



BIDDER INFORMATION MATERIAL

Basic Generation Service (BGS) Load Statewide Auction Process

03 December 2020

bgs-auction.com

NEW JERSEY STATEWIDE BASIC GENERATION SERVICE ELECTRICITY SUPPLY AUCTION

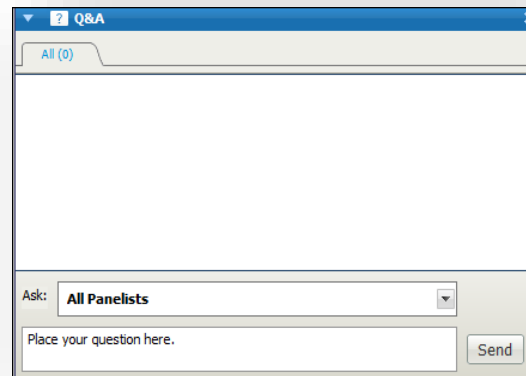


Jersey Central
Power & Light
A FirstEnergy Company



HOW TO ASK A QUESTION

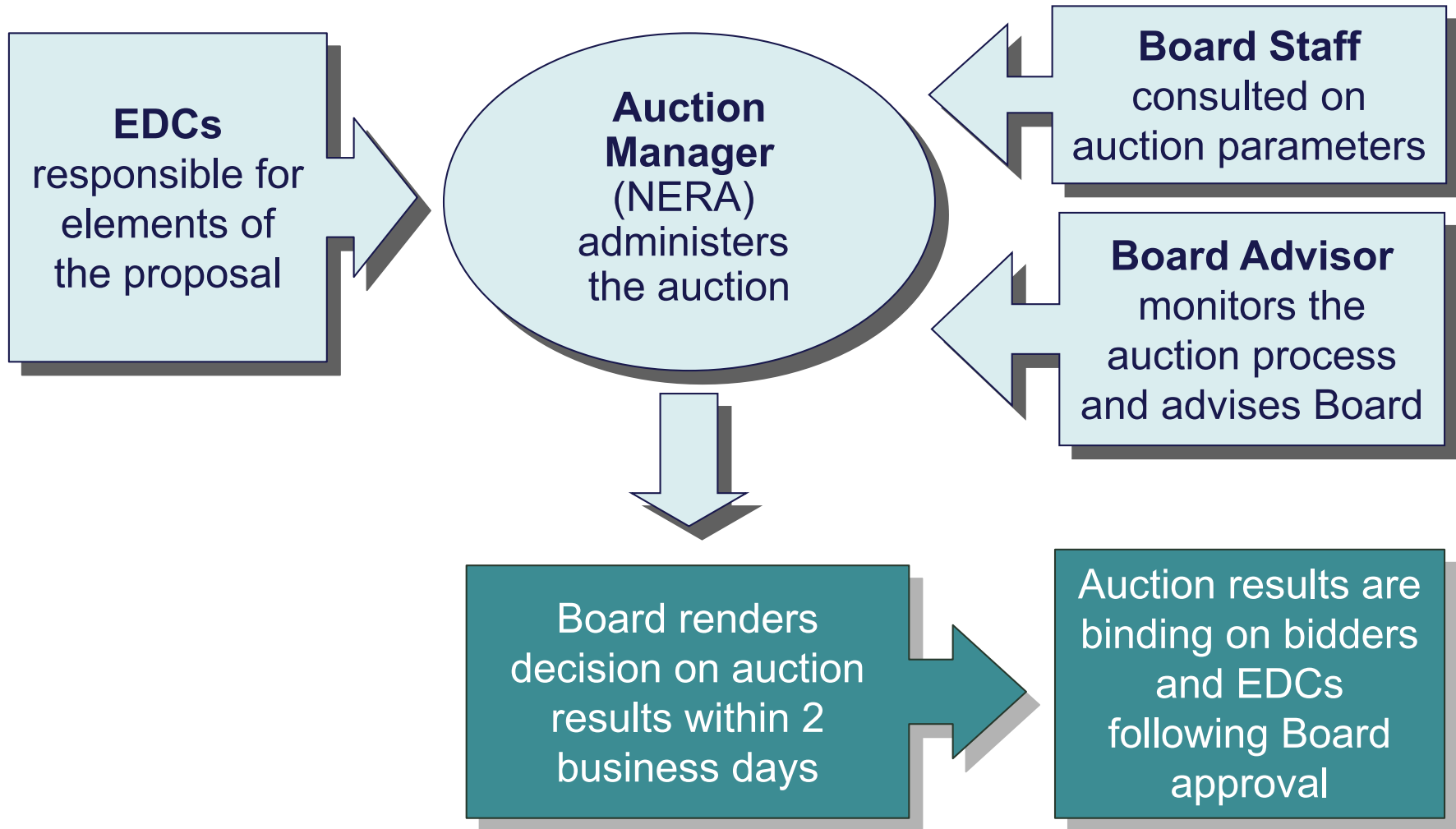
- **Questions are taken in writing through the WebEx interface:**
 - Locate the “Q&A” on the right hand side of your screen
 - Select “All Panelists” in the “Ask” box
 - Type in your question
 - Click “Send” to submit your question



THE PRESENTATION WILL COVER:

- Roles
- Overview of Board's Decision
- Highlights of the Supplier Master Agreement
- Timeline of the Auction Process
- BGS Websites
- Application Process
- Details of the Auction Rules
- Overview of the Bidding Procedure

ROLES





1. BOARD DECISION

REGULATORY PROCEEDING BEGAN IN MARCH 2020

- On **March 27, 2020**, the Board issued an Order soliciting from the EDCs and from other parties proposals on how to procure supply for BGS customers in the state
- The EDCs filed a proposal for a statewide **BGS Auction Process**
- The regulatory proceeding included discovery, two rounds of written comments, and a legislative-type hearing
- The Board rendered its decision at its agenda meeting on **November 18, 2020** and this decision is memorialized in the Board Order posted to the BGS Auction website

