

30 September 2011 | Philadelphia, PA



Bidder Information Material
**Basic Generation Service (BGS)
Load Statewide Auction Process**

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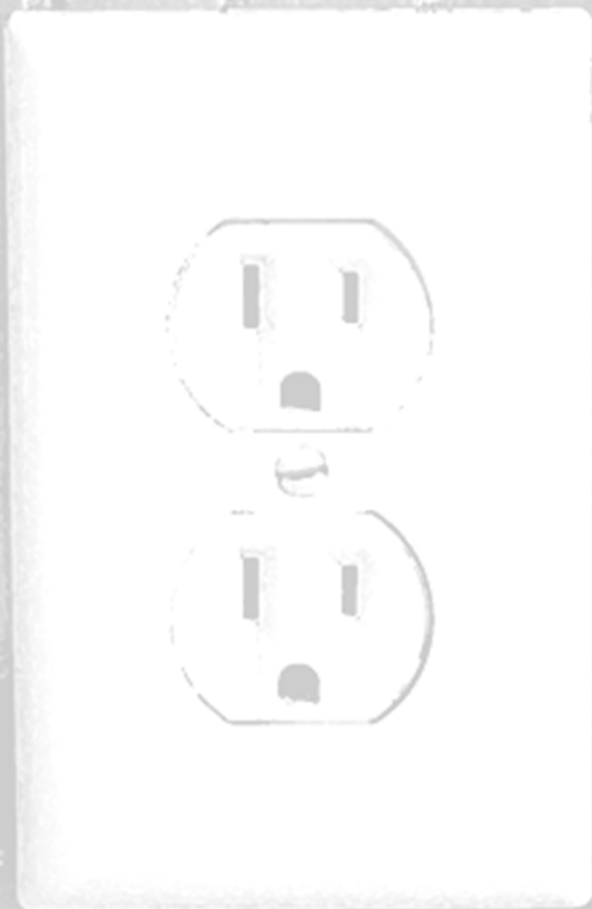
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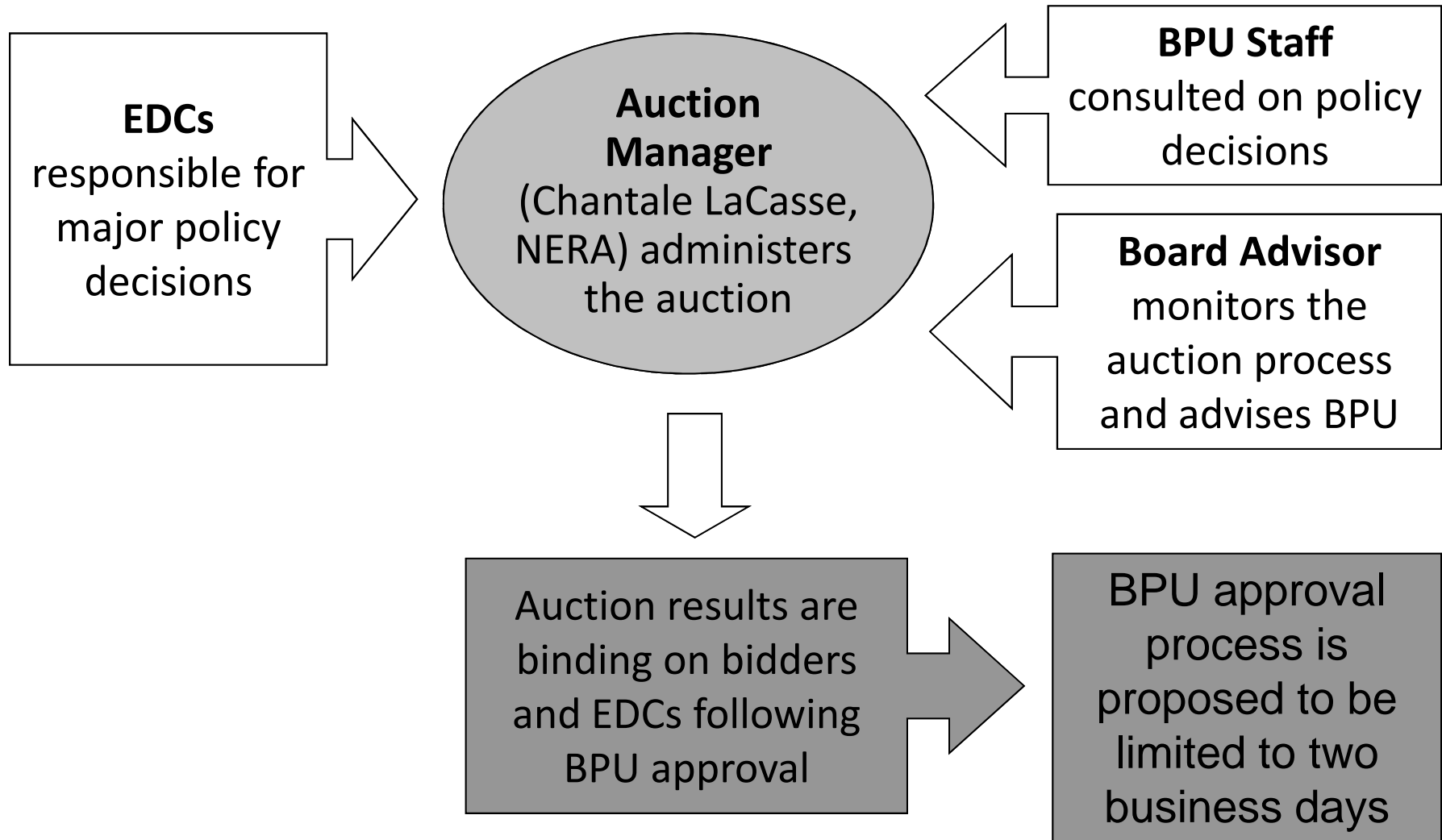
bgs-auction.com

NEW JERSEY STATEWIDE BASIC GENERATION SERVICE ELECTRICITY SUPPLY AUCTION

AGENDA



Roles



PRIOR BGS AUCTIONS



EDCs Have Held Two Concurrent Auctions: FP & CIEP

- One third of each EDC's BGS-FP load is auctioned each year for a three-year supply period
- The number of tranches is set so that one tranche is approximately 100 MW of eligible load

Number of Tranches			
EDC	2009	2010	2011
PSE&G	29	28	28
JCP&L	17	18	15
ACE	7	7	8
RECO	1	1	2
Total	54	54	53

