IN THE MATTER OF THE PROVISION OF BASIC GENERATION SERVICE FOR THE PERIOD BEGINNING JUNE 1, 2027	:	**Docket No. ER26040105**

Public Service Electric and Gas Company, Jersey Central Power & Light Company, Atlantic City Electric Company

and

Rockland Electric Company

PROPOSAL FOR BASIC GENERATION SERVICE REQUIREMENTS TO BE PROCURED EFFECTIVE JUNE 1, 2027

July 1, 2026

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I. INTRODUCTION

The New Jersey electric distribution companies ("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"). On April 22, 2026, the New Jersey Board of Public Utilities ("BPU" or "Board") issued an Order in BPU Docket No. ER26040105 instructing the EDCs to submit a proposal to procure basic generation service supply ("BGS Supply") beginning June 1, 2027. Accordingly, the EDCs hereby submit this proposal to completely specify how the EDCs intend to procure supply for their BGS customers.

This will be the twenty-sixth year where the EDCs have submitted a joint proposal for the procurement of electric power for all BGS customers in the state through a statewide Auction Process. The EDCs recognize that the rising cost of energy and capacity has recently increased rates charged to BGS customers. While acknowledging difficult current market conditions, the EDCs maintain that the core elements of this joint proposal (i.e., the product definition, the auction format, the competitive safeguards, the qualification procedures, the rate design, and the roles of various parties integral to the BGS Auctions) continue to encompass the most appropriate method for procuring BGS supply for New Jersey's BGS customers. Changing the core elements of the BGS Auction Process after twenty-five successful years may lead to unintended consequences that result in, for example, heightened rate volatility, lower bidder participation, and increased BGS rates. Further, the Board has consistently approved the core elements of the EDCs' joint proposal, stating in its most recent Order approving the 2026 BGS Auction Process ("2026 Order") that:

> *The Proposal, as modified herein, appears to be the best means to secure BGS service for the 2026 BGS period for BGS-CIEP customers, and for the remaining one-third of the needs of BGS-RSCP customers, as well as for a portion of the BGS-RSCP service required for the 2027 and 2028 BGS periods.*[1]

While the core elements of the EDCs' joint proposal have been stable over the years, the EDCs have continually and incrementally refined the Auction Process aiming to maintain or strengthen the level of participation by suppliers so that prices at the Auctions, and rates paid by

[1] *Decision and Order; I/M/O the Provision of Basic Generation Service (BGS) for the Period Beginning June 1, 2026*, BPU Docket No. ER25040190, at page 29.

customers, are the product of vigorous competition and are consistent with market conditions. The EDCs continue to do so within this proposal. For instance, in 2009, the EDCs introduced a process by which prospective suppliers could provide comments from their financial institutions on the pre-auction letter of credit to facilitate compliance with the requirement for financial guarantees in the application process. This comment process was expanded in 2015 to include the letter of credit appended to the BGS Supplier Master Agreements ("BGS SMAs") used during the supply period. In 2018 and 2019, the EDCs modified the shape of the decrement formulas, which are auction parameters that are important to ensure that the round-by-round pace of the Auctions is appropriate. Additionally, transmission was removed from the BGS product during the 2021 BGS proceeding[2] in response to concerns raised by BGS suppliers regarding a disparity in timing between BGS suppliers' payments to PJM Interconnection L.L.C. ("PJM") for transmission costs and the receipt of payment for such costs from the EDCs. More recently, during the 2026 BGS proceeding[3], the EDCs developed new appendices into the SMAs to incorporate the terms of the International Swaps and Derivatives Association, Inc. 2018 U.S. Resolution Stay Protocol to allow certain entities classified as Global Systemically Important Banks to be able to participate in the BGS Auctions, encouraging participation in the BGS Auctions to the benefit of BGS customers. The EDCs have also monitored closely through the years changes in the markets that could adversely impact suppliers and customers. This led, for example, to the introduction of supplements to the SMAs to protect BGS suppliers from uncertainty in capacity costs as a result of the introduction of the Capacity Performance Resource construct in PJM for the 2015 Auctions and again in 2020 as PJM delayed the base residual auction ("BRA") for the 2022/2023 delivery year until changes to its capacity market were finalized at the Federal Energy Regulatory Commission ("FERC"). In turn, the latter change protected the EDCs' customers by reducing the likelihood that suppliers would find it necessary to include a risk premium in their BGS-RSCP bids to account for an uncertain capacity price in the 2022/2023 delivery year. The EDCs have continued the use of supplements to the SMAs

[2] *I/M/O the Provision of Basic Generation Service (BGS) for the Period Beginning June 1, 2021*, BPU Docket No. ER20030190.

[3] *I/M/O the Provision of Basic Generation Service (BGS) for the Period Beginning June 1, 2026*, BPU Docket No. ER25040190.

each year since the 2020 BGS proceeding[4] as the issues surrounding the postponement of PJM's base residual auctions have persisted and further delays have since occurred. The use of these supplements to the SMAs has protected the EDCs' customers by reducing the likelihood of suppliers including a risk premium in their BGS-RSCP bids in response to the uncertainty surrounding capacity prices.

The continued refinement of the BGS Auction Process has contributed to its longevity and success. Through the cooperation of the Board and Board Staff, the EDCs, and other stakeholders, the Auction Process has adapted over time in response to market changes and concerns of suppliers and other stakeholders to the benefit of BGS customers. The continued cooperation across parties and the flexibility of the BGS Auction Process allowed the BGS Auctions to be conducted successfully during the COVID-19 health crisis. Specifically, the 2021 BGS Auctions were held remotely for the first time since their inception by implementing collaborative changes to various protocols. These protocols put in place allowed for the continued, successful, remote-conduct of each BGS Auction since 2021, and the EDCs and Auction Manager are again committed to working with Board Staff and the Board Advisor should they wish to be located with a subset of personnel from the Auction Manager Team during the 2027 BGS Auctions.

Critical aspects of the joint proposal for a statewide Auction Process are explained in the next section. Section III explains how the EDCs' joint proposal is best suited to meet the objectives of the Auction Process. Section IV provides additional details regarding the conduct of the Auctions. Section V closes by providing a list of material changes the EDCs are proposing in this filing as compared to last year's approved Auction Process.

[4] *I/M/O the Provision of Basic Generation Service (BGS) for the Period Beginning June 1, 2020*, BPU Docket No. ER19040428.

II. OVERVIEW OF THE EDCS' PROPOSAL FOR THE 2027 BGS AUCTIONS

The EDCs have again worked together to develop a detailed proposal for the competitive bidding process to procure BGS Supply that builds on the experience of prior BGS Auctions. The EDCs' proposal for the BGS competitive bidding process for the supply period beginning June 1, 2027 ("2027 BGS Auctions") is summarized below.

II. A. Product Definition

The EDCs propose that the BGS product remain unchanged from the prior BGS proceeding. Specifically:

1. Each BGS supplier will be required to assume PJM Load Serving Entity ("LSE") responsibility for the portion of BGS Load (whether BGS-CIEP or BGS-RSCP) served by that BGS supplier. In accordance with PJM Agreements, BGS suppliers will be physically and financially responsible for the hour-by-hour provision of electricity to BGS customers. The product will be a "full requirements service", which will exclude charges for transmission and transmission-related costs, but which will continue to include the provision of capacity, energy, ancillary services, fulfilment of the obligations under the Renewable Portfolio Standard ("RPS"), and any other services as may be required by PJM.

2. The EDCs, rather than the BGS suppliers, will continue to be responsible for transmission and transmission-related costs. Each EDC will be responsible for payment of transmission-related costs to PJM for BGS Load. The specific charges and credits that will be the responsibility of the EDC rather than the BGS supplier are provided in the BGS SMAs included as Appendices C and D of this filing. Any PJM charges (or credits) and/or other obligations not specifically addressed therein as being the EDCs' responsibility will remain or, if a newly implemented charge (or credit), will become the responsibility of the BGS suppliers.

3. Each EDC will collect from its BGS customers the amounts required to meet its transmission payment obligations to PJM through a specific transmission charge. The

details of the transmission charge for an EDC are included in its Company Specific Addendum. The EDCs will file the level of the transmission charge along with the BGS tariff sheets twice a year for the rates to customers based on transmission-related costs that are to become effective January 1 and June 1 of each year. If there is a material transmission cost increase (or decrease), the EDCs will (either individually or jointly) make a supplemental filing to the Board to change the transmission charge paid by BGS customers.

4. The BGS SMAs will set forth the commercial terms and conditions under which each BGS supplier will operate and will govern the interaction of each EDC and its BGS suppliers during the supply period. The BGS SMAs for BGS-CIEP and BGS-RSCP, as proposed by the EDCs and subject to Board approval, are attached to this filing as Appendices C and D. The BGS SMAs each include an appendix (Appendix D of the BGS-CIEP SMA and Appendix G of the BGS-RSCP SMA), which lists current PJM billing line items and specifies those billing line items that will be the financial responsibility of the EDC.

5. Aside from transmission, BGS suppliers assume responsibility for the LSE obligations of each BGS tranche and assume responsibility for managing any uncertainty associated with these obligations, including uncertainty associated with migration risk. All BGS customers are free to come and go from BGS, provided that they give notice at least 13 days before their next scheduled meter reading.

II. B. BGS – Residential Small Commercial Pricing ("BGS-RSCP")

The EDCs' proposal for the 2027 BGS-RSCP Auction can be summarized as follows:

1. BGS-RSCP procurement offers will be solicited through a statewide Auction Process that simultaneously seeks offers for all BGS-RSCP Load in the State. Appendix B, the BGS-RSCP Auction Rules, further describes this Auction Process.

2. The BGS-RSCP Auction will seek offers for the supply of full requirements tranches of each EDC's BGS-RSCP Load for a three-year period. Full requirements service includes

energy, capacity, ancillary services, as well as the obligation to meet the requirements under the RPS. For each EDC, tranches in the 2027 BGS-RSCP Auction will be identical and uniform and will represent a fixed percentage of that EDC's total BGS-RSCP Load. Approximately two-thirds of the EDCs' BGS-RSCP Load for the period from June 1, 2027 through May 31, 2028 was secured through the 2025 and 2026 Auctions. Therefore, approximately one-third of the EDCs' BGS-RSCP Load will be procured for the BGS Supply period beginning June 1, 2027. Following a successful Auction Process, the EDCs will have under contract approximately one-third of their total BGS-RSCP Load with a remaining contract term of one year, approximately one-third of their total BGS-RSCP Load with a remaining contract term of two years, and approximately one-third of their total BGS-RSCP Load for a term of three years.

