*

Company: \*

E-Mail: \*

Position/Title:

Phone Number: \*

Alternate Phone Number:

Fill out  
required fields  
and click  
submit

## Sent to contact

- Username
- Password
- Application Instructions
- Deadline Information

# DOWNLOAD NEEDED INSERTS

- **Inserts** are separate forms in Microsoft Word
- Download Inserts

**bgs-application.com**  
NEW JERSEY STATEWIDE BASIC GENERATION SERVICE ELECTRICITY SUPPLY AUCTION

home | get account | part 1 application | **inserts**

## inserts

**"Inserts"** are separate forms in Microsoft Word format posted to the Application web site. Applicants fill in each applicable Insert, sign the Insert (and have the signature notarized when instructed), scan the signed and completed Insert, and upload the scanned Insert to the online Form.

The Inserts are numbered; the first Insert for the Part 1 Application is numbered #P1-1, the second Insert is numbered #P1-2, etc. **All Applicants should download the Inserts in this file:**  
[ALL BIDDERS – Inserts #P1-1 to #P1-5](#)

Applicants to **BOTH the BGS-RSCP Auction and the BGS-CIEP Auction** should download this file:  
[BIDDERS for BOTH Auctions – Inserts #P1-9 to #P1-11](#)

Applicants to the **BGS-RSCP Auction ONLY (and NOT the BGS-CIEP Auction)** should download this file:  
[BIDDERS for RSCP ONLY – Inserts #P1-6 to #P1-8](#)

Applicants to the **BGS-CIEP Auction ONLY (and NOT the BGS-RSCP Auction)** should download this file:  
[BIDDERS for CIEP ONLY – Inserts #P1-12 to #P1-14](#)

All Applicants download

RSCP & CIEP downloads

RSCP-only downloads

CIEP-only downloads

# LOG IN USING CREDENTIALS

The image shows a screenshot of the bgs-application.com website. The top navigation bar includes links for 'home', 'get account', 'part 1 application', and 'inserts'. The 'part 1 application' link is circled in red. Below the navigation bar, there is a message: 'You need to be logged in to view the application. If you don't have a login please [register here](#). If you have a login and password, please [login here](#).' A red callout box points to the 'login here' link with the text: 'Click on "login here" and enter your login credentials on the login page'. To the right, a smaller screenshot shows the login form with fields for 'Username' and 'Password', a 'Remember Me' checkbox, and a 'Log In' button.

**bgs-application.com**  
NEW JERSEY STATEWIDE BASIC GENERATION SERVICE ELECTRICITY SUPPLY AUCTION

home | get account | **part 1 application** | inserts

You need to be logged in to view the application. If you don't have a login please [register here](#).

If you have a login and password, please [login here](#).

Click on "login here" and enter your login credentials on the login page

**bgs-application.com**  
NEW JERSEY STATEWIDE BASIC GENERATION SERVICE ELECTRICITY SUPPLY AUCTION

Username

Password

Remember Me

# PART 1 APPLICATION – ARCHITECTURE OF FORM

## PART 1 APPLICATION FORM PART 1 APPLICATION DATE: December 12, 2017

### 1. Basic Applicant Information

Name of Applicant

Is the Applicant name the same as the legal or trade name?  Yes  No

Place of Incorporation (If Applicable)

1. Applicant's most recent SEC Form 10-K; if unavailable, please provide the most recent audited annual financial information (including a balance sheet, income statement, etc.)

