

## B. ELEMENTS OF THE EDCs' PROPOSAL

*This chapter is provided for bidder convenience only. Any statements herein describing the EDCs' proposal are summaries only and are qualified in their entirety by the EDCs' "Proposal for Basic Generation Service Requirements to Be Procured Effective June 1, 2019" filed on June 29, 2018 with the New Jersey Board of Public Utilities as well as each EDC's Company Specific Addendum. These documents are available on the [BGS Proceeding](#) page of the BGS Auction website. Bidders bear full responsibility for reviewing each EDC's Company Specific Addendum and accompanying attachments, as well as all documents filed as part of the EDCs' "Proposal for Basic Generation Service Requirements to Be Procured Effective June 1, 2019".*

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. Key Elements of the Proposal

In an Order dated April 25, 2018 initiating Docket No. ER18040356, the New Jersey Board of Public Utilities ("Board" or "BPU") directed the EDCs to submit a proposal to procure BGS supply for the period beginning June 1, 2019. The EDCs' filing on June 29, 2018 was prepared in response to this Order. In this filing, the EDCs propose to conduct a statewide Auction that simultaneously seeks offers for all BGS Load in the state using the process that has been successfully used in past years. In particular, the EDCs propose to hold two Auctions concurrently (the BGS-RSCP Auction for residential and small commercial customers and the BGS-CIEP Auction for larger commercial and industrial customers). The EDCs' filing is available in its entirety on the [BGS Proceeding](#) page of the BGS Auction website and includes:

- **Provisional Auction Rules** – The BGS-RSCP Auction Rules and the BGS-CIEP Auction Rules govern the conduct of the Auctions;
- **Supplier Master Agreements** – The BGS-RSCP Supplier Master Agreement and the BGS-CIEP Supplier Master Agreement are the standard contracts that describe the obligations of BGS Suppliers;
- **Company Specific Addenda** – The Company Specific Addenda are filed separately by each EDC and include information about each EDC's contingency plans, accounting and cost recovery, as well as draft tariffs; and
- **RSCP Pricing Factors** – The RSCP pricing factor spreadsheets are filed separately for each EDC and detail the development of BGS-RSCP retail rates.

We provide additional details on the EDCs' proposal below.

## B.2. BGS-RSCP Auction

Supply has already been procured for two-thirds of each EDC's BGS-RSCP Load through previous auctions: one-third was procured in an auction held in February 2017 with a term ending May 31, 2020 and one-third was procured in an auction held in February 2018 with a term ending May 31, 2021. The EDCs propose that supply for the remaining one-third of each EDC's BGS-RSCP Load be procured through a BGS-RSCP Auction held in February 2019 with a supply period from June 1, 2019 to May 31, 2022. Each EDC's BGS-RSCP customers exclude customers in specific rate classes as well as customers with a peak load share of 500 kW or above as described in Table B-1 below.

**Table B-1. Customers Excluded from BGS-RSCP and Included in BGS-CIEP**

EDC	Rate Class	Customers
<b>PSE&amp;G</b>	High Tension Service (high voltages)	All
	High Tension Service (subtransmission voltages)	All
	Large Power and Lighting, Primary Service	All
	Large Power and Lighting, Secondary Service	500 kW or greater
<b>JCP&amp;L</b>	General Service Primary	All
	General Service Transmission	All
	General Service Secondary	500 kW or greater
	General Service Secondary Time-of-Day	500 kW or greater
<b>ACE</b>	Transmission General Service	All
	Annual General Service – Primary	500 kW or greater
	Annual General Service – Secondary	500 kW or greater
	Monthly General Service Primary	500 kW or greater
	Monthly General Service Secondary	500 kW or greater
<b>RECO</b>	Service Classification No. 7 – Primary TOU Service and Separately Metered Space Heating Service	All
	Service Classification No. 2 – General Service	500 kW or greater

“Tranches” for an EDC represent a fixed percentage of the EDC’s BGS-RSCP Load. Table B-2 below provides information about the tranches in the 2019 BGS-RSCP Auction.

**Table B-2. Provisional Number of BGS-RSCP Tranches and MW-Measures**

EDC	RSCP Peak Load Share for 2019 (MW)	Number of Tranches Planned for 2019	Size of Tranche (%)	MW-Measure
PSE&G	2,517.09	28	1.18%	89.90
JCP&L <sup>1</sup>	1,537.15	18	1.89%	85.40
ACE	644.95	7	4.55%	92.14
RECO	100.00	1	25.00%	100.00

### **B.2.a. Auction Format**

The EDCs propose to use a multiple round descending clock auction to procure BGS-RSCP supply. In a round of the auction, bidders state how many tranches they wish to supply of each product (a product is an EDC’s BGS-RSCP Load) at the prices in that round. The going price for an EDC decreases each round in which there is excess supply for that EDC. The BGS-RSCP Auction ends when the supply bid is equal to the amount the EDCs seek procure.

