

C. APPLICATION PROCESS

Companion Document: Sub-section C.4 of the [BGS Auction Process](#) Section of the October Bidder Information Packet is a **companion document** that provides a timeline and brief overview of the application process. This section expands upon the requirements of the application process.

This section is provided for bidder convenience only. Any statements herein describing the application process are summaries only and are qualified in their entirety by the BGS-CIEP Auction Rules and the BGS-RSCP Auction Rules posted to the [auction rules](#) page as well as the Illustrative Part 1 Application and the Illustrative Part 2 Application posted to the [application process](#) page of the BGS Auction website. Bidders bear full responsibility for reviewing these governing documents and for complying with any additional instructions from the Auction Manager provided to Bidders during the application process.

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”).

C.1. Overview

The Application Process is conducted online at <https://www.bgs-application.com>. The Application Process is in two parts. The first is the Part 1 Application in which Applicants submit basic information and financial information. The second is the Part 2 Application in which Qualified Bidders present indicative offers and submit financial guarantees. Interested parties may request an account to access the online forms.

This section provides information and/or instructions for:

- Accessing the Application website;
- The requirements of the Part 1 Application;
- The requirements of the Part 2 Application; and
- Processing of Applications.

C.2. Accessing the Application Website

The Application website is <https://www.bgs-application.com>. Applicants can access the site directly or through:

- The application tab on the BGS Auction website;
- The link above “What’s New” on each page of the BGS Auction website; or

- The link on the “application process” page of the “bidder info” tab.

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

Search:

home ▾ auction ▾ bidder info ▾ calendar data room ▾ faqs ▾ news ▾ contact us ▾ **application**

Application Process

Part 1 and Part 2 Applications must be submitted via **online** forms. Additional information will be posted below.

The online BGS Application web site is:

www.BGS-Application.com

You may use the following links to navigate the applications process:

- Request an account [here](#).
- You can use the login credentials for your account to access the online application forms [here](#) once they become available.
- To download the inserts that you are required to complete, sign, scan, and upload to the online application forms, please [click here](#) or see below.
- To get the credit documents required for the Part 2 Application, such as the Standard Pre-Auction Letter of Credit, Letter of Intent to Provide a Guaranty (for BGS-RSCP Bidders), and Sample Letters of Reference (for BGS-RSCP Bidders) please [click here](#) or see below.

[Click here for the Online Application at BGS-Application.com](#)

What's New

[Comment Process for Letters of Credit: Posting of Further Documents... GO >>](#)

[POSTING: Bidder Information Session Materials... GO >>](#)

The Application website home page will appear as shown below.

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

home get account part 1 application inserts

Welcome to BGS Auctions Application web site.

You will use this web site to apply to participate in the BGS Auctions.

For more information regarding the auction, including information about the auction process, the calendar for the auctions, the data room, FAQs and announcements, please go the BGS Auction web site here:
<http://bgs-auction.com/>

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

If an Applicant has not already done so, an Applicant must get an account to participate in the Application Process for the BGS Auctions. To get an account, click on the “get account” tab and provide the required contact information. Applicants receive login credentials (a username and a password) to access and fill in the online forms. Detailed instructions for filling in the online forms are sent along with the login credentials.

bgs-application.com
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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:

Submit

1. Complete the required information

2. Submit the registration form

Before completing the Part 1 or Part 2 Form, Applicants should download all required Inserts, which are provided on the Inserts tab. Inserts are separate forms in Microsoft Word format. Applicants complete all applicable Inserts and provide notarized signatures if required. Applicants scan any signed and completed Inserts, and upload the Inserts to the online forms.

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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 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](#)

Click on the Inserts tab – these inserts are for the Part 1 Application

Applicants are instructed to download a particular zip file depending on the Auctions for which they are applying

C.3. Part 1 Application

C.3.a. Requirements

Online submission of the Part 1 Form as well as all supporting documents is required by December 12, 2017. Applicants are notified of their Part 1 Application results on December 15, 2017.