Audited annual financial information. If the information is unavailable, please so state in the Justification of Omissions section.  Test Bidder 10K.pdf

Bottom of Form:  
Print, Save, Submit

[Click to Print This Form](#)

Section 1: Fill in fields and radio buttons

Section 6: Upload 10K

Right toolbar:  
useful docs, save, and log out

#### Useful Documents for the Part 1 Form:

- [Glossary – Part 1 Application](#)
- [Part 1 Application Review Process](#)
- [Application and Login Instructions](#)

[Click here to go to the top of the form.](#)

[Click here to go to the bottom of the form \(Save, Submit\).](#)

# CERTAIN INSERTS APPLY TO ALL BIDDERS

#	Insert	Applies to
P1-1	Authorized Representative Insert	<b>REQUIRED</b>
P1-2	Nominee Insert	OPTIONAL
P1-3	Legal Representative Insert	<b>REQUIRED</b>
P1-4	LSE Certification Insert	Bidders not already PJM LSEs
P1-5	Certifications (A) Insert	<b>REQUIRED</b>

- **All Applicants download these Inserts**
- General Inserts – do not depend on the Auction or Auctions for which the bidder is applying



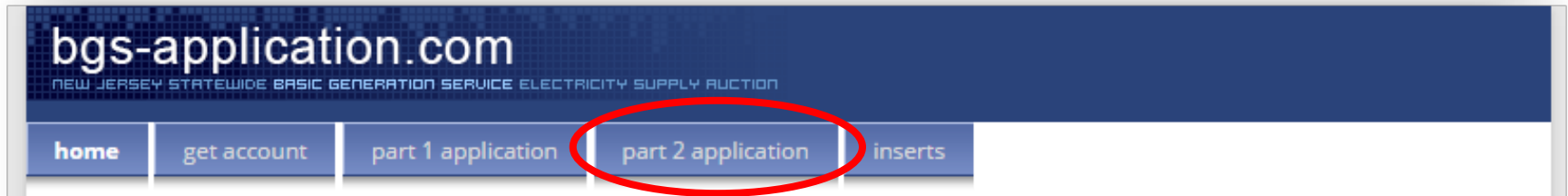
# OTHER INSERTS ARE PARTICIPATION-SPECIFIC

	#	Insert	
<b>RSCP Only</b>	P1-6	RSCP Designation Insert	<b>REQUIRED</b>
	P1-7	RSCP Certifications (B) Insert	<b>REQUIRED</b>
	P1-8	RSCP Bidding Agreement Insert	Applicable if in Bidding Agreement
<b>RSCP+CIEP</b>	P1-9	RSCP+CIEP Designation Insert	<b>REQUIRED</b>
	P1-10	RSCP+CIEP Certifications (B) Insert	<b>REQUIRED</b>
	P1-11	RSCP+CIEP Bidding Agreements Insert	Applicable if in Bidding Agreement
<b>CIEP Only</b>	P1-12	CIEP Designation Insert	<b>REQUIRED</b>
	P1-13	CIEP Certifications (B) Insert	<b>REQUIRED</b>
	P1-14	CIEP Bidding Agreement Insert	Applicable if in Bidding Agreement

# PART 1 APPLICATION PROCESSING AND CORRESPONDENCE WITH AUCTION MANAGER

- Automatic email from “BGS Auction Application” confirms submission
- Auction Manager provides review by email:
  - **By 6 PM** if submission received before noon
  - **By noon** on the next business day if submission received between noon and 6 PM
  - Application is either “**complete**” or “**deficient**”
- Bidders **must** respond to deficiency notices by the deadline otherwise application is rejected. Deadline is **12 PM (noon)** on the Part 1 Date or **6 PM** the next business day, whichever is later
- **Notification of Qualification** (received if application is successful) contains a creditworthiness assessment and instructions for the Part 2 Application

# PART 2 FORM AVAILABLE WHEN PART 1 CLOSES



- **Architecture** same as Part 1 Form:
  - Fields / radio buttons
  - Uploads for Inserts (download from “Inserts” page)
  - Toolbar with useful documents
  - Basic functionality (print, save, submit)
- **Illustrative Form** available on BGS Auction website provides full view of requirements