3. The EDCs will use a multiple round descending clock auction to procure BGS-RSCP Supply. In a round, bidders will state how many tranches they wish to serve of an EDC's BGS-RSCP Load at the price in that round. The going price will decrease each round in which there is excess supply and the BGS-RSCP Auction will end when the amount proposed to be supplied is equal to the amount the EDCs wish to procure. There will be a single clearing price for each EDC's BGS-RSCP Load that will apply to all tranches for that EDC procured in this Auction. Payments to bidders from June through September will be shaped using a summer multiplicative factor on the Auction price, and payments for the remaining months will be shaped by the use of a winter multiplicative factor.

4. In the 2020 BGS proceeding, the EDCs proposed, and the Board approved, the use of a capacity proxy price ("Capacity Proxy Price") for each EDC to be treated as the capacity price for the 2022/2023 delivery year as the capacity price for that delivery year, established by PJM's capacity auctions, was not expected to be known prior to the 2020 BGS-RSCP Auction. Following various delays in PJM conducting its base residual auctions, the EDCs continued to propose, and the Board continued to approve, the use of

capacity proxy prices in the 2021, 2022[5], 2023[6], 2024[7], 2025[8], and 2026 BGS proceedings as one or more of the capacity prices for the applicable delivery years covered by the BGS-RSCP product were not expected to be known prior to the given BGS-RSCP Auction.

5. On April 11, 2023, PJM filed to revise its schedule for its capacity auctions for the 2025/2026 through the 2028/2029 delivery years, and the FERC issued an Order accepting PJM's proposed revisions on June 9, 2023. Additionally, the FERC required PJM to submit a compliance filing in response to the FERC's June 9, 2023 Order, and such compliance filing was to include an illustrative auction schedule for the 2025/2026 through the 2028/2029 delivery years. On February 12, 2024, PJM filed to delay the commencement of its base residual auction for the 2025/2026 delivery year, and the FERC issued an Order accepting PJM's request to delay on February 26, 2024. On October 15, 2024, PJM filed to delay the commencement of its base residual auction for the 2026/2027 delivery year by approximately six months. In this filing, PJM provided a revised capacity auction schedule for the 2026/2027 through the 2029/2030 delivery years and explained that the delay in conducting the base residual auction for the 2026/2027 delivery year would also result in a delay for other delivery years through the 2029/2030 delivery year. The FERC issued an Order granting PJM's request to delay on November 8, 2024.

6. As it stands at the time of the EDCs submitting this joint proposal, the results of the base residual auctions for the 2028/2029 and 2029/2030 delivery years (the second and third delivery years covered by the 2027 BGS-RSCP product supply term) are not yet available and the most recent capacity auction schedule published by PJM lists that the results of

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[5] *I/M/O the Provision of Basic Generation Service (BGS) for the Period Beginning June 1, 2022*, BPU Docket No. ER21030631.

[6] *I/M/O the Provision of Basic Generation Service (BGS) for the Period Beginning June 1, 2023*, BPU Docket No. ER22030127.

[7] *I/M/O the Provision of Basic Generation Service (BGS) for the Period Beginning June 1, 2024*, BPU Docket No. ER23030124.

[8] *I/M/O the Provision of Basic Generation Service (BGS) for the Period Beginning June 1, 2025*, BPU Docket No. ER24030191.

the base residual auctions for these delivery years are expected to be posted in July 2026 and December 2026, respectively. Notably, according to PJM's capacity auction schedule, and assuming no additional delays, the results of the base residual auctions for the 2028/2029 delivery year and for the 2029/2030 delivery year should be available prior to the 2027 BGS-RSCP Auction.

7. Although the results of the base residual auctions for the 2028/2029 and 2029/2030 delivery years are expected to be made available in July 2026 and December 2026, respectively, if unforeseen schedule delays at PJM occur, it may be the case that the capacity prices for the 2028/2029 and 2029/2030 delivery years may not be known prior to the 2027 BGS-RSCP Auction. If the capacity prices are not known for the 2028/2029 delivery year or for the 2029/2030 delivery year prior to the 2027 BGS-RSCP Auction, it may be the case that BGS-RSCP suppliers are likely to include risk premiums into their bids to address this uncertainty and it may be the case that some bidders choose not to participate altogether. This could result in higher closing prices in the BGS-RSCP Auction than would otherwise be the case, to the detriment of BGS-RSCP customers. To address this potential problem, the EDCs propose to continue the approach approved by the Board each year since the 2020 BGS proceeding. The EDCs propose to address this issue by setting a Capacity Proxy Price for the 2028/2029 delivery year and a Capacity Proxy Price for the 2029/2030 delivery year that suppliers will be able to incorporate into their bids.

8. The EDCs are proposing that if the results of the base residual auction for the 2028/2029 delivery year or the 2029/2030 delivery year are known at least five business days prior to the start of the 2027 BGS-RSCP Auction, the Capacity Proxy Price for the applicable delivery year will no longer be needed and will be voided. The EDCs have proposed, and the Board has approved, a similar approach each year since the 2020 BGS proceeding, proposing that a Capacity Proxy Price is not used if the results of the applicable base residual auction were available a set number of days prior to the start of the applicable BGS-RSCP Auction. In proposing this "five business day" threshold, the EDCs' proposal for the 2027 BGS Auctions is consistent with the Board Order approving the 2022 BGS

Auction Process[9] ("2022 Order"), and consistent with the EDCs' BGS proposals since the 2023 BGS Auctions.

9. The use of Capacity Proxy Prices is strongly supported by the Board's Consultant, Bates White, LLC ("Bates White"). In its Annual Final Report on the 2025 BGS RSCP and CIEP Auctions, Bates White noted, in regard to the use of Capacity Proxy Prices in the 2025 BGS Auctions, that it "[emphasizes] that the [capacity] proxy prices were necessary to remove enough risk to allow bidders to participate in the Auction."[10] Given the continued delay in PJM holding its base residual auctions, Bates White recommended the continued use of Capacity Proxy Prices, stating:

> *We would recommend that the BPU continue to employ a proxy capacity price for any period where the capacity price is unknown at the time bidders provide their offers as this method has proven to be an effective way to incent bidder participation.*[11]

10. At the time the EDCs filed their joint proposal for the 2025 BGS Auctions ("2025 Joint Proposal"), PJM had not held its base residual auctions for the 2025/2026, 2026/2027, and 2027/2028 delivery years (all three years of the 2025 BGS-RSCP product supply term). As such, in their 2025 Joint Proposal, the EDCs proposed a methodology for calculating the Capacity Proxy Prices for each of these three delivery years. The proposed methodology in the 2025 Joint Proposal was consistent with the method used to calculate the Capacity Proxy Prices each year since the 2020 BGS proceeding: the most recent results from the PJM capacity auctions for the two delivery years prior to the year for which the Capacity Proxy Price is calculated were used (if available[12]) and a factor of 0.9

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[9] *Decision and Order; I/M/O the Provision of Basic Generation Service (BGS) for the Period Beginning June 1, 2022*, BPU Docket No. ER21030631.

[10] *See* Bates White's Annual Final Report on the 2025 BGS RSCP and CIEP Auctions at page 7.

[11] *Id.* at page 21.

[12] At the time of filing their 2025 Joint Proposal, the EDCs were unable to utilize this exact methodology to establish the Capacity Proxy Prices for the 2027/2028 delivery year (i.e., utilizing the results of a PJM capacity auction for one or more of the delivery years that coincide with the delivery years to be served by winners in the BGS-RSCP auction to establish the Capacity Proxy Prices), as PJM had not yet held the base residual auctions for the 2025/2026 or the 2026/2027 delivery years. As such, in the 2025 Joint Proposal, the proposed Capacity Proxy Prices for the 2027/2028 delivery year were calculated by applying a factor of 0.9 to the most recent incremental auction results for the 2024/2025 delivery year, such that the proposed Capacity Proxy Prices for the 2027/2028 delivery year were set equal to the Capacity Proxy Prices proposed for the 2026/2027 delivery year.

was used to recognize the potential for lower prices in any pending PJM capacity auctions. When first proposing this methodology in their Supplemental Filing[13] submitted in the 2020 BGS proceeding, the EDCs looked to set a value for the Capacity Proxy Price for each EDC that would offer a "reasonable estimate" of the unknown capacity prices using current market data.[14] In choosing this methodology, the EDCs concluded that setting a Capacity Proxy Price that, to the extent possible, is set close to the actual price of capacity for that delivery year helps to minimize rate impacts for BGS customers resulting from any true-up payments to or from BGS suppliers in the delivery year for which a Capacity Proxy Price was used. Generally, the greater the difference between the Capacity Proxy Price and the actual price for capacity for a given delivery year, the greater the true-up payment to or from the BGS suppliers in that delivery year, and thus the greater the rate impact in that delivery year for BGS customers. In the 2020 BGS proceeding, the EDCs proposed Capacity Proxy Prices for the 2022/2023 deliver year using current market data (averaging the most recent capacity auction results at that time for the 2020/2021 and 2021/2022 delivery years) and applying a factor of 0.9. The EDCs proposed to apply a factor of 0.9 to recognize the potential for lower prices in any pending PJM capacity auctions, given that at that time the capacity price for the 2019/2020 delivery period was lower than the capacity prices in the two subsequent delivery years.

11. However, in their 2025 Joint Proposal, the EDCs acknowledged that at the time of filing their 2025 Joint Proposal, capacity prices had begun to increase, where the Final Zonal Net Load Price for the 2024/2025 delivery year ($56.56/MW-day) was higher than that of the 2023/2024 delivery year ($50.96/MW-day). Further, the EDCs expressed that it seemed possible that the increase in capacity prices could continue – and potentially be greater than the relatively small increase realized between the 2024/2025 delivery year and the 2023/2024 delivery. The EDCs explained that this potential increase could come about due to an increase in energy demand coupled with anticipated generator retirements

[13] *Supplemental Proposal for Basic Generation Service Requirement to be Procured Effective June 1, 2020*, BPU Docket No. ER19040428.

