
BIDDER INFORMATION MATERIALS

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NEW JERSEY STATEWIDE BASIC GENERATION SERVICE ELECTRICITY SUPPLY AUCTION

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A. PAST BGS AUCTIONS

This summary is provided for bidder convenience only. Any statements herein describing or referring to past auction results are summaries only and are qualified in their entirety by the past auction results posted to the [Past Results](#) page of the BGS Auction website.

Since 2002, the four New Jersey Electric Distribution Companies (“EDCs”) – 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”) – have procured electric supply to serve their Basic Generation Service (“BGS”) Load in a single, statewide Auction Process. NERA Economic Consulting has managed the BGS Auction Process since its inception. Each year, the Board has approved the results of the BGS Auctions. This section provides additional information regarding the results of past three (3) BGS Auctions.

A.1. Past BGS-CIEP Auctions

In the BGS Commercial and Industrial Energy Pricing Auction (“BGS-CIEP Auction”), bidders compete to serve a portion of the load of large commercial and industrial customers that are on an hourly-price plan. The supply period for the BGS-CIEP Auctions is one year in duration, from June 1 to May 31.

A.1.a. Tranches

Each year, bidders compete to win “tranches.” A tranche is a fixed percentage of an EDC’s BGS-CIEP Load. The number of tranches is set so that one tranche is approximately 75 MW on an eligible basis. Table A-1 below presents a summary of these data.

Table A-1. BGS-CIEP Auction: Tranche Size and Peak Load Share

		PSE&G	JCP&L	ACE	RECO
2015	Peak Load Share (MW)	1,983.35	1,019.02	318.10	64.40
	Tranche Size (%)	3.85	7.14	25.00	100.00
	MW-Measure	76.28	72.79	79.53	64.40
2016	Peak Load Share (MW)	1,978.57	990.31	351.30	55.10
	Tranche Size (%)	3.85	7.69	20.00	100.00
	MW-Measure	76.10	76.18	70.26	55.10

		PSE&G	JCP&L	ACE	RECO
2017	Peak Load Share (MW)	1,880.97	911.58	346.50	56.10
	Tranche Size (%)	4.00	8.33	20.00	100.00
	MW-Measure	75.24	75.97	69.30	56.10

The number of tranches available for each EDC is its “tranche target.” The statewide load cap represents the maximum number of tranches that a bidder may bid and win statewide. The statewide load cap is set at 45% of the BGS-CIEP Auction volume (i.e. the sum of the tranche targets). Table A-2 below presents a summary of these data.

Table A-2. BGS-CIEP Auction: Tranche Targets and Load Caps

		PSE&G	JCP&L	ACE	RECO	Total
2015	Tranche Target	26	14	4	1	45
	Statewide Load Cap	21				
2016	Tranche Target	26	13	5	1	45
	Statewide Load Cap	21				
2017	Tranche Target	25	12	5	1	43
	Statewide Load Cap	20				

A.1.b. Prices

Prior to the submission of Part 1 Applications, the Auction Manager announces a statewide minimum starting price and a statewide maximum starting price. These prices reflect the range of potential prices for the first round of the Auction. The final prices are reached at the close of the Auction, once supply falls to the amount to be procured. The table below presents a summary of these data.

Table A-3. BGS-CIEP Auction: Starting and Final Prices (\$/MW-Day)

		PSE&G	JCP&L	ACE	RECO
2015	Range of Starting Prices	350 - 450			
	Final Price (\$/MW-Day)	272.78	248.41	235.89	272.14

		PSE&G	JCP&L	ACE	RECO
2016	Range of Starting Prices	400 - 550			
	Final Price (\$/MW-Day)	335.33	259.24	258.61	277.50
2017	Range of Starting Prices	400 - 575			
	Final Price (\$/MW-Day)	276.83	218.00	217.00	223.61

A.1.c. Winners

The BGS-CIEP Auction typically lasts multiple rounds, which can be conducted over more than one day. Bidders holding the final bids at the close of the Auction are the winners. Table A-4 presents the number of rounds in each of the past three (3) BGS-CIEP Auctions. Tables A-5 to A-8 present the winning bidders for each EDC and the number of tranches won by each winning bidder.

Table A-4. BGS-CIEP Auction: Dates and Numbers of Rounds

Year	Start Date	End Date	# Rounds
2015	2/6/2015	2/9/2015	27
2016	2/5/2016	2/5/2016	22
2017	2/3/2017	2/6/2017	25

Table A-5. BGS-CIEP Auction: Winning Bidders for PSE&G

BGS-CIEP Supplier	Tranches Won		
	2015	2016	2017
ConocoPhillips Company	8	7	8
DTE Energy Trading, Inc.	6	6	7
Engelhart CTP (US) LLC	-	-	3
Exelon Generation Company, LLC	4	8	4
NextEra Energy Power Marketing, LLC	1	5	-
PPL EnergyPlus, LLC	7	-	-
PSEG Energy Resources & Trade LLC	-	-	3
Total	26	26	25

Table A-6. BGS-CIEP Auction: Winning Bidders for JCP&L

BGS-CIEP Supplier	Tranches Won		
	2015	2016	2017
BTG Pactual Commodities (US) LLC	-	1	-
ConocoPhillips Company	1	4	5
DTE Energy Trading, Inc.	2	3	2
Engelhart CTP (US) LLC	-	-	2
Exelon Generation Company, LLC	6	5	-
NextEra Energy Marketing, LLC	-	-	1
PPL EnergyPlus, LLC	5	-	-
PSEG Energy Resources & Trade LLC	-	-	2
Total	14	13	12

Table A-7. BGS-CIEP Auction: Winning Bidders for ACE

BGS-CIEP Supplier	Tranches Won		
	2015	2016	2017
BTG Pactual Commodities (US) LLC	-	1	-
ConocoPhillips Company	3	2	-
DTE Energy Trading, Inc.	-	-	1
Exelon Generation Company, LLC	1	1	1
NextEra Energy Marketing, LLC	-	-	1
PSEG Energy Resources & Trade LLC	-	1	2
Total	4	5	5

Table A-8. BGS-CIEP Auction: Winning Bidders for RECO

BGS-CIEP Supplier	Tranches Won		
	2015	2016	2017
Exelon Generation Company, LLC	1	-	-
PSEG Energy Resources & Trade LLC	-	1	1
<i>Total</i>	1	1	1

A.2. Past BGS-RSCP Auctions

In the BGS Residential Small Commercial Pricing Auction (“BGS-RSCP Auction”), bidders compete to serve tranches for smaller commercial and residential customers at a stable price that still reflects competitive, market-based costs for a price-risk managed service. For their BGS-RSCP Load, the EDCs use a rolling procurement structure, where each year one-third of the load is procured for a three-year period. As a result, currently one-third of the BGS-RSCP Load is served by suppliers with a three-year contract ending on May 31, 2018, one-third of the BGS-RSCP Load is served by suppliers with a three-year contract ending May 31, 2019, and the remaining third is served by suppliers with a three-year contract ending May 31, 2020.

BGS-RSCP Suppliers receive the final auction price for every kWh of load served. (Seasonal factors have been set at 1).

A.2.a. Tranches

Each year, bidders compete to win “tranches.” A tranche is a fixed percentage of an EDC’s BGS-RSCP Load. The number of tranches for each EDC was initially set so that one tranche was approximately 100 MW on an eligible basis.

Table A-9. BGS-RSCP Auction: Tranche Size and Peak Load Share

		PSE&G	JCP&L	ACE	RECO
2015	Peak Load Share (MW)	2,760.71	1,999.98	691.19	97.65
	Tranche Size (%)	1.18	1.93	4.55	25.00
	MW-Measure	95.20	100.00	98.74	97.65
2016	Peak Load Share (MW)	2,691.81	1,545.70	674.32	100.98
	Tranche Size (%)	1.18	1.89	4.55	25.00
	MW-Measure	96.14	85.87	96.33	100.98
2017	Peak Load Share (MW)	2,509.31	1,286.61	717.71	203.95
	Tranche Size (%)	1.18	1.82	4.55	25.00
	MW-Measure	89.62	85.77	89.71	101.98

The number of tranches available for each EDC is its “tranche target.” The EDC load cap represents the maximum number of tranches that a bidder can bid and win for a particular EDC. EDC load caps ensure diversity in the pool of suppliers for each EDC. There is also a statewide load cap, which limits the number of tranches that a bidder can bid and win statewide. The table below presents a summary of these data.