- For the last time this year, JCP&L is adding three tranches (from 17 to 20) to bring the MW-measure of its tranches in line with other EDCs

FP Auction — Final Prices

- All prices for the BGS-FP Auction are “all-in” prices in ¢/kWh

Final Prices (¢/kWh)			
EDC	2009	2010	2011
PSE&G	10.372	9.577	9.430
JCP&L	10.351	9.517	9.256
ACE	10.536	9.856	10.095
RECO	11.270	10.332	10.648

Second Auction for Larger Customers

CIEP (Commercial & Industrial Electric Pricing) — Larger Commercial & Industrial Customers

- All of each EDC's BGS-CIEP load is auctioned for a one-year supply period

Number of Tranches			
EDC	2009	2010	2011
PSE&G	23	23	26
JCP&L	11	11	14
ACE	5	5	5
RECO	1	1	1
Total	40	40	46

CIEP Auction — Final Prices

- Final Auction price is in \$/MW-day

Final Prices (\$/MW-day)			
EDC	2009	2010	2011
PSE&G	203.25	170.79	116.47
JCP&L	203.92	177.99	120.01
ACE	215.00	170.54	114.73
RECO	215.25	185.82	128.94

OVERVIEW: THE EDCs' PROPOSAL FOR THE 2012 BGS AUCTIONS



Pending Board Approval, the February 2012 Auction Would Be the Eleventh BGS Auction

Two essential goals of the Auction Process:

- To provide full-requirements Basic Generation Service (“BGS”) to customers at a cost consistent with market conditions
- To enable the participation of a broad spectrum of entities, including energy trading and marketing companies, by aggregating a portfolio of wholesale products and providing price-risk management services

Building Blocks Are the Same As Last Year

- There is a single statewide process: Offers for all BGS load (not already procured) solicited in one process
- Products are full-requirements tranches: Participants bid for the right to serve these tranches
- Auction format is a Descending Clock Auction: Prices tick down as long as more tranches bid than needed
- Contingency plan: Any supply not procured at auction to be purchased through PJM-administered markets
- The Board is expected to rule on all issues by mid-November

One Process, Two Auctions

- Auctions are separate but concurrent
- **CIEP Auction:** Larger customers on hourly price plan
 - Auction determines a CIEP Price in \$/MW-day
 - Suppliers bid to serve tranches at a given price
- **FP Auction:** Smaller and medium customers on a fixed price plan
 - Auction determines all-in price in ¢/kWh
 - Suppliers bid to serve tranches at a given price

Each Auction Has a Single Term and Four Products

- **BGS-CIEP Auction:**
 - 1-year supply period: June 1, 2012 to May 31, 2013
 - 4 products: one-year tranche for each EDC
- **BGS-FP Auction:**
 - 3-year supply period: June 1, 2012 to May 31, 2015
 - 4 products: three-year tranche for each EDC

Supplier Payment Based on Auction Prices

BGS-FP

- **Seasonal supplier payments:**
Supplier receives the final auction price for a given product times an EDC-specific seasonal factor
 - e.g., **in the summer** (June 1 to September 30) 1.1 x auction price, to reflect higher summer cost and **in the winter** 0.95 x auction price, to reflect lower winter cost

BGS-CIEP

- **The auction-determined CIEP price** for the BGS-CIEP customers' capacity obligation
- **An option fee (CIEP standby fee)** levied on all CIEP customers at retail meter
- The real-time PJM hourly **price for energy** at the EDC zone
- A pre-determined EDC-specific **ancillary service rate**
- A pre-determined EDC-specific **transmission rate**

Customer Rates Based on Auction Prices

BGS-FP

- Auction prices determine an average cost for each EDC
 - Seasonally-adjusted: average of winter and summer costs
 - Tranche-weighted: average of prices x appropriate seasonal factors for each term
- Ratios translate average cost into rates:
 - All classes have seasonal rates
 - Some classes also have time-of-day rates

BGS-CIEP

- Auction determines a final CIEP price which customers pay for their capacity obligation
- Customers also pay
 - The real-time PJM hourly price for energy
 - A pre-determined EDC-specific ancillary services rate
 - A pre-determined EDC-specific transmission rate
 - The option fee (CIEP standby fee)

BGS-FP Seasonal Factors

- Each EDC has a **summer factor** and a **winter factor** that translate the final auction price into a supplier payment rate by season
- Current market data results in factors that are lower in the summer for some EDCs (those factors are set to 1.0)

Provisional Seasonal Factors (July 1, 2011 filing)				
EDC	PSE&G	JCP&L	ACE	RECO
Summer Factor	1.0073	1.0000	1.0153	1.0000
Winter Factor	0.9952	1.0000	0.9903	1.0000

Rate Design Methodology and Timeline

- **Subject to Board approval**, the EDCs intend to update the calculations under their rate design methodology at the time of the compliance filing
- EDCs propose a last update, approximately **two weeks before** the BGS-FP Auction, using the then current 2012 values for the PJM capacity and transmission obligations
- A **preliminary spreadsheet** that converts final auction prices into customer rates using this rate design methodology is available in the Data Room

<http://www.bgs-auction.com/bgs.dataroom.occ.asp>

Additional Advantages to BGS Suppliers are Proposed by the EDCs

PSE&G, JCP&L and ACE propose providing RECs to Suppliers to the extent feasible

- PSE&G and JCP&L: On a pro-rata basis to BGS-FP Suppliers only
- ACE: On a pro-rata basis to BGS-FP and BGS-CIEP Suppliers
- Board has held that customers have paid for the renewable attributes of the committed supply for each EDC and therefore, this benefit should be returned to customers

Compliance with RPS through RECs

- BGS Suppliers are responsible for fulfilling RPS during supply period
- Compliance with Class I and II requirements and solar must be demonstrated using RECs issued by PJM-EIS GATS
- Suppliers must register into GATS and open a Retail LSE Account to be able to transfer RECs and SRECs to the EDCs
- GATS Administrator is available to help suppliers through process:
 - PJM-EIS GATS Administrator
 - Phone: 610-666-2245
 - Fax: 610-771-4114
 - E-mail: info@pjm-eis.com