[14] *See* Supplemental Filing at page 4.

in PJM. As a precaution, in their 2025 Joint Proposal, the EDCs proposed that if the results of the base residual auction for the 2025/2026 delivery year (which were made available after the EDCs filed their 2025 Joint Proposal) reflected significant increases in capacity prices, the EDCs would adjust the calculation of the Capacity Proxy Prices for the 2026/2027 and 2027/2028 delivery years in order to achieve Capacity Proxy Prices that were more reflective of current prices. Specifically, the EDCs proposed that if the results of the base residual auction for the 2025/2026 delivery year were 50% (or more) higher than the Final Zonal Net Load Price for the 2024/2025 delivery year, the EDCs would adjust the proposed Capacity Proxy Prices for the 2026/2027 and 2027/2028 delivery years to no longer employ a factor of 0.9 in the calculation and would set the Capacity Proxy Prices for those two delivery years at the actual base residual auction price realized for the 2025/2026 delivery year.

12. On July 30, 2024, PJM made available the results of the base residual auction for the 2025/2026 delivery year. The results of the base residual auction for the 2025/2026 delivery year ($270.35/MW-day) were approximately 378% higher than the Final Zonal Net Load Price for the 2024/2025 delivery year ($56.56/MW-day). Consistent with their 2025 Joint Proposal, the EDCs then updated the proposed Capacity Proxy Prices for the 2026/2027 and 2027/2028 delivery years to be equal to the base residual auction results for the 2025/2026 delivery year. In the 2025 Order, the Board approved the EDCs' setting of the Capacity Proxy Prices for the 2026/2027 and 2027/2028 delivery years equal to the base residual auction results for the 2025/2026 delivery year. As the results of the base residual auctions for the 2026/2027 and 2027/2028 delivery years were not made available prior to the 2025 BGS-RSCP Auction, the values of the Capacity Proxy Prices for the 2026/2027 and 2027/2028 delivery years remained set to the base residual auction results for the 2025/2026 delivery year.

13. Similarly, at the time the EDCs filed their joint proposal for the 2026 BGS Auctions ("2026 Joint Proposal"), PJM had not held its base residual auctions for the 2026/2027, 2027/2028, and 2028/2029 delivery years (all three years of the 2026 BGS-RSCP product supply term). In their 2026 Joint Proposal, the EDCs proposed to set the values of the Capacity Proxy Prices for the 2026/2027, 2027/2028, and 2028/2029 deliver years equal

to the Final Zonal Net Load Price for the 2025/2026 delivery year, which was the most recently available PJM capacity auction price at the time of the EDCs submitting their 2026 Joint Proposal. In order to continue to use the most recently available capacity prices to set the Capacity Proxy Prices for the 2026 BGS-RSCP Auction, the EDCs also proposed that if the results of the base residual auction for the 2026/2027 delivery year became available at least five business days prior to the 2026 BGS-RSCP Auction, and if the base residual auction results for the 2027/2028 delivery year did not become available at least five business days prior to the 2026 BGS-RSCP Auction, then the EDCs would adjust the calculation of the Capacity Proxy Prices for the 2027/2028 and 2028/2029 delivery years and set them equal to the base residual auction prices realized for the 2026/2027 delivery year. Further, the EDCs proposed that if the results of the base residual auction for the 2027/2028 delivery year became available at least five business days prior to the 2026 BGS-RSCP Auction such that the results of the base residual auctions for both of the 2026/2027 and 2027/2028 delivery years were made available, then the EDCs would further adjust the calculation of the Capacity Proxy Prices for the 2028/2029 delivery year and set them equal to the base residual auction prices realized for the 2027/2028 delivery year. This proposed methodology assured that the Capacity Proxy Prices that were ultimately utilized reflected the most recent capacity auction results available for a prior PJM delivery year.

14. The EDCs have continued to monitor the prices in PJM's capacity auctions. The table below provides the Final Zonal Net Load Prices reached in PJM's capacity auctions beginning with the 2019/2020 deliver year as well as the Preliminary Zonal Net Load Prices reached in PJM's base residual auction for the 2027/2028 delivery year.

Table 1. Most Recent Zonal Net Load Prices

EDC	2019/2020 Final Zonal Net Load Price ($/MW-day)	2020/2021 Final Zonal Net Load Price ($/MW-day)	2021/2022 Final Zonal Net Load Price ($/MW-day)	2022/2023 Final Zonal Net Load Price ($/MW-day)	2023/2024 Final Zonal Net Load Price ($/MW-day)	2024/2025 Final Zonal Net Load Price ($/MW-day)	2025/2026 Final Zonal Net Load Price ($/MW-day)	2026/2027 Final Zonal Net Load Price ($/MW-day)	2027/2028 Preliminary Zonal Net Load Price ($/MW-day)
PSE&G	115.83	174.32	188.46	97.93	50.96	56.56	270.43	329.08	333.69
JCP&L	115.58	174.32	164.73	97.93	50.96	56.56	270.43	329.08	333.69
ACE	115.58	174.32	164.73	97.93	50.96	56.56	270.43	329.08	333.69
RECO	115.58	174.32	164.73	97.93	50.96	56.56	270.43	329.08	333.69

15. The EDCs have also continued to monitor the PJM capacity market, and the upward pressure to capacity prices that was anticipated at the time the EDCs submitted their 2025 Joint Proposal has materialized and is very relevant today. In a January 8, 2024, news release[15] that discussed PJM publishing its 2024 Long-Term Load Forecast, PJM estimated growth in electricity demand, and that such growth in demand "combined with accelerated generator retirements and the slow pace of replacement generation, will challenge reliability in the PJM footprint by 2030 if not addressed" ("2024 PJM News Release"). This release also stated that the increase in energy demand is "increasingly driven by the development of data centers throughout the PJM footprint, combined with the accelerating electrification of transportation and industry." A January 30, 2025 news release[16] that discussed PJM publishing its 2025 Long-Term Load Forecast stated that PJM "has warned that a capacity shortage could affect the PJM system as early as the 2026/2027 Delivery Year" attributing this shortage to, among other factors, the pace of energy demand, stating that "[the] demand for electricity is growing at the fastest pace in years, primarily from the proliferation of data centers, electrification of buildings and vehicles, and manufacturing" ("2025 PJM News Release"). More recently, a January 14, 2026 news release[17] states that PJM's 2026 Long-Term Load Forecast Report "confirms

[15] *See* news release "PJM Publishes 2024 Long-Term Load Forecast", January 8, 2024, available here: https://insidelines.pjm.com/pjm-publishes-2024-long-term-load-forecast/.

[16] *See* news release "2025 Long-Term Load Forecast Report Predicts Significant Increase in Electricity Demand", January 30, 2025, available here: https://insidelines.pjm.com/2025-long-term-load-forecast-report-predicts-significant-increase-in-electricity-demand/#:~:text=The%20PJM%202025%20Long%2DTerm,over%20the%20next%2015%20years.

[17] *See* news release "PJM's Updated 20-Year Forecast Continues To See Significant Long-Term Load Growth", January 14, 2026, available here: https://insidelines.pjm.com/pjms-updated-20-year-forecast-continues-to-see-significant-long-term-load-growth/.

the trend of significant growth in electricity demand over the next 20 years" ("2026 PJM New Release").

16. The significant increase in PJM capacity market costs has resulted in considerable focus on capacity pricing and customer bill impacts. Following a complaint filed on December 30, 2024, by Governor Shapiro and the Commonwealth of Pennsylvania that asserted the price cap for PJM's capacity auctions was unreasonable, PJM itself filed a response[18] on February 20, 2025 that would establish a price cap and price floor for its capacity auctions for the 2026/2027 and 2027/2028 delivery years (a "price collar"). PJM proposed that the lower and upper bounds for this price collar be approximately $175/MW-day and approximately $325/MW-day, respectively. In its filing, PJM attributed the need for the price collar to external factors stating:

> *…the capacity market has recently had to absorb a significant number of external events, including, but not limited to: unprecedented and rapid load growth for the foreseeable future as the result of, among other things, electrification and the proliferation of high-demand data centers; retirements of generators with attributes needed to maintain reliability; state and federal policies that significantly affect the economics of the existing resource fleet and potential replacement capacity; slow new entry of replacement generation resources due to industry and external forces including siting, permitting and supply chain constraints; and the significant volume of resources that are being processed in the interconnection queue.* [19]

The FERC approved PJM's filing and price collar on April 21, 2025. On February 27, 2026, PJM filed to extend the price cap and price floor for its capacity auctions through the 2028/2029 and 2029/2030 delivery years. PJM attributed the need for the extension of the price collar to similar factors that led to its initial proposal of a price collar for the 2026/2027 and 2027/2028 delivery years. In its filing made on February 27, 2026, PJM stated:

> *…the capacity market has recently had to absorb a significant number of external events, including, but not limited to: unprecedented and rapid load growth for the foreseeable future as the result of, among other things, the proliferation of high-*

[18] *PJM Proposal for Revised Price Cap and Price Floor for the 2026/2027 and 2027/2028 Delivery Years,* FERC Docket No. ER25-1357-000.

[19] *Id.* at page 8.

> *demand data centers; retirements of generators with attributes needed to maintain reliability; state and federal policies that significantly affect the economics of the existing resource fleet and potential replacement capacity, and slow new entry of replacement generation resources due to industry and external forces including siting, permitting and supply chain constraints. In short, the amount of supply necessary to maintain resource adequacy has not kept pace with the increasing demand, driven primarily by the addition of new data centers.* [20]

The FERC approved PJM's filing and extension of the price collar on April 28, 2026. As such, absent any subsequent changes, the base residual auction results, as well as any incremental auction results for the 2028/2029 and 2029/2030 delivery years, will not be less than approximately $175/MW-day or greater than approximately $325/MW-day.