Table A-10. BGS-RSCP Auction: Tranche Targets and Load Caps

		PSE&G	JCP&L	ACE	RECO
2015	Tranche Target	29	20	7	1
	EDC Load Cap	14	9	3	1
	Statewide Load Cap	21			
2016	Tranche Target	28	18	7	1
	EDC Load Cap	13	8	3	1
	Statewide Load Cap	20			
2017	Tranche Target	28	15	8	2
	EDC Load Cap	13	7	3	2
	Statewide Load Cap	20			

A.2.b. Prices

The Auction Manager announces a statewide minimum starting price and a statewide maximum starting price prior to the submission of Part 1 Applications. These prices reflect the range of potential prices for the first round of the Auction. All prices for the BGS-RSCP Auction are “all-in” prices in ¢/kWh.

Table A-11. BGS-RSCP Auction: Starting and Final Prices (¢/kWh)

Price (¢/kWh)		PSE&G	JCP&L	ACE	RECO
2015	Range of Starting Prices	13.5 - 18.0			
	Final Prices	9.954	8.042	8.606	9.066
2016	Range of Starting Prices	13.0 - 18.5			
	Final Prices	9.638	7.485	8.214	8.502
2017	Range of Starting Prices	12.5 - 18.0			
	Final Prices	9.078	6.908	7.549	8.050

A.2.c. Winners

The BGS-RSCP Auction typically lasts multiple rounds, which can be conducted over more than one day. Bidders holding the final bids at the close of the Auction are the winners. Table A-12 presents the number of rounds in each of the past three (3) BGS-RSCP Auctions. Tables A-13 to A-16 presents the winning bidders for each EDC and the number of tranches won by each winning bidder.

Table A-12. BGS-RSCP Auction: Dates and Number of Rounds

Year	Start Date	End Date	# Rounds
2015	2/9/2015	2/10/2015	17
2016	2/8/2016	2/9/2016	18
2017	2/6/2017	2/7/2017	19

Table A-13. BGS-RSCP Auction: Winning Bidders for PSE&G

BGS-RSCP Supplier	Tranches Won		
	2015	2016	2017
BP Energy Company	2	-	1
BTG Pactual Commodities (US) LLC	2	1	-
DTE Energy Trading, Inc.	1	1	2
Engelhart CTP (US) LLC	-	-	1
Exelon Generation Company, LLC	3	-	4
Macquarie Energy LLC	2	2	2
Noble Americas Gas & Power Corp.	-	-	1
PSEG Energy Resources & Trade LLC	12	12	7
Talen Energy Marketing, LLC	-	4	-
TransCanada Power Marketing Ltd.	7	8	10
Total	29	28	28

Table A-14. BGS-RSCP Auction: Winning Bidders for JCP&L

BGS-RSCP Supplier	Tranches Won		
	2015	2016	2017
BP Energy Company	7	1	-
BTG Pactual Commodities (US) LLC	-	1	-
Calpine Energy Services, L.P.	-	1	2
Engelhart CTP (US) LLC	-	-	2
Exelon Generation Company, LLC	2	3	2
NextEra Energy Power Marketing, LLC	3	7	-
Noble Americas Gas & Power Corp.	2	-	3
PSEG Energy Resources & Trade LLC	3	3	5
TransCanada Power Marketing Ltd.	3	2	1
Total	20	18	15

Table A-15. BGS-RSCP Auction: Winning Bidders for ACE

BGS-RSCP Supplier	Tranches Won		
	2015	2016	2017
BP Energy Company	-	-	3
BTG Pactual Commodities (US) LLC	-	1	-
Calpine Energy Services, L.P.	-	2	2
DTE Energy Trading, Inc.	2	-	-
Engelhart CTP (US) LLC	-	-	1
Exelon Generation Company, LLC	-	1	-
NextEra Energy Power Marketing, LLC	3	3	-
Noble Americas Gas & Power Corp.	-	-	1
PSEG Energy Resources & Trade LLC	2	-	1
Total	7	7	8

Table A-16. BGS-RSCP Auction: Winning Bidders for RECO

	Tranches Won		
	2015	2016	2017
BGS-RSCP Supplier			
NextEra Energy Marketing, LLC	1	1	2
<i>Total</i>	1	1	2

B. ELEMENTS OF THE EDCs' PROPOSAL

This section 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, 2018" filed on June 30, 2017 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, 2018".

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 21, 2017 initiating Docket No. ER17040335, 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, 2018. The EDCs' filing on June 30, 2017 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 and rules of the Auctions;
- **Supplier Master Agreements** – The BGS-RSCP Supplier Master Agreement and the BGS-CIEP Supplier Master Agreement layout the contractual obligations of BGS suppliers and are executed by suppliers who win in the Auctions;
- **Company Specific Addenda** – The Company Specific Addenda are filed separately for 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 proposal below.

B.2. BGS-RSCP Auction

The *BGS-RSCP Auction* would seek offers for the supply of full requirements tranches of each EDC's BGS-RSCP Load for a three-year period. 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. Historical load data series for each EDC are posted to the [BGS Monthly Data](#) page of the BGS Data Room.

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

EDC	Rate Class	Customers
PSE&G	High Tension Service	All
	High Tension Service	All
	Large Power and Lighting, Primary Service	All
	Large Power and Lighting, Secondary Service	500 kW or greater
JCP&L	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
ACE	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
RECO	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. 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 2016 with a term ending May 31, 2019 and one-third was procured in an auction held in February 2017 with a term ending May 31, 2020. 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 2018 with a supply period from June 1, 2018 to May 31, 2021.

Table B-2 below provides information about the tranches in the 2018 BGS-RSCP Auction.

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

EDC	RSCP Peak Load Share for 2018 (MW)	Number of Tranches Planned for 2018	Size of Tranche (%)	MW-Measure
PSE&G	2,600.64	29	1.18%	89.68
JCP&L ¹	1,812.45	20	1.93%	90.62
ACE	630.99	7	4.55%	90.14
RECO	101.58	1	25.00%	101.58

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 serve of each product (a product is an EDC’s BGS-RSCP Load) at the prices in that round. The going price for an EDC’s BGS-RSCP Load decreases each round in which there is excess supply for that EDC. The BGS-RSCP Auction ends when the amount supplied is equal to the amount the EDCs wish to 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.

¹ The Board has directed that JCP&L continue to serve 10 MW of its residential load, using the St. Lawrence Project Power and, as necessary, purchases from PJM-administered markets. The RSCP Peak Load Share in the table above has been reduced by the 10 MW.

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

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 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.

Each BGS-RSCP Supplier is required to assume PJM Load Serving Entity ("LSE") responsibility for the portion of BGS-RSCP Load served by that BGS-RSCP Supplier. 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 twenty (20) days. The EDCs propose a rate design methodology that yields for each EDC the multiplicative factors used to determine payments to BGS-RSCP Suppliers. The provisional multiplicative factors included in the EDC's filing are 1. The EDCs will provide to bidders final multiplicative factors approximately two weeks before the BGS-RSCP Auction.

A preliminary spreadsheet that converts final auction prices into customer rates using the proposed rate design methodology for each EDC 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, including potential changes to the rate design methodology, and to update specific 2018 data prior to the Auction.

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

B.3. BGS-CIEP Auction

The *BGS-CIEP Auction* would seek offers for the supply of full requirements tranches of each EDC's BGS-CIEP Load. Table B-1 describes the customers who, if they take BGS, must do so on a CIEP tariff or rate. Historical load data series for each EDC are posted in the [BGS Monthly Data](#) page of the BGS Data Room.

“Tranches” for an EDC represent a fixed percentage of that EDC's total BGS-CIEP Load. The number of tranches is set so that each tranche is approximately 75 MW on an eligible basis. The number of tranches is rounded to the nearest integer. The EDCs propose that supply for each EDC's BGS-CIEP Load be procured through a BGS-CIEP Auction held in February 2018 with a supply period from June 1, 2018 to May 31, 2019. Table B-3 below provides information on a preliminary basis about the tranches in the 2018 BGS-RSCP 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	1,900.95	25	4.00%	76.04
JCP&L	907.94	12	8.33%	75.66
ACE	350.90	5	20.00%	70.18
RECO	57.70	1	100.00%	57.70

B.3.a Auction Format

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

Please see the proposed [BGS-CIEP Auction Rules](#) for further information on bidding in the BGS-CIEP Auction.

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, 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. 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 who, were they to take BGS, would be required to do so on a CIEP tariff or rate.

Each BGS-CIEP Supplier is required to assume LSE responsibility for the portion of BGS-CIEP Load served by that BGS-CIEP Supplier. 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 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-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 twenty (20) days. It is proposed that rate schedules for BGS-CIEP customers specify 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"). RECO proposes to conduct a request for proposal ("RFP") to secure a hedging contract for its electric purchases. The proposed contract would commence on June 1, 2018 and extend through May 31, 2021.

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 BGS Auction Manager, the EDCs, the Board, Board Staff, and the Board's Advisor in the management of the BGS procurement process. The BGS 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 BGS Auction Manager manages the qualification procedure and the bid process. The EDCs file with the Board their procurement proposal each year, provide bidders with data and documents needed to prepare their bids, assess the financial and creditworthiness qualifications of suppliers, 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' BGS Filing Joint Proposal, posted to the [BGS Proceeding](#) page of the BGS Auction website.

