

B. ACTIVITIES PRIOR TO BOARD DECISION

Companion Document: Sub-section C.3 of the [BGS Auction Process](#) Section of the October Bidder Information Packet is a **companion document** that provides a timeline and brief overview of activities prior to the Board Decision. This section updates the content of the companion document by describing the activities prior to the Board Decision on November 21, 2017.

This chapter is provided for bidder convenience only. Any statements herein describing activities prior to the New Jersey Board of Public Utilities (“Board” or BPU) Decision on the BGS Auction Process (“Board Decision”) are summaries only and are qualified in their entirety by the [Comment Process on the Letters of Credit](#), the [Alternate Guaranty Process](#) document, as well as announcements posted the BGS Auction website. Bidders bear full responsibility for reviewing in detail the original documents referred to or summarized in this chapter.

The EDCs are Public Service Electric and Gas Company (“PSE&G”), Jersey Central Power & Light Company (“JCP&L”), Atlantic City Electric Company (“ACE”), and Rockland Electric Company (“RECO”).

B.1. Processes on Credit Instruments

Credit Instruments

All credit instruments described in this section are available on the [contract and credit](#) page of the BGS Auction website.

A *pre-auction letter of credit* is due with the Part 2 Application for each Auction for which a Qualified Bidder applies. The pre-auction letter of credit is used to support the Qualified Bidder’s indicative offer. The terms of the pre-auction letter of credit detail the circumstances under which a draw may occur. The pre-auction letters of credit have changed from the final versions used last year. Specifically, in Paragraph 10, “Standard & Poor’s Ratings Services” has been replaced with “S&P Global Ratings”, the new name for the company. Thus, the form of the pre-auction letters of credit from prior years will not be acceptable for use in the 2018 BGS Auctions.

BGS Suppliers must provide financial guarantees under the terms of each BGS Supplier Master Agreement (“SMA”). Bidders may, for this purpose, use the *post-auction letter of credit*. The standard form of the post-auction letter of credit is included as Appendix B to the BGS-CIEP SMA and as Appendix C to the BGS-RSCP SMA. In the post-auction letter of credit also “Standard & Poor’s Ratings Services” has been replaced with “S&P Global Ratings”. BGS Suppliers may also rely on the financial standing of a guarantor.

A BGS Supplier may utilize the *standard form of guaranty* included as Appendix C to the BGS-CIEP SMA and as Appendix D to the BGS-RSCP SMA for that purpose. The standard form of guaranty is identical to what was used in the 2017 BGS Auctions.

Comment Processes

A [Comment Process on the Letters of Credit](#) was held for potential bidders to submit comments on and propose modifications to the pre-auction and the post-auction letters of credit. Potential bidders also had the opportunity to apply to use an alternate form of guaranty during the [Alternate Guaranty Process](#), which was held concurrently. The deadline to propose modifications to the standard form of the letters of credit and to submit an alternate form of guaranty was October 24, 2017.

Potential bidders submitted comments on the letters of credit by providing a redline of the letters of credit in Microsoft Word to the Auction Manager. Potential bidders could include explanatory notes as part of their submissions. For each modification proposed to a letter of credit, the EDCs could:

- accept the modification and revise the standard form of the letter of credit; or
- approve the use of the modification on an optional basis; or
- reject the proposed modification.

The Auction Manager, on behalf of a review committee consisting of EDC representatives and representatives from the Auction Manager, responded individually to each potential bidder with the results of the review of the potential bidder's proposed modifications.

Potential bidders not wishing to use the standard form of guaranty could submit an alternate form of guaranty for the EDCs' consideration. Any alternate form was required to satisfy the minimum requirements outlined in the [Alternate Guaranty Process](#) document posted to the [contract and credit](#) page of the BGS Auction website.

Upon receiving any alternate form of guaranty, the Auction Manager sent the submissions to a team of EDC representatives for their review. Upon receiving the EDCs' review, the Auction Manager informed proposing parties of the EDC's decision and, if applicable, parties were given an opportunity to resubmit the forms with any required changes.