# PART 2 APPLICATION REQUIREMENTS

Section	Title	Requirements
1	Auction Participation	<ul style="list-style-type: none"><li>• Confirm contact information</li><li>• Confirm intended auction participation</li></ul>
2	BGS-RSCP Requirements	<ul style="list-style-type: none"><li>• Submit a statewide indicative offer and preliminary interest in each EDC</li><li>• Confirm pre-auction security amount</li><li>• Certify compliance with Association and Confidential Information Rules</li><li>• Provide information necessary to prepare the SMA</li></ul>
3	BGS-CIEP Requirements	<ul style="list-style-type: none"><li>• Submit a statewide indicative offer</li><li>• Confirm pre-auction security amount</li><li>• Certify compliance with Association and Confidential Information Rules</li><li>• Provide information necessary to prepare the SMA</li></ul>
4	Justification of Omissions	<ul style="list-style-type: none"><li>• Explain or provide any missing information</li></ul>

**Pre-auction security submitted in hardcopy**

# INDICATIVE OFFER REQUIREMENTS

- **The indicative offer is** the maximum number of tranches that the bidder is willing to bid statewide for all EDCs at the minimum starting price and at the maximum starting price
- The indicative offer at the maximum starting price determines:
  - the maximum number of tranches that the bidder can bid in the Auction (the **initial eligibility**)
  - The amount of pre-auction security required with the Part 2 Application

BGS-RSCP Auction	BGS-CIEP Auction
Bidders provide interest in each EDC at the minimum and maximum starting prices	Indicative offer at maximum starting price must be at least 2 tranches

# PRE-AUCTION SECURITY

## **BGS-RSCP:**

Submit a letter of credit in an amount of **\$500,000 per tranche** of the indicative offer at the maximum starting price **(17¢/kWh)**

Additional pre-auction security may be required if:

- Qualified Bidder has a Guarantor (Letter of Intent to Provide a Guaranty)
- Qualified Bidder or Guarantor does not have sufficient unsecured credit (Letter of Reference)

## **BGS-CIEP:**

Submit a letter of credit in an amount of **\$375,000 per tranche** of the indicative offer at the maximum starting price **(\$550/MW-day)**

# PART 2 INSERTS ARE AUCTION-SPECIFIC

## ■ Inserts in the Part 2 Application

- Qualified Bidders applying for participation in either the BGS-RSCP or the BGS-CIEP Auction will submit ONE set of Inserts (2 Inserts in total).
- Qualified Bidders applying for both Auctions will submit both sets of Inserts (4 Inserts total)

	#	Insert	
RSCP	P2-1	RSCP Certifications (C) Insert	<b>REQUIRED</b>
	P2-2	RSCP Contract Insert	Requested
CIEP	P2-3	CIEP Certifications (C) Insert	<b>REQUIRED</b>
	P2-4	CIEP Contract Insert	Requested

# LISTS OF ACCEPTABLE MODIFICATIONS POSTED

- Use **standard form for the Auction for which you are applying**
- Standard Form posted to the “Contract and Credit” page of the “bidder info” tab of the website
  - No changes made to the standard form this year
  - Final Pre-Auction Letter of Credit for BGS-CIEP Bidders (Nov. 6, 2017)
  - Final Pre-Auction Letter of Credit for BGS-RSCP Bidders (Nov. 6, 2017)
- **Acceptable modifications** to the pre-auction letter of credit are posted to the “contract and credit” page of the “bidder info” tab of the website



# PART 2 APPLICATION PROCESSING AND CORRESPONDENCE WITH AUCTION MANAGER

- Automatic email from “BGS Auction Application” confirms submission
- For materials **except pre-auction security**, timing is the same as for the Part 1 Application
  - **Auction Manager provides results of review on the same business day** if submission is received before noon or **by noon on the next business day** otherwise
  - Bidders must respond to deficiency notice by noon on the Part 2 Date or by 6 PM the next business day
- Review of **pre-auction security** is performed by a committee of representatives of the EDCs and of the Auction Manager
  - Review may be provided in a separate notice
  - Review may be delayed