B.6. Modifications Relative to the 2017 BGS Auctions

The EDCs propose minor modifications in this year's process relative to the process approved by the Board for the 2017 BGS Auctions, including:

- Clarifying that Section 15.9 of the BGS Supplier Master Agreements applies to changes in Firm Transmission Rates attributable to PJM-implemented cost reallocations (or other change that effectively changes transmission costs for BGS suppliers) and that the EDCs may file with the Board prior to a Final FERC Order as circumstances warrant; and
- Changes to specific parameters of the BGS-CIEP Auction, namely the decrement function for PSE&G and JCP&L.

C. BGS AUCTION PROCESS

This section 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, 2018" filed on June 30, 2017 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, 2018".

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. Organization of this Chapter

The EDCs filed their proposal to procure BGS supply for the period beginning June 1, 2018 in response to the Order by the New Jersey Board of Public Utilities ("Board" or "BPU") initiating Docket No. ER17040335. This proposal is described in Portion B of these Bidder Materials and is available in its entirety on the [BGS Proceeding](#) page of the BGS Auction website. The regulatory proceeding within which the EDCs' filing was made is described further in the following Section C.2.

As part of their filing, the EDCs proposed a calendar of events. Prior to the Board rendering a decision on the BGS proposals from all parties, the EDCs proposed a number of activities in which potential bidders can participate, including a comment process of the letters of credit. These activities are described in Section C.3. The EDCs proposed that the application process for the Auctions be in two parts. The application process would occur after the Board renders a decision on the EDCs' proposal. The application process is described in more detail in Section C.4. Section C.5 describes the training activities for bidders that successfully completed the application process as well as releases of information to bidders prior to the Auctions. Section C.6 describes the conduct of the Auctions and Section C.7 describes the post-auction activities. Finally, Section C.8 describes the roles for the Board, the Board Advisor, the EDCs and the Auction Manager as proposed in the EDCs' filing.

C.2. Regulatory Process

The Board has followed the same process over the years to solicit and consider proposals on how best to procure supply for BGS customers.

The Board first directs the EDCs to submit their proposal and also invites all other parties to submit proposals on how to procure BGS supply. Once the proposals are filed with the Board, all parties have the ability to issue discovery to parties that have submitted a proposal to the Board. The EDCs thus respond to discovery requests from the parties, which can be on any aspect of the EDCs' proposal. To the extent that responses to such discovery provide data or information that can be useful to bidders, the discovery responses are posted to the Data Room of the BGS Auction website.

All parties also have an opportunity to submit written comments to the Board on any party's proposal. These are called the "Initial Comments". Any party may also appear before the Board to provide oral testimony at a legislative-type hearing. A party may use this testimony to further explain its proposal on the procurement of BGS supply, or to present alternative proposals, or to respond to Initial Comments. Parties have a last opportunity to provide written comments to the Board following the legislative-type hearing by filing "Final Comments". Final Comments can only be used to respond to issues raised in the Initial Comments or issues raised at the legislative-type hearing and cannot be used to raise new issues in the proceeding. The Board considers all proposals and all comments in rendering its decision on how best to procure supply for BGS customers.

The calendar of events in the regulatory proceeding is provided below. The Auction Manager sends reminders to bidders of opportunities to submit comments to the Board and the Auction Manager announces the Board decision once it is rendered.

Activity or Decision Point	Deadline
July 2017	
BGS Proposals Filed by All Parties	Saturday, July 1, 2017
Discovery Requests	Monday, July 24, 2017
August 2017	
Discovery Responses	Monday, August 7, 2017
September 2017	
Initial Comments	Wednesday, September 6, 2017

Activity or Decision Point	Deadline
Legislative-Type Hearing	Thursday, September 28, 2017
October 2017	
Final Comments	Friday, October 13, 2017
November 2017	
Board Decision	November, 2017 (expected)

C.3. Activities Prior to Board Decision

While the regulatory process is on-going, the Auction Manager conducts a number of activities and makes information available to bidders in order to aid in their preparation to participate in the application process and in the Auctions. Bidders have an opportunity to comment on the letters of credit and bidders that are unable to utilize the standard form of guaranty have an opportunity to submit an alternate form of guaranty. Those processes are described in the first subsection. The Auction Manager also conducts a first bidder information webcast, publishes these Bidder Materials, announces certain auction parameters, and provides other preliminary information to bidders. These information releases are described in the second subsection.

A calendar of these events is provided below.

Activity or Decision Point	Timing
August 2017	
First FAQ is posted	Tuesday, August 15, 2017
Release of Preliminary Draft of RSCP Pricing Spreadsheet	Tuesday, August 15, 2017
September 2017	
Posting of Alternate Guaranty Process	Tuesday, September 12, 2017
Posting of Comment Process on Letters of Credit	Wednesday, Sept. 13, 2017
October 2017	
Information Webcast for Potential Bidders	Friday, October 06, 2017
Illustrative Part 1 and Part 2 Application Forms are posted	Thursday, October 19, 2017

Activity or Decision Point	Timing
Deadline to Submit Alternate Form of Guaranty	Tuesday, October 24, 2017
Deadline to propose modifications to the standard form of the Pre-Auction and Post-Auction Letters of Credit	Tuesday, October 24, 2017
November 2017	
Auction Manager provides individual responses to parties proposing modifications to the Letters of Credit	Thursday, November 02, 2017
All modifications to the standard form of the Letters of Credit that are acceptable on an optional basis are posted	Monday, November 06, 2017
Auction Manager informs parties proposing alternate forms of guaranty of the EDCs' decision	Tuesday, November 07, 2017
Statewide minimum and maximum starting prices, load caps, and tranche sizes announced	Wednesday, November 15, 2017

C.3.a. Processes on Credit Instruments

Bidders have an opportunity to comment on the letters of credit and bidders that are unable to utilize the standard form of guaranty have an opportunity to submit an alternate form of guaranty. These processes are described in this subsection.

Letters of Credit

Bidders are required, for each Auction in which they participate, to submit a “Pre-Auction Letter of Credit” with the Part 2 Application in an amount sufficient to support their indicative offers. The Draft Pre-Auction Letter of Credit for BGS-RSCP Bidders and the Draft Pre-Auction Letter of Credit for BGS-CIEP Bidders are posted to the [Contract and Credit](#) page of the BGS Auction website. Bidders may use the “Post-Auction Letter of Credit”, which is the letter of credit appended to the BGS Supplier Master Agreements, to post security under the BGS Supplier Master Agreements. The Draft BGS Post-Auction Letter of Credit is posted to the [Contract and Credit](#) page of the BGS Auction website. Bidders use these draft letters of credit to submit their comments and propose modifications. The final forms of these letters of credit will be issued by November 6, 2017.

Bidders submit their comments or proposed modifications to a draft letter of credit by submitting a Microsoft Word document with tracked changes. The deadline for submission of such comments or modifications is October 24, 2017.

For each modification proposed to a Letter of Credit, the EDCs will:

- a. accept the modification and revise the Letter of Credit; or
- b. approve the use of the modification on an optional basis; or
- c. reject the proposed modification.

The Auction Manager, on behalf of a review committee consisting of EDC representatives and representatives from the Auction Manager, will respond individually to each potential bidder that proposed modifications to a Letter of Credit. At the conclusion of this comment process, each letter of credit in its final form will be posted the BGS Auction website. Furthermore, for each letter of credit, a document that includes all modifications that are acceptable to the EDCs on an optional basis will be made available to all bidders. The comment process is described in further detail in the document “Comment Process on the Letters of Credit” available on the [Contract and Credit](#) page of the BGS Auction website.

Guaranty

Bidders may have corporate policies that preclude them from using the standard form of guaranty appended to the BGS Supplier Master Agreements. Such bidders may submit an alternate form of guaranty for the EDCs’ consideration.

The EDCs make available a list of minimum requirements that an alternate form of guaranty must meet. In particular, an alternate form of must be a financial guaranty and not a performance guaranty. Furthermore, an alternate form of guaranty must be for unlimited liability (while the standard guaranty has a liability limit). A full list of the minimum requirements are available in the document “Alternate Guaranty Process” available on the [Contract and Credit](#) page of the BGS Auction website.

The EDCs review alternate form of guaranty submissions received from bidders and relay the results of their review to the Auction Manager. The Auction Manager provides to each bidder a personalized evaluation from the EDCs indicating whether the proposed alternate form of guaranty is acceptable to the EDCs or not. Should the EDCs find a proposed alternate form of guaranty to be not acceptable, the bidder will be provided time to update the alternate form of guaranty to comply with any EDC requests.

C.3.b. Information Releases

The information releases from the Auction Manager to bidders that occur generally prior to the Board decision are described in this subsection.