Results of Comment Process on the Letters of Credit

The EDCs accepted modifications to the letters of credit that Bidders may adopt on an optional basis as a result of the comment process on the letters of credit. No revisions were made to the standard forms of the letters of credit as a result of the comment process. The final letters of credit and the lists of acceptable modifications to the letters of credit were posted to the [contract and credit](#) page of the BGS Auction website on November 6, 2017.

B.2. Information Releases

The Auction Manager released information and documents to potential bidders in the period between August and the Board decision on the EDCs' proposal. These information releases included posting the first set of FAQs, materials related to the first bidder information webcast, and announcement of auction parameters. These are described in more detail below.

First FAQs

Throughout the Auction Process, the Auction Manager answers questions that are submitted by potential bidders online via the [Ask A Question](#) form or by email to BGS-Auction@nera.com. Questioners receive a response individually by email and then the question and answer are posted to the BGS Auction website for the benefit of all potential bidders. FAQs are sorted by date and are available by topic.

On Tuesday, August 15, 2017, a first set of FAQs was posted to the [FAQs](#) page of the BGS Auction website. FAQs will continue to be posted each Tuesday throughout the BGS Auction Process until Bidders are registered for bidding in the auctions (at which point FAQs are sent to these Registered Bidders only). Potential bidders are encouraged to check this page frequently in order to keep informed about the BGS Auctions.

October Webcast Materials

The first bidder information webcast was held on Friday, October 6, 2017 to review the EDCs' Joint Proposal and any changes to the Auction Process from prior years proposed by the EDCs. Additional topics covered by the Auction Manger during the webcast included:

- a description of the auctions and bidding procedures;
- a description of the responsibilities for BGS Suppliers;
- an overview of past auctions; and
- an overview of the online application process.

The webcast presentation and corresponding audio file are posted to the [presentations](#) and [info session materials](#) pages of the BGS Auction website.

A Bidder Information Packet that expanded upon the topics covered during the webcast was also at that time posted to the [info session materials](#) page of the BGS Auction website. This Bidder Information Packet includes the following sections:

- [Section A: Past BGS Auctions](#) – This section describes tranches available, final prices, and winners from the 2015, 2016, and 2017 BGS Auctions.
- [Section B: Elements of the EDC’s Proposal](#) – This sections describes elements of the EDCs’ “Proposal for Basic Generation Service Requirements to Be Procured Effective June 1, 2018” (“EDC Proposal”) filed with the Board on June 30, 2017. The section reviews key elements of the EDC’s proposal including the Joint proposal, SMAs, Auction Rules, and Company Specific Addenda.
- [Section C: BGS Auction Process](#) – This section generally describes the Auction Process and provides calendars for events that occur throughout the process. Section C is broken down into a number of sub-sections about which the Bidder Information Packet accompanying the November webcast provides additional information:
 - *Sub-section C.2. Regulatory Process* – This sub-section provides a description and timeline of events of the regulatory process that occurs as part of the BGS Auction Process. Sub-section C.2. is a companion document to Section A of the November Bidder Information Packet.
 - *Sub-section C.3. Activities Prior to the Board Decision* – This sub-section provides a description and timeline of events occurring prior to the issuance of the Board Decision. Sub-section C.3. is a companion document to Section B of the November Bidder Information Packet.
 - *Sub-section C.4. Application Process* – This sub-section provides a description and timeline of events for the BGS Application Process. Sub-section C.4. is a companion document to Section C of the November Bidder Information Packet.
 - *Sub-section C.5. Bidder Training and Additional Information Releases* – This sub-section provides a description and timeline of events for Bidder training as well as information releases scheduled for after the Board Decision. Sub-section C.5. is a companion document to Section D of the November Bidder Information Packet.
 - *Sub-section C.6. Conduct of the Auctions* – This sub-section provides a description of the descending clock auction format. Sub-section C.6. is a companion document to Section E of the November Bidder Information Packet.
 - *Sub-section C.7. Post-Auction Activities* – This sub-section provides a description and timeline of events occurring after the Auctions have taken

place. Sub-section C.7. is a companion document to Section F of the November Bidder Information Packet.