## **4. BIDDING PROCEDURES**

# BIDS ARE SUBMITTED ONLINE

- Bidding is done online
- Bids are submitted and round results received through the **auction software**
- Bidders log in to the auction software using a Login ID and password provided by the Auction Manager to the Bidder Team
- **System requirements** are minimal:
  - A standard PC-compatible computer running Windows 7 or later or Mac 10.7 or later
  - An Internet connection and a supported web browser

# AUCTION SCHEDULE

- The BGS-CIEP Auction will begin on **Friday, February 2, 2018**
- The BGS-RSCP Auction will begin on **Monday, February 5, 2018**
- 24 rounds of bidding in BGS-CIEP Auction expected on Friday
- Auctions run concurrently on Monday
  - 24 rounds of bidding in BGS-CIEP Auction
  - 15 rounds of bidding in BGS-RSCP Auction

# AUCTIONS RUN CONCURRENTLY: SAMPLE AUCTION SCHEDULE

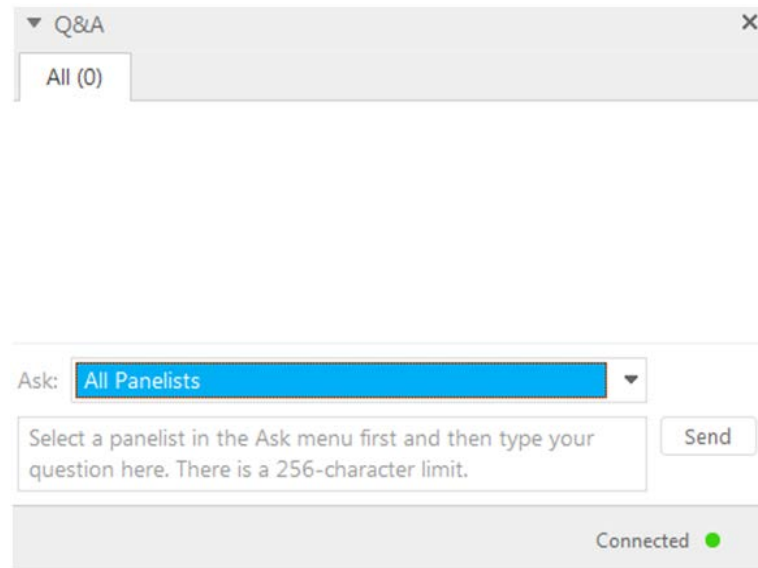
Times	BGS-CIEP	BGS-RSCP	Times
8:25	Round 25 Bidding	Log in Time	8:25
8:27			8:27
8:30			<b>8:30</b>
8:33			8:33
8:35			8:35
8:37			8:37
<b>8:40</b>	Round 25 Calculation and Report		8:40
8:43			8:43
8:45			8:45
8:47			8:47
<b>8:50</b>	Round 26 Bidding		8:50
8:53			8:53
<b>8:55</b>			<b>Round 1 Bidding</b>
8:57		8:57	
<b>9:00</b>	9:00		
9:03	9:03		
9:05	9:05		
9:08	9:08		
9:10	Automatic 15-Minute Extension	<b>9:10</b>	
9:13		9:13	
9:15		9:15	
9:17		9:17	
<b>9:20</b>		9:20	
9:23		9:23	
9:25	Round 27 Bidding	<b>9:25</b>	
9:27		9:27	
<b>9:30</b>		Round 1 Calculation and Report	9:30
9:33			9:33
9:35	9:35		
9:37	Round 27 Calculation and Report	<b>9:37</b>	
9:40		<b>Round 2 Bidding</b>	9:40
9:43			9:43
9:45			9:45
<b>9:47</b>			9:47
...			

