

## A. REGULATORY PROCEEDING

**Companion Document:** Section C.1 of the [BGS Auction Process](#) Chapter of the October Bidder Information Materials is a **companion document** that provides a timeline and brief overview of the BGS regulatory process. This chapter updates the content of the companion document by describing the activities under the regulatory proceeding that have taken place to date.

*This chapter is provided for bidder convenience only. Any statements herein describing the EDCs' "Proposal for Basic Generation Service Requirements to Be Procured Effective June 1, 2021" filed on July 1, 2020 with the New Jersey Board of Public Utilities ("Board" or "BPU") or describing the Board Orders in the proceeding are qualified in their entirety by our reference to the EDCs' proposal available on the BGS Auction website ([Front Part of Filing](#), [Appendix A](#), [Appendix B](#), [Appendix C](#), and [Appendix D](#)) and to the [Board Orders](#). Bidders bear full responsibility for reviewing the EDCs' proposal and the subsequent Board Orders.*

The EDCs are Public Service Electric and Gas Company ("PSE&G"), Jersey Central Power & Light Company ("JCP&L"), Atlantic City Electric Company ("ACE"), and Rockland Electric Company ("RECO").

### A.1. Prior to the Board Order

#### *BGS Proposals*

In response to a [Procedural Order](#) issued by the Board on March 27, 2020, the EDCs filed their "Proposal for Basic Generation Service Requirements to Be Procured Effective June 1, 2021" on July 1, 2020. No other party filed an alternative proposal. The EDCs' proposal is available on the [BGS Proceeding](#) page of the BGS Auction website and the links are provided above. The EDCs' proposal consisted of:

- A joint proposal that detailed the procurement of supply for BGS customers through a statewide Auction Process; and
- A Company Specific Addendum for each EDC that addressed EDC-specific issues including contingency plans, rate design, tariff sheets, as well as an accounting and cost recovery proposal.

Each Company Specific Addendum included the Company's BGS-RSCP rate design spreadsheet that provides full details of the calculation of BGS-RSCP retail rates based on final auction prices as well as draft tariff sheets for BGS-CIEP customers.

In addition to proposing a statewide Auction Process to solicit offers for all BGS load in the state, the EDCs' proposal addressed a concern expressed by the Board in the [Order](#) approving the 2020 BGS Auction Process. In this Order, the Board called for parties to work to resolve the disparity in timing between BGS Suppliers' payment to PJM for transmission and transmission-related costs and receipt of payment for these costs from the EDCs. As such, the EDCs' proposal put forth that the EDCs, rather than the BGS Suppliers, be responsible for transmission and transmission-related costs, thus removing transmission from the BGS product for the period beginning June 1, 2021 for those BGS Suppliers that win tranches in the 2021 BGS Auctions.

Furthermore, the EDCs also proposed to remove transmission from the BGS product for existing BGS Supplier Master Agreements ("SMAs"). Under the EDCs' proposal, BGS Suppliers currently serving tranches under existing SMAs could elect to have transmission be removed from the BGS product at their option.

In a separate proceeding, Staff sought comments on issues surrounding the transmission-related amounts that have been collected from BGS customers, but not yet paid to BGS Suppliers. The Board issued an [Order](#) in this proceeding on November 18, 2020 providing a mechanism by which BGS Suppliers could be paid those amounts under specific conditions.

At the time of last year's 2020 BGS-RSCP Auction, the capacity price for the 2022/2023 delivery, the last year of the supply period, was not known. To alleviate this uncertainty, the EDCs proposed, and the Board approved, the use of a capacity proxy price for each EDC. During the 2022/2023 delivery year BGS-RSCP Suppliers would be paid (or would pay) the difference between the price BGS-RSCP Suppliers pay for capacity and the capacity proxy price. This year, neither PJM's Base Residual Auction ("BRA") for the 2022/2023 delivery year nor the BRA for the 2023/2024 delivery year will have been held prior to the BGS-RSCP Auction and, as such, the capacity prices for these delivery years will not be known prior to the 2021 BGS-RSCP Auction. The EDCs proposed to address this uncertainty in the same manner approved by the Board last year by proposing capacity proxy prices for each EDC, for each of these two delivery years. During these delivery years, BGS-RSCP Suppliers would be paid (or would pay) the difference between the price BGS-RSCP Suppliers pay for capacity and the applicable capacity proxy price. This proposal is implemented through the use of Supplements to the BGS-RSCP Supplier Master Agreement (one Supplement for each delivery year).