Timeline of Recent Amendments to RPS

The Solar Energy Advancement and Fair Competition Act

- On January 18, 2010, “The Solar Energy Advancement and Fair Competition Act” (“SEAFCA”) was signed into law
 - Established fixed MWh requirements for SRECs for all third-party suppliers and BGS Suppliers beginning June 1, 2010 through May 31, 2026
 - A copy of the Act is available here: http://www.njleg.state.nj.us/2008/Bills/A4000/3520_R3.PDF
- On March 30, 2011, the Board adopted amendments to its RPS rules, which codify the new statutory requirements enacted by the SEAFCA
 - A copy of the Special Adoption is available on the BPU here: <http://www.nj.gov/bpu/agenda/rules>

The Offshore Wind Economic Development Act

- On August 19, 2010, the Offshore Wind Economic Development Act (“OSWEDA”) was signed into law.
 - A copy of the OSWEDA is available here: http://www.njleg.state.nj.us/2010/Bills/S2500/2036_R2.pdf
- On February 10, 2011, the Board adopted new rules for OSWEDA
 - The rules provide an application process and framework under which the Board will consider applications for qualified offshore renewable facilities and offshore wind renewable energy certificates (“ORECs”)
 - A copy of the Special Adoption is available on the BPU Website: <http://www.nj.gov/bpu/agenda/rules>

Reminder on Requirements

Period	Solar Electric Generation	Class I Renewable Energy	Class II Renewable Energy
June 1, 2012 to May 31, 2013	596 GWH	7.143%	2.5%
June 1, 2013 to May 31, 2014	772 GWH	7.977%	2.5%
June 1, 2014 to May 31, 2015	965 GWH	8.807%	2.5%

- Solar and Class I requirements increase each year
- ACP level has been \$50/MWh
- Upcoming SACP levels:
 - \$641/MWh for the period June 1, 2012 through May 31, 2013
 - \$625/MWh for the period June 1, 2013 through May 31, 2014
 - \$609/MWh for the period June 1, 2014 through May 31, 2015
- There is a proceeding to set a 15-year schedule for the SACP

Board Has Encouraged Market-Based Initiatives

- In response to the Board's directive, the EDCs (PSE&G, JCP&L, ACE, and RECO) filed three-year programs that had the objective to enhance the ability of suppliers to meet the solar RPS
- PSE&G has three Programs:
 - Solar Loan I (in the implementation phase)
 - Solar 4 All (in the implementation phase)
 - Solar Loan II (in the implementation phase)
- JCP&L, ACE, and RECO have a joint SREC-Based Financing Program
- These programs are due to expire in the coming year
 - The Board has asked Staff to report on the future of these programs,
 - Staff has initiated a stakeholder outreach and will report its recommendations to the Board

Considerable Quantities Procured Through These Programs

- **PSE&G:** loans to customers for installation of solar photovoltaic systems on the customers' premises (81MW) as well as direct investment and ownership of 80 MW of solar generation

<http://www.pseg.com/home/save/solar/overview.jsp>

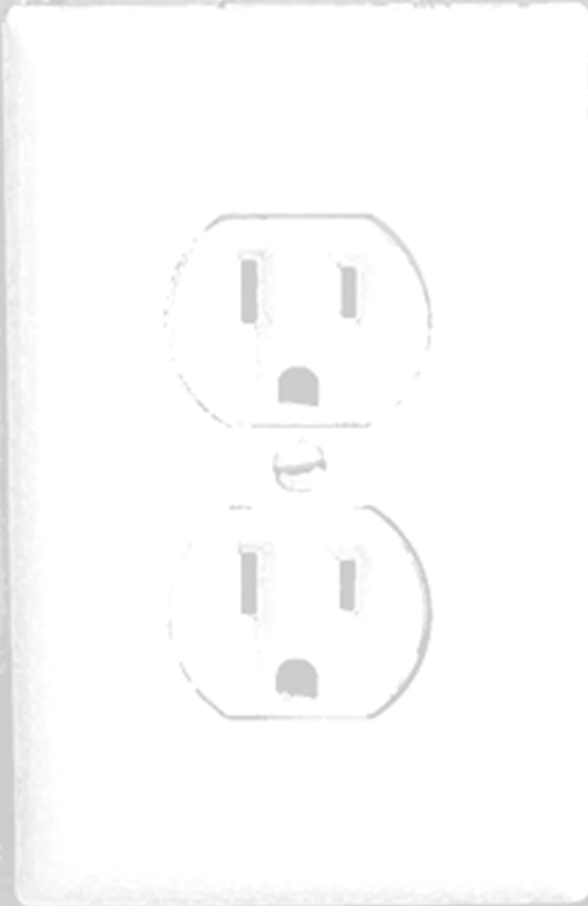
- **JCP&L, ACE, and RECO:** Three-year program to select 65MW of solar projects from which the EDCs are purchasing SRECs for a term of 10-15 years. For additional information, see: <http://www.njEDCsolar.com>

- SRECs generated by these programs are sold through the **SREC Auction**

BGS Suppliers Can Participate in SREC Auctions

- Auctions to sell the SRECs procured through the EDCs' solar programs (quarterly)
- Format similar to BGS Auction (multiple round online auction)
- Qualification requirements are simple
- Next Auction is expected for the end of **October 2011**
- Auctions are open to all SREC market participants **including BGS Suppliers**
- for additional information, see:
<http://www.SolarREC-auction.com>

PRODUCTS AND THE SUPPLIER'S ROLE



BGS Load

- **BGS** is the service for all electricity customers in New Jersey who do not elect to be served by a Third Party Supplier (“TPS”)
- BGS Load is separated into two customer groups:
 - **BGS-CIEP** customers (larger customers)
 - **BGS-FP** customers (smaller and mid-sized customers)

BGS Is the Service for Customers In New Jersey Who Do Not Choose a TPS

CIEP Line		
EDC	Customers that must take BGS on a CIEP Tariff (excluded from BGS-FP)	Customers Included
PSE&G	High Tension Service (HTS-HV)	All
	High Tension Service (HTS-Sub)	All
	Large Power and Lighting, Primary Service (LPL-P)	All
	Large Power and Lighting, Secondary Service (LPL-S)	Customers 750+ kW
JCP&L	General Service Primary (GP)	All
	General Service Transmission (GT)	All
	General Service Secondary (GS)	Customers 750+ kW
	General Service Secondary Time-of-Day (GST)	Customers 750+ kW