17. In its Order approving the 2020 BGS Auction Process[21] ("2020 Order"), the Board recognized the difficulty in setting Capacity Proxy Prices as PJM's capacity auctions have "traditionally produced volatile results".[22] In the 2020 BGS proceeding, the Board approved the Capacity Proxy Prices proposed by the EDCs deducing that "[since] the Board cannot know the upcoming capacity auction price, and since the EDCs' numbers more clearly reflect recent prices, the Board approves the EDCs' proposed numbers as the capacity proxy price".[23] In its 2026 Order, the Board again acknowledged the difficulty in setting Capacity Proxy Prices, reiterating that PJM's capacity auctions have "traditionally produced volatile results" and stated that "[because] the Board cannot know the upcoming capacity auction prices, the Board hereby approves the EDCs' proposal to use a Capacity Proxy Price equal to the most recent BRA results for the 2027/2028 and 2028/2029 delivery years. Additionally, should the BRA results for the 2027/2028 [delivery year] become available five (5) business days prior to the BGS-RSCP Auction,

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[20] *PJM Proposal to Extend The Price Cap and Price Floor for the 2028/2029 and 2029/2030 Delivery Years,* FERC Docket No. ER26-1556-000.

[21] *Decision and Order; I/M/O the Provision of Basic Generation Service (BGS) for the Period Beginning June 1, 2020*, BPU Docket No. ER19040428.

[22] *See* 2020 Order at page 22.

[23] *See* 2020 Order at page 22.

the EDCs are to use those results to set the Capacity Proxy Price for the 2028/2029 delivery year". [24]

18. Like the Board, the EDCs cannot predict the results of PJM's capacity auctions, even for those delivery years to which a price collar applies. However, the EDCs still hold that setting the Capacity Proxy Prices at a reasonable estimate of the unknown capacity price for a given delivery year is the best approach for BGS customers. As the FERC has approved PJM's request to extend the price collar for the 2028/2029 and 2029/2030 delivery years, it's expected that capacity prices will generally remain at current levels. As such, the EDCs are proposing to set the values of the Capacity Proxy Prices for the 2028/2029 and 2029/2030 deliver years equal to the Preliminary Zonal Net Load Price for the 2027/2028 delivery year, the most recently available PJM capacity auction price.

19. The proposed values for the Capacity Proxy Prices for each of the 2028/2029 and 2029/2030 delivery years are provided in the table below. These values are subject to change as discussed further below.

Table 2. Proposed Capacity Proxy Prices.

EDC	2028/2029 Capacity Proxy Prices ($/MW-day)	2029/2030 Capacity Proxy Prices ($/MW-day)
PSE&G	333.69	333.69
JCP&L	333.69	333.69
ACE	333.69	333.69
RECO	333.69	333.69

20. The proposed Capacity Proxy Prices for the 2028/2029 and 2029/2030 delivery years are within the bounds of the price collar. Further, the proposed values above are consistent with the EDCs' 2026 Joint Proposal as the values above aim to achieve Capacity Proxy Prices that are reflective of current prices. As explained above, setting a Capacity Proxy Price that, to the extent possible, is set close to the actual price of capacity for that delivery year helps to minimize rate impacts for BGS customers resulting from any true-up payments to or from BGS suppliers in the delivery year for which a Capacity Proxy Price

[24] *See* 2026 Order at page 24.

was used. Additionally, as explained above, at the time the EDCs first proposed the use of Capacity Proxy Prices in the 2020 BGS proceeding, the EDCs proposed to employ a factor of 0.9 in their calculation of the Capacity Proxy Prices to recognize the potential for lower prices in any pending PJM capacity auctions, given that at that time the capacity price for the 2019/2020 delivery period was lower than the capacity prices in the two subsequent delivery years. As it is expected that capacity prices will generally remain at current levels, the EDCs' proposed Capacity Proxy Prices above do not employ a factor of 0.9 as applying this factor of 0.9 may not be appropriate if capacity prices are not currently expected to fall.

21. The proposed values above reflect the most recently available capacity prices (the Preliminary Zonal Net Load Prices reached in the base residual auction for the 2027/2028 delivery year). Assuming no further delays, the results of the base residual auction for the 2028/2029 delivery year are expected to be made available on July 14, 2026, and the results of the base residual auction for the 2029/2030 delivery year are expected to be made available on December 22, 2026. In order to continue to use the most recently available capacity prices to set the Capacity Proxy Prices for the 2027 BGS-RSCP Auction, the EDCs are proposing that if the results of the base residual auction for the 2028/2029 delivery year become available at least five business days prior to the BGS-RSCP Auction, and if the base residual auction results for the 2029/2030 delivery year do not become available at least five business days prior to the BGS-RSCP Auction, then the EDCs will adjust the calculation of the Capacity Proxy Prices for the 2029/2030 delivery year and set them equal to the base residual auction prices realized for the 2028/2029 delivery year (and would continue to not employ a factor of 0.9). In this case, the Capacity Proxy Prices for the 2028/2029 delivery year will be voided. This proposed methodology assures that the Capacity Proxy Prices that are ultimately utilized for a delivery year reflect the most recent PJM capacity auction results that are available for a prior delivery year. Again, the EDCs are proposing that if the results of the base residual auctions for both of the 2028/2029 and 2029/2030 delivery years are made available at least five business days prior to the BGS-RSCP Auction, then the Capacity Proxy Prices for the 2028/2029 and 2029/2030 delivery years will be voided.

22. The table below provides a summary of the EDCs' proposed Capacity Proxy Prices and the proposed methodologies for modifications to the same based on the availability of the 2028/2029 and 2029/2030 base residual auction results.

Table 3. Proposed Calculation Method Modifications to Capacity Proxy Prices Based on 2028/2029 and 2029/2030 BRA Results

Proposed Modification Determinant	2028/2029 Capacity Proxy Prices ($/MW-day)	2029/2030 Capacity Proxy Prices ($/MW-day)
As Proposed in July 1, 2026 Joint Proposal	2027/2028 BRA	
2028/2029 BRA results available five business days prior to BGS-RSCP Auction (but the 2029/2030 BRA results are not available)	N/A (voided)	2028/2029 BRA
2028/2029 & 2029/2030 BRA results available five business days prior to BGS-RSCP Auction	N/A (voided)	N/A (voided)

23. As described above, according to the most recent capacity auction schedule published by PJM, the results of the base residual auctions for the 2028/2029 and 2029/2030 delivery years are set to be posted in July 2026 and December 2026, respectively, and the EDCs are proposing to update the values of the Capacity Proxy Prices to reflect the most recent PJM capacity auction results. In terms of the timing of the EDCs' updates to the Capacity Proxy Prices, the EDCs are proposing that if the results of the base residual auction for the 2028/2029 delivery year are available at the time of the EDCs' Compliance Filing following the Board's decision on the EDCs' joint proposal in this proceeding (expected to occur in November 2026), and if the Board approves the EDCs' proposal as it pertains to the use and updating of Capacity Proxy Prices for the 2029/2030 delivery year, the EDCs will update the values of the Capacity Proxy Prices for the 2029/2030 delivery year at that time. In this case, the Capacity Proxy Prices for the 2029/2030 delivery year will be set equal to the most recent PJM capacity auction results (the base residual auction results) for the 2028/2029 delivery year (and not multiplied by 0.9). If the results of the base residual auctions for both of the 2028/2029 and 2029/2030 delivery years are made

available at least five business days prior to the BGS-RSCP Auction, then the Capacity Proxy Prices for the 2028/2029 and 2029/2030 delivery years will no longer be needed and will be voided.

24. Winning BGS-RSCP suppliers will be paid the closing price (cents/kWh) in the BGS-RSCP Auction for load served. In the 2028/2029 and 2029/2030 delivery years, BGS-RSCP suppliers will additionally be paid (or will pay) the difference between the rate paid by BGS-RSCP suppliers for capacity and the final Capacity Proxy Price for that delivery year. Consistent with the processes approved by the Board since the 2020 BGS Auctions, these payments will only occur in the 2028/2029 delivery year or in the 2029/2030 delivery year, even if the value of the capacity price for that delivery year is known prior to the start of that delivery year - but only if the results are not known at least five business days prior to the start of the BGS-RSCP Auction. This construct provides certainty to BGS-RSCP suppliers that they will be fully compensated for the actual rates for capacity that they pay in the 2028/2029 and 2029/2030 delivery years.

25. The conditions under which BGS-RSCP suppliers are paid (or pay) for the difference between the rate paid by BGS-RSCP suppliers for capacity and the Capacity Proxy Price are provided in detail in the Supplements to the BGS-RSCP SMA, attached to this filing as Appendix D (the "BGS-RSCP Capacity Supplements").

26. If the results of the base residual auctions for the 2028/2029 or the 2029/2030 delivery years are available at least five business days prior to the start of the BGS-RSCP Auction, then the BGS-RSCP Capacity Supplement for the applicable delivery year will no longer be needed and will be voided.

27. A rate design methodology that accounts for supply procured in prior Auctions will be used to translate final Auction prices into BGS-RSCP customer rates for one year beginning June 1, 2027. The EDCs also include a worksheet for purposes of calculating the adjustment to the BGS-RSCP Auction price necessary to recover (or reimburse) BGS-RSCP customers for the estimated additional payments made to (or from) BGS-RSCP

suppliers under the BGS-RSCP Capacity Supplements. The rate design also includes a line item to add the adjustment of the Capacity Proxy Price to the Auction price.

28. The EDCs' rate design proposals, including the timing of setting these rates, the setting of the transmission charge, and the adjustment in the BGS price because of the unknown capacity price, are detailed in each EDC's Company Specific Addendum. Suppliers will be provided with a spreadsheet that converts final Auction prices into customer rates. This will enable suppliers to assess migration risk at various price levels. BGS-RSCP rates will reflect market-influenced seasonality and time-of-day use, where appropriate and feasible, in order to provide efficient price signals.

29. The rate design methodology yields, for each EDC, a summer multiplicative factor and a winter multiplicative factor used for supplier payments. The EDCs propose that the summer and winter payment factors both be set to 1 for any EDC whose rate design methodology results in a summer payment factor less than 1 and a winter payment factor over 1. The EDCs will update the seasonal payment factors at the time of the compliance filing to the Board to reflect updates of the inputs. Further, the EDCs will update inputs to the rate design methodology one final time approximately 10 days before the BGS-RSCP Auction. All such updates will be communicated to bidders. The last update will be early enough to provide bidders certainty before the Auction while allowing the EDCs to update the PJM transmission obligations to their 2027 values.

30. To ensure supplier diversity, each EDC will have a load cap for its BGS-RSCP Load ("EDC load cap"). An EDC load cap is a maximum number of tranches that a bidder can win in the BGS-RSCP Auction for that EDC. In addition, there will be a statewide load cap that limits the aggregate amount of BGS-RSCP Load for all EDCs that can be won by any bidder.