THE EDCs PROPOSED TO REMOVE TRANSMISSION FROM THE BGS PRODUCT

- Board Order approving the 2020 BGS Auctions called for parties to work to resolve the disparity in timing between BGS Suppliers' payment to PJM for transmission costs and receipt of payment for such costs from the EDCs
- The EDCs proposed that the EDCs, rather than BGS Suppliers, be responsible **for transmission and transmission-related costs**
- The EDCs proposed to give each current BGS Supplier the option to remove transmission from any **existing BGS contract**
- In a separate proceeding, the Board considered a potential mechanism for the release of the “collect, don't pay” amounts

THE EDCs PROPOSED CAPACITY PROXY PRICES FOR THE 2022/23 AND 2023/24 DELIVERY YEARS

- **Last year:** For the 2020 BGS-RSCP Auction, the Board approved the use of a capacity proxy price for the Delivery Year 2022/23 because the actual capacity price for that delivery year was not known prior to the Auction
- The BGS-RSCP Supplier is paid (or pays) the difference between the rate it pays for capacity and the capacity proxy price in that delivery year
- **This year:** The Base Residual Auctions (“BRAs”) for Delivery Years 2022/23 and 2023/24 are **delayed** and capacity prices for these delivery years will not be known at the time of the BGS-RSCP Auction
- EDCs proposed to set **capacity proxy prices** for Delivery Years 2022/23 and 2023/24 and true up to the rate paid for capacity in each of these two Delivery Years

BOARD APPROVED THE AUCTION PROCESS AS PROPOSED BY THE EDCs

- Board approved the EDC Proposal
 - **Two Auctions:** one for large commercial and industrial customers (“BGS-**CIEP**”) and one for residential and small commercial customers (“BGS-**RSCP**”)
 - **BGS Product:**
 - Removal of transmission obligation from Suppliers
 - Setting of capacity proxy price and true-up mechanism for BGS-RSCP Product
 - **Single statewide process:** Offers for all BGS load (not already procured) solicited in one process
 - **Auction format is a clock auction:** Prices tick down as long as more tranches are bid than needed
 - **Supply periods:** one year for **CIEP** and three years for **RSCP**
 - **Board consideration of results:** within two business days of the close of the last auction

BOARD DIRECTS ADDITIONAL TRAINING IN THE WAKE OF COVID-19

- Due to **COVID-19** restrictions, it is expected that the BGS Auction Manager, Board Staff, the Board Consultant, and bidders will NOT be at their normal place of business during the Auctions
- Because there may be connectivity issues associated with a work-from-home environment, the Board directed **additional training** and trial auctions
- Bidders will be able to:
 - Attend a **webcast** regarding the auction software and the bidding procedures
 - Participate in two **Trial Auctions**
 - Ask any questions regarding the bidding procedures by phone in a special **Q&A session** ahead of the Auctions

ADDITIONAL CHANGES ARE NECESSARY IN THE WAKE OF COVID-19

- Bidders can use **digital signatures** (produced by a commercially available software such as DocuSign and accompanied by an additional document or information verifying the identity of the signatory) on all documents submitted with the Part 1 and Part 2 Applications
- Bidders can use **electronic signatures** in certain circumstances for documents submitted with the Part 1 and Part 2 Applications
- As bidders are preparing to submit the Part 1 Application due December 15, 2020, bidders should consult processing documents to conform to the changes of procedures for submission of Part 1 Application materials:
 - Part 1 Application review process
 - Digital signature instructions

These documents are available on the sidebar of the online Part 1 Application Form

If you have concerns related to COVID-19 and the BGS Auctions, please send any comments to the BGS Auction Manager by email at BGS-Auction@nera.com

GOVERNING DOCUMENTS POSTED AS THEY BECOME AVAILABLE

- Documents incorporating Board's decision will become the final and governing documents for the Auctions
- Governing documents are
 - The SMAs: BGS-RSCP Supplier Master Agreement, BGS-CIEP Supplier Master Agreement
 - The Auction Rules: Final BGS-RSCP Auction Rules and Final BGS-CIEP Auction Rules
 - Each EDC's Company-Specific Addendum
 - [Board Order](#) in Docket No. ER20030190
- **DISCLAIMER:** Any statements made in this presentation or during the webcast describing or referring to the governing documents are summaries only and are qualified in their entirety by our reference here to these documents

2. BGS PRODUCT – BGS SUPPLIER MASTER AGREEMENTS

EDCs RESPONSIBLE FOR TRANSMISSION

- The EDCs will be responsible for payment of **transmission-related costs** to PJM
- Transmission-related PJM Billing Line Items will be **transferred from the BGS Supplier to the EDC** as provided in each SMA's Sample PJM Invoice

ID #	Billing Line Item
1100	Network Integration Transmission Service
1108	Transmission Enhancement
1115	Transmission Enhancement Settlement (EL05-121-009)
1930	Generation Deactivation
1932	Generation Deactivation Refund
2108	Transmission Enhancement
2140	Non-Firm Point-to-Point Transmission Service

SMA ADDITIONAL MODIFICATIONS FOR TRANSMISSION

- Removal of mechanism to **track and pay** amounts for changes in the transmission rate that had received a Final FERC Order (Definitions, Sections 15.9 and 4.3)
- Give **responsibility for transmission to the EDCs** (stated in Section 2.2, Obligations of the Parties) referring to PJM billing line items from the Sample PJM Invoice
- **Other modifications**, including payments
 - Section 2.7: necessary PJM E-Accounts established
 - Section 9.1 (CIEP only): separate payment for transmission removed
 - Section 9.2: PJM to invoice the EDC for transmission
 - Section 15.9: Parties to make conforming changes to the SMA if changes occur to PJM Agreements