In the online Part 1 Form, the Applicant provides:

- Basic information such as the Applicant’s legal name and place of incorporation;
- Name and contact information for the Applicant and its representatives (the Authorized Representative, any Nominees, a Credit Representative, and a Legal Representative in New Jersey); and
- Financial information, including financial statements and credit ratings.

The Applicant also makes a number of certifications by completing Inserts to the Part 1 Form. The instructions provided to Applicants that request an account to the Application website show how to access the Inserts to the online forms.

The online Part 1 Form is divided into eleven (11) sections:

1. **Basic Application Information:** An Applicant must provide basic information regarding the Applicant, including the Applicant’s legal name and place of incorporation.
2. **Authorized Representative and Nominees:** An Applicant must name an Authorized Representative. This individual is authorized by an officer or director of the Applicant to represent the Applicant in the auctions and in the Application Process. The Authorized Representative is the only person authorized to designate a person other than himself or herself to submit bids in the BGS-RSCP Auction, or the BGS-CIEP Auction, or both. The Authorized Representative may authorize other individuals, called “Nominees”, to represent the Applicant. The Authorized Representative and any Nominees are collectively referred to as the “Bidder Team”. The Bidder Team receives all correspondence related to the Auctions, including: notifications from the Auction Manager; auction procedures manuals; and confidential information required to submit bids. The Auction Manager communicates only with individuals on the Bidder Team regarding the Applicant’s materials and Application status.
3. **Applicant’s Legal Representative in New Jersey:** An Applicant must name a Legal Representative in New Jersey, either legal counsel or a representative agent. The Legal Representative must have an address in New Jersey and must agree to

- accept service of process on the Applicant's behalf. If the Legal Representative is a company, an individual must be identified.
4. **Applicant's Credit Representative:** An Applicant must name an individual who can answer questions or provide information about the Applicant's response to the credit requirements of the Part 1 Application.
 5. **General Requirements to Participate in the Auction(s):** By the time service begins, each BGS Supplier must be a PJM Interconnection, L.L.C. ("PJM") Load Serving Entity ("LSE"). An Applicant must show that it is a PJM LSE or certify that there exist no impediments for the Applicant to become a PJM LSE by the start of the supply period.
 6. **Financial Information for the Applicant:** An Applicant provides, if available, financial information about itself, including financial statements and credit ratings. This information must be provided when available even if the Applicant is relying on the financial standing of a Guarantor.
 7. **Information for the Guarantor:** If an Applicant relies on the financial standing of a Guarantor, the Applicant provides contact information and financial information for the Guarantor, including contact information for a credit representative, financial statements, and credit ratings.
 8. **Foreign Entities:** If an Applicant (or its Guarantor) has not been incorporated or otherwise formed under the laws of a state of the United States or of the District of Columbia, the Applicant must acknowledge that additional documents are required upon execution of a BGS Supplier Master Agreement. These additional documents are detailed in Article 6 of the BGS Supplier Master Agreements posted to the [contract and credit](#) page of the BGS Auction website. Applicants may also submit drafts of the required documents by upload to the Part 1 Form.
 9. **Auction Participation:** An Applicant must indicate whether it plans to participate in the BGS-CIEP Auction, in the BGS-RSCP Auction, or in both BGS Auctions.
 10. **Requirements Specific to the Auction Participation of the Applicant:** An Applicant must make a number of certifications related to the auction or auctions in which it plans to participate.
 11. **Justification of Omissions:** An Applicant may provide justification for any omissions from its Part 1 Application.

An Applicant that has successfully completed the Part 1 Application becomes a “Qualified Bidder.” Only Qualified Bidders may submit the Part 2 Application.

The BGS Auction Rules posted to the [auction rules](#) page explain some of these requirements and the Illustrative Part 1 Form posted to the [application process](#) page of the BGS Auction website provides the details of the requirements.