- [Section D: RSCP Supplier Payments and Customer Rates](#) – This section describes the flow of supplier payments and the method by which customer rates are determined for the BGS-RSCP Auction.
- [Section E: CIEP Supplier Payments and Customer Rates](#) – This section describes the flow of supplier payments and the method by which customer rates are determined for the BGS-CIEP Auction.

Auction Parameters

On November 15, 2017, the Auction Manager announced key auction parameters for the BGS-CIEP and BGS-RSCP Auctions.

For the BGS-CIEP Auction, the Auction Manager announced:

- the statewide load cap;
- the tranche target for each EDC;
- the size and MW-measure for each tranche; and
- the minimum and maximum starting prices.

The statewide load cap, which is the maximum number of tranches that a Bidder can bid in the BGS-CIEP Auction and serve statewide, is **19 tranches**. This statewide load cap and the tranche targets (the number of tranches needed at the beginning of the Auction), as announced for the BGS-CIEP Auction, are provided in the table below.

Table B-1. BGS-CIEP Auction Parameters

EDC	CIEP Peak Load Share (MW)	Tranche Target	Statewide Load Cap	Size of Tranche (%)	MW-Measure
PSE&G	1,903.79	25	19	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
Total	3,193.87	42	-	-	-

In the Part 2 Application, Qualified Bidders will submit indicative offers at the maximum starting price and at the minimum starting price. For the BGS-CIEP Auction, the statewide minimum starting price is **\$425/MW-day** and the statewide maximum starting price is **\$550/MW-day**. In the first round of the BGS-CIEP Auction, prices for each

EDC will be set no lower than the minimum starting price and no higher than the maximum starting price.

On the same day, the Auction Manager announced the following auction parameters for the BGS-RSCP Auction:

- the statewide load caps;
- EDC specific load caps;
- tranche targets for each EDC;
- the size and MW-measure for each tranche; and
- the minimum and maximum starting prices.

The statewide load cap is **21 tranches** for the BGS-RSCP Auction. The tranche targets and the EDC specific load caps (the maximum number of tranches that a Bidder can bid in the Auction and serve for an individual EDC), as announced for the BGS-RSCP Auction, are provided in the table below.

Table B-2. BGS-RSCP Auction Parameters

EDC	RSCP Peak Load Share (MW)	2018 Auction RSCP Peak Load Share (MW)	Tranche Target	EDC Load Cap	Size of Tranche (%)	MW-Measure
PSE&G	7,639.76	2,606.51	29	14	1.18%	89.88
JCP&L¹	4,722.96	1,824.78	20	9	1.93%	91.24
ACE	2,017.40	641.90	7	3	4.55%	91.70
RECO	386.70	96.68	1	1	25.00%	96.68
Total	14,766.82	5,173.72	57	-	-	-

In the Part 2 Application, Qualified Bidders will submit indicative offers at the maximum starting price and at the minimum starting price. For the BGS-RSCP Auction, the statewide minimum starting price will be **11.5¢/kWh** and the statewide maximum starting price will be **17.0¢/kWh**. In the first round of the BGS-RSCP Auction, prices for each EDC will be set no lower than the minimum starting price and no higher than the maximum starting price.

¹ The Public Power Association of New Jersey (“PPANJ”) has petitioned the Board requesting authorization to receive the entire St. Lawrence allocation on behalf of PPANJ’s members. JCP&L will continue to serve the 10 MW of load associated with the St. Lawrence allocation pending a final determination by the Board. The RSCP Peak Load Share for JCP&L in Table B-2 has been reduced by 10 MW.