31. As reflected in the BGS-RSCP Auction Rules (Appendix B to this filing), the EDCs propose adjustments to the decrement formulas to incorporate the final decrements used in the 2026 BGS-RSCP Auction.

II. C. BGS – Commercial and Industrial Energy Pricing ("BGS-CIEP")

The EDCs' proposal for the 2027 BGS-CIEP Auction can be summarized as follows:

1. The EDCs propose a multiple round descending clock auction to procure BGS-CIEP Supply. BGS procurement offers will be solicited through a statewide Auction Process that simultaneously seeks offers for all BGS-CIEP Load in the State. Appendix A, the BGS-CIEP Auction Rules, further describes this Auction Process.

2. The BGS-CIEP Auction will seek offers for the supply of full requirements tranches of each EDC's BGS-CIEP Load. Full requirements service includes energy, capacity, ancillary services, as well as the obligation to meet the requirements under the RPS. For each EDC, tranches will be identical and uniform and will represent a fixed percentage of that EDC's total BGS-CIEP Load based on a tranche size of approximately 75 MW on an eligible basis. The procurement term for BGS-CIEP load will be one year with the BGS-CIEP Supply period beginning on June 1, 2027.

3. In their 2025 Joint Proposal and 2026 Joint Proposal, the EDCs proposed the use of Capacity Proxy Prices in the 2025 and 2026 BGS-CIEP Auctions, respectively, as the base residual auction results for the delivery year covering the applicable BGS-CIEP product supply term were not available at the time of the EDCs submitting these proposals. On December 17, 2025, PJM released the results of the base residual auction for the 2027/2028 deliver (the delivery year covering the 2027 BGS-CIEP Auction supply term), and as such, Capacity Proxy Prices for the 2027/2028 delivery year are not needed for the 2027 BGS-CIEP Auction.

4. The BGS-CIEP Auction will determine the BGS-CIEP Price, which will be paid to bidders on the basis of the capacity obligation of customers (in dollars per MW-Day).

5. Rate schedules for BGS-CIEP customers will specify the BGS-CIEP charge resulting from the final BGS-CIEP Auction Price as a per kW or per kWh rate. Rate schedules will also include a pre-specified per kWh rate for ancillary services, a provision to pass

through the hourly real-time energy spot price,[25] as well as a transmission charge. All CIEP customers will be charged the CIEP Standby Fee, which the EDCs propose be set at 0.015¢/kWh.

6. BGS-CIEP suppliers will receive a proportional share of revenue, comprised of four elements: (i) the pre-specified CIEP Standby Fee for sales made to all CIEP-eligible customers at the customer meter, (ii) the daily BGS-CIEP capacity obligation times the BGS-CIEP Price determined at the BGS-CIEP Auction, (iii) the hourly BGS-CIEP Load at the EDC's PJM zone bus times the hourly real-time energy spot price, and (iv) the pre-specified ancillary services rate times BGS-CIEP load adjusted for losses. The EDCs propose, consistent with previous BGS-CIEP Auctions, a pre-specified ancillary service component of $6.00/MWh.

7. As reflected in the BGS-CIEP Auction Rules (Appendix A to this filing), the EDCs propose adjustments to the decrement formulas to incorporate the final decrements used in the 2026 BGS-CIEP Auction.

II. D. BGS-RSCP and BGS-CIEP

The EDCs' proposal for additional items with respect to both the 2027 BGS-CIEP Auction and the 2027 BGS-RSCP Auction can be summarized as follows:

1. The EDCs propose that the CIEP line remain unchanged at 500 kW for the 2027 BGS Auctions. BGS customers with a Peak Load Contribution ("PLC") of 500 kW or more will be required to take service under a BGS-CIEP tariff or rate.

2. The EDCs propose to continue to allow potential bidders to propose modifications to the standard form of the post-auction letter of credit as well as to the standard form of the pre-auction letter of credit. The EDCs propose to continue to make available an alternate

[25] Hourly real-time energy spot price refers to PJM's Residual Metered Load aggregate real-time Locational Marginal Price ("LMP").

guaranty process for bidders that have corporate policies that preclude them from using the Standard Form of Guaranty appended to the BGS SMAs.

3. The EDCs have developed contingency plans, tariff sheets, and accounting and cost recovery proposals that are detailed in each EDC's respective Company Specific Addendum. These are essential elements of the EDCs' proposal, and the EDCs request that the Board review and approve these elements of the proposal.

4. The Board will render a decision on the Auction Process and render a decision on the Auction results. Under the proposed Auction Process, the Board will approve or reject in their entirety the results of the BGS-RSCP Auction and, separately, the results of the BGS-CIEP Auction, 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 of rendering a decision 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.

5. The bids at the Auctions will represent binding commitments on behalf of bidders and full acceptance of all contract terms. Upon Board approval, Auction results will be a binding commitment on the EDCs and the winning BGS suppliers.

II. E. Regulatory Milestones and Tentative Auction Timeline

The proposed Auction timeline is set forth in the table below. The EDCs request that the Board approve this proposed timeline as a guideline for the conduct of the Auctions with the understanding that the time lapses between the various steps be materially adhered to (*e.g.*, the time between the Part 2 application and the Auction not be unreasonably shortened). However, the specific dates would be subject to adjustment to accommodate holiday schedules, the schedules of other procurements in the region, and external events.

Event	**Date**
EDC proposal filed	Wednesday, July 1, 2026
Discovery request deadline	Wednesday, July 22, 2026
Discovery response deadline	Wednesday, August 5, 2026
First FAQ is posted	Tuesday, August 11, 2026
Release of Preliminary Draft of RSCP Pricing Spreadsheet	Tuesday, August 18, 2026
Deadline for Initial Comments on all proposals	Friday, September 4, 2026
Announce Alternate Guaranty Process Available	Tuesday, September 15, 2026
Legislative-type Board Hearing	TBA
Public Hearings	TBA
Illustrative Part 1 and DRAFT Part 2 Application Forms are posted	Thursday, October 8, 2026
Comment Process for Letters of Credit is posted	Thursday, October 8, 2026
Deadline for Final Comments	Friday, October 9, 2026
Information Webcast for Potential Bidders	Friday, October 16, 2026 (tentative)
Deadline for Expression of Interest in Alternate Guaranty Process	Tuesday, October 27, 2026
Deadline to propose modifications to the standard form of the Pre-Auction and Post-Auction Letters of Credit	Tuesday, October 27, 2026
Auction Manager provides individual responses to parties proposing modifications to the Letters of Credit	Wednesday, November 4, 2026
All modifications to the standard form of the Letters of Credit that are acceptable on an optional basis are posted	Friday, November 6, 2026
Post final credit instruments	Friday, November 6, 2026

Event	Date
Statewide minimum and maximum starting prices announced	Friday, November 13, 2026
Load caps announced	Friday, November 13, 2026
Tranche sizes announced	Friday, November 13, 2026
FINAL Illustrative Part 2 Application Forms are posted	Thursday, November 19, 2026
Board decision on Auction proposal	Expected November 2026
EDC Compliance Filing	December 2026
Expected Board Decision on Compliance Filing	December 2026
Final Supplier Master Agreements and Rules are posted	December 2026
Online Application Portal made available to Bidders	No later than Tuesday, December 1, 2026
Deadline for Foreign Applicants/Guarantors to submit draft documents	Tuesday, December 1, 2026
Information Webcast for Potential Bidders	Tuesday, December 1, 2026 (tentative)
Deadline to submit Part 1 Application due by NOON	Tuesday, December 15, 2026
Part 1 Applications are reviewed	December 15-18, 2026
Applicants are notified of Part 1 Application results	Friday, December 18, 2026
Deadline to submit Part 2 Application due by NOON	Wednesday, January 13, 2027
Deadline for Foreign Applicants/Guarantors to submit revised draft documents	Wednesday, January 13, 2027
Part 2 Applications are reviewed	January 13-21, 2027
Applicants are notified of Part 2 Application results	Thursday, January 21, 2027
Auction Manager informs Registered Bidders of changes to decrement formulas or ranges of total excess supply (if necessary)	Tuesday, January 26, 2027
Mark-to-Market Information Release	Tuesday, January 26, 2027
Tranche Fee is announced	Wednesday, January 27, 2027
Information Webcast for Registered Bidders	Wednesday, January 27, 2027 (tentative)
Final rate spreadsheets are posted	Thursday, January 28, 2027
Final seasonal factors announced	Thursday, January 28, 2027
First Trial Auctions for Registered Bidders	Thursday, January 28, 2027
EDCs provide Foreign Applicants/Guarantors with assessment of revised documents	Friday, January 29, 2027
Second Trial Auctions for Registered Bidders	Tuesday, February 2, 2027
Auction Manager informs Bidders registered in BGS-CIEP Auction of starting prices	Tuesday, February 2, 2027

Event	Date
Auction Manager informs Bidders registered in BGS-RSCP Auction of starting prices	Wednesday, February 3, 2027
BGS-CIEP Auction Starts	**Friday, February 5, 2027**
BGS-RSCP Auction Starts	**Monday, February 8, 2027**
Board decision on Auction results	Within two business days of close of the BGS-RSCP Auction or BGS-CIEP Auction, whichever comes later
Winning suppliers execute BGS Supplier Master Agreements	Within three business days of Board decision
Documents provided to bidders by Auction Manager containing confidential information must be destroyed	Within five business days of Board decision
BGS-RSCP rates filed with Board	No later than 30 days prior to becoming effective
Power Flows	Tuesday, June 1, 2027

II. F. PJM Market Reform and Large Load Additions

As discussed in this Proposal, and according to the cited PJM news releases, increases in energy demand due to the development of data centers, as well as the electrification of buildings and vehicles, within the PJM region have placed upward pressure on capacity prices resulting in higher electricity costs for ratepayers. These increased costs have led to calls for PJM to take action, both to maintain reliability and to mitigate price volatility. One such action by PJM was the implementation of a price collar for the capacity auctions for the 2026/2027 and the 2027/2028 delivery years. Then on January 16, 2026, the National Energy Dominance Council within the White House and the Governors of the thirteen states that make up the PJM region issued a Statement of Principles Regarding PJM ("Statement of Principles")[26] that, among other things, called on PJM to extend the price collar for two additional delivery years to shield residential customers from increases in capacity prices. PJM promptly responded and filed to extend the price collar through the 2028/2029 and 2029/2030 delivery years.