BGS Is the Service for Customers In New Jersey Who Do Not Choose a TPS

CIEP Line		
EDC	Customers that must take BGS on a CIEP Tariff (excluded from BGS-FP)	Customers Included
ACE	Transmission General Service (TGS)	All
	Annual General Service – Primary (AGS-Primary)	Customers 750+ kW
	Annual General Service – Secondary (AGS-Secondary)	Customers 750+ kW
	Monthly General Service – Primary (MGS-Primary)	Customers 750+ kW
	Monthly General Service – Secondary (MGS-Secondary)	Customers 750+ kW
RECO	Service Classification No. 7 – Primary TOU Service and Separately Metered Space Heating Service	All
	Service Classification No. 2 – General Service	Customers 750+ kW

The BGS-CIEP Products

- The total CIEP load is expected to be about 2,900 MW
- A **tranche** is a fixed percentage of BGS-CIEP Load for an EDC that represents about 75 MW
- A BGS-CIEP supplier would supply **full requirements** (energy, transmission, capacity, ancillary service, and any other services as may be required by PJM) tranches of BGS-CIEP load for an EDC

Tranche Targets and Sizes				
EDC	CIEP Peak Load Share (MW)	Number of Tranches	Tranche Size (%)	MW-Measure
PSE&G	1815.01	25	4.00	72.60
JCP&L	781.70	11	9.09	71.06
ACE	315.70	5	20.00	63.14
RECO	42.80	1	100.00	42.80

CIEP Migration is Substantial

- As of **August 31, 2011** there was substantial switching by BGS-CIEP customers to Third Party Suppliers (TPS)

Migration Among CIEP Customers						
	Accounts			Load (MW)		
EDC	Total	Switching	%	Total	Switching	%
PSE&G	1522	1,111	73.00%	2,167.60	1,916.40	88.41%
JCP&L	706	508	71.95%	791.33	685.85	86.67%
ACE	145	129	88.97%	316.3	299.00	94.53%
RECO	27	18	66.67%	40.53	34.40	84.88%
Statewide	2,400	1,766	73.58%	3,315.76	2,935.65	88.54%

The BGS-FP Products

- The total FP load is expected to be about 5,500 MW
- A **tranche** is a fixed percentage of BGS-FP Load for an EDC that represents about 100 MW
- A BGS-FP Supplier would supply **full requirements** (energy, transmission, capacity, ancillary services, and any other services as may be required by PJM) tranches of BGS-FP load of an EDC

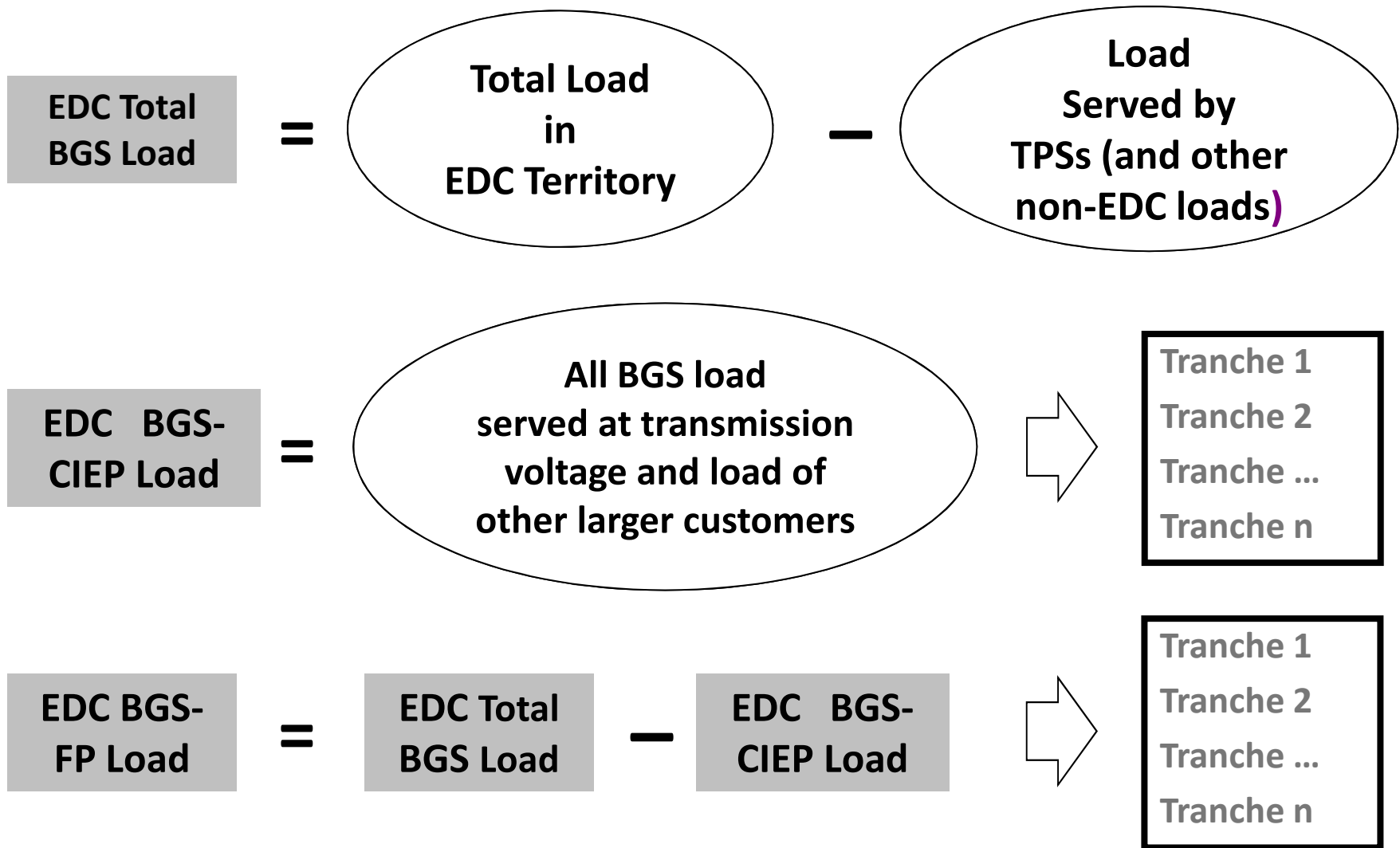
Tranche Targets and Sizes				
EDC	FP Peak Load Share (MW)	Tranche Target	Tranche Size (%)	MW-Measure
PSE&G	2,892.38	29	1.18	99.74
JCP&L	1,915.94	20	1.93	93.56
ACE	665.22	7	4.55	95.03
RECO	99.55	1	25	99.55

FP Migration Is Also Substantial

- Among large customers (over 500 kW) migration is similar to CIEP
- Residential migration has reached 10% for some EDCs
- Migration data series are updated monthly in the BGS Data Room

Migration Among FP Customers with Peak Load Share of 500kW to 750kW						
EDC	Accounts			Load (MW)		
	Total	Switching	%	Total	Switching	%
PSE&G (8/1/11)	564	425	75.40%	328.00	247.00	75.41%
JCP&L (8/1/11)	361	293	81.16%	220.59	179.46	81.35%
ACE (8/1/11)	86	78	90.69%	52.10	47.70	91.55%
RECO (8/1/11)	20	18	90.00%	12.52	11.23	89.70%
Statewide	1,031	814	78.95%	613.40	485.87	79.21%

What Is a Tranche?