FULL-REQUIREMENTS PRODUCT

- BGS Supplier **responsible for supplying** energy, capacity, ancillary services, and any other service that may be required for PJM to meet its share of the needs of BGS customers
- **Two agreements:** BGS-CIEP Supplier Master Agreement and BGS-RSCP Supplier Master Agreement
- Responsibilities of BGS-RSCP and BGS-CIEP Suppliers are the same but payment terms are different
- BGS Supplier also responsible for meeting the Renewable Portfolio Standards

RPS REQUIREMENTS

- BGS Suppliers transfer RECs (Class I and Class II) and SRECs to the EDCs through a **Retail LSE Account** in PJM GATS
- The EDCs submit the required **annual compliance reports** on behalf of BGS-RSCP and BGS-CIEP Suppliers
- A supplier that does not meet these requirements must pay an **Alternative Compliance Payment**

SOLAR OBLIGATIONS UNDER CLEAN ENERGY ACT

- BGS contracts executed prior to the enactment of the Act are **exempt** from the increased solar percentage requirement
- The increased solar obligations avoided by exempt BGS contracts in an EY are allocated to non-exempt BGS contracts in the following two EYs
- **For example**, the increased solar obligations avoided by exempt BGS contracts in EY 2021 is made up by non-exempt BGS contracts in EY 2022 and non-exempt BGS contracts in EY 2023
- **Starting with EY 2024**, there are no increased solar obligations to be made up by non-exempt BGS contracts
- Fulfillment of solar obligations for non-exempt BGS contracts will be counted toward the Class I requirement
- The BGS Auction Manager will make available to bidders an example of the calculation of obligations

SUPPLEMENTS SET CAPACITY PROXY PRICES FOR DELIVERY YEARS 2022/2023 AND 2023/2024

- PJM Base Residual Auctions for the **2022/2023** and **2023/2024 Delivery Years** did not occur as scheduled
- The following table shows the **Capacity Proxy Prices** that will be used for the 2022/2023 and 2023/2024 Delivery Years

EDC	2022/2023 (\$/MW-day)	2023/2024 (\$/MW-day)
PSE&G	162.13	166.64
All other EDCs	152.06	146.51

- BGS-RSCP Suppliers are paid/charged the **difference between the capacity price charged by PJM** in the 2022/2023 Delivery Year and the 2023/2024 Delivery Year **and the respective Capacity Proxy Prices**
- **Rates** for customers will be adjusted for these amounts
- **Separate line item** on supplier invoice for 2022/2023 and 2023/2024 Delivery Years

OVERVIEW OF CREDIT PROVISIONS

- **Article 6** of each SMA fully describes the creditworthiness standards and security required under the Agreements
- **BGS-CIEP** — Credit Exposure is \$70,000/tranche
- **BGS-RSCP** — Two separate requirements
 - Mark-to-Market requirement
 - Independent credit requirement is \$2.4M/tranche at beginning of supply period and declines over the term of the Agreement
- **Two separate credit lines**
 - One for (i) Mark-to-Market exposures under all BGS-RSCP SMAs held by supplier and (ii) BGS-CIEP credit exposure
 - Another for BGS-RSCP independent credit requirement

CHANGES POSSIBLE DURING THREE-YEAR PERIOD

BGS-RSCP Suppliers could be affected by changes such as:

- Rate design subject to annual review
- Changes to RPS and changes to the alternative compliance payment levels
- Changes to CIEP Line

NON-NEGOTIABLE STANDARD AGREEMENTS

- Agreements are **standard statewide** and are **approved by the Board**
- **Applicants must agree** to these standard contract terms to qualify to participate in the Auctions
- Also approved by the Board as part of the agreements are standard forms of credit instruments to post security during the supply period:
 - A standard form of guaranty
 - A standard form of letter of credit
- EDCs have **approved modifications to the Letter of Credit** that can be used on an optional basis

3. KEY ANNOUNCEMENTS OVERVIEW

ONE PROCESS, TWO AUCTIONS

- Auctions are separate but concurrent
- **BGS-CIEP Auction:** Larger commercial and industrial customers on hourly price plan
 - Auction determines a CIEP Price in \$/MW-day that suppliers are paid based on the capacity obligation
 - Suppliers are paid for energy at the real-time hourly spot price and are paid a pre-determined rate for ancillary services
 - Suppliers also paid the CIEP standby fee levied on all CIEP customers
- **BGS-RSCP Auction:** Residential and smaller commercial customers on a stable price
 - Auction determines all-in price in ¢/kWh
 - Suppliers are paid this price for every kWh of load served

CIEP VERSUS RSCP CUSTOMERS

EDC	All customers are CIEP	Customers at or over 500 kW are CIEP
PSE&G	HTS-HV, HTS-Sub, LPL-P	LPL-S
JCP&L	GP, GT	GS, GST
ACE	TGS	AGS-Primary, AGS-Secondary, MGS-Primary, MGS-Secondary
RECO	Service Classification No. 7	Service Classification No. 2

- Non-residential RSCP customers can opt in to CIEP
 - Customer must **notify the EDC** by **January 5, 2021**
- There are **no switching restrictions** so that all BGS customers are free to come and go from BGS provided that they give appropriate notice to the EDC
- **Switching Data** is available on the “monthly data” page of the BGS Auction website