# PAUSES

- Each bidder has **2 extensions** available to extend the bidding phase by 15 minutes
  - Typically for technical problems
  - The **bidding phase in round 1 is automatically extended** for the convenience of bidders
  - If a bidder requests an extension in round 1, or does not submit a bid during the bidding phase, an extension will be charged to the bidder that will run concurrently with the automatic extension
- Each bidder has **1 recess request** to extend the reporting phase by no less than 20 minutes
  - Extra time to consider bid
  - Available only later in the Auction (after round 10 and after the total excess supply in previous round falls below a given threshold)
- The Auction Manager can call a **time-out** (for example, in case of general technical difficulty)

# QUESTIONS?

To submit questions to the presenters, please **locate the “Q&A” on the right hand side of your screen**, and select “All Panelists” in the “Ask” box; type in your question and click “Send” to submit your question



The screenshot shows a Q&A interface with a dropdown menu set to "All Panelists" and a "Send" button. The interface includes a "Q&A" header, a "All (0)" indicator, and a "Connected" status at the bottom.

Presentation Materials and Q&A will be posted to  
<http://bgs-auction.com/bgs.bidinfo.ip.asp>

# **5. BGS SUPPLIER MASTER AGREEMENTS**



# NON-NEGOTIABLE STANDARD AGREEMENTS

- Agreements are **standard statewide** and are **approved by the Board**
- **Applicants must agree** to these standard contract terms to qualify to participate in the Auctions
- Also approved by the Board as part of the agreements are standard forms of credit instruments to post security during the supply period:
  - A standard form of guaranty
  - A standard form of letter of credit
- EDCs have **approved modifications to the letter of credit** that can be used on an optional basis

# SUPPLIER MASTER AGREEMENTS FULLY DESCRIBE THE PRODUCT

- BGS Supplier **responsible for supplying** energy, capacity, ancillary services, transmission and any other service that may be required for PJM to meet its share of the needs of BGS customers
- **Two agreements:** BGS-CIEP Supplier Master Agreement and BGS-RSCP Supplier Master Agreement
- Responsibilities of BGS-RSCP and BGS-CIEP Suppliers are the same but payment terms are different
- BGS Supplier also responsible for meeting the Renewable Portfolio Standards

# RPS REQUIREMENTS

Period	Solar Electric Generation	Class I Renewable Energy	Class II Renewable Energy
June 1, 2018 to May 31, 2019	3.290%	14.175%	2.5%
June 1, 2019 to May 31, 2020	3.380%	16.029%	2.5%
June 1, 2020 to May 31, 2021	3.470%	17.880%	2.5%

- BGS Suppliers transfer RECs (Class I and Class II) and SRECs to the EDCs through a **Retail LSE Account** in PJM GATS
- The EDCs submit the required **annual compliance reports** on behalf of BGS-RSCP and BGS-CIEP Suppliers
- A supplier that does not meet these requirements must pay and **Alternative Compliance Payment**

# OVERVIEW OF CREDIT PROVISIONS

- **Article 6** of each SMA fully describes the creditworthiness standards and security required under the Agreements
- **BGS-CIEP**—Credit Exposure is \$70,000/tranche
- **BGS-RSCP**—Two separate requirements
  - Mark-to-Market requirement
  - Independent credit requirement is \$2.4M/tranche at beginning of supply period and declines over the term of the Agreement
- **Two separate credit lines**
  - One for (i) Mark-to-Market exposures under all BGS-RSCP SMAs held by supplier and (ii) BGS-CIEP credit exposure
  - Another for BGS-RSCP independent credit requirement

# OVERVIEW OF SECTION 15.9

- **Section 15.9** provides for the recovery of and payment adjustment for changes in transmission related charges over the term of the BGS contract
- The Board has rejected the modification to this section initially filed by the EDC – this section in the final SMAs will be the same as it was in the 2017 Agreements
- Upon a **transmission rate change**, the EDCs file with the Board to collect any changes in transmission rates from customers for the benefit of BGS suppliers
- Filings and Orders related to Section 15.9 are posted to the BGS Auction website on the “bpu docs” page of the “auction” tab

# CHANGES POSSIBLE DURING THREE-YEAR PERIOD

## BGS Suppliers could be affected by changes such as:

- Rate design subject to annual review
- Changes to RPS and changes to the alternative compliance payment levels
- Changes to CIEP Line