Prior to the First Bidder Information Webcast

Bidders may submit questions to the Auction Manager by email to BGS-Auction@nera.com or through the [Ask a Question](#) page of the BGS Auction website. The Auction Manager provides a response to each questioner individually, generally within two (2) business days of receiving the question. Questions and responses, with information that could identify the questioner redacted to the extent practicable, are posted to the [FAQs](#) page of the BGS Auction website. The first posting of FAQs occurred on August 15, 2017. Further postings will be made on Tuesdays each week (less or more often as circumstances warrant).

The rate design proposed by each EDC is described in each EDC's Company Specific Addendum. All Company Specific Addenda are posted to the [BGS Proceeding](#) page of the BGS Auction website. The Auction Manager makes available to bidders a BGS-RSCP pricing spreadsheet tool. This tool is intended to translate hypothetical Auction prices for each EDC selected by the bidder into their corresponding BGS-RSCP retail rates. BGS-RSCP retail rates may be important to bidders for the purpose of assessing the likelihood and degree of BGS-RSCP migration.

On August 15, 2017, the Auction Manager posted the RSCP pricing spreadsheet tool based on the rate design as proposed by the EDCs to the [Additional Data](#) page of the Data Room. The RSCP pricing spreadsheet tool will be updated with any changes to the rate design as may be ordered by the Board as well as refreshed with 2018 PJM obligations.

The application process begins after the Board has rendered a decision on how best to procure supply for BGS customers. On a preliminary basis, the Auction Manager posts an illustrative Part 1 Form and an illustrative Part 2 Form. The posting is scheduled for October 19, 2017. Bidders may use these illustrative forms to learn about the application requirements of past Auctions and about the application requirements as proposed by the EDCs for the current Auctions. The illustrative Part 2 Form will be updated once specific auction parameters have been announced on November 15, 2017. The illustrative forms will be updated as necessary once the decision of the Board has been rendered.

Bidder Information Webcast

On Friday, October 6, 2017, the Auction Manager holds a first bidder information webcast to describe the EDCs' proposal to the Board for the procurement of supply for their BGS customers. Within a business day of holding the webcast, the Auction Manager posts to the [Info Sessions](#) page of the BGS Auction website the presentation and audio portion of the webcast, as well as these Bidder Information Materials. The Auction

Manager posts to the [FAQs](#) page of the BGS Auction website the question and response for any question received during the webcast.

Release of Auction Parameters

On November 15, 2017, the Auction Manager will announce the following auction parameters:

- **Statewide minimum and maximum starting prices** – The range for the BGS-RSCP will be provided in ¢/kWh and the range for the BGS-CIEP Auction will be provided in \$/MW-day. Bidders will be required to submit indicative offers at each of the minimum and maximum starting price in their Part 2 Application. Furthermore, in the first round of the Auction, prices will be set no lower than the minimum starting price and no higher than the maximum starting price.
- **Load caps** – The statewide load cap is the maximum number of tranches that a bidder can bid in an Auction and serve statewide. Each of the BGS-CIEP Auction and the BGS-RSP Auction will have a statewide load cap. For the BGS-RSCP Auction, there will in addition be an EDC-specific load cap for each EDC. An EDC-specific load cap is the number of tranches that a bidder can bid and serve for that EDC.
- **Tranche sizes** – A tranche target is the number of tranches needed for a given EDC at the beginning of an Auction. The Auction Manager announces the final tranche targets, the final tranche sizes (as a percentage of each EDC's Load) as well as the megawatt measures for each tranche.

C.4. Application Process

The application process for the 2018 BGS-RSCP and BGS-CIEP Auctions is in two parts and is conducted online. Applicants may choose to apply to participate in the BGS-RSCP Auction, the BGS-CIEP Auction, or both. This section describes the proposed requirements.

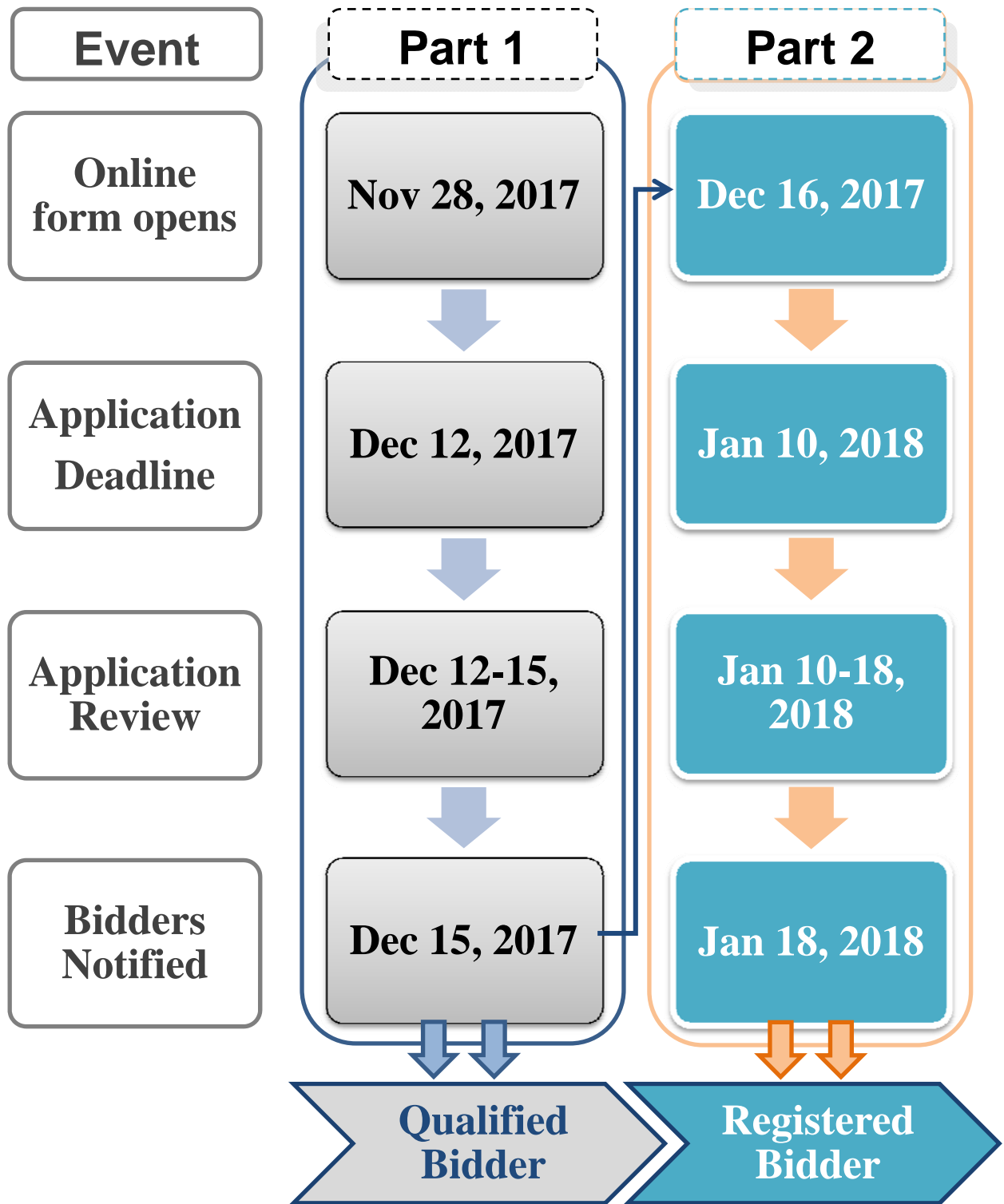
In their Part 1 Applications, interested parties will be asked to provide primary contact information and submit financial information so that the EDCs can assess their creditworthiness. In addition, interested parties will be asked to comply with other qualification requirements, including agreeing to the applicable Auction Rules and agreeing to the terms of the applicable Supplier Master Agreement. Each interested party will also be asked to agree that if the interested party is successful in its Part 1 Application, it will keep confidential the list of other successful Applicants and it will not assign its rights or substitute another entity in its place. An Applicant that has

successfully completed the Part 1 Application is a “Qualified Bidder.” Only Qualified Bidders may submit Part 2 Applications.

In their Part 2 Applications, Qualified Bidders will make a number of certifications to ensure compliance with the association and confidential information rules. Each Qualified Bidder is also asked to agree to keep confidential the list of other successful Applicants; to agree that the submission of any bid creates a binding and irrevocable offer to provide service under the terms of the applicable Supplier Master Agreement; and not to assign its rights or substitute another entity in its place. With its Part 2 Application, each Qualified Bidder will also be required to submit an indicative offer and to submit a financial guarantee in proportion to its indicative offer. A Qualified Bidder that has successfully completed the Part 2 Application is a “Registered Bidder.”