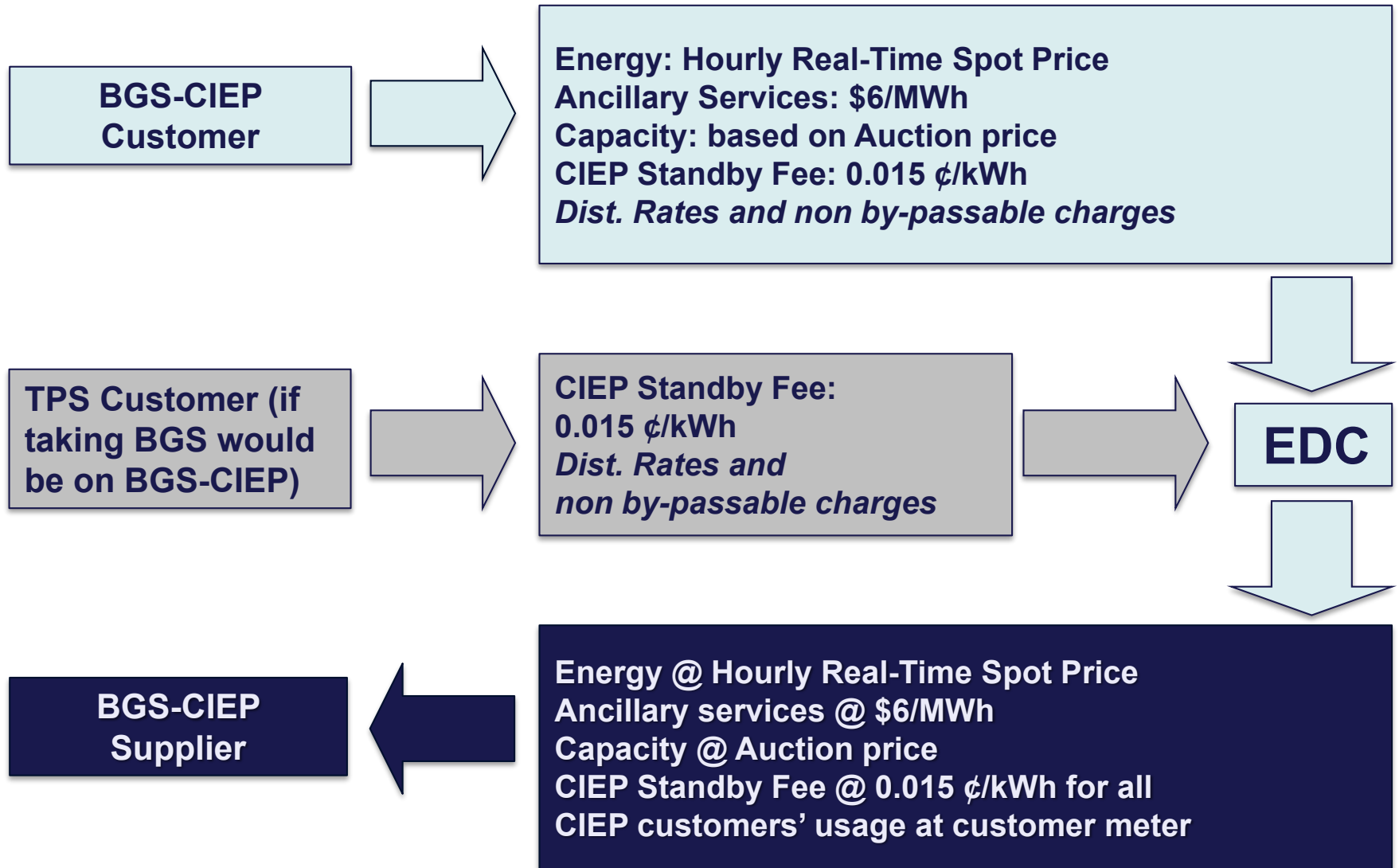
BGS-CIEP AUCTION: TRANCHES AND PARAMETERS

- Announced on November 20, the **minimum starting price** is \$**500**/MW-day and the **maximum starting price** is \$**650**/MW-day

EDC	CIEP Peak Load Share (MW)	Number of Tranches	Tranche Size (%)	MW-Measure
PSE&G	1,810.92	24	4.17	75.46
JCP&L	844.10	11	9.09	76.74
ACE	321.80	4	25.00	80.45
RECO	54.69	1	100.00	54.69
Statewide Load Cap		18		

- A **tranche** is a fixed percentage of BGS-CIEP Load for one EDC equivalent to about 75 MW on an eligible basis

CIEP PAYMENTS AND RATES



BGS-RSCP AUCTION: TRANCHES AND PARAMETERS

- Announced on November 20, the **minimum starting price** is **9.0¢/kWh** and the **maximum starting price** is **12.0¢/kWh**

EDC	RSCP Peak Load Share (MW)	Number of Tranches	EDC Load Cap	Tranche Size (%)	MW-Measure
PSE&G	2,620.63	29	14	1.18	90.37
JCP&L	1,838.94	20	9	1.93	91.95
ACE	621.25	7	3	4.55	88.75
RECO	76.51	1	1	25.00	76.51
Statewide Load Cap		21			

- A **tranche** is a fixed percentage of BGS-RSCP Load for one EDC equivalent to about 100 MW on an eligible basis

BGS-RSCP PAYMENTS AND PRICING

2019		2020		2021	
Auction Price (with Transmission removed)	# Tranches	Auction Price (with Transmission removed)	# Tranches	Auction Price (Illustrative ONLY)	# Tranches
7.171¢/kWh	7	6.424¢/kWh	8	10.000¢/kWh	7

Suppose the 2021 summer factor is 1.0284

$$10.000 \times 1.0284 = 10.284 \text{ ¢/kWh}$$

**Summer rate paid to BGS-RSCP Supplier
(winning bidder in 2021 auction)**

**Provisional Seasonal Factors are
1.000**

$$\text{Tranche-weighted avg. price seasonally adjusted for 2021} = 7.890 \text{ ¢/kWh}$$

$$\text{Rate Design Methodology - } 1.015 \times 7.890 = 8.008 \text{ ¢/kWh}$$

Summer rate paid by rate class

bgs-auction.com

NEW JERSEY STATEWIDE BASIC GENERATION SERVICE ELECTRICITY SUPPLY AUCTION

AUCTION FORMAT IS A CLOCK AUCTION

- **Multi-product design**
 - Tranches for all EDCs are procured at once
- **Bidding proceeds in rounds**
 - Suppliers state how many tranches they want to supply at prices suggested by the Auction Manager
 - Prices tick down if there is excess supply
 - Suppliers could switch their bids from one EDC to another in a given Auction