To ensure supplier diversity in each EDC territory, the EDCs propose an EDC load cap, which is a maximum number of tranches that a bidder can bid and win for a particular EDC. There would also be a statewide load cap that limits the amount of BGS-RSCP Load served by a supplier statewide.

Please see the proposed [BGS-RSCP Auction Rules](#) for further information.

### **B.2.b. Product and Contract**

The auction produces a single clearing price for each EDC. This clearing price would apply to all tranches procured for that EDC in this year’s BGS-RSCP Auction. Payments

<sup>1</sup> 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 in the table above has been reduced by 10 MW.

to BGS-RSCP Suppliers from June through September would be shaped by the use of a multiplicative summer factor on the auction price while payments for the remaining months would be shaped by the use of a multiplicative winter factor on the auction price. The multiplicative summer and winter factors are expected to be 1.

Each BGS-RSCP Supplier provides full requirements service and assumes the responsibilities of a PJM Load Serving Entity (“LSE”) for the portion of BGS-RSCP Load that it serves. In accordance with PJM Agreements, BGS-RSCP Suppliers are physically and financially responsible for the day-to-day provision of electricity to BGS-RSCP customers. This full requirements service includes the provision of capacity, energy, transmission, ancillary services and any other services as may be required by PJM. The LSE obligations of each tranche are subject to uncertainty and BGS-RSCP Suppliers are responsible for managing this uncertainty, including the possibility that customers come and go from BGS.

Please see the proposed [BGS-RSCP Supplier Master Agreement](#) posted to the BGS Auction website for further information.

### **B.2.c. Rates**

Customers are free to come and go from BGS-RSCP, provided that they give timely notice before their next scheduled meter reading date, with timely notice generally being thirteen (13) days. The EDCs propose a rate design methodology that converts final auction prices into customer rates. Each EDC’s methodology is posted to the [BGS Additional Data](#) page of the BGS Data Room. BGS-RSCP rates are expected to vary by season and in some cases by time of day. This spreadsheet will be updated to account for the Board’s decision in the BGS proceeding, and to update specific inputs prior to the Auction.

Please see the [Company Specific Addenda](#) filed separately by each EDC for more information.

### **B.3. BGS-CIEP Auction**

The EDCs propose that supply for their BGS-CIEP customers be procured through a ***BGS-CIEP Auction*** held in February 2019. Table B-1 describes BGS-CIEP customers – those customers who, if they take BGS, must do so on a CIEP tariff or rate.

“Tranches” for an EDC represent a fixed percentage of that EDC’s total BGS-CIEP Load. Table B-3 below provides preliminary information about the tranches in the 2019 BGS-CIEP Auction.

**Table B-3. Provisional Number of BGS-CIEP Tranches and MW-Measures**

EDC	CIEP Peak Load Share (MW)	Number of Tranches	Size of Tranche (%)	MW-Measure
PSE&G	1,797.77	24	4.17%	74.91
JCP&L	805.89	11	9.09%	73.26
ACE	318.40	4	25.00%	79.60
RECO	56.00	1	100.00%	56.00

### **B.3.a. Auction Format**

The EDCs propose to use a multiple round descending clock auction to procure BGS-CIEP Supply. In a round, bidders state how many tranches they wish to supply of each product (a product is an EDC’s BGS-CIEP Load) at the prices in that round. The going price for an EDC decreases each round in which there is excess supply for that EDC. The BGS-CIEP Auction ends when the supply bid is equal to the amount the EDCs seek to procure.

The EDCs propose to use a statewide load cap to limit the amount of BGS-CIEP Load served by a supplier statewide. Please see the proposed [BGS-CIEP Auction Rules](#) for further information.