The second bidder information webcast will provide all details of the application process. The process and major milestones are summarized in the following figure.

Figure C.3. Application Process



The full calendar of events is provided below.

Activity or Decision Point	Timing
October 2017	
Illustrative Part 1 and Part 2 Application Forms posted	Thursday, October 19, 2017
November 2017	
Second Information Webcast for Potential Bidders	Monday, November 27, 2017
December 2017	
Deadline to submit Part 1 Application due by NOON	Tuesday, December 12, 2017
Part 1 Applications are reviewed	December 12-15, 2017
Applicants are notified of Part 1 Application Results	Friday, December 15, 2017
January 2018	
Deadline to submit Part 2 Application due by NOON	Wednesday, January 10, 2018
Part 2 Applications are reviewed	January 10-18, 2018
Applicants are notified of Part 2 Application results	Thursday, January 18, 2018

C.5. Bidder Training and Additional Information Releases

Bidder Training

Once bidders have been registered to participate in the Auctions through successful completion of the Part 1 Application and Part 2 Application, the Auction Manager makes available bidder training materials such as a guide to the Auction Rules, a software manual for submission of bids through the auction software, as well as a description of the backup bidding procedure to follow in the event a bidder experiences technical difficulties with the auction software.

The Auction Manager also holds the following activities for bidder training purposes:

- **Webcast for Registered Bidders** – The Auction Manager holds a third and final bidder information webcast, for Registered Bidders only. The tranche fees are announced at this webcast. The webcast primarily aims to provide details regarding online bidding procedures, backup bidding procedures, and technical preparedness.

- **Trial Auctions** – The Auction Manager holds trial auctions for Registered Bidders during which bidders can ensure that they have all systems ready for participating in the Auctions. Bidders have, over several rounds, the opportunity to practice all aspects of the online submission of bids using the auction software as well as submission of bids through the backup bidding procedure.

Information Releases

As mentioned above, the Tranche Fees are released during the third and final bidder information webcast. The Auction Manager makes a number of announcements to release further information to bidders, including:

- Transmission rates;
- Mark-to-Market information;
- Updates to decrement formulas and range of total excess supply.

Such announcements are posted to the [News](#) page of the BGS Auction website. The full calendar of events, including the timing of these announcements, is provided below.

Activity or Decision Point	Timing
January 2018	
Transmission Rates announced	Friday, January 05, 2018
Deadline to submit Part 2 Application due by NOON	Wednesday, January 10, 2018
Part 2 Applications are reviewed	January 10-18, 2018
Mark-to-Market information release	Tuesday, January 23, 2018
Auction Manager informs Registered Bidders of changes to decrement formulas or ranges of total excess supply (if necessary)	Tuesday, January 23, 2018
Tranche Fee is announced	Tuesday, January 23, 2018
Information Webcast for Registered Bidders	Tuesday, January 23, 2018
Trial Auctions for Registered Bidders	Thursday, January 25, 2018

C.6. Conduct of the Auctions

Two Auctions are proposed, the BGS-RSCP Auction and the BGS-CIEP Auction. The EDCs propose that these two Auctions be separate but concurrent.

There are four products in the BGS-CIEP Auction, each representing the BGS-CIEP Load of an EDC for a term of one year. Similarly, there are four products in the BGS-RSCP Auction, each representing the BGS-RSCP Load of an EDC for a term of three years.

Bidders may participate in either or both of the BGS Auctions and may bid on one EDC or on many EDCs in a given Auction. Both the BGS-RSCP and BGS-CIEP Auctions will be conducted using a multiple round descending clock auction format. Bidders submit their bids online using specialized Auction Software. The Auction Software allows the bidder not only to submit bids, but also to view auction results and to receive secure messages from the Auction Manager. Each bidder will receive a Login ID and initial password to access the Auction Software for the BGS Auction(s) in which it has been registered to participate. At first login, each bidder will be required to change its initial password and then to accept the Auction Software “Terms and Conditions” by clicking “Accept”.

C.6.a. Bidding Phase of a Round

A bid is the number of tranches that a bidder is willing to supply for each EDC at the going price in a round in the Auction. To submit a bid, the bidder selects a number of tranches for each EDC from a pull-down menu. The bidder may be asked for additional information, such as switching priorities and exit prices. The Auction Software then checks that the bid conforms to the Auction Rules. For example, as explained in the Auction Rules, eligibility – the maximum number of tranches a bidder can bid in a given round – can never increase from the prior round. If a bidder submits a bid that would require eligibility to increase, the bidder is asked to resubmit its bid so that it conforms to the Auction Rules.

If a bidder submits a bid that would decrease the bidder’s eligibility, the Auction Software warns the bidder of the impending eligibility reduction. If the bidder wants to proceed with a lower eligibility, the bidder may be asked to enter a last and best offer for the tranches which the bidder will no longer be bidding. Last and best offers are called “exit prices.” An exit price for a tranche is a price less than or equal to the previous going price and greater than the current going price.

If a bidder requests to decrease the number of tranches bid on an EDC while increasing the number of tranches bid on two or more other EDCs (“switching”), the bidder will be asked to enter switching priorities. Bidders cannot switch between products in one Auction (e.g., the BGS-CIEP Load for one EDC) and products in the other Auction (e.g., the BGS-RSCP Load for the same EDC or another EDC).

Once the bidder has submitted a bid that conforms to the Auction Rules, along with any exit price and/or switching priority required, the bidder is asked to verify the bid. The bidder may choose to verify the bid or re-enter the bid. A bidder may re-enter the bid as long as the bidding phase of the round is open. The bid that “counts” is the last bid submitted and verified during the bidding phase and processed by the Auction Software.

If a bidder with positive eligibility fails to submit a bid in a round, the bidder is assigned a default bid. It is the responsibility of the bidder to ensure that bids are submitted on time. The bidder can lose the ability to bid in all future rounds by failing to bid during a round.

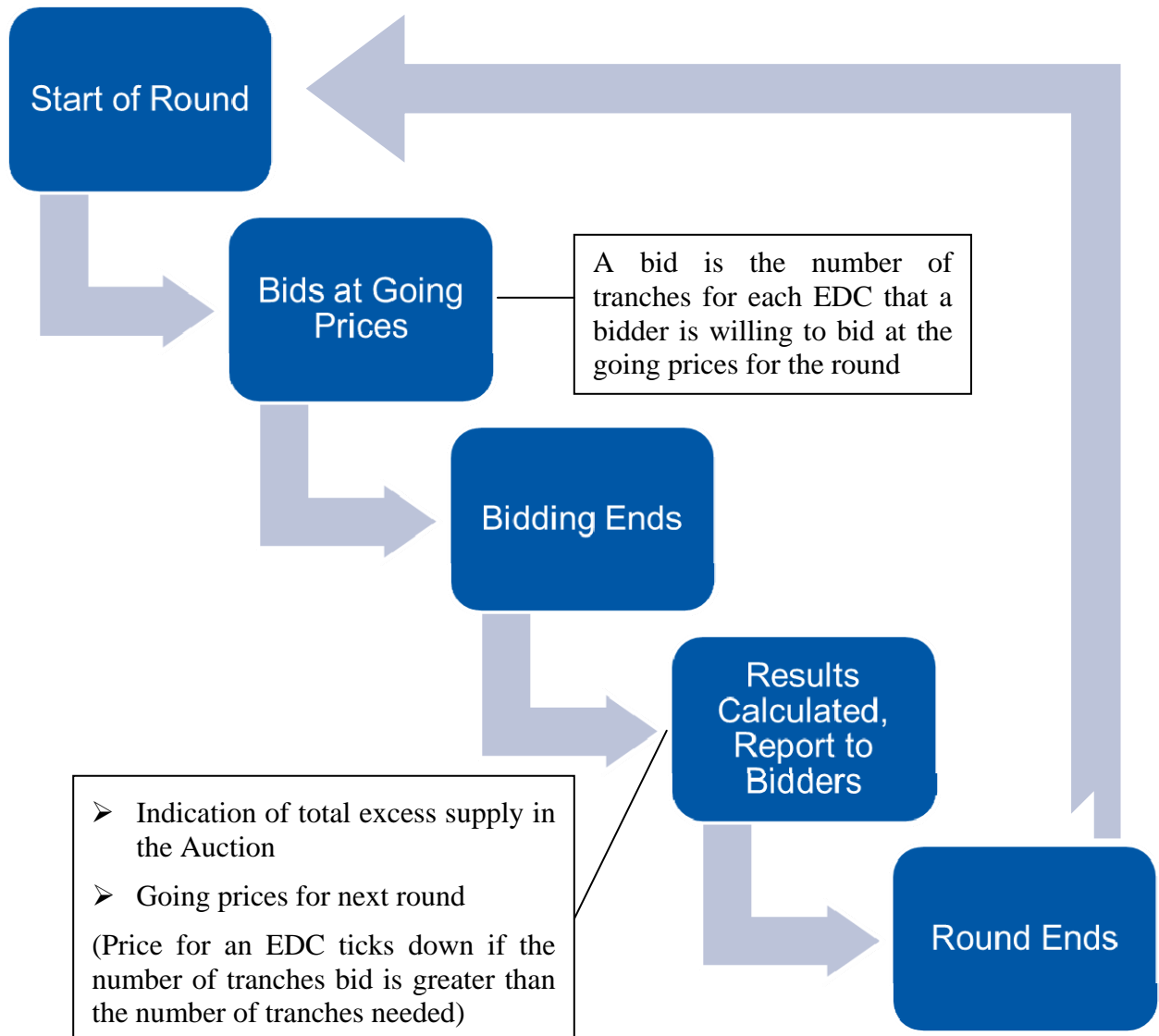
C.6.b. Calculating and Reporting Phase of a Round

The calculating phase of the round begins after the bidding ends. The Auction Manager determines the going prices for the next round. The price for an EDC in an Auction will “tick down” if the total number of tranches bid for the EDC is greater than the number of tranches needed for that EDC. During the calculating phase, bidders cannot submit bids and do not yet have access to the current round results.