BGS-RSCP

“Price” is in ¢/kWh

BGS-CIEP

“Price” is in \$/MW-day

AUCTION RESULTS SUBJECT TO BOARD APPROVAL

- **Board has two (2) business days from close of last auction to consider results**
 - Board may consider BGS-CIEP Auction results and BGS-RSCP Auction results at different times
- Results of each Auction are considered separately but in their entirety
 - It **is possible** that results of the BGS-RSCP Auction are approved while results of the BGS-CIEP Auction are not (or vice-versa)
 - However, the results are approved for all EDCs or for none so that it is **not possible** for results to be approved for one EDC but not the others



4. TIMELINE BGS WEBSITES

CALENDAR OF EVENTS

December				
<u>Monday</u>	<u>Tuesday</u>	<u>Wednesday</u>	<u>Thursday</u>	<u>Friday</u>
Nov 30	1 Part 1 Form Opens	2	3 Webcast	4
7	8	9	10	11
14	15 Part 1 Application Date	16	17	18 Bidders Qualified
January				
11	12	13	14 Part 2 Application Date	15
18 MLK Day	19	20	21	22 Bidders Registered
25	26 Webcast / Bidder Training on Bidding Procedures	27	28 1 st TRIAL AUCTION for Registered Bidders (11 AM to 1 PM EPT)	29
February				
1	2 2 nd TRIAL AUCTION for Registered Bidders (11 AM to 1 PM EPT)	3 Q&A on Bidding Procedures	4	5 BGS-CIEP Auction Begins
8 BGS-RSCP Auction Begins	9	10	11	12

ADDITIONAL INFORMATION RELEASES

January				
<u>Monday</u>	<u>Tuesday</u>	<u>Wednesday</u>	<u>Thursday</u>	<u>Friday</u>
18 MLK Day	19	20	21	22
25	26 MtM Info Release Tranche Fees Final Rate Spreadsheets Final Seasonal Factors	27 Final Decrements	28	29
February				
1	2 Registered Bidders Informed of BGS-CIEP Starting Prices	3 Registered Bidders Informed of BGS-RSCP Starting Prices	4	5

WHERE TO FIND DOCUMENTS ON THE BGS AUCTION WEBSITE



Information organized by page under various tabs

- Scroll over tabs to access pages
- **“auction”** tab contains pages relating to BGS proceeding
- **“bidder info”** tab has core documents for bidders
 - Auction Rules found on **“auction rules”** page
 - SMAs and credit documents found on **“contract and credit”** page
- **“data room”** tab contains data made available by EDCs

HOW TO ACCESS THE BGS APPLICATION WEBSITE

Navigate to
www.bgs-application.com

The screenshot shows the homepage of the BGS Auctions Application website. The header includes the site name and a navigation bar with 'home' and 'get account' links. The main content area contains a welcome message, instructions on how to use the site, and links for more information, login, and requesting credentials. Two red callout boxes with white text provide additional instructions: one for bidders with existing credentials and another for those needing to request credentials. Red lines connect the callout boxes to the relevant links on the page.

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

[home](#) | [get account](#)

Welcome to BGS Auctions Application website.

You will use this website to apply to participate in the BGS Auctions. Registered Bidders also use this website to access materials important to their participation.

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

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

To request a login and password, please fill out the form [here](#).

Bidders who have been issued login credentials may login here

Bidders needing login credentials may request them here

NEW APPLICANTS REQUEST AN ACCOUNT

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

home **get account**

Get Account

Fields marked with a * are required

Name: *

Company: *

E-Mail: *

Position/Title:

Phone Number: *

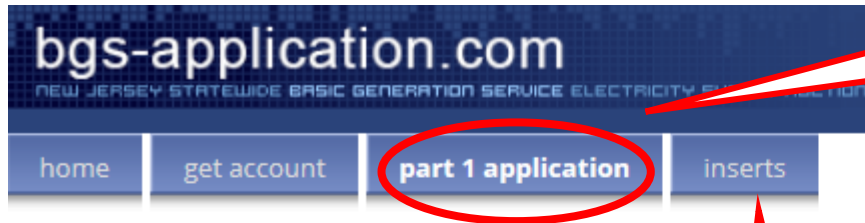
Alternate Phone Number:

**Fill out
required fields
and click
submit**

Sent to contact

- Username
- Password
- Application Instructions
- Deadline Information

LOG IN USING CREDENTIALS



After logging in, Click on the “part 1 application” tab

PART 1 APPLICATION FORM PART 1 APPLICATION DATE: December 15, 2020

This Part 1 Application Form is the application to become a Qualified Bidder in the New Jersey Basic Generation Service Residential Small Commercial and Industrial Pricing (“BGS-RSCP”) Auction, or the New Jersey Basic Generation Service Commercial and Industrial Pricing (“BGS-CIEP”) Auction, or both.

Click on the “inserts” tab to download additional documents that must be completed with the Part 1 Application

5. APPLICATION PROCESS

PART 1 AND PART 2 APPLICATIONS

- **Part 1 and Part 2 Applications** will be submitted via two separate online forms
- **General Requirements of Applications**
 - Fill in the form to provide information in response to requirements
 - Provide supporting documents, including “Inserts” (separate forms in Microsoft Word that Applicants complete and provide with the respective application)
 - Make certifications regarding the Auction Rules and SMAs

<https://www.BGS-Application.com>

PART 1 REQUIREMENTS ARE SIMPLE

Section	Title	Requirements
1-4	Applicant Contact Information	<ul style="list-style-type: none"> • Designate “Bidder Team” • Designate Legal Representative in NJ: accept service of process • Designate Credit Representative
5	Licensing Requirement	<ul style="list-style-type: none"> • Applicants that are not yet BGS Suppliers show that they are LSEs or certify that they have no impediments to becoming an LSE in PJM
6-7	Financial Information	<ul style="list-style-type: none"> • Financial Requirements • Credit ratings • Determine pre-auction security required by the Part 2 Application
8	Foreign Entities	<ul style="list-style-type: none"> • Additional information for entities not incorporated or otherwise formed under the laws of the United States
9-10	Certifications	<ul style="list-style-type: none"> • Agree to terms of Supplier Master Agreement • Agree to Auction Rules • Agree to confidentiality requirements • Agree not to assign rights as a Qualified Bidder
11	Justification of Omissions	<ul style="list-style-type: none"> • Explain or provide any missing information