C.3.b. Creditworthiness Evaluation

A committee of representatives from the EDCs will determine the credit rating and the tangible net worth (“TNW”) for the Applicant (if the Applicant is relying on its own financial standing) or for the Guarantor (if the Applicant is relying on the financial standing of a Guarantor). In this section, the “entity” refers to the entity upon whose financial standing the Applicant relies, either itself or a Guarantor. The committee determines the credit rating in the manner specified in the BGS Supplier Master Agreements – namely by taking for the entity the lower of the two highest ratings from S&P Global Ratings (“S&P”), Moody’s Investors Service, Inc (“Moody’s”), Fitch, Inc (“Fitch”), or A.M. Best Company (“A.M. Best”). The committee determines the TNW of the entity by reference to the financial statements provided for the entity. On the basis of the credit rating and the TNW for the entity, the committee determines the unsecured credit line for which the entity is eligible under the terms of the BGS Supplier Master Agreements, on the basis of the following table¹:

Table C-1. Determination of Unsecured Credit Line

| Credit Rating of the Applicant or Guarantor | | | | Credit Line |
|---|--------------|--------------|-----------|-------------|
| S&P | Moody’s | Fitch | A.M. Best | |
| A- and above | A3 and above | A- and above | aaa | 16% of TNW |
| BBB+ | Baa1 | BBB+ | aa | 10% of TNW |
| BBB | Baa2 | BBB | a | 8% of TNW |
| BBB- | Baa3 | BBB- | bbb | 6% of TNW |
| Below BBB- | Below Baa3 | Below BBB- | Below bbb | 0% of TNW |

The amount of the unsecured credit line is communicated to the Applicant through the Notification of Qualification if the Applicant is successful in the Part 1 Application process. Furthermore, if the Applicant is a current BGS-RSCP Supplier and the entity is eligible for an unsecured credit line, the *available* unsecured credit line is also provided

¹ The unsecured credit line for purposes of the Total Exposure Amounts (for the Mark-to-Market exposure and the BGS-CIEP credit exposure) is also subject to a cap.

to the Applicant in the Part 1 Notification. The *available* unsecured credit line is the amount of the unsecured credit line less a measure of the unsecured credit line already used for purposes of the Applicant's current BGS-RSCP obligations. The measure of the current BGS-RSCP obligations is determined using the Independent Credit Requirement ("ICR")² in the following manner:

- For each EDC, the ICR is determined for each BGS-RSCP Supplier Master Agreement between the Applicant and the EDC.
- For each EDC, the ICRs are summed over all BGS-RSCP Supplier Master Agreements between the Applicant and the EDC to arrive at an aggregate ICR.
- The measure of the unsecured credit line already in use is the maximum aggregate ICR across all EDCs.

C.4. Part 2 Application

C.4.a. Timeline and Information Required by the Part 2 Form

Online submission of the Part 2 Form as well as all supporting documents are required by January 10, 2018. Qualified Bidders are notified of their Part 2 Application results on January 18, 2018.

Through the online Part 2 Form, Qualified Bidders:

- Update contact information as necessary;
- Provide information required by the Part 2 Application;
- Provide an indicative offer, consisting of a number of tranches that the Qualified Bidder is willing to bid at each of the minimum starting price and maximum starting price; and
- Upload any supporting documents and required Inserts.

The Inserts to the online Part 2 Form include the certifications required of Qualified Bidders for compliance with the Association and Confidential Information Rules. The instructions provided to Applicants that request an account to the Application website show how to access the Inserts to the online forms.

The Part 2 Form is divided into the following four (4) sections:

² The ICR is an amount required as security under Section 6.3 of the BGS-RSCP Supplier Agreement. The amount of the ICR is \$2.4M per tranche at the beginning of the supply period and this amount declines over the course of the BGS-RSCP Supplier Master Agreement.