The Statement of Principles also called for PJM to implement a Reliability Backstop Auction ("RBA"), a supplemental procurement mechanism intended to ensure resource adequacy in the near term in light of load growth that may not be fully addressed through PJM's existing Reliability Pricing Model ("RPM") and BRA construct. Specifically, the RBA is designed to facilitate timely development and procurement of new capacity resources (primarily new generation but potentially including other qualifying capacity resources) needed to meet incremental demand, particularly for large new load such as data centers. The Statement of Principles further proposed that the costs of capacity procured through the RBA be allocated to LSEs associated with "new data centers that have not self-procured new capacity or agreed to be curtailable."[27] Within the Statement of Principles, the Governors agreed to "[use] all available authorities to ensure that their state public utility commissions design rate class structures to ensure that their states' LSEs allocate their share of the cost to procure new capacity through the

[26] *See* Statement of Principles Regarding PJM here: https://www.energy.gov/documents/statement-principles-regarding-pjm.

[27] *Id.* at page 1.

[RBAs] to new data center loads that have not otherwise procured capacity or agreed to be curtailable."[28]

On January 16, 2026, the PJM Board of Managers issued a Decision Letter[29] on PJM's Critical Issue Fast Path stakeholder process for large load additions. In that letter, the PJM Board of Managers directed PJM staff to develop a proposal for a Reliability Backstop Procurement, and for PJM staff to "address cost allocation for any such procurement, including consideration of mechanisms that assign costs to those LSEs that are short as a result of incremental load growth."[30] This concept of being "short" generally reflects circumstances where load growth exceeds previously secured capacity commitments under the RPM framework and causes PJM to have a shortfall in its RPM reliability targets.

On April 16, 2026, PJM issued a Critical Issue Fast Path – Reliability Backstop Procurement Proposal[31] ("April 16th Proposal") – which described the design of the Reliability Backstop Procurement process ("RBP", replacing RBA as the acronym used to reference the effort) as being a two-phased mechanism. The first phase would consist of a bilateral contracting process during which PJM and its consultant would facilitate matching sellers (new generation) and buyers (LSEs or load associated with incremental demand). According to PJM, this phase is intended to encourage voluntary, longer-term contracting arrangements that may support new entry by providing revenue certainty. The second phase would consist of a PJM-administered procurement to procure a target amount of capacity not met in the bilateral contracting phase. According to a PJM presentation[32] on the RBP, the bilateral contracting phase was planned to occur from September 2026 through March 2027, and the centralized procurement phase would

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[28] *Id.* at page 2.

[29] *See* Board Decisional Letter on Critical Issue Fast Path - Large Load Additions here: https://www.pjm.com/-/media/DotCom/about-pjm/who-we-are/public-disclosures/2026/20260116-pjm-board-letter-re-results-of-the-cifp-process-large-load-additions.pdf.

[30] *See* Board Decisional Letter on Critical Issue Fast Path - Large Load Additions at page 6.

[31] *See* Critical Issue Fast Path – Reliability Backstop Procurement PJM Proposal ("April 16th Proposal") here: https://www.pjm.com/-/media/DotCom/committees-groups/cifp-rbp/2026/20260416/20260416-item-05---pjm-reliability-backstop-procurement-proposal---paper.pdf.

[32] *See* Reliability Backstop Procurement Design presentation here: https://www.pjm.com/-/media/DotCom/committees-groups/cifp-rbp/2026/20260416/20260416-item-05---pjm-reliability-backstop-procurement-design---pjm-presentation.pdf.

then begin in March 2027 and last for approximately four to six months. However, on May 27, 2026, PJM issued an updated version of its proposal[33] ("May 27th Proposal"). Within its May 27th Proposal, PJM described that the RBP and the bilateral contracting process will be held in parallel with each other, rather than the bilateral contracting process occurring first, then followed by the RBP. More specifically, within the May 27th Proposal, PJM stated that "[it] is putting forth an updated framework that will allow for a parallel path approach: a proposal to initiate a central procurement to acquire the 2028/2029 Delivery Year expected shortfall and to facilitate a bilateral matchmaking to encourage contracting between direct parties to address continued load growth."[34] The May 27th Proposal also indicated that the RBP would now commence in September 2026, rather than in March 2027, and that the RBP will "function as a safety net to close the reliability gap, calculated as the shortfall MW from the 2028/2029 Base Residual Auction."[35] The May 27th Proposal also clarified that costs from the RBP will be allocated to LSEs (rather than allocated to EDCs) "in a manner structurally consistent with RPM cost allocation."[36] More recently, on June 5, 2026, PJM issued another updated version of its proposal[37] ("June 5th Proposal") that, among other things, provided additional details on the timeline of the RBP, and offered more explicit dates for the aforementioned bilateral matchmaking period. The June 5th Proposal specified that the proposed timeline for the RBP would include a window for bid solicitation and procurement target adjustment between September 10, 2026 and October 9, 2026, and then a selection process and release of results between October 10, 2026 and November 20, 2026.[38] Additionally, the June 5th Proposal maintained that the costs of the RBP would be allocated to LSEs: costs would first be allocated to zone areas based on the zone area's pro-rata share of the RBP target MW, then zone area costs

[33] *See* Critical Issue Fast Path – Reliability Backstop Procurement PJM Proposal ("May 27th Proposal") here: https://www.pjm.com/-/media/DotCom/committees-groups/cifp-rbp/2026/20260527/20260527-item-05---cifp--reliability-backstop-procurement-pjm-proposal---paper.pdf.

[34] *See* May 27th Proposal at page 1.

[35] *See* May 27th Proposal at page 4.

[36] *See* May 27th Proposal at page 5.

[37] *See* Critical Issue Fast Path – Reliability Backstop Procurement PJM Proposal ("June 5th Proposal") here: https://www.pjm.com/-/media/DotCom/committees-groups/cifp-rbp/2026/20260610/20260610-item-04a---pjm-reliability-backstop-procurement-paper.pdf.

[38] See June 5th Proposal at page 4.

will be allocated pro-rata to the LSEs based on a new RBP-specific term called the "Large Load Contribution" or "LLC". The June 5th Proposal goes on to explain that EDCs will be responsible for allocating assigned "Zonal [RBP] Target MW" to customers via their Large Load Contribution Obligation MW assignment in PJM's Capacity Exchange that is similar to PJM's existing PLC and NSPL processes. According to the June 5th Proposal, "[if] states have not established frameworks to appropriately allocate costs to new data center loads, it is unclear to which customers those costs would be assigned. As a backstop, If [an] EDC does not allocate via LLC Obligation, PJM will allocate to all load in the zone (including non-large loads) using existing PLC assignments."[39]

While the detailed design of the RBP continues to evolve, key elements under consideration include the eligibility criteria for participating resources, performance and deliverability requirements, contract structures and durations, and the interaction of RBP commitments with existing RPM obligations. In its April 16th Proposal, PJM describes the RBP as being a "one-time, transitional procurement of capacity" and that PJM "does not believe the [RBP] is a long-term fix for its resource adequacy issues."[40] Additional details on cost allocation, including how costs are assigned to specific LSEs or customer classes under PJM's new Large Load Contribution Obligation, remain subject to further development.

The Statement of Principles also instructed PJM to "reform the capacity market to ensure long-term viability and prevent consumers from bearing excessive ongoing costs" and called for these reforms to be in place in time for PJM's base residual auction for the 2030/2031 delivery year currently scheduled to occur in May 2027.[41] The January 16, 2026, PJM Board of Managers Decision Letter also called for a "holistic review" of investment incentives and PJM' capacity market design. In response, on May 6, 2026, PJM issued a report[42] outlining potential market reform pathways. This report identified three potential options for market changes and

[39] See Jun 5th Proposal at page 15.

[40] *See* April 16th Proposal at page 1.

[41] *Id. See* Statement of Principles Regarding PJM at page 1.

[42] *See* Powering Reliability Through Market Design here: https://www.pjm.com/-/media/DotCom/library/reports-notices/special-reports/2026/20260506-powering-reliability-through-market-design.pdf.

acknowledged that the three options were meant to serve as a starting point towards constructive discussions of market reform. The three options or "paths" consisted of the following:

- Path A – the capacity market continues but the majority of load is covered through long-term forward commitments through either a PJM-administered long-term procurement or through LSEs engaging in long-term hedging commitments.
- Path B – differentiating reliability between different customers or states or zones (as compared to Paths A and C which assume that the shared reliability construct is retained).
- Path C – shift of revenue recovery from the PJM capacity market to the energy and ancillary services market – paired with long-term forward energy contracting requirements.

In the report, PJM did not recommend a specific option, noting that the options were intended to initiate stakeholder discussion and that alternative paths may be considered.

The details of the RBP, including its final design, regulatory status, and implementation timeline, as well as the broader set of potential market reforms, continue to evolve. The EDCs are committed to monitoring these developments to understand if and how the BGS process can adapt to incorporate the RBP process - while continuing to serve New Jersey ratepayers in a reliable and cost-effective manner. However, we'd note that as the loads being discussed in the context of the RBP are very large and therefore would be considered CIEP-eligible within the existing BGS construct, we would not expect that the RBP effort would impact the 2027 BGS Auctions as the procurement target for the RBP is proposed to be set equal to any shortfall of capacity not procured in PJM's capacity auction for the 2028/2029 delivery year, and this delivery year falls outside of the proposed annual term for the BGS-CIEP product.

III. THE EDCS' PROPOSAL MEETS THE OBJECTIVES OF THE BGS PROCUREMENT PROCESS

In this next section, the EDCs review why the joint proposal best meets the interests of New Jersey customers.

III. A. The Goals

The starting point of the explanation is a review of the goals of the BGS procurement process. In the Electric Discount and Energy Competition Act of 1999 ("EDECA"), the Legislature found and declared that it is the policy of the State, consistent with other important policy objectives, to rely upon competitive markets, where such markets exist, to deliver energy services to consumers (N.J.S.A. 48:3-50a(2)). To accomplish these policy objectives, EDECA directed the Board to implement "retail choice." Retail choice allows retail electric customers to be given the choice of shopping directly for their electric service or opting not to shop and to receive BGS.