COMPLETE APPLICABLE INSERTS

- **Inserts** are separate forms in Microsoft Word available on the “inserts” tab on the BGS application website
- Each Insert will include additional instructions on the method of completion
- All Inserts may be completed with a digital signature and some Inserts may be completed with an electronic signature:
 - **Digital Signature**: created using commercially available software (such as DocuSign, Adobe Acrobat, or Adobe Sign) that generates an additional document or information that can be used by the BGS Auction Manager to verify the identity of the signatory
 - **Electronic Signature**: not created using a software that generates additional documentation or information that can be used to verify the identity of the signatory (example: image of a signature)

COMPLETE ALL APPLICABLE INSERTS

Inserts such as the Authorized Representative Insert (#P1-1)

How to complete:

- Signed with signature notarized;
- or
- Digital signature with accompanying document or information that can be used to verify the identity of the signatory (digital signature is not required to be notarized)

How to Submit:

- Can be uploaded to the online Application form
- or
- sent by email to the BGS Auction Manager at BGS-Auction@nera.com

Inserts such as the Nominee Insert (#P1-2)

How to complete:

- Digital signature with accompanying document or information to verify the identity of the signatory;

or

- Scanned wet signature;

or

- Electronic signature

How to Submit:

- Digital signature: uploaded to online Application form or emailed
- Scanned wet or electronic signature: **email ONLY to** BGS-Auction@nera.com by the signatory or with signatory on copy

PART 1 APPLICATION – ARCHITECTURE OF FORM

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

home | get account | **part 1 application** | inserts

PART 1 APPLICATION FORM

PART 1 APPLICATION DATE: December 15, 2020

1. Basic Applicant Information

Name of Applicant

Test Applicant

Is the Applicant name the same as the legal or trade name? ☒ Yes ☐ No

Place of Incorporation (If Applicable)

Delaware

Log Out

[Click to Print This Form](#)

Save

Submit

**Bottom of Form:
Print, Save, Submit**

**Right toolbar:
useful docs,
save, and log out**

**Fill in fields
and radio
buttons**

Useful Documents for the Part 1 Form:

- Glossary – Part 1 Application
- Part 1 Application Review Process
- Application and Login Instructions
- Digital Signature Instructions

Click to go to the **top** of the form.
Click to go to the **bottom** of the form (Save, Submit).

Save and Continue

Log Out

PART 1 APPLICATION PROCESSING AND CORRESPONDENCE WITH AUCTION MANAGER

- Automatic email from “BGS Auction Application” confirms submission
- Auction Manager provides review by email:
 - **By 6 PM** the same business day if submission received before noon
 - **By noon** on the next business day if submission received between noon and 6 PM
 - Application is either “**complete**” or “**deficient**”
- Bidders **must** respond to deficiency notices by the deadline otherwise application is rejected. Deadline is **12 PM (noon)** on the Part 1 Application Date or **6 PM** the next business day, whichever is later
- **Notification of Qualification** (received if application is successful) contains a creditworthiness assessment and instructions for the Part 2 Application pre-auction security requirements

PART 2 FORM AVAILABLE WHEN PART 1 CLOSES



- **Architecture** same as Part 1 Form:
 - Fields / radio buttons
 - Inserts (download from “Inserts” page)
 - Toolbar with useful documents
 - Basic functionality (print, save, submit)

PART 2 APPLICATION REQUIREMENTS

Section	Title	Requirements
1	Auction Participation	<ul style="list-style-type: none">• Confirm contact information• Confirm intended auction participation
2	BGS-RSCP Requirements	<ul style="list-style-type: none">• Submit a statewide indicative offer and preliminary interest in each EDC• Confirm pre-auction security amount• Certify compliance with Association and Confidential Information Rules• Provide information necessary to prepare the SMA
3	BGS-CIEP Requirements	<ul style="list-style-type: none">• Submit a statewide indicative offer• Confirm pre-auction security amount• Certify compliance with Association and Confidential Information Rules• Provide information necessary to prepare the SMA
4	Justification of Omissions	<ul style="list-style-type: none">• Explain or provide any missing information

Pre-auction security must be submitted by email to the BGS Auction Manager at BGS-Auction@NERA.com

INDICATIVE OFFER REQUIREMENTS

- **The indicative offer** is the maximum number of tranches that the bidder is willing to bid statewide for all EDCs at the minimum starting price and at the maximum starting price
- The indicative offer at the maximum starting price determines:
 - the maximum number of tranches that the bidder can bid in the Auction (the **initial eligibility**)
 - The amount of pre-auction security required with the Part 2 Application

BGS-RSCP Auction	BGS-CIEP Auction
Bidders provide interest in each EDC at the minimum and maximum starting prices	Indicative offer at maximum starting price must be at least 2 tranches

PRE-AUCTION SECURITY IS ELECTRONIC ONLY

BGS-RSCP:

Submit an electronic letter of credit in an amount of **\$500,000 per tranche** of the indicative offer at the maximum starting price **(12.0 ¢/kWh)**

Additional pre-auction security may be required if:

- Qualified Bidder has a Guarantor (Letter of Intent to Provide a Guaranty)
- Qualified Bidder or Guarantor does not have sufficient unsecured credit (Letter of Reference)

BGS-CIEP:

Submit an electronic letter of credit in an amount of **\$375,000 per tranche** of the indicative offer at the maximum starting price **(\$650/MW-day)**

All pre-auction security must be submitted by email to the BGS Auction Manager at BGS-Auction@NERA.com