## **6. AUCTION RULES**

# AUCTION FORMAT IS A CLOCK AUCTION

- **Multi-product design**
  - Tranches for all EDCs are procured at once
- **Bidding proceeds in rounds**
  - Suppliers state how many tranches they want to supply at prices suggested by the Auction Manager
  - Prices tick down if there is excess supply
  - Suppliers could switch their bids from one EDC to another in a given Auction

BGS-RSCP

**“Price” is in ¢/kWh**

BGS-CIEP

**“Price” is in \$/MW-day**



# WHAT IS A BID IN ROUND 1?

A bid is a number of tranches for each EDC

PSE&G	JCP&L	ACE	RECO
10	4	2	1

The bidder is ready to supply 10 tranches for PSE&G, 4 tranches for JCP&L, 2 tranches for ACE and 1 for RECO at the round 1 prices

Two rules:

- The total number of tranches bid on all EDCs **cannot exceed bidder's initial eligibility**
- **BGS-RSCP Auction only:** The number of tranches bid on an EDC **cannot exceed the EDC load cap**

# SAMPLE ROUND REPORTS

BGS-CIEP Report: Round 1	
Total Excess Supply: 151-155	
EDC	Round 2 Price (\$/MW-day)
PSE&G	451.25
JCP&L	475.00
ACE	459.56
RECO	459.56

Bidder sees:

- Range of total excess supply
  - Total excess supply is the sum of excess supply for all EDCs
  - Range provided includes actual total excess supply
  - Range of 5 numbers at start of Auction
- The round 2 prices
- The bidder's own bid

**Bidder has no information about others' bids, identities or eligibilities**

# PRICES “TICK DOWN”

- The price for an EDC ticks down in the next round when, and only when, there are more tranches bid than the tranche target at the current round price for that EDC
- At the start of the Auction, prices tick down by more than at the end
- There are three distinct regimes
  - **Start (regime 1):** 0.50% to 5.00%
  - **Middle (regime 2):** 0.375% to 3.75%
  - **End (regime 3):** 0.250% to 2.50%
- **Formulas** in the Auction Rules finalized upon registration of bidders

# CHANGES IN ROUND 2 BIDDING (FROM ROUND 1)

- A bidder can keep the number of tranches bid for each EDC the same as in round 1
- A bidder may be able to:
  - **Withdraw:** Remove some tranches from the Auction
  - **Switch:** Reduce tranches bid on one EDC and increase tranches bid on another EDC
  - **Withdraw and switch**
- A bidder can only request to reduce the number of tranches bid for an EDC (either through by withdrawing or switching from the EDC) **if the price for the EDC has ticked down**

# WHAT ARE THE RULES IN ROUND 2?

- The **total number of tranches bid** on all EDCs combined cannot exceed **eligibility** in round 2 (number of tranches bid in round 1)
- **BGS-RSCP Auction only:** The number of tranches bid **on any one EDC** cannot exceed **the load cap** for that EDC

# BIDDERS MUST NAME AN EXIT PRICE WHEN WITHDRAWING A TRANCHE

BGS-RSCP Example				
EDC	PSE&G	JCP&L	ACE	RECO
Price Round 1	15.000	15.000	14.750	15.000
Bid Round 1	10	1	<b>3</b>	1
Price Round 2	15.000	14.680	14.650	15.000
Bid Round 2	10	1	<b>2</b>	1
<i>Exit Price</i>			<b>14.712</b>	

- A bidder must enter an **exit price** (a final and best offer)
  - Above current going price
  - Below or equal to previous going price

# A BIDDER COULD NEED TO PROVIDE ADDITIONAL INFORMATION WHEN SWITCHING

BGS-CIEP Auction Example				
EDC	PSE&G	JCP&L	ACE	RECO
Price Round 1	460.00	475.00	440.00	445.00
Bid Round 1	2	7	2	1
Price Round 2	460.00	464.55	429.18	455.00
Bid Round 2	3	5	3	1
<i>Switching Priority</i>	1		2	