EDECA is quite clear on the subject of power procurement for BGS: "Power procured for basic generation service by an electric power supplier shall be purchased at prices consistent with market conditions." (N.J.S.A. 48:3-57d). The same section goes on to note that "charges assessed to customers for basic generation service shall be regulated by the Board, and shall be based on the reasonable and prudent cost to the supplier of providing such service, ***including the cost of power purchased at prices consistent with market conditions, by the supplier in the competitive wholesale marketplace.***" (Emphasis added.) BGS is a regulated ***market-priced*** service.

The goal of having BGS reflect market conditions and competitive power market prices not only is consistent with EDECA but also is consistent with several other important objectives. Retail choice can only develop and proliferate efficiently if the alternative to retail choice – BGS – is efficiently priced.[43] As currently structured by the Board, the Auction Process ensures that BGS is efficiently priced. The BGS product is a full requirements product, as described in

[43] "Efficient proliferation of retail choice" should not be confused with artificially stimulating retail choice or maximizing switching. Rather, efficient proliferation of retail choice occurs when Third Party Suppliers are able to offer added value that can induce customers to switch away from a market-priced BGS offering.

Section II.A above. Suppliers bear and include in their price a wide variety of risks including load variability, market volatility, fuel price increases, migration, and changes in the PJM marketplace. These risks are not managed by regulation; rather, these risks are managed by competitive entities that can employ creative risk management strategies. Hence, the price that TPSs compete against is the risk-adjusted price of competitive BGS suppliers providing full requirements service plus the transmission charge paid by BGS customers. The transmission charge paid by BGS customers is representative of the transmission costs of all load serving entities in PJM, including TPSs. A market price means the best or lowest market price that can be reasonably obtained, a price that will vary with market conditions including conditions in world energy markets. This is exactly what EDECA intended.

Intrinsic characteristics of the customer classes must also be considered in an examination of the appropriate BGS procurement process. In implementing the Auction Process, the Board recognizes that some customer classes are able to understand the risks of price movements in competitive power markets and will be able to absorb risks or contract for the management of those risks. On the other hand, other customer classes may neither understand nor be able to manage these price risks in a way that yields a more economical result than the BGS offering.

In this regard, the BGS-RSCP product is designed to provide residential customers as well as smaller commercial and industrial customers with BGS at a stable price that still reflects competitive, market-based costs for a price-risk managed service. While it is entirely appropriate that such customers receive a stable market price, larger, more sophisticated, commercial and industrial customers can react to real-time electricity price signals to facilitate demand response and can contract for price-risk management in the competitive market. The BGS-CIEP product, which reflects hourly real-time energy spot prices, has been implemented for such larger, more sophisticated customers.

These broad policy goals of the BGS procurement process are reflected in and expanded upon by several specific goals that apply to the BGS procurement process:

- To obtain reliable supply on behalf of BGS customers, at prices consistent with market conditions.

- To establish a fair and transparent competitive process that will maximize participation. The process should be transparent in terms of the requirements for participation, the supply contract, the retail rates that will result from the Auction, and the way final Auction prices are determined and in which winners emerge at the Auction. The process should be fair and transparent in terms of providing timely and equal access to information for all bidders.

- To allocate supply responsibility efficiently over the loads of the multiple EDCs. An efficient allocation of supply helps to ensure that prices best reflect the market, so that any market perceptions regarding differences in serving various EDCs are reflected in the prices.

- To have competitive entities take, manage, and price BGS risks. BGS is a price-risk management service where competitive entities assemble supply components in the competitive power market and assess and price these risks. This ensures that customers obtain the full benefits of competition by opening the price-risk management function to competitive discipline.

- To implement BGS at market rates that reflect customer class, seasonal and time-of-day market differences to encourage efficient consumption and conservation decisions, and in order to encourage the development of efficient retail competition. BGS rates should also minimize customer switching in response to rate design inefficiencies.

- To minimize customer confusion by presenting customers who stay on BGS with the appropriate type of retail rate structure and design.

- To design a BGS product consistent with the ability of various customer classes to react to price and manage energy price risks.

- To preserve the financial integrity of the EDCs. BGS costs and revenues exceed 60% of total EDC cost and revenues. BGS costs are an order of magnitude greater than EDC earnings. It is imperative that the BGS process protects the financial integrity of the EDCs, including through the timely collection of the transmission

charge from BGS customers to meet each EDC's transmission payment obligations to PJM.

III. B. Joint Proposal Meets the Objectives

The Board's Auction Process fully specifies and provides structure to all necessary aspects of a procurement process. In addition, all of the elements of the Auction Process work together to achieve the goals identified in and flowing from EDECA's mandate. The remainder of this section discusses briefly how the principal elements of the Auction Process work together to achieve these goals.

III. B. 1. Product Definition

The Auction Process defines the product as a full requirements product including energy, capacity, ancillary services, as well as the obligation to meet the requirements under the RPS. BGS suppliers are responsible for serving a percentage of an EDC's default service load, whatever the load may be at any given point in time. Bidders compete to serve BGS customers by striving to be the best at assembling supply components (energy, capacity, renewable attributes, etc.) in the competitive power market, and at assessing and pricing the risks associated with serving a percentage of BGS Load. Having a full requirements product places the portfolio acquisition and price-risk management function in the hands of the competitive entities that can most efficiently carry out these tasks. The full requirements product is designed so that components of the BGS product that can be provided through the competitive market, including risk assessment and management, are provided and priced through the competitive market. This full requirements product is fully consistent with EDECA's preference for reliance on competitive forces. The full requirements product also obtains a price for BGS, which together with the transmission charge paid by BGS customers, serves as an efficient competitive benchmark for efficient retail choice and enables potential BGS suppliers to bid with knowledge as to the retail rates that will result from the Auction. The full requirements product thus also encourages the development and efficient working of competitive retail markets.

Currently, the full requirements product is procured separately for residential and smaller commercial and industrial customers (the "BGS-RSCP product") and for larger commercial and industrial customers (the "BGS-CIEP product"). The BGS-RSCP product is procured on a three-year rolling portfolio basis and the BGS-CIEP product is procured on an annual basis. The use of an appropriate term structure enables smaller commercial and residential customers to benefit from a stable yet market-based rate that is appropriate for these customers, consistent with EDECA, and helps to minimize customer confusion. Providing larger customers price certainty for capacity, RPS compliance, and ancillary services also helps to minimize customer confusion and provides for an environment where the retail offerings can develop efficiently. This dual structure provides appropriate stability and a hedge against volatility for each customer type and achieves the goal of designing a product that is consistent with the ability of various customer classes to react to price and to manage energy price risks.

III. B. 2. Auction Format

The Auction Process solicits bids through a clock auction: a multiple round process with dynamic information feedback. Bidders submit bids each round as prices tick down, and each round bidders get information about how the market views the auction opportunity. Based on that information, bidders have an opportunity to revise their bids, and switch their bids from one EDC to another. The information that bidders receive during the BGS Auction reduces the uncertainty that bidders face and leads to more aggressive bidding. In this way, the BGS clock auction format encourages competitive bidding and efficient market prices consistent with EDECA. The fact that bidders can switch from one EDC to another means that any price differences among the EDCs reflect the market's view of differences in the cost to serve each EDC's BGS Load. Hence, the BGS Auction achieves efficient relative prices and an efficient allocation of supply responsibility among the EDCs. As explained later in greater detail, the BGS Auction also provides a large degree of transparency as all bidders understand how prices are determined and how winners emerge. This transparency encourages participation and further helps to obtain reliable supply at prices consistent with market conditions.

III. B. 3. Competitive Safeguards

In addition to the fact that a clock auction format promotes competitive bidding, several competitive safeguards are part and parcel with the Auction Process: (i) the Association and Confidential Information Rules; (ii) the setting of load caps; and (iii) the ability to reduce the volume at the Auction.

The Association and Confidential Information Rules ensure that bidders independently and vigorously compete against each other at the Auction, resulting in competitive bidding, and leading to the procurement of reliable supply at an efficient market price. Additionally, the Association and Confidential Information Rules ensure that the bidders' confidential information is properly kept confidential so that participation in the BGS procurement process does not damage or hinder any other market activities that the bidder undertakes. Through its Auction Orders, the Board has consistently upheld the confidentiality of bidders' information as an exception to the Open Public Records Act ("OPRA"), N.J.S.A. 47:1A-1 et seq. Bidders' certainty that their competitively sensitive information will be protected as confidential encourages participation. Robust participation in turn leads to efficient market prices.

The load cap limits the number of tranches that a bidder can bid and win at the Auction. This competitive safeguard not only controls the ability of any entity to unduly influence the auction-closing prices but also provides for needed diversity in the pool of BGS suppliers. This diversity limits the exposure of the EDCs and their customers to the credit risk of any one entity, providing reliable supply sources to BGS customers.

III. B. 4. Qualification Procedures

The Auction Process provides for a standardized qualification process. As part of the qualification process, all prospective bidders must accept in advance the terms of a form of master contract between the BGS supplier and the EDC acting as agent for its customers, and the terms of the auction rules under which BGS is procured. All prospective bidders also must meet standard credit provisions, which ensure that customers receive the benefit of the BGS bargain in terms of reliable service for the term of the contract. The standard contract terms, qualification process, credit terms, and the price-only basis for the evaluation of bids, directly contribute to the transparency of the process as bidders understand the terms under which they participate in

the Auction Process. These features also contribute to the fairness of the process. Once a prospective supplier has been qualified, and registered as a bidder, its bids are evaluated on a price-only basis, which ensures that all bidders compete on a "level playing field." The transparency and fairness of the process encourage maximum participation, and maximum participation leads to efficient market prices.

III. B. 5. Rate Design

The Auction Process features a method for translating the auction closing prices into retail rates. For residential and smaller commercial and industrial customers, the rate design methodology properly reflects time-of-use pricing differentials. For larger commercial and industrial customers, the rate design methodology reflects energy prices at the hourly market. In both cases, the methodologies employed provide the proper benchmarks to advance the goal of efficient retail pricing and development of competitive retail markets. The EDCs specify and communicate the rate design methodology to bidders in advance of the Auction. Thus, bidders can properly assess the risk in serving BGS Load, reducing bidders' uncertainty and encouraging participation in the process. BGS customers also pay a specific transmission charge for each EDC to collect from its BGS customers the amounts required to meet its transmission payment obligations to PJM. The EDCs' prompt collection of the transmission charge from customers is crucial to ensuring that the EDCs meet their payment obligations to PJM and preserve the financial integrity of the EDCs.