LISTS OF ACCEPTABLE MODIFICATIONS POSTED

- Use **electronic standard form for the Auction in which you are applying** to participate
- Standard Form posted to the “Contract and Credit” page of the “bidder info” tab of the BGS Auction website
 - Final **Electronic** Pre-Auction Letter of Credit for BGS-CIEP Bidders (Nov. 09, 2020)
 - Final **Electronic** Pre-Auction Letter of Credit for BGS-RSCP Bidders (Nov. 09, 2020)
- **Acceptable modifications** to the Electronic Pre-Auction Letters of Credit are posted to the “contract and credit” page of the “bidder info” tab of the BGS Auction website

PART 2 APPLICATION PROCESSING AND CORRESPONDENCE WITH AUCTION MANAGER

- Automatic email from “BGS Auction Application” confirms submission
- For materials **except pre-auction security**, timing is the same as for the Part 1 Application
 - **Auction Manager provides results of review on the same business day** if submission is received before noon or **by noon on the next business day** otherwise
 - Bidders must respond to deficiency notice by noon on the Part 2 Date or by 6 PM the next business day
- Review of **pre-auction security** is performed by a committee of representatives of the EDCs and of the Auction Manager
 - Review may be provided in a separate notice
 - Review may be delayed



6. AUCTION RULES

WHAT IS A BID IN ROUND 1?

A bid is a number of tranches for each EDC

PSE&G	JCP&L	ACE	RECO
10	4	2	1

The bidder is ready to supply 10 tranches for PSE&G, 4 tranches for JCP&L, 2 tranches for ACE and 1 for RECO at the round 1 prices

Two rules:

- The total number of tranches bid on all EDCs **cannot exceed bidder's initial eligibility**
- **BGS-RSCP Auction only:** The number of tranches bid on an EDC **cannot exceed the EDC load cap**

SAMPLE ROUND REPORTS

BGS-CIEP Report: Round 1	
Total Excess Supply: 151-155	
EDC	Round 2 Price (\$/MW-day)
PSE&G	585.00
JCP&L	582.00
ACE	548.05
RECO	570.00

Bidder sees:

- Range of total excess supply
 - Total excess supply is the sum of excess supply for all EDCs
 - Range provided includes actual total excess supply
 - Range of 5 numbers at start of Auction
- The round 2 prices
- The bidder's own bid

Bidder has no information about others' bids, identities or eligibilities

PRICES “TICK DOWN”

- The price for an EDC ticks down in the next round when, and only when, there are more tranches bid than the tranche target at the current round price for that EDC
- At the start of the Auction, prices tick down by more than at the end
- There are three distinct regimes
 - **Start (regime 1):** 0.50% to 5.00%
 - **Middle (regime 2):** 0.375% to 3.75%
 - **End (regime 3):** 0.250% to 2.50%
- **Formulas** in the Auction Rules finalized upon registration of bidders

CHANGES IN ROUND 2 BIDDING (FROM ROUND 1)

- A bidder can keep the number of tranches bid for each EDC the same as in round 1
- A bidder may be able to:
 - **Withdraw:** Remove some tranches from the Auction
 - **Switch:** Reduce tranches bid on one EDC and increase tranches bid on another EDC
 - **Withdraw and switch**
- A bidder can only request to reduce the number of tranches bid for an EDC (either through by withdrawing or switching from the EDC) **if the price for the EDC has ticked down**

WHAT ARE THE RULES IN ROUND 2?

- The **total number of tranches bid** on all EDCs combined cannot exceed **eligibility** in round 2 (number of tranches bid in round 1)
- **BGS-RSCP Auction only:** The number of tranches bid **on any one EDC** cannot exceed **the load cap** for that EDC

BIDDERS MUST NAME AN EXIT PRICE WHEN WITHDRAWING A TRANCHE

BGS-RSCP Auction Example				
EDC	PSE&G	JCP&L	ACE	RECO
Price Round 1	11.500	11.500	11.500	11.500
Bid Round 1	10	1	3	1
Price Round 2	10.925	11.155	11.328	11.500
Bid Round 2	10	1	2	1
<i>Exit Price</i>			<i>11.400</i>	

- A bidder must enter an **exit price** (a final and best offer)
 - Above current going price
 - Below or equal to previous going price

A BIDDER COULD NEED TO PROVIDE ADDITIONAL INFORMATION WHEN SWITCHING

BGS-CIEP Auction Example				
EDC	PSE&G	JCP&L	ACE	RECO
Price Round 1	585.00	600.00	565.00	570.00
Bid Round 1	2	7	2	1
Price Round 2	585.00	582.00	548.05	570.00
Bid Round 2	6	1	4	1
<i>Switching Priority</i>	1		2	

- When a bidder reduces the tranches bid on one or more EDCs and increases the number of tranches bid on **more than one** EDC, the bidder will be asked for a switching priority
- This is used when only some of the reductions can be granted

A BIDDER COULD NEED TO PROVIDE ADDITIONAL INFORMATION WHEN SWITCHING AND WITHDRAWING

BGS-CIEP Auction Example				
EDC	PSE&G	JCP&L	ACE	RECO
Price Round 1	585.00	600.00	565.00	570.00
Bid Round 1	2	5	2	1
Price Round 2	585.00	582.00	548.05	570.00
Bid Round 2	4	2	3	0
Exit		✓		
Exit Price		590.00		

- When decreasing the number of tranches bid from more than one EDC **and** switching, the bidder will be asked to designate which tranche is being withdrawn
- The bidder names an exit price for the withdrawn tranche

CHANGES IN ROUND 2 REPORTING (FROM ROUND 1)

- A bidder can **request** a switch or a withdrawal – but it **may not always be granted**
 - Auction Manager may retain tranches from exits or switches if necessary to fill the tranche targets
 - Auction Manager fills tranche target first with tranches bid at the going price, then by retaining exits, then by denying switches (if necessary)
- When **getting information about own bid**, bidder will get information regarding:
 - Any tranches requested to be withdrawn that were retained (retained at the named exit price)
 - Any tranches requested to be switched that were denied (retained at the last price at which tranches were freely bid)

HOW DOES THE AUCTION END?