What Is a Tranche?

- A **tranche** is a set percentage of an EDC's BGS load (for CIEP or FP)
- In general, BGS-FP customers are **free to come and go from BGS** provided that they give **notice at least 20 days before** their next scheduled meter reading date
- Loads are **adjusted for losses** to the zonal aggregate load bus and de-rated by PJM per marginal loss implementation procedures

PJM's Perspective of BGS Suppliers

From PJM's perspective, BGS Suppliers are Third Party Suppliers that are Load Serving Entities

<u>Each Day</u>	
Unforced capacity obligation	Each EDC will transmit to PJM the supplier responsibility share of BGS Peak Capacity and Transmission to determine supplier obligations
Network transmission obligation	BGS obligations will be zone obligations less obligation of TPS and other non-EDC entities
<u>Each Hour</u>	
Energy at zone bus	PJM will know the EDC total and the EDC will transmit to PJM the share of each TPS and each BGS Supplier

BGS Suppliers will not be paired with customers. They will be serving a percentage of each EDC's BGS demand. Each EDC will inform PJM of each BGS supplier's obligation for each category of ancillary service.

Supplier Role and Business Opportunity

Wholesale Sources include: Generation owners in PJM or in adjoining regions, wholesale marketers, financial and OTC power and gas markets, PJM markets, weather derivatives markets

BGS-FP Roles and Rewards

- Aggregate supply portfolio from wholesale sources
- Assess and price load variability, market price volatility and migration risk
- Platform for participation in future BGS auctions
- Provide price-risk management services

BGS-CIEP Roles and Rewards

- Acquire capacity
- Assess and price migration risk
- Platform for participation in future BGS auctions
- Stable revenue on entire CIEP customer base via CIEP Standby Fee
- Ability to arbitrage day-ahead and real-time markets

Supplier and Risk

BGS-FP

Risks assumed:

- Migration risks
- Load and weather risks
- Fuel price risk
- Longer term changes to FP class composition or rate design

Risks protected from:

- Uncollectibles
- Fluctuations in losses
- Requirements to provide billing and metering

BGS-CIEP

Risks assumed:

- Migration risks
- Ancillary services cost risk

Risks protected from:

- Energy price risk
- Uncollectibles
- Fluctuations in losses
- Requirements to provide billing and metering

BGS Supplier Master Agreement

- Contract is between BGS Supplier and EDC acting as agent for retail customers
- Final Agreements will be approved by BPU prior to the auction and will be **non-negotiable**
- Parties had opportunity to submit comments to BPU on standard comment schedule

September 2, 2011	Deadline for <i>initial</i> comments
September 26, 2011	Legislative-type Board Hearing
September 30, 2011	Deadline for <i>final</i> comments

Changes to Section 15.9 of the SMA

- The following substantive change was made to the Supplier Master Agreements:
 - Clarification to the definition of Final FERC Order and corresponding modifications to Section 15.9
 - Firm Transmission Service charges may be adjusted if a filing is made with FERC, or pursuant to a FERC-authorized formula rate
 - Payments will commence when the increase amount is no longer in dispute or in question

Section 15.9 Filings

- All filings to date by all EDCs to increase transmission-related charges to BGS-FP and BGS-CIEP customers have been approved by the Board
- ACE and PSE&G have formula transmission rates
 - ACE annual updates effective June 1
 - PSE&G annual updates effective January 1
- Future filings are expected relative to RTEP projects as well as ACE and PSE&G formula rates
- Documents posted on the BPU Links page of the BGS Auction web site:
<http://www.bgs-auction.com/bgs.auction.bpu.asp>
- List of transmission system upgrade projects is online:
<http://www.pjm.com/planning/rtep-upgrades-status/construct-status.aspx>

Key Elements of Credit Provisions

- **Security requirements are on a sliding scale**
 - Depend on credit rating and TNW
 - Security can be in the form of a guaranty, letter of credit, or cash deposit
- **Security to be posted depends on all BGS obligations to a given EDC**
 - For BGS-FP Suppliers, security posted with an EDC to fulfill the ICR will consider ICR obligations under all other BGS-FP contracts with that EDC
 - For BGS-FP and BGS-CIEP Suppliers, security posted with an EDC for Mark-to-Market (BGS-FP) or credit exposure (BGS-CIEP) will consider MtM and credit exposure obligations under all BGS contracts with that EDC

PJM AND TRANSMISSION



PJM Web Site Is Main Source of Information

- Home page:

<http://www.pjm.com/>

- Reliability Pricing Model

<http://www.pjm.com/markets-and-operations/rpm.aspx>

- Marginal Losses

http://www.pjm.com/sitecore/content/Globals/Training/Courses/ol-ml.aspx?sc_lang=en

- FAQs:

<http://www.pjm.com/FAQs.aspx#MarginalLossesFAQs>

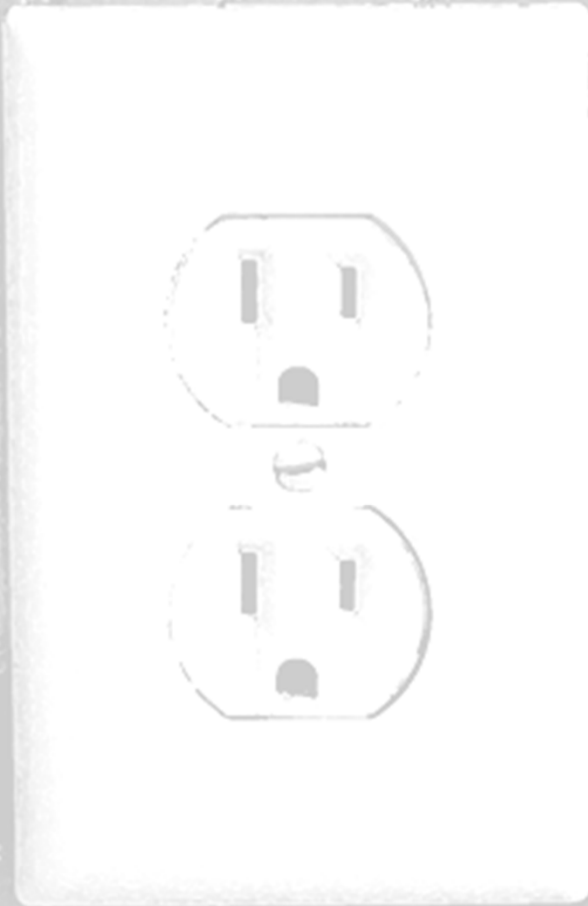
- PJM OASIS

<http://www.pjm.com/markets-and-operations/etools/oasis.aspx>

- PJM-EIS GATS

<http://www.pjm-eis.com>

OVERVIEW:
BIDDING IN THE AUCTIONS



Proposed Auction Format Is a Clock Auction

- **Multi-product design**
 - Tranches for all EDCs are procured at once
- **Multi-round design: 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 can switch their bids from one EDC to another in a given auction

BGS-FP

- “Price” is a ¢/kWh all-in price

BGS-CIEP

- “Price” is a \$/MW-day CIEP Price

FP Example: Prices Tick Down When There Is Excess Supply

Round 1					
EDC	Price (¢/kWh)	#bid	#to buy	Excess Supply	Oversupply Ratio
PSE&G	16.000	79	29	50	0.714
JCP&L	16.000	37	20	17	0.243
ACE	16.000	9	7	2	0.036
RECO	16.000	1	1	0	0.000

Round 2					
EDC	Price (¢/kWh)	#bid	#to buy	Excess Supply	Oversupply Ratio
PSE&G	15.342	61	29	32	0.533
JCP&L	15.839	40	20	20	0.333
ACE	15.920	9	7	2	0.036
RECO	16.000	5	1	4	0.200

Four Main Auction Features

- **Offers are binding:** If the price on a product is not reduced in a round, a bidder cannot reduce the number of tranches bid on that product
- **Total number of tranches bid cannot increase:** Bidders can maintain or reduce their total number of tranches bid, but bidders cannot increase the total number of tranches bid from one round to the next
- **Auction closes on all products at once:** Winners are determined for all products at once within each auction
- **Uniform price:** All winners on a product are given the same price

AUCTION PROCESS



One Process, Two Auctions

One Auction Process for both the BGS-FP and BGS-CIEP Auctions

- Same timeline
- Same announcements
- Same application deadlines
- Same information sessions
- Auctions held **concurrently**—BGS-CIEP Auction begins one business day before BGS-FP Auction

Auction Process Calendar

Mid-Nov 2011	Expected Board Decision on EDC Proposal
Nov 11, 2011	Auction Manager announces minimum and maximum starting prices, tranche sizes and load caps
Dec 13, 2011	Part 1 Application deadline (to become a Qualified Bidder)
Jan 12, 2012	Part 2 Application deadline (to become a Registered Bidder)
Jan 30, 2012	Auction Manager informs Bidders registered in BGS-CIEP Auction of starting prices
Jan 31, 2012	Auction Manager informs Bidders registered in BGS-FP Auction of starting prices
Feb 2, 2012	BGS-CIEP Auction starts on Thursday
Feb 3, 2012	BGS-FP Auction starts on Friday

Opportunity to Comment on Pre-Auction Letter of Credit

- **Draft Pre-Auction Letter of Credit** posted to the Contract & Credit page of the BGS Auction web site:
<http://www.bgs-auction.com/bgs.bidinfo.cc.asp>
- Potential bidders invited to **propose modifications** to the Draft Pre-Auction Letter of Credit
- Comments (clearly redlined in Draft Pre-Auction Letter of Credit) submitted by email to the BGS Auction Manager at the following address:
BGS-Auction@nera.com
- Previously accepted modifications remain acceptable

Pre-Auction Letter of Credit Comment Process Timeline

- For each proposed modification, the EDCs will
 - Revise the standard form; or
 - Approve the use of the modification on an optional basis; or
 - Reject the proposed modification

October 25, 2011 by NOON	Deadline to provide comments
November 1, 2011	Potential bidders will receive individual responses to their comments
November 2, 2011	BGS Auction Manager will post all modifications that are acceptable on an optional basis

Alternate Guaranty Process

- For potential bidders that may have corporate policies that prevent them from using the standard form of guaranty appended to the SMA
- There is a specified a **list of minimum requirements** that any alternate form of guaranty must satisfy (<http://www.bgs-auction.com/bgs.bidinfo.cc.asp>)
- In particular, the alternate form of guaranty must be for unlimited liability (while the standard guaranty has a liability limit)

October 25, 2011 by NOON	Deadline to submit materials
November 2, 2011	Materials evaluated
November 4, 2011 by NOON	Deadline to submit required modifications or revisions
November 8, 2011	EDCs' decision on alternate guaranty

Board Order Is Final Word on Process

Approved Rules, Agreements, process and terms may be different than presented here or provided in bidder information packet

- Board Order will determine if EDC proposal is approved and how it may be amended
- **Bidder is responsible** for reading all final documents which will be provided on the web site
- Board will decide whether EDCs can provide additional advantages

Qualification Requirements Are Simple

Part 1 Application to become Qualified Bidders

- **BGS Supplier must be an LSE** by the start of supply period
- **In the Part 1 Application:** interested parties
 - Certify they have no impediments to becoming LSE
 - Agree to the Auction Rules and the terms of the Agreement
 - Submit financial information for creditworthiness evaluation
- There are **no state licensing requirements**
- Financial information determines **pre-auction security** required in Part 2 Application

Requirements To Be Registered As A Bidder

In the Part 2 Application, Qualified Bidders:

- Make certifications regarding associations and their handling of confidential information
- Provide an indicative offer (number of tranches at the maximum and minimum starting price)
- Provide a financial guarantee proportional to indicative offer at maximum starting price

BGS-FP

Financial Guarantee:

- All Qualified Bidders: Letter of credit of **\$500,000 per tranche**
- Some Qualified Bidders provide additional security: Letter of Reference or Letter of Intent to Provide a Guaranty