1. **Auction Participation:** This section is pre-populated with information submitted with the Part 1 Form and allows the Qualified Bidder to update as necessary the auctions in which it plans to participate.
2. **Requirements for BGS-RSCP Bidders:** A Qualified Bidder applying to participate in the BGS-RSCP Auction is required to provide an indicative offer and to submit to the certifications required of Qualified Bidders for compliance with the Association and Confidential Information Rules. The indicative offer consists of a number of tranches at each of the minimum starting price and maximum starting price. The minimum starting price is 11.5¢/kWh and the maximum starting price is 17.0¢/kWh. The Qualified Bidder is required to tender pre-auction security to support its indicative offer at the maximum starting price (described in the next section). The number of tranches in the indicative offer at the maximum starting price that a Qualified Bidder supports by pre-auction security determines the Bidder's initial eligibility in the BGS-RSCP Auction. A Bidder will never be able to bid on more tranches than its initial eligibility. Qualified Bidders in the BGS-RSCP Auction are also required to provide preliminary maximum interests in each EDC. A Qualified Bidder's preliminary maximum interest in an EDC at a price cannot exceed the Qualified Bidder's indicative offer at that price.

All documents provided by Qualified Bidders as pre-auction security for the BGS-RSCP Auction must be provided in hardcopy by overnight delivery service to the Auction Manager office, One Gateway Center, Suite 720, Newark, NJ 07102.

3. **Requirements for BGS-CIEP Bidders:** A Qualified Bidder applying to participate in the BGS-CIEP Auction is required to provide an indicative offer and to submit to the certifications required of Qualified Bidders for compliance with the Association and Confidential Information Rules. The indicative offer consists of a number of tranches at each of the minimum starting price and maximum starting price. The minimum starting price is \$425/MW-day and the maximum starting price is \$550/MW-day. The Qualified Bidder is required to tender pre-auction security to support its indicative offer at the maximum starting price (described in the next section). The number of tranches in the indicative offer at the maximum starting price that a Qualified Bidder supports by pre-auction security determines the Bidder's initial eligibility in the BGS-CIEP Auction. A Bidder will never be able to bid on more tranches than its initial eligibility. The number of tranches in the indicative offer at the maximum starting price must be at least 2 tranches.

Documents provided by Qualified Bidders as pre-auction security for the BGS-CIEP Auction must be provided in hardcopy by overnight delivery service to the Auction Manager office, One Gateway Center, Suite 720, Newark, NJ 07102.

4. **Justification of Omissions:** A Qualified Bidders may justify any omissions from its Part 2 Application.

A Qualified Bidder that has successfully completed the Part 2 Application is a “Registered Bidder.” Only Registered Bidders may submit bids at the Auction.

The BGS Auction Rules posted to the [auction rules](#) page explain some of these requirements and the Illustrative Part 2 Application posted to the [application process](#) page of the BGS Auction website provides the details of the requirements.

C.4.b. Pre-Auction Security Requirements

All Qualified Bidders submit an indicative offer with their Part 2 Applications, which includes the number of tranches that the Qualified Bidder is willing to serve statewide at the maximum starting price. A Qualified Bidder must submit a pre-auction letter of credit for each Auction in which it is participating in an amount proportional to its indicative offer at the maximum starting price as follows:

- \$375,000 per tranche of the indicative offer at the maximum starting price for the BGS-CIEP Auction; and
- \$500,000 per tranche of the indicative offer at the maximum starting price for the BGS-RSCP Auction.

A Qualified Bidder participating in both Auctions submits two separate and distinct pre-auction letters of credit.

Qualified Bidders applying to participate in the BGS-CIEP Auction have no further pre-auction credit requirements. Qualified Bidders applying to participate in the BGS-RSCP Auction may be asked to submit additional pre-auction security in the form of a Letter of Reference and/or a Letter of Intent to Provide a Guaranty. The circumstances in which such additional financial assurances are necessary are as follows:

1. A Qualified Bidder applying to participate in the BGS-RSCP Auction is relying on its own financial standing and its available unsecured credit line is not sufficient to cover the amount associated with its indicative offer at the maximum starting price. The amount associated with its indicative offer is defined as the number of tranches in the indicative offer at the maximum starting price times

\$1.9M³. In that case, the Qualified Bidder will be required to submit a Letter of Reference for the difference between its available unsecured credit line and the amount associated with its indicative offer at the maximum starting price. As a special case, if a Qualified Bidder is not eligible for an unsecured credit line, the Qualified Bidder will be required to provide a Letter of Reference for \$1.9M times the number of tranches in the indicative offer at the maximum starting price. Any Letter of Reference required should be a Letter of Reference for the Qualified Bidder from a financial institution with which it has regular business dealings. [Samples for the Letter of Reference](#) are available on the BGS Auction website. Alternatively, the Qualified Bidder has the option to increase its pre-auction letter of credit from \$0.5M to \$2.4M per tranche of its indicative offer at the maximum starting price.