- Rules in rounds 3, 4, etc. are the same as the rules in round 2
- Auction closes:
 - When **total excess supply equals zero** and prices no longer tick down
- Bidding on **all EDCs** will stop at the **same time** and all bidders that win tranches for an EDC **get the same price**



7. BIDDING PROCEDURES

BIDS ARE SUBMITTED ONLINE

- Bidding is done online
- Bids are submitted and round results received through the **auction software**
- Bidders log in to the auction software using a Login ID and password provided by the Auction Manager to the Bidder Team
- Bidders have **TWO** opportunities to practice submitting bids in the auction software in either or both of the Trial Auctions for Registered Bidders (1st to be held on **January 28th** and the 2nd to be held **February 2nd**)
- **System requirements** are minimal:
 - A standard PC-compatible computer running Windows Vista, Windows 7 or later, or Mac 10.7 or later
 - An Internet connection and a supported web browser

AUCTION SCHEDULE

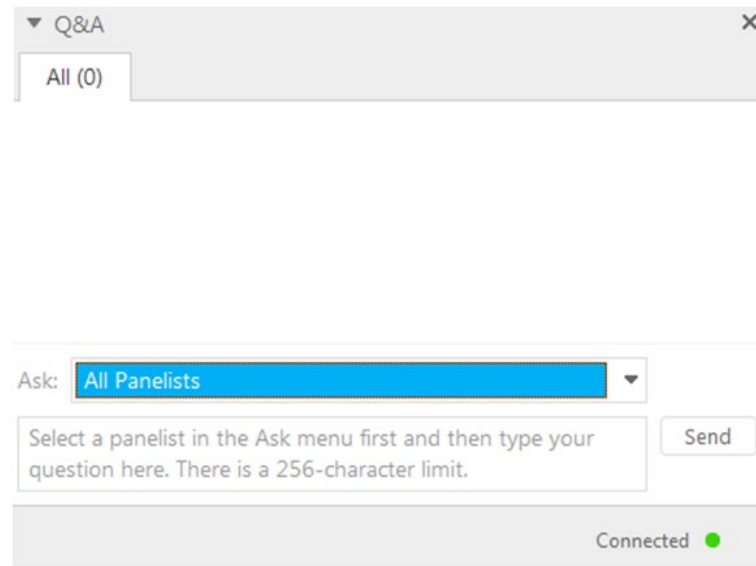
- The BGS-CIEP Auction will begin on **Friday, February 05, 2021**
- The BGS-RSCP Auction will begin on **Monday, February 08, 2021**
- Tentative auction Schedule provided to bidders in the January webcast
- Actual schedule provided the day before the Auction

PAUSES

- Each bidder has **2 extensions** available to extend the bidding phase by 15 minutes
 - Typically for technical problems
 - The **bidding phase in round 1 is automatically extended** for the convenience of bidders
 - If a bidder requests an extension in round 1, or does not submit a bid during the bidding phase, an extension will be charged to the bidder that will run concurrently with the automatic extension
- Each bidder has 1 **recess request** to extend the reporting phase by no less than 20 minutes
 - Extra time to consider bid
 - Available only later in the Auction (after round 10 and after the total excess supply in previous round falls below a given threshold)
- The Auction Manager can call a **time-out** (for example, in case of general technical difficulty)

QUESTIONS?

To submit questions to the presenters, please **locate the “Q&A” on the right hand side of your screen**, and select “All Panelists” in the “Ask” box; type in your question and click “Send” to submit your question



The screenshot shows a Q&A interface. At the top, there is a dropdown menu labeled 'Q&A' with a close button 'X'. Below it, there is a button labeled 'All (0)'. In the center, there is a section labeled 'Ask:' with a dropdown menu showing 'All Panelists'. Below the dropdown, there is a text input field with the placeholder text 'Select a panelist in the Ask menu first and then type your question here. There is a 256-character limit.' To the right of the input field is a 'Send' button. At the bottom right, there is a status indicator 'Connected' with a green dot.

Presentation Materials and Q&A will be posted to
<http://bgs-auction.com/bgs.bidinfo.ip.asp>



APPENDIX

PART 1 INSERTS – GENERAL INSERTS

#	Insert	Applies to
P1-1	Authorized Representative Insert	REQUIRED
P1-2	Nominee Insert	OPTIONAL
P1-3	Legal Representative Insert	REQUIRED
P1-4	LSE Certification Insert	Bidders not already PJM LSEs
P1-5	Certifications (A) Insert	REQUIRED

- General Inserts – do not depend on the Auction or Auctions for which the bidder is applying

PART 1 INSERTS – PARTICIPATION-SPECIFIC

# Insert		
RSCP Only	P1-6	RSCP Designation Insert REQUIRED
	P1-7	RSCP Certifications (B) Insert REQUIRED
	P1-8	RSCP Bidding Agreement Insert Applicable if in Bidding Agreement
RSCP+CIEP	P1-9	RSCP+CIEP Designation Insert REQUIRED
	P1-10	RSCP+CIEP Certifications (B) Insert REQUIRED
	P1-11	RSCP+CIEP Bidding Agreements Insert Applicable if in Bidding Agreement
CIEP Only	P1-12	CIEP Designation Insert REQUIRED
	P1-13	CIEP Certifications (B) Insert REQUIRED
	P1-14	CIEP Bidding Agreement Insert Applicable if in Bidding Agreement

PART 2 INSERTS – AUCTION-SPECIFIC

- Qualified Bidders applying for participation in either the BGS-RSCP or the BGS-CIEP Auction will submit ONE set of Inserts (2 Inserts in total).
- Qualified Bidders applying for both Auctions will submit both sets of Inserts (4 Inserts total)

	#	Insert	
RSCP	P2-1	RSCP Certifications (C) Insert	REQUIRED
	P2-2	RSCP Contract Insert	Requested
CIEP	P2-3	CIEP Certifications (C) Insert	REQUIRED
	P2-4	CIEP Contract Insert	Requested