The reporting phase begins when the BGS Auction Manager publishes the results determined during the calculating phase of the round. Bidders are given an indication of the total excess supply remaining in the Auction and are told the going prices for the next round. In addition, the BGS Auction Manager reports privately to each bidder the results of its previous bid. For example, if a bidder has withdrawn tranches from the Auction, the Auction Manager reports to this bidder, and only to this bidder, whether the tranches were retained. Round results can be viewed at any point during the Auction. Results for a given round remain available during subsequent rounds.

C.6.c. Schematic

The schematic below shows the progression of a typical auction round. The diagram applies with the following modification in round 1. In round 1, the going prices are the starting prices for each EDC, which are based on the indicative offers submitted by bidders before the Auction. This process is described in detail in the Auction Rules of each Auction.



C.7. Post-Auction Activities

At the conclusion of the BGS-CIEP Auction or the BGS-RSCP Auction, whichever comes later, the Auction Manager prepares a full factual report to the Board with its recommendation of whether to accept the auction results. Simultaneously, the Board Advisor prepares for the Board a checklist with its recommendation of whether to accept the auction results.

The Board makes its decision to either accept or reject the results of the BGS-CIEP Auction and the BGS-RSCP Auction separately within two (2) business days of the close of the Auctions. If the Board approves the auction results, the EDCs will provide Supplier Master Agreements via email to winning BGS suppliers for their execution. Winning BGS suppliers will then have three (3) business days to execute the BGS Supplier Master Agreements. All participants in the Auctions have five (5) business days to destroy any document containing confidential information related to the Auctions and provided by the Auction Manager.

Should a winning BGS supplier fail to execute the applicable BGS Supplier Master Agreement, the EDCs may draw on that BGS supplier's Pre-Auction Letter of Credit provided with the Part 2 Application. The full calendar of events for auction and post-auction activities is provided below.

Activity or Decision Point	Timing
February 2018	
BGS-CIEP Auction starts	Friday, February 02, 2018
BGS-RSCP Auction Starts	Monday, February 05, 2018
Board decision on Auction results	Within 2 business days of close of the BGS-RSCP or BGS-CIEP Auction, whichever comes later
Winning suppliers execute BGS Supplier Master Agreements	Within 3 business days of Board decision
Documents provided to Bidders by Auction Manager containing confidential information must be destroyed	Within 5 business days of Board decision
Power Flows	Friday, June 01, 2018

C.8. The Roles of the Board, the Board Advisor, the EDCs and the Auction Manager

The EDCs have proposed that the Board and the Board Advisor be responsible for the following activities:

- The Board will approve the Auction Process set forth in this Proposal, the Auction Rules, and the EDCs' Company Specific Addenda;
- The Board will approve the BGS-CIEP Supplier Master Agreement and the BGS-RSCP Supplier Master Agreement;
- The Board Advisor will oversee the conduct of the Auctions and brief the Board during the Auction Process; and
- The Board will render a decision on final Auction results by the end of the second business day following the day on which the last Auction closes. The Board, at its discretion, has the option of rendering a decision on the results of one Auction and on the results of the other Auction at different points in time. For example, the Board may render a decision on the first Auction that closes while the second Auction is still in progress.

The EDCs have proposed that the EDCs to continue to assume the previously-approved logistical responsibilities for the Auctions, which include:

- Development of the Auction Process, which is presented to the Board in the EDCs' filing;
- Promotion of the Auctions in conjunction with the Auction Manager;
- Supply of the data and other key information that the suppliers would use to prepare their bids and that will be made available through an Auction website maintained by the Auction Manager;
- Provision of follow-up technical support to the Auction Manager in response to specific questions received from bidders and potential bidders with respect to the data and Auction Process information and pre-Auction information packages;
- Development of the BGS Supplier Master Agreements and instruments for financial guarantees;
- Review and approval of financial qualifications, including review of alternate guaranty forms; and
- Execution of the BGS Supplier Master Agreements on behalf of their customers.

The EDCs propose that the Auction Manager be responsible for day-to-day administration, for dissemination of information about the Auction Process. As such, the Auction Manager would be primarily responsible for the following tasks:

- Setting up and maintaining a website for the dissemination of Auction information to stakeholders;
- Receiving queries from interested parties, directing the questions to EDC representatives if necessary, and returning the answers to the inquiring parties;
- Receiving applications for qualification and notifying interested parties of the results of the qualification procedure;
- Managing the Alternate Guaranty process;
- Receiving indicative offers and letters of credit;
- Developing and testing bidding procedures that implement the Auction Rules;
- Providing technical help to bidders with respect to the Auction Rules and the bidding procedures;
- Drafting manuals for the Auctions;
- Training potential bidders in the bidding procedures; and
- Providing to the Board and the EDCs a full factual report on the Auctions and on the final results.

D. RSCP SUPPLIER PAYMENTS AND CUSTOMER RATES

This summary is provided for bidder convenience only. Any statements herein describing BGS-RSCP rates or supplier payments are summaries only and are qualified in their entirety by each EDC's Company Specific Addendum and accompanying attachments, as well as the BGS-RSCP Supplier Master Agreement posted to 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 the BGS-RSCP Supplier Master Agreement.

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").

D.1. Overview

The BGS-RSCP Auction is a rolling procurement that each year aims to contract approximately one-third of the needed BGS-RSCP Load for three years. For the period June 1, 2018 to May 31, 2019, BGS-RSCP Load would be supplied by the winners of three (3) BGS-RSCP Auctions: winners with a three-year contract ending on May 31, 2019, winners with a three-year contract ending May 31, 2020, and winners with a three-year contract from the upcoming Auction that would end May 31, 2021.

The EDCs propose that BGS-RSCP customers pay rates that are determined on the basis of the weighted average cost of supply for all three (3) Auctions used for supply at a given point in time and on the basis of conversion factors specific to each rate class. The EDCs propose to pay winners of a BGS-RSCP Auction for an EDC the final auction price for that EDC times a seasonal billing factor.

Details of customer rates, determination of the seasonal billing factor, and supplier payments are provided below.

D.2. Retail Customer Rates

Throughout this section, we will rely on the number of tranches and the seasonal billing factors for PSE&G as an example. These are provided below. The seasonal billing factors for the 2018 Auction are those proposed in the EDCs' filing. The price for the 2018 Auction is purely illustrative.

Table D-1. Example Composition of BGS-RSCP Supply for PSE&G, 2018/2019

Auction	Product	Number of Tranches	Final Auction Price (¢/kWh)	Seasonal Billing Factors
2018	3-year term	29	9.858	Summer – 1.0000 Winter – 1.0000
2017	3-year term (2 years remaining)	28	9.078	
2016	3-year term (1 year remaining)	28	9.638	

Rates for each rate class of an EDC for June 1, 2018 through May 31, 2019 will be determined by multiplying the weighted average cost of supply by conversion factors for each rate class.

D.2.a. Weighted Average Cost of Supply

The weighted average cost of supply would be calculated as follows. (Table D-2 illustrates each step for PSE&G assuming, purely for illustrative purposes, a final auction price in 2018 of 9.858¢/kWh.) For each component auction product and for each season, the clearing price is multiplied by the seasonal billing factor and by the number of tranches. The sum is taken for each season and is divided by the total number of tranches. The result is a price for each season. These prices are weighted by the proportion of BGS-RSCP energy at the bulk system level¹ projected to occur in each season to obtain a single value – a seasonally-adjusted weighted price. This seasonally-adjusted weighted price is the weighted average cost of supply for all the component auction products used to serve load for the June 1, 2018 to May 31, 2019 period.