BGS-CIEP

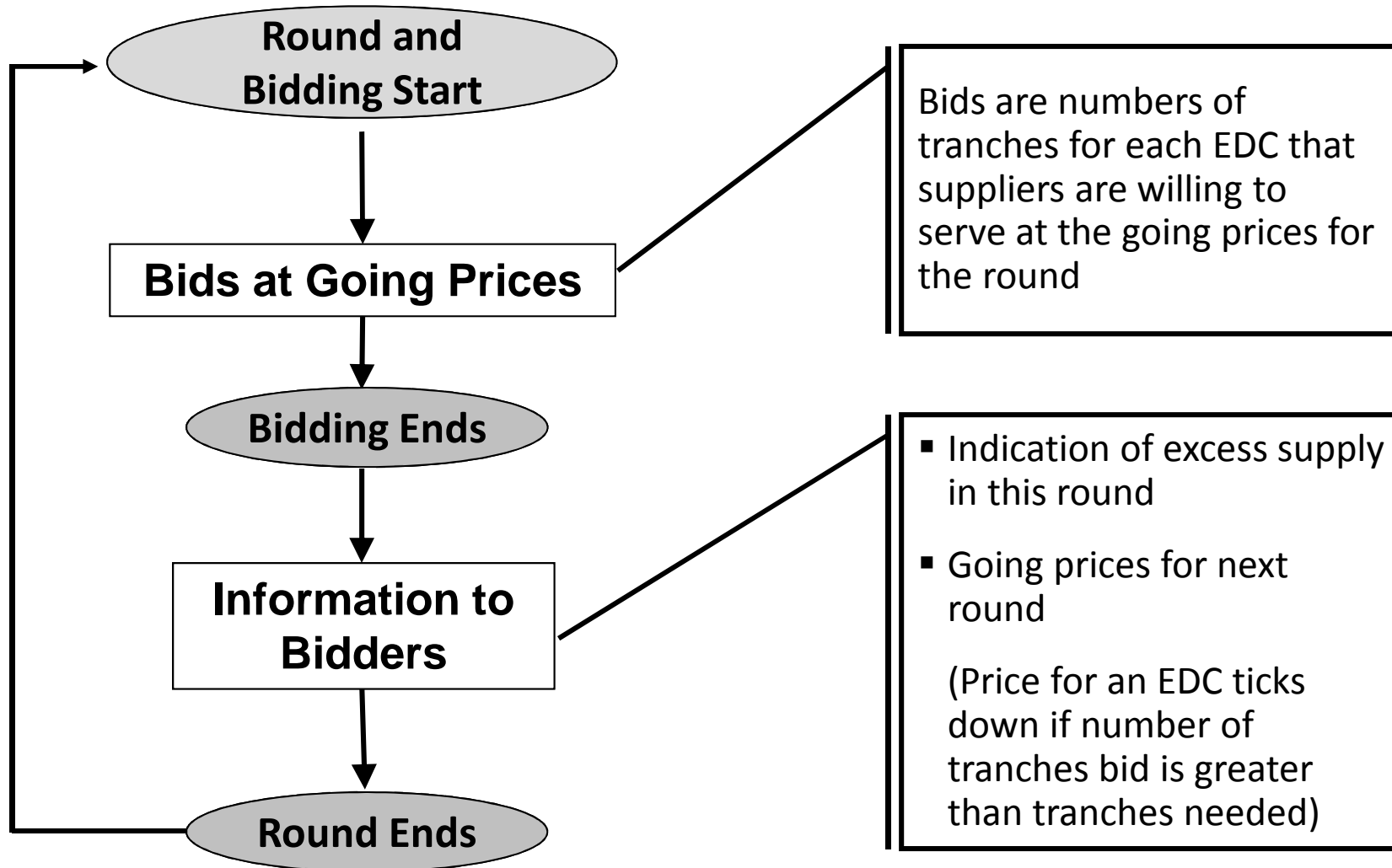
Financial Guarantee:

- All Qualified Bidders: Letter of credit of **\$375,000 per tranche**
- No other pre-auction security

Indicative Offers Have Two Roles

- For the Bidder: The indicative offer at the maximum starting price sets the **maximum number of tranches that the bidder can bid in the Auction**
- For the EDCs: They can use the indicative offers in setting **prices for round 1** of the Auction