2. A Qualified Bidder applying to participate in the BGS-RSCP Auction is relying on the financial standing of a Guarantor. There are two possibilities:
 - The Guarantor is not eligible for an unsecured credit line (i.e., its unsecured credit line is zero according to Table C-1). In that case, the Qualified Bidder is treated as if it had no Guarantor and as if the Qualified Bidder is not eligible for an unsecured credit line. The Qualified Bidder will be required to provide a Letter of Reference for \$1.9M times the number of tranches in the indicative offer at the maximum starting price. Any Letter of Reference required should be a Letter of Reference for the Qualified Bidder from a financial institution with which it has regular business dealings. [Samples for the Letter of Reference](#) are available on the BGS Auction website. Alternatively, the Qualified Bidder has the option to increase its pre-auction letter of credit from \$0.5M to \$2.4M per tranche of its indicative offer at the maximum starting price.
 - The Guarantor is eligible for an unsecured credit line. In that case, the Qualified Bidder is required to submit a Letter of Intent to Provide a Guaranty from the Guarantor in an amount of \$1.9M times the number of tranches in the indicative offer at the maximum starting price. A [Sample Letter of Intent to Provide a Guaranty](#) is available on the BGS Auction website. In the special case where the Guarantor's available unsecured credit line is not sufficient to cover the amount associated with the Qualified Bidder's indicative offer at the maximum starting price, the Qualified Bidder will be required to submit a

³ The amount of \$1.9M per tranche is the ICR at the start of the BGS-RSCP Supplier Master Agreement (\$2.4M per tranche) less the amount already tendered through the pre-auction letter of credit (\$0.5 million per tranche).

Letter of Reference in addition to the Letter of Intent to Provide a Guaranty. In this special case, the amount of the Letter of Intent to Provide a Guaranty would be at most the amount of the available unsecured credit line for the Guarantor and the amount of the Letter of Reference would be the difference between the amount associated with the Qualified Bidder's indicative offer at the maximum starting price and the amount of the Letter of Intent to Provide a Guaranty. [Samples for the Letter of Reference](#) are available on the BGS Auction website. Instead of providing a Letter of Intent to Provide a Guaranty and/or a Letter of Reference, the Qualified Bidder has the option to increase its pre-auction letter of credit from \$0.5M to \$2.4M per tranche.

C.5. Processing

The Auction Manager acknowledges receipt of an online submission (the Part 1 Form or the Part 2 Form) by email to the Bidder Team. This acknowledgement will be sent after an initial review, either with a confirmation that the application is being considered, or with a deficiency notice.

If the application is incomplete or requires clarification, the Auction Manager sends a deficiency notice. The Applicant has until noon on the application deadline, or until 6 PM on the business day following the business day during which a first deficiency notice is sent, whichever comes later, to respond. Qualified Bidders are provided an extra business day for deficiencies related to the pre-auction security required with the Part 2 Application.

If an Applicant completes the Part 1 Application successfully, the Auction Manager sends a Notification of Qualification to the Bidder Team. The Notification of Qualification will include instructions that detail the pre-auction security required with the Part 2 Application. An Applicant that qualifies for both Auctions receives a separate Notification of Qualification for each Auction.

If a Qualified Bidder completes the Part 2 Application successfully, the Auction Manager sends a Notification of Registration to the Bidder Team. A Qualified Bidder that registers in both Auctions receives a separate Notification of Registration for each Auction.