¹ Energy at the bulk system level is the forecast energy de-rated pursuant to PJM's marginal loss implementation.

Table D-2. Example Calculation
Summer

<u>Tranches</u>		<u>Seasonal Factor</u>		<u>Final Auction Price</u>		<u>Total</u>
29	x	1.0000	X	9.858	=	285.882
28	x	1.0000	X	9.078	=	254.184
28	x	1.0000	X	9.638	=	269.864
					Total	= 809.930
					Divided by total tranches (85)	= 9.529¢/kWh

Winter

<u>Tranches</u>		<u>Seasonal Factor</u>		<u>Final Auction Price</u>		<u>Total</u>
29	x	1.0000	X	9.858	=	285.882
28	x	1.0000	X	9.078	=	254.185
28	x	1.0000	X	9.638	=	269.864
					Total	= 809.930
					Divided by total tranches (85)	= 9.529¢/kWh

Average

	<u>Energy, GWh</u>		<u>Tranche-weighted Price</u>		<u>Total</u>	
Summer	10,178	X	9.529	=	96,986	
Winter	15,498	X	9.529	=	147,680	
Totals	25,679			=	244,666	
					Seasonally-adjusted weighted price	= 9.529¢/kWh

D.2.b. Conversion Factors

Rates for each rate class of an EDC for June 1, 2018 through May 31, 2019 will be determined by multiplying the weighted average cost of supply by conversion factors for each rate class. The conversion factors are developed using the EDCs' rate design methodologies as provided in each EDC's Company Specific Addendum. Under this approach, a customer class that is more expensive to serve than the system on average would have a higher rate for electricity. The BGS-RSCP rate design is subject to Board approval. If it is approved by the Board, it would be approved for one year and could be subject to change after May 31, 2019.

The methodology for developing the conversion factors to translate the seasonally-adjusted weighted price to customer rates begins by estimating the average cost per unit associated with supplying all customers eligible for BGS-RSCP. This "system average cost" is a simple and rough estimate that includes only factors easily determined from market and load data and excludes any estimate of uncertainty or risk. This system average cost is then compared to the cost for individual customer classes. This comparison becomes the basis for deriving the conversion factor for each customer class.

All the EDCs estimate system costs using the same approach. Costs including energy, capacity and transmission, are derived using inputs including:

- Load by rate class;
- Forward energy market prices;
- Off-peak price ratios by season, based on historical market prices;
- Congestion price ratios by EDC zone and by season, based on historical market price analysis;
- RPM capacity prices;
- Network transmission cost from the PJM OATT; and
- Estimated ancillary services and Compliance cost of the Renewable Portfolio Standards.

Inputs used by the EDCs are provided in the following two tables. (RECO used a weighting of PJM Western hub prices with NYISO forward prices, with NYISO prices receiving a 10.9% weighting. Please see RECO's Company Specific Addendum available on the [BGS Proceeding](#) page of the BGS Auction website for details.)

Table D-3. PJM Western Hub Forward Prices as of June 2017

Month	June	July	Aug.	Sept.	Oct.	Nov.
On-Peak (\$/MWh)	33.55	41.74	37.88	32.12	31.00	30.88
Month	Dec.	Jan.	Feb.	March	April	May
On-Peak (\$/MWh)	33.90	50.45	47.55	35.13	30.38	31.55

Table D-4. BGS-RSCP Pricing Inputs

		PSE&G	JCP&L	ACE	RECO ²
Off-peak/peak price ratio	Summer	0.6328			
	Winter	0.7318			
Peak zone congestion factor	Summer	0.94	0.93	0.96	0.93
	Winter	1.00	0.96	0.96	1.00
Off-peak zone congestion factor	Summer	0.88	0.86	0.89	0.88
	Winter	0.98	0.95	0.95	0.97
Capacity cost³ (\$/MW-day)	Summer	168.47	216.11	168.39	168.39
	Winter	168.47	216.11	168.39	168.39
Ancillary services and renewables (\$/MWh)	10.40				
Network Transmission (\$/MW-year)	88,355.75	**4	48,427	49,695	

These costs and factors are used to estimate annual and seasonal bulk system costs based on projected customer usage (grossed up to account for losses adjusted for de-rating factors pursuant to PJM’s marginal loss implementation), and transmission and capacity obligations by rate class.

² RECO’s capacity and ancillary services cost estimates include a 10.9% weighting of corresponding NYISO estimated costs.

³ For PSE&G, ACE, and RECO this capacity cost figure represents the three-year average RPM cost from June 1, 2018 to May 31, 2021, net of Capacity Transfer Rights (“CTRs”). JCP&L accounts for BGS costs on an individual year basis and this capacity cost figure represents the June 1, 2018 to May 31, 2019 RPM cost.

⁴ JCP&L accounts for transmission cost by applying the applicable tariff rates by rate class. The other EDCs apply a constant rate to the transmission obligation.

Bulk system level costs are calculated for each rate class and compared to the system average cost. Some customers have a single all-hour energy rate; others have rate components such as time of use rates, demand charge, capacity obligation charge, and block rates by volume of usage.

The conversion factors are derived by comparing the system average cost to the bulk system level costs for each rate class. In general, the conversion factor for a given customer class is the ratio of the bulk system level costs for the rate class to the system average cost. If this factor is, for example, 1.2, it indicates that the class is 1.2 times more expensive to serve than the system as a whole. Thus, the retail rate to be paid by the class will be set at 1.2 times the weighted average cost of supply.

The Company Specific Addenda to the June 30, 2017 filing describe the specific rate design methodologies in detail. Additionally, each Company Specific Addendum contains a rate design spreadsheet that includes information on billing determinants by rate class and rate component, and draft tariff sheets. These spreadsheets, the “BGS-RSCP Pricing Factors spreadsheets”, are the same spreadsheets used to develop the seasonal billing factors. They are posted to both the [BGS Proceeding](#) page and the [BGS Additional Data](#) page of the BGS Auction website.

D.2.c. Rate Adjustment Factors

For PSE&G, ACE, and RECO, there are additional factors called Rate Adjustment Factors used to determine retail rates. The Rate Adjustment Factors are equal to the dollar differences between the anticipated billed revenue and supplier payments in a season, divided by the total anticipated billed BGS-RSCP energy-related charges in that season. (Note that RECO includes demand charges for its SC2 rate class when calculating SC2 anticipated billed revenue.) A difference arises between anticipated revenue and anticipated supplier payments because rate conversion factors for these three EDCs (and the seasonal billing factors for the Auction) are based on one year of cost data while the payments made to suppliers reflect seasonal billing factors from three different Auctions and three years of cost data. The Company Specific Addenda to the June 30, 2017 filing describe these rate adjustment factors in more detail. They are posted to the [BGS Proceeding](#) page of the BGS Auction website.

D.2.d. JCP&L Variation

The methodology used by JCP&L to derive conversion factors is slightly different from that used by the other EDCs. PSE&G, ACE, and RECO derive conversion factors using the cost inputs for the coming supply year only. For these three EDCs, the Rate Adjustment Factor is then used so that seasonal revenue and seasonal supplier payments

correspond. JCP&L derives conversion factors by incorporating cost information from component products from all three Auctions used to supply the BGS-RSCP Load for the coming year. (See the description of Table C7 of the BGS-RSCP Pricing Factors spreadsheet in JCP&L's Company Specific Addendum available on the [BGS Proceeding](#) page of the BGS Auction website.) As a result, JCP&L does not require a specific Rate Adjustment Factor.

All EDCs use the same approach to calculate the seasonal billing factors that are used for supplier payments.

D.3. Retail Rate Comparisons

Draft tariff sheets have been posted to the [BGS Proceeding](#) page of the BGS Auction website as part of the June 30, 2017 filing.

After the BGS Auctions, the EDCs post on their own websites draft tariff sheets to become effective June 1 upon approval by the Board. Current tariff sheets are available at the following links:

PSE&G:

<http://www.pseg.com/family/pseandg/tariffs/electric/index.jsp>

JCP&L:

https://www.firstenergycorp.com/customer_choice/new_jersey/new_jersey_tariffs.html

ACE:

<http://www.atlanticcityelectric.com/Tariffs.aspx>

RECO:

<https://www.oru.com/en/rates-tariffs>

D.4. Supplier Payment

Each EDC pays its BGS-RSCP Suppliers the final auction price for that EDC times an EDC-specific seasonal billing factor. An EDC pays each BGS-RSCP Supplier for the portion of the EDC's BGS-RSCP Load represented by the number of tranches it has won at the Auction. The EDC issues a statement for each billing month and pays its BGS-RSCP Suppliers according to a preliminary allocation of BGS-RSCP energy. The Tranche Fee is assessed on the first invoice of the supply period. A final energy allocation for each month will be produced subsequently and compared to the preliminary allocation. Any differences will be reflected in a billing adjustment on future statements. If there are corrections or adjustments that would have resulted in changes in the PJM settlement, but the deadline for settlement has passed, the EDC will settle the difference

directly with the BGS-RSCP Supplier. BGS-RSCP Suppliers are paid based on energy volumes that PJM has de-rated for losses as part of marginal loss implementation procedures. The energy volume for which BGS-RSCP Suppliers will be paid will be equal to the energy volume for which they settle with PJM.