### *Discovery*

In its Procedural Order, the Board invited interested parties to file with the Board's Secretary discovery requests on the BGS proposals. The deadline for discovery requests

was Wednesday, July 22, 2020. The EDCs provided responses to discovery by the deadline of Wednesday, August 5, 2020.

### ***Initial Comments and Hearing***

In its Procedural Order, the Board also invited interested parties to submit comments on the BGS proposals. Comments could be submitted at three points in time. First, written initial comments could be submitted to the Board by September 4, 2020. Second, interested parties could appear at a legislative-type hearing held on September 11, 2020 to provide an oral presentation to the Board. Lastly, written final comments could be submitted to the Board following initial comments and the legislative-type hearing.

Direct Energy, the Division of Rate Counsel (“Rate Counsel”), Exelon Generation Company LLC, Hartree Partners LP, Independent Energy Producers of New Jersey (“IEPNJ”), and Vitol Inc submitted initial comments for the Board’s consideration. Rate Counsel, IEPNJ, and the EDCs appeared and made oral presentations to the Board at its legislative-type hearing.

### ***Final Comments***

The Retail Energy Supply Association and Rate Counsel submitted final comments for the Board’s consideration in response to (i) the implementation of additional training for bidders participating in the 2021 BGS Auctions in light of the COVID-19 restrictions; (ii) the removal of transmission from the BGS product, and (iii) the use of a capacity proxy price for capacity for each of the 2022/2023 and 2023/2024 delivery years. The EDCs submitted final comments that responded to the issues raised in the proceeding including: (i) the use of a capacity proxy price for the 2022/2023 and 2023/2024 delivery years, (ii) the removal of transmission from the BGS product, and (iii) the development of an amendment removing transmission from existing contracts.

## **A.2. Board Decision**

### **A.2.a. Summary**

At its agenda meeting on November 18, 2020, the Board approved the EDCs’ proposal including:

- Removing transmission from the BGS product for existing and future contracts;
- Using a single statewide Auction Process to procure supply for BGS customers;
- Holding two auctions, the BGS-CIEP Auction for large commercial and industrial customers, and the BGS-RSCP Auction for residential and smaller commercial customers;

- A supply period of June 1, 2020 through May 31, 2023 for the BGS-RSCP Auction;
- A supply period of June 1, 2020 through May 31, 2021 for the BGS-CIEP Auction;
- The use of capacity proxy prices for the 2022/2023 and 2023/2024 delivery years;
- The use of a clock auction format; and
- A decision by the Board on the auction results within two business days of the close of the last auction.

### A.2.b. Removal of Transmission from the BGS Product

The responsibility for transmission-related costs (Network Integration Transmission Service, Transmission Enhancement Charges, and Generation Deactivation charges) will be transferred from the BGS Suppliers to the EDCs. The EDCs will pay transmission-related costs directly to PJM and will collect from BGS customers the amounts required to pay these charges. Specifically, the PJM Statement PJM billing line items provided in the following table are transferred from the BGS Supplier to the EDC:

**Table A-1. PJM Billing Statement Line Items Transferred to the Company**

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

To effect the transfer of responsibility for transmission-related costs from the BGS Supplier to the EDC, modifications were made to several provisions of the BGS Supplier Master Agreements, including:

- Section 2.2: Obligations of the Parties;
- 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; and
- Section 15.9: Parties to make conforming changes to the SMA if changes occur to PJM Agreements.

Additionally, the Board approved the modifications to the rate design in order to implement these changes.

### A.2.c. Capacity Proxy Prices

The Board approved the Capacity Proxy Prices as filed by the EDCs. These are provided below.

**Table A-2. Capacity Proxy Prices**

EDC	2022/2023 Capacity Proxy Price (\$/MW-day)	2023/2024 Capacity Proxy Price (\$/MW-day)
PSE&G	162.13	166.64
JCP&L	152.06	146.51
ACE	152.06	146.51
RECO	152.06	146.51

### A.2.d. Other Items

The Board also explicitly approved:

- The EDCs' plan for marketing efforts, including holding bidder information webcasts, publicizing new developments through the BGS Auction website, and making announcements by email to interested parties; and
- The confidentiality provisions to protect information provided in the bidder application forms and information related to specific bidder activity during the auctions.

Please consult the [Board Order](#) in Docket No. ER20030190 as posted to the BGS Auction website for full details regarding the Board's actions.