- When a bidder reduces the tranches bid on one or more EDCs and increases the number of tranches bid on **more than one** EDC, the bidder will be asked for a switching priority
- This is used when only some of the reductions can be granted

# A BIDDER COULD NEED TO PROVIDE ADDITIONAL INFORMATION WHEN SWITCHING AND WITHDRAWING

BGS-CIEP Example				
EDC	PSE&G	JCP&L	ACE	RECO
Price Round 1	460.00	475.00	440.00	445.00
Bid Round 1	2	5	2	1
Price Round 2	460.00	464.55	429.18	440.55
Bid Round 2	5	2	2	0
Exit		✓		
Exit Price		465.69		

- When decreasing the number of tranches bid from more than one EDC **and** switching, the bidder will be asked to designate which tranche is being withdrawn
- The bidder can name an exit price for the withdrawn tranche



# CHANGES IN ROUND 2 REPORTING (FROM ROUND 1)

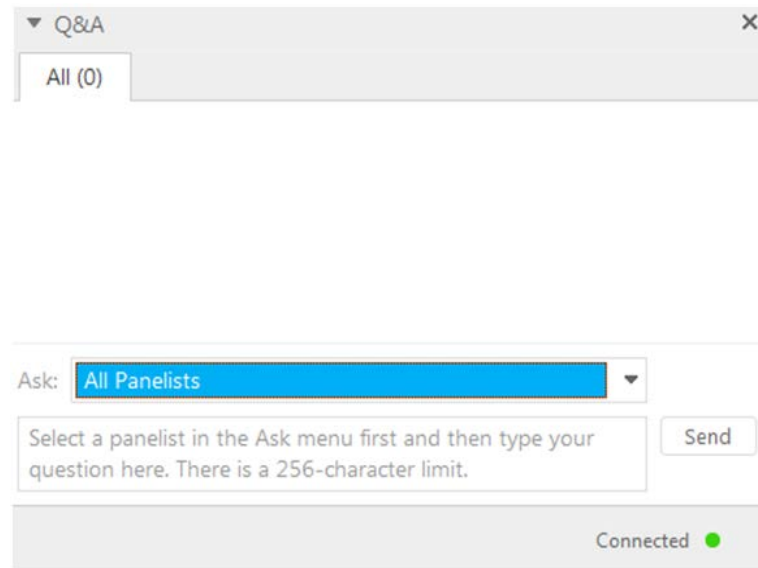
- A bidder can **request** a switch or a withdrawal – but it **may not always be granted**
  - Auction Manager may retain tranches from exits or switches if necessary to fill the tranche targets
  - Auction Manager fills tranche target first with tranches bid at the going price, then by retaining exits, then by denying switches (if necessary)
- When **getting information about own bid**, bidder will get information regarding:
  - Any tranches requested to be withdrawn that were retained (retained at the named exit price)
  - Any tranches requested to be switched that were denied (retained at the last price at which tranches were freely bid)

# HOW DOES THE AUCTION END?

- Rules in rounds 3, 4, etc. are the same as the rules in round 2
- Auction closes:
  - When **total excess supply equals zero** and prices no longer tick down
- Bidding on **all EDCs** will stop at the **same time** and all bidders that win tranches for an EDC **get the same price**

# QUESTIONS?

To submit questions to the presenters, please **locate the “Q&A” on the right hand side of your screen**, and select “All Panelists” in the “Ask” box; type in your question and click “Send” to submit your question



The screenshot shows a Q&A interface with a dropdown menu labeled 'Q&A' and a sub-menu 'All (0)'. Below this is an 'Ask:' dropdown menu with 'All Panelists' selected. A text input field contains the instruction: 'Select a panelist in the Ask menu first and then type your question here. There is a 256-character limit.' A 'Send' button is located to the right of the text input field. At the bottom right, there is a 'Connected' status indicator with a green dot.

Presentation Materials and Q&A will be posted to  
<http://bgs-auction.com/bgs.bidinfo.ip.asp>