For each EDC, there is one seasonal billing factor for the summer (June 1 to September 30) and one for the remaining winter months. An EDC's seasonal billing factor is calculated by taking the ratio of the projected per-MWh seasonal cost⁵ to the projected per-MWh annual cost. The derivation is based on estimating the bulk system energy and cost for serving BGS-RSCP eligible load, including costs related to the Supplement. All inputs to and the calculation of seasonal billing factors are visible in their entirety in the BGS-RSCP Pricing Factors spreadsheets filed on June 30, 2017, and the inputs are summarized earlier in this section. BGS-RSCP Pricing Factors spreadsheets are also available on the [BGS Additional Data](#) page of the BGS Data Room as well as the BGS Proceeding page of the BGS Auction website. Seasonal factors for recent BGS-RSCP Auctions have been set at 1 as a result of the methodology described in each EDC's Company Specific Addendum.

The proposed BGS Supplier Master Agreements specify the full details of the proposed payments. They are available on the [Contract and Credit](#) page of the BGS Auction website.

⁵ Projections reflect then-current market prices and include no allowance for risk, administration costs, or other relevant factors. The sole purpose of these EDC projections is the determination of customer rates and seasonal billing factors. Bidders are not to rely on these projections whatsoever and bidders bear the entire responsibility of making any projections relevant to preparing their bids.

E. CIEP SUPPLIER PAYMENTS AND CUSTOMER RATES

This summary is provided for bidder convenience only. Any statements herein describing BGS-CIEP payment flows are summaries only and are qualified in their entirety by each EDC's Company Specific Addendum and accompanying attachments, as well as the BGS-CIEP Supplier Master Agreement posted to 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 the BGS-CIEP Supplier Master Agreement.

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").

E.1. Overview

Three types of payment flows are outlined in this section:

- payments from the EDC to the BGS-CIEP Supplier;
- payments from the BGS-CIEP customer and the CIEP customer to the EDC; and
- payments from the BGS-CIEP Supplier to the EDC.

A CIEP customer is either a BGS-CIEP customer or a customer served by a third party supplier who, were the customer to take BGS, would do so on a CIEP tariff or rate.

Article 9 "Billing and Payment" of the BGS-CIEP Supplier Master Agreement posted to the [BGS Proceeding](#) page of the BGS Auction website provides a complete characterization of payments between the EDC and the BGS-CIEP Supplier. This document does not cover payments by the BGS-CIEP Supplier to PJM for costs associated with meeting its Load Serving Entity ("LSE") obligations or payments that may result from the application of Section 15.9 of the BGS-CIEP Supplier Master Agreement related to changes in transmission rates.

E.2. Key Definitions

Article 1 "Definitions" of the BGS-CIEP Supplier Master Agreement posted to the [BGS Proceeding](#) page of the BGS Auction website defines the terms used in this section, including PMEA/FMEA Adjustment Amount, PHEA/FHEA Adjustment Amount, and the terms provided below.

BGS-CIEP Supplier Responsibility Share. Each EDC has a BGS-CIEP tranche size announced on November 15, 2017, which is multiplied by the number of tranches won by

the BGS-CIEP Supplier at the Auction to determine that BGS-CIEP Supplier's *BGS-CIEP Supplier Responsibility Share*.

It is this BGS-CIEP Supplier Responsibility Share that determines the percentage of BGS-CIEP Load for which the BGS-CIEP Supplier is responsible.

Monthly invoices will calculate payments for the current period based on preliminary allocations of energy, which are calculated from the Supplier Responsibility Share and the total BGS-CIEP Load for the EDC. The invoice will also include any adjustment amounts for differences in the final and preliminary allocations from prior periods.

Preliminary and Final Energy Allocations. The Preliminary Monthly Energy Allocation (“PMEA”) and the Preliminary Hourly Energy Allocation (“PHEA”) are the initial determinants of the BGS-CIEP Supplier’s share of the monthly and hourly energy used by BGS-CIEP customers, adjusted for losses. The Final Monthly Energy Allocation (“FMEA”) and the Final Hourly Energy Allocation (“FHEA”) are the final values of these determinants.

The ancillary service payments to BGS-CIEP Suppliers are based on the PMEA and FMEA while energy payments to BGS-CIEP Suppliers are based on the PHEA and FHEA. The volumes of energy upon which BGS-CIEP Supplier payments (excluding the CIEP Standby Fee payment) are based are the same as the energy volumes for which BGS-CIEP Suppliers are responsible in the PJM energy settlement process.

E.3. Payments from EDC to Supplier

These payments will consist of the following:

- The CIEP Standby Fee, proposed at a level of 0.015¢/kWh, multiplied by the BGS-CIEP Supplier Responsibility Share of all preliminary kilowatt hours used by CIEP customers measured at the customer meter.
- The “Hourly Real-Time Spot Price” for the EDC zone, which refers to the PJM load-weighted average Residual Metered Load aggregate Real-Time Locational Marginal Price for the zone, multiplied by the PHEA, summed over the month and multiplied by the BGS-CIEP Supplier Responsibility Share.
- An Ancillary Services Charge, proposed at a level of \$6.00/MWh, multiplied by the PMEA and multiplied by the BGS-CIEP Supplier Responsibility Share.
- The Transmission Charge, multiplied by the BGS-CIEP Supplier Responsibility Share of the daily transmission obligation of BGS-CIEP customers. The Transmission Charge will reflect applicable and current Open Access

Transmission Tariff (“OATT”) rates as of a date specified in the BGS-CIEP Supplier Master Agreement, intended to be on or near to January 1, 2018, excluding any surcharge or any charge that is in effect as of that date subject to refund by the FERC.

- The CIEP Price, determined at the Auction, multiplied by the BGS-CIEP Supplier Responsibility Share of the daily capacity obligation of all BGS-CIEP customers.
- PMEAF/FMEA Adjustment Amount for any month in which the FMEA exceeds the PMEAF.
- PHEAF/FHEAF Adjustment Amount to the extent that such amount is in favor of the BGS-CIEP Supplier.
- The CIEP Standby Fee, multiplied by the difference between the final and preliminary kilowatt hours used by CIEP customers, measured at the customer meters, multiplied by the BGS-CIEP Supplier Responsibility Share, if the final kWh exceeds the preliminary kWh.

E.4. Payments from Supplier to EDC

There will be a one-time assessment of the tranche fees to cover administrative costs. The tranche fee will be announced prior to the Auction and payment will be the tranche fee multiplied by the number of tranches won by the BGS-CIEP Supplier. The assessment will appear on the first invoice in June 2018.

In addition, payment from the BGS-CIEP Supplier to the EDC may consist of any or all of the following:

- PMEAF/FMEA Adjustment Amount for any month in which the PMEAF exceeds the FMEA;
- PHEAF/FHEAF Adjustment Amount for any month in which payment is due to the EDC; and/or
- The CIEP Standby Fee, multiplied by the difference between the preliminary and the final kilowatt hours billed by the EDC to CIEP customers, measured at the customer meter, multiplied by the BGS-CIEP Supplier Responsibility Share, if the final kWh is less than the preliminary kWh.

E.5. Corrections/Adjustments after PJM Final Settlement

Additionally, the BGS-CIEP Supplier Master Agreement provides that if there are corrections or adjustments that would have resulted in changes in the PJM settlement, but the deadline for settlement has passed, the EDC will directly settle the difference with the

BGS-CIEP Supplier. This payment could go either way. It is also possible that an adjustment to customer bills to reconcile the revenue billed to BGS-CIEP customers by the EDC with the amount paid to BGS-CIEP Suppliers will affect BGS-CIEP customer bills.

E.6. Customer Rates

The components of the rates for BGS-CIEP customers are the following:

- The Hourly Real-Time Spot Price, multiplied by the hourly energy usage adjusted for losses on the EDC system, summed over the month;
- An Ancillary Services Charge, at a rate pre-determined by each EDC, multiplied by the monthly energy usage;
- The CIEP Price, determined at the Auction converted to a retail rate (depending on the EDC and the rate class, this conversion may be done in different ways);
- The transmission retail rate, reflecting the Transmission Charge at the start of the term of the BGS-CIEP Supplier Master Agreement and any Board-approved changes to such rates; and
- The CIEP Standby Fee, multiplied by the monthly energy usage measured at the customer meter.

The CIEP Standby Fee is collected also from CIEP customers that take service from a third party supplier.