III. B. 6. Roles

The EDCs, the BGS Auction Manager, Board Staff, and the Board's Advisor all have clearly defined roles that allow them to contribute to the management of the BGS procurement 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. These activities maximize the participation in the process and ensure efficient market prices. The Board considers the procurement proposal as well as accounting, contingency plans, and cost recovery. Approval of these items helps to further the goal of protecting the financial integrity of the EDCs.

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. Board Staff and the Board Advisor monitor the entire process and monitor the bids round by round. This oversight further enhances the fairness and the transparency of the process, promoting participation.

Further, the BGS Auction Manager and the Board's Advisor each submit a report to the Board promptly at the close of the Auction so that the Board can be in a position to evaluate whether the process was competitive and whether the process was conducted as approved. The Board has in the past committed to make this assessment within two business days. This prompt Board review of auction results enables suppliers to give their best bids and contributes to the goal of obtaining reliable supply at prices consistent with market conditions. The way in which the Auction Process is managed, and the oversight provided by the Board and its Advisor are important factors in its success and in the ability of the process to meet its goals.

IV. CONDUCT OF THE AUCTIONS

In this section, the EDCs explain particular aspects of the conduct of the 2027 BGS Auctions. The roles of the Board, the Board Advisor, the EDCs and the Auction Manager are explained. In addition, the EDCs' proposal for continued confidentiality of sensitive Auction information is presented. Finally, the EDCs present their request that the Board consider the results of the Auctions within two business days.

IV. A. The Roles of the Board, the Board Advisor, the EDCs and the Auction Manager

IV. A. 1. The Role of the Board and the Board Advisor

Past Auction Processes have proven successful in achieving the benefit of market-based prices for BGS Supply. The EDCs believe that it is appropriate for the Auction Process to be similar to that approved in the previous Auctions.

The EDCs believe that the Board should again play a substantial role in the 2027 BGS Auctions. Specifically, the EDCs respectfully recommend 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.

IV. A. 2. The Role of the EDCs

It is important for the EDCs to work with the Board and with other parties to design a process that assures that supply for BGS customers is procured at a cost consistent with market conditions, that there is a smooth and seamless transfer of responsibility for BGS Supply from the prior year's BGS suppliers to BGS suppliers for the supply period beginning June 1, 2027, and that adequate protections are in place to assure that the BGS suppliers are physically and financially reliable.

In that regard, the EDCs believe that it is appropriate for the EDCs to continue to assume the previously approved logistical responsibilities that include:

- Retention of NERA as Auction Manager to administer the Auctions;
- Development of the Auction Process, which is presented to the Board in this 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 SMAs and instruments for financial guarantees;
- Review and approval of financial qualifications, including review of alternate guaranty forms; and
- Execution of the BGS SMAs on behalf of their customers.

In addition, the EDCs propose to continue to fund the Board's retention of an independent Board Advisor to oversee the Auctions under the Board's supervision and to advise the Board with respect to interim and final approvals. As in years past, the cost of the independent Board Advisor will be recovered through the tranche fees paid by winning bidders.

IV. A. 3. The Role of the Auction Manager

The EDCs will retain NERA as Auction Manager to administer the Auctions. The Auction Manager will be responsible for day-to-day administration, and for dissemination of information about the Auction Process. Further, if necessary, the Auction Manager will be responsible for the development of software that will implement the rules of the Auction.

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. This Auction information includes application deadlines and information webcast dates, as well as the information packages prepared by the EDCs and the Auction Manager;

- Receiving queries from interested parties, directing the questions to EDC representatives if necessary, and returning the answers to the inquiring parties. To maintain fairness and to ensure that all parties have the same information, the Auction Manager will also maintain a database of all questions and answers on the website;

- 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, ensuring that these are in accordance with the rules and notifying registered bidders of their initial eligibility;

- 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;

- Managing the interface during the Auctions, to ensure that Auction parameters such as length of rounds and decrements are set appropriately;

- Developing information packages that will be made available to bidders at the time of the bidder information webcasts;

- Drafting manuals for the Auctions;

- Reviewing other information required of bidders before and after qualification and resolving issues over associations with the Board Advisor;

- Training potential bidders in the bidding procedures;
- Providing to the Board and the EDCs a full factual report on the Auctions and on the final results; and
- Preparing the BGS SMAs for the EDCs upon the completion of the Auctions, but before the Board renders its decision on the Auction results, in order to streamline and expedite the contract execution process.

In addition, the Auction Manager would support the EDCs and the Board by providing assistance, when appropriate, with the following tasks:

- Promoting the Auctions to potential participants; and
- Coordinating between the Board with its Advisor, and the EDCs.

The Auction Manager is important to a well-run process, from the promotion of the Auctions to the certification of the results and performs an essential task in developing and testing the bidding procedures for the Auctions. As in years past, the cost of the Auction Manager will be recovered through the tranche fees paid by winning bidders.

IV. B. Confidentiality of Auction Information

On October 22, 2004, the Board issued an Order (BPU Docket No. EO04040288) wherein a list of information was found exempt from the requirements of OPRA and the rules promulgated by the Board at N.J.A.C. 14:1-12 et seq. The Board found the following information, filed as part of the Auction Process, resulting from the BGS-RSCP or the BGS-CIEP Auctions, or provided by market participants for the purpose of participating in the Auctions, to be information that would provide an advantage to competitors or bidders, and deemed it confidential and not included as a government record pursuant to OPRA:

1. EDC-specific starting prices that are in effect for the first round of bidding;
2. Logic processes and algorithms used by the Auction Manager to determine the starting prices, and volume adjustments during the Auction rounds;

3. Indicative offers consisting of the number of tranches a qualified bidder is willing to supply at the maximum and minimum starting prices;

4. Auction round prices and individual bids in each round;

5. Bidder information supplied to qualify for the Auctions from the Part 1 Application;
    - The identities of the bidders except for the identities of the winners as released by the Board;
    - Information on Bidding Agreements;
    - Financial and Credit Requirements;
    - Guarantors' Information;
    - Justification for Omissions.

6. Bidder information supplied to register for the Auctions from the Part 2 Application:
    - The identities of the bidders except for the identities of the winners as released by the Board;
    - Qualified Bidders' Indicative Offers and Calculations of Required Bid Bond;
    - Qualified Bidders' Preliminary Maximum Interest in Each Product;
    - Additional Financial and Credit Requirements;
    - Associations and Confidential Information Certifications;
    - Justification for Omissions.

The EDCs request that the Board find and conclude that the foregoing information be deemed non-public proprietary commercial and financial information that would provide an advantage to competitors or bidders and not included as a government record pursuant to OPRA.

IV. C. Board Approval and Execution of BGS Supplier Master Agreements

The EDCs propose that the Board decide formally, within two business days of the day on which the last Auction closes, whether or not to accept the Auction results. The Board, at its discretion, has the option of rendering a decision on the results of one Auction and of rendering a decision 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. Since the Auction Process would have been previously approved by the Board**,** accepted bids resulting from the Auction would be deemed reasonable and prudent.

The EDCs recommend that each winning bidder be immediately notified by the Auction Manager of the Board's approval of the Auction results, and that each winning bidder and each EDC be given a period of three business days from receipt of the notification to formally execute the BGS-CIEP and BGS-RSCP SMAs. The obligations outlined in those Agreements will be part of an irrevocable offer that will become a binding, contractual obligation upon the award of the bid and contract execution will memorialize this commitment.

In other words, the purpose of the review and approval process recommended by the EDCs is for the Board to take the necessary time at the start of the Auction Process to resolve potentially contentious issues, to provide a mechanism for an expeditious decision from the Board in response to the Auction results, and to provide assurance to potential bidders that, once they are notified by the Board that their offer to serve one or more tranches has been accepted, they will indeed be serving that BGS Load.

V. LIST OF CHANGES

Below is a list of changes made in this proposal for the provision of BGS Supply for the period beginning June 1, 2027 compared to the Auction Process approved in the 2026 BGS proceeding.

1. Overview of Changes to Proposal

The EDCs maintain all material aspects of the prior year's proposal with respect to the product, auction format, rate design, bidder interface, and competitive safeguards.

The EDCs propose the following changes as enhancements to the prior year's process, namely:

- The addition of the BGS-RSCP Capacity Supplements to the BGS-RSCP SMA for the 2028/2029 delivery year and the 2029/2030 delivery year; and
- Modifications to the EDCs' rate design methodology, as well as modifications to each EDC's Company Specific Addendum, to allow for the eventual calculation of the change in the Auction price necessary to accommodate additional payments to (or from) BGS-RSCP suppliers relating to the Capacity Proxy Price for the 2028/2029 delivery year and the 2029/2030 delivery year.

2. Additional Changes to documents

The following additional changes to the documents are minor and primarily administrative in nature.

<u>BGS Supplier Master Agreements</u>

- Updates to the footnote and dates are made to the MtM Exposure Amount Calculation Information within Appendix B of the BGS-RSCP SMA;
- Appendix D of the BGS-CIEP SMA is updated to reflect the current list of PJM billing line items;
- Appendix G of the BGS-RSCP SMA is updated to reflect the current list of PJM billing line items;

- Dates are updated to the current year; and
- The docket number is updated.

BGS Auction Rules

- Dates are updated to the current year;
- The tranche targets are updated with the most recent PJM data, and the examples are modified as needed to reflect the change in the tranche targets;
- The BGS-RSCP Auction Rules include a description of the adjustment to payment for capacity in the 2028/2029 delivery year and the 2029/2030 delivery year;
- Decrement formulas for the BGS-CIEP Auction reflect the final decrement formulas from the prior year; and
- Decrement formulas for the BGS-RSCP Auction reflect the final decrement formulas from the prior year.

Company-Specific Addenda

- Dates are updated to the current year; and
- The docket number is updated.

VI. APPENDIX A

Provisional BGS-CIEP Auction Rules

VII. APPENDIX B

Provisional BGS-RSCP Auction Rules

VIII. APPENDIX C

BGS-CIEP Supplier Master Agreement

IX. APPENDIX D

BGS-RSCP Supplier Master Agreement