### **B.3.b. Product and Contract**

The auction produces a single clearing price for each EDC that would apply to all tranches procured for that EDC. BGS-CIEP Suppliers for an EDC receive that EDC’s auction clearing price applied to the capacity obligation, the real-time hourly spot price applied hourly to energy obligations, a pre-specified ancillary service rate, and a pre-specified transmission rate based on the PJM Open Access Transmission Tariff. The EDCs propose an ancillary service component of \$6/MWh. BGS-CIEP Suppliers would also be paid the CIEP Standby Fee, which is a fee for the option to take BGS-CIEP and is paid by all CIEP customers (not just BGS-CIEP customers). The EDCs propose a CIEP Standby Fee of 0.015¢/kWh of the energy used by CIEP customers measured at the customer meter. CIEP customers include all customers who take BGS-CIEP as well as

all customers served by third party suppliers that, were they to take BGS, would be required to do so on a CIEP tariff or rate.

Each BGS-CIEP Supplier provides full requirements service and assumes the responsibilities of a PJM LSE for the portion of BGS-CIEP Load that it serves. In accordance with PJM Agreements, BGS-CIEP Suppliers are physically and financially responsible for the day-to-day provision of electricity to BGS-CIEP customers. This full requirements service includes the provision of energy, capacity, transmission, ancillary services and any other services as may be required by PJM. The LSE obligations of each tranche are subject to uncertainty and BGS-CIEP Suppliers are responsible for managing this uncertainty, including the possibility that customers come and go from BGS.

Please see the proposed [BGS-CIEP Supplier Master Agreement](#) posted to the BGS Auction website for further information.

### **B.3.c. Rates**

Customers are free to come and go from BGS-CIEP, provided that they give timely notice before their next scheduled meter reading date, with timely notice generally being thirteen (13) days. The EDCs propose that BGS-CIEP customers pay a per kW or per kWh rate for the transmission obligation, a pre-specified per kWh rate for ancillary services, and an energy charge on the basis of the hourly PJM real-time energy price. The BGS-CIEP Auction clearing price will be assessed as a specific capacity obligation charge, a demand charge, or as an energy charge. All CIEP customers (and not just BGS-CIEP customers) pay the CIEP Standby Fee.

Please see the [Company Specific Addenda](#) filed separately by each EDC for more information.

## **B.4. RECO Central and Western Divisions**

RECO must purchase the physical electric supply needed to meet its full service obligations for its non-PJM areas (i.e., RECO's Central and Western Divisions), which are included in the New York Control Area that is administered by the New York Independent System Operator ("NYISO"). On January 30, 2018, RECO conducted its RFP with regard to the purchase of energy for the period June 1, 2018 through May 31, 2021. As a result of the RFP, RECO entered into a three-year Fixed for Floating Energy Swap contract with Shell Trading Risk Management, LLC. The Board approved this RFP result in its February 8, 2018 Order in Docket No. ER17040335. The RFP price is reflected into BGS-RSCP retail rates.

Please see Section G of RECO's Company Specific Addendum posted to the [BGS Proceeding](#) page of the BGS Auction website.

## **B.5. Roles**

The EDCs propose clearly defined roles for each of the Auction Manager, the EDCs, the Board, Board Staff, and the Board's Advisor in the management of the BGS procurement process. The Auction Manager serves as a single point of contact for bidder questions and concerns, maintains a website through which bidders are kept informed about the process, ensuring the fairness of the process by providing equal access to information for all bidders. Additionally, the Auction Manager manages the qualification procedure and the bid process. The EDCs file with the Board their BGS proposal each year, provide bidders with data and documents needed to prepare their bids, assess the creditworthiness of bidders, support the promotion of the auction opportunity, and manage the contracts with BGS Suppliers on behalf of their customers. The Board considers the procurement proposal as well as accounting, contingency plans, and cost recovery. Board Staff and the Board Advisor monitor the entire process and monitor the bids round by round.

Details of these roles are found in Section V of the EDCs' Joint Proposal, posted to the [BGS Proceeding](#) page of the BGS Auction website.

## **B.6. Modifications Relative to the 2018 BGS Auctions**

The EDCs propose minor modifications in this year's process relative to the process approved by the Board for the 2018 BGS Auctions, including:

- Changes to specific parameters of the BGS-RSCP Auction, namely the decrement functions for PSE&G, JCP&L, and ACE;
- Changes to the Auction timeline: (i) intermediate deadlines in the alternative guaranty process would be included in a separate document rather than be part of the Auction timeline; (ii) transmission rates would be announced at the time of the final bidder information webcast; and (iii) inputs to the rate design methodology would be updated one final time approximately ten days before the BGS-RSCP Auction; and
- Changes to the rate design spreadsheet, specifically the elimination of the incremental RPM cost results from PJM's Incremental Auctions for Capacity Performance as the last BGS Supplier Master Agreements to include supplier compensation for incremental RPM costs have expired.