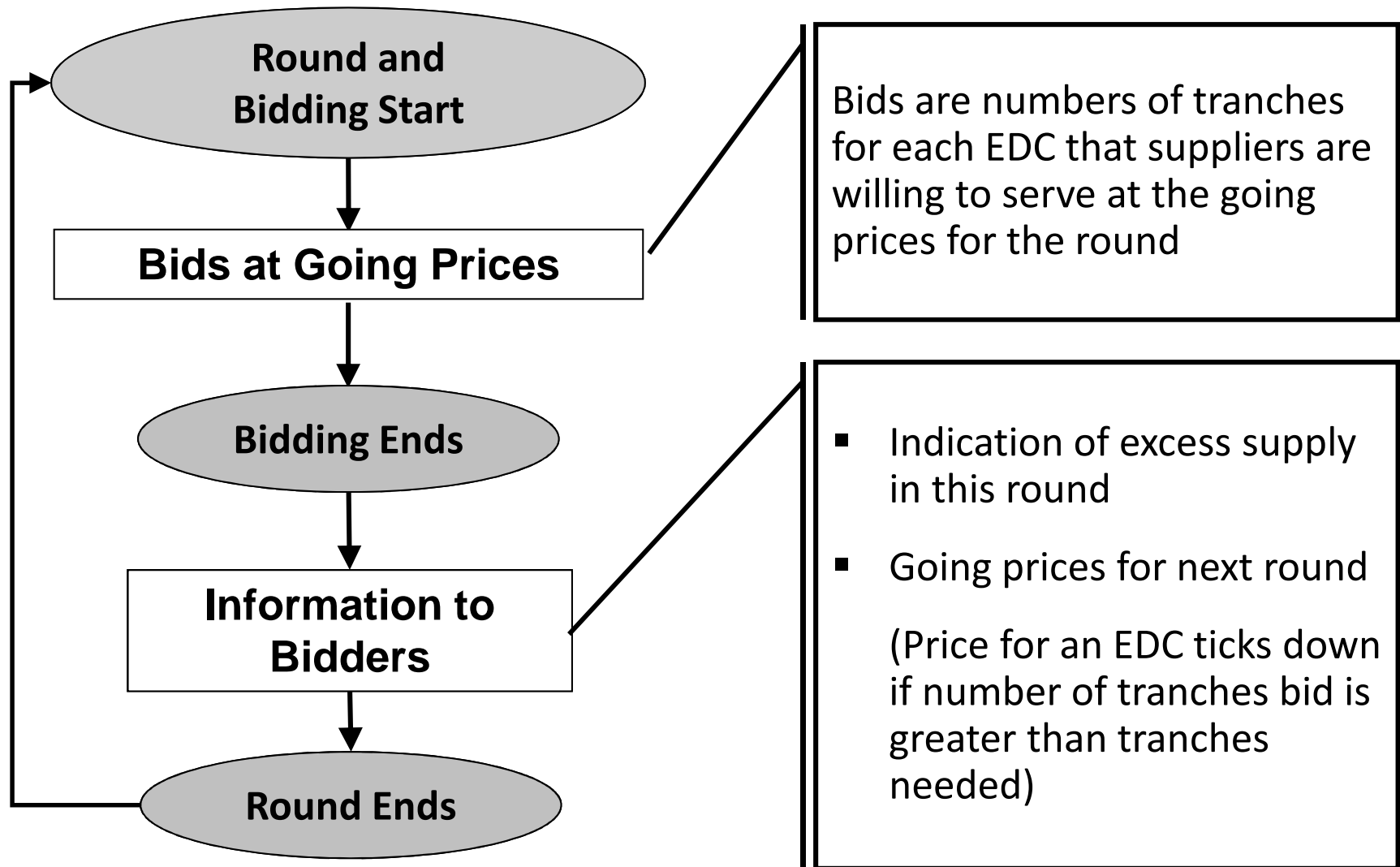
The Auction Starts



Possible Volume Reduction Round 1

- Volume is reduced if it is necessary to do so to ensure competitiveness of bidding environment
 - Whether an adjustment is necessary is decided on the basis of interest in the first round of bidding
- If volume must be reduced, it is reduced to:
[# tranches bid] / [target eligibility ratio]
- Ensures sufficient tranches bid for each tranche to be procured

Round 2,3,...



Bidding In Subsequent Rounds

- In response to reduced prices, bidders
 - Leave bids unchanged
 - Or if price for an EDC has ticked down, reduce the number of tranches they wish to provide for that EDC by
 - Withdrawing tranches from auction
 - Bidding those tranches on one other or several other EDCs (switching)
- Bidders cannot increase the total number of tranches on which they bid

Pauses

- A bidder can request an **extension** to the bidding phase of 15 minutes
 - Typically for technical problems
 - Each bidder will have **2 extensions**
 - If feasible, the calculating and reporting phase will be shortened by 15 minutes when an extension is called
- A bidder can submit a **recess request** during the reporting phase of a round later in the Auction (after round 10 and after the total excess supply in previous round falls below a given threshold)
 - Extra time to consider bid
 - Lasts no less than 20 minutes
 - One recess available to each bidder during the auction
- The Auction Manager can call a time-out (for example, in case of general technical difficulty)

BGS-CIEP: Only a Statewide Load Cap

BGS-CIEP					
EDC	PSE&G	JCP&L	ACE	RECO	<i>Total</i>
Tranche targets	25	11	5	1	42
Statewide load cap	14				14
Sample Bid 1	0	10	0	0	10
Sample Bid 2	5	0	5	0	10

BGS-FP: EDC Load Caps and Statewide Load Cap

BGS-FP					
EDC	PSE&G	JCP&L	ACE	RECO	<i>Total</i>
Tranche targets	29	20	7	1	57
EDC load caps	14	9	3	1	
Statewide load cap	21				21
Sample Bid 1	13	0	3	0	16
Sample Bid 2	8	5	2	1	16

Sample Round Report for BGS-CIEP

Round Report: Round 5	
Total Excess Supply: 126-130	
EDC	Round 6 Price \$/MW-day
PSE&G	239.00
JCP&L	245.00
ACE	239.94
RECO	242.85

Auction Closes

- Auction closes on **all EDCs at once**
 - Bidding must have stopped on all EDCs
 - Total excess supply is zero
- **Same final price** for all winners of a given EDC

Post-Auction

- **Board renders a decision** on auction results within two business days of close of last Auction
 - The Board has the option of rendering a decision on the results of each Auction at different times
- **If Board accepts results: SMAs executed within three business days of Board decision**
 - If any security is required under the creditworthiness standards of the Agreement, it is posted upon execution of the Agreement
 - Pre-auction security “expires” upon execution of the Agreement: certificate of expiration of letter of credit is returned and letter of credit is cancelled
- **Power flows on June 1, 2012**

BGS INFORMATION



BGS Auction Web Site Features

- BGS Auction web site: www.bgs-auction.com
- Data Room
- Search capability and site map
- Announcements, including alerts to upcoming deadlines and events
- Frequently Asked Questions
- Auction documents
 - Auction Rules
 - Supplier Master Agreements
 - Bidder information packets and presentation

Data Updates

- Core Data Series updated on the **17th of each month**
 - Hourly load at various levels of aggregation (total retail, BGS, BGS-CIEP, BGS-FP)
 - Peak Load Allocations and Switching Statistics at various levels of aggregation
- **Update to all of the additional data series for this year already on the web site**
 - Switching statistics
 - Size distributions
 - Load profiles

BGS Auction Web Site Update

- The BGS Auction web site has been reorganized:
 - BPU Links (now called **BPU Docs**) and **PJM Links** sections moved from the Data Room to “**Auction**”
 - New “**Other Regulatory**” section added under “**Auction**”
- The “Announcements” section is now “**News**”

Board Orders Available On BPU Docs Page



<http://bgs-auction.com/bgs.auction.bpu.asp>

The BPU Docs page provides access to several important BPU documents and web sites including:

- Historical BPU orders on the BGS Auction Process
- Historical Post-Auction Reports
- Renewable Energy Portfolio Standards documents and links

Bidder Questions

- Questions may be submitted to the Auction Manager
 - Via web form at:
<http://www.bgs-auction.com/bgs.contactus.asp>
 - By phone: (973) 297-0880
 - By fax: (973) 297-0246
- When needed, the Auction Manager will direct questions to appropriate EDC representatives (e.g., data questions)
- Answers will be routed back through the Auction Manager
- Questions and answers are posted to BGS Auction web site

QUESTIONS

