

GENERAL INFORMATION

bgs-auction.com

NEW JERSEY STATEWIDE BASIC GENERATION SERVICE ELECTRICITY SUPPLY AUCTION

NERA

Economic Consulting

GENERAL INFORMATION – TABLE OF CONTENTS

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A. DISCLAIMER

The information and materials distributed at the information sessions related to the statewide Auction Process for New Jersey Basic Generation Service (“BGS”) Load (the “Auction Materials”) have been prepared by the New Jersey EDCs – Public Service Electric and Gas Company (“PSE&G”), Jersey Central Power & Light Company (“JCP&L”), Atlantic City Electric (“ACE”), and Rockland Electric Company (“RECO”) – and their group of advisors based on the EDCs’ Joint Proposal for Basic Generation Service Requirements To Be Procured Effective June 1, 2010 (I/M/O The Provision of Basic Generation Service for the Period Beginning June 1, 2010, Docket No. EO09050351) and each EDC’s Company Specific Addendum, submitted to the New Jersey Board of Public Utilities (“Board” or “BPU”) on July 1, 2009.

The Auction Materials are subject to modification and amendment, which may be announced or posted on the BGS Auction web site, <http://www.bgs-auction.com>. However, as more fully explained below, the BGS Auction web site is not the exclusive source of information that may be relevant to a recipient’s decision to participate in the Auction Process.

The Auction Materials are prepared and distributed for the sole purpose of providing general information about the BGS Auctions in order to assist potential participants in determining whether they should undertake further investigation and consideration of participation in the Auction Process.

Each recipient agrees that it will use the Auction Materials for the sole purpose of assisting in the evaluation of the Auction Process. The Auction Materials are not intended to form any part of the basis of any investment decision or valuation by a recipient or any other party. Furthermore, the Auction Materials are not a recommendation by the EDCs, the BPU, or their advisors to any recipient to participate in the Auction Process, and must not be considered as such.

By accepting the Auction Materials, each recipient acknowledges that: (i) before participating in the Auction Process, the recipient will make its own independent assessment of the potential value of supplying any part of BGS Load after making all investigations it deems necessary or advisable in its sole discretion; (ii) the information supplied in the information sessions, or as may be disseminated by the EDCs or their advisors on the BGS Auction web site or otherwise, is not intended to be and does not purport to constitute a sufficient basis for the recipient to determine whether to participate in the Auction Process or the terms and extent of any such participation; and (iii) the EDCs, the BPU, and their advisors will not be responsible for identifying, evaluating, or

bringing to the attention of the recipient information that may bear on the cost or value of supplying any part of BGS Load.

Any statements herein describing or referring to documents and agreements are summaries only and are qualified in their entirety by reference to such documents and agreements. The Auction Materials should not be considered to be or to express the terms of a contract of any kind between the EDCs or their advisors and the recipient(s). Likewise, recipients must not consider the Auction Materials as any form of guaranty. Recipients should not construe the Auction Materials as legal, business, or tax advice. Before deciding on its participation or the level of such participation, each recipient should consult with its legal, economic, technical, and financial advisors.

Delivery of the Auction Materials will not create any implication that there has not been, since the date hereof, a change with respect to the facts or circumstances herein described, or that the information is correct as of any time subsequent to the date hereof. None of the EDCs, the BPU, or their advisors assumes any obligation to revise, update or supplement any matter herein described to reflect changes, events or conditions, which occur subsequent to the date hereof. Each recipient is solely and independently responsible for keeping itself informed of any changes to the Auction Materials, as well as potential changes to the facts, circumstances and matters described herein, and for determining what other sources of information to consult when deciding whether to participate in the Auction Process.

B. ELEMENTS OF THE EDCS' PROPOSAL

B.1. Introduction

The purpose of this section is to provide an overview of key elements of the proposal by the New Jersey Electric Distribution Companies (“EDCs”) for the 2010 BGS-FP and BGS-CIEP Auctions. This section is provided for the convenience of bidders and does not represent the only items related to the BGS Auctions that could affect bidders. For additional information, please consult the Proposal for Basic Generation Service Requirements to Be Procured Effective June 1, 2010. This proposal was filed on July 1, 2009 by all four EDCs – Public Service Electric and Gas Company (“PSE&G”), Jersey Central Power & Light Company (“JCP&L”), Atlantic City Electric (“ACE”), and Rockland Electric Company (“RECO”). Please also consult each EDC’s Company Specific Addendum, also dated July 1, 2009. These documents are available on the BGS Auction web site: <http://www.bgs-auction.com/bgs.auction.regproc.asp>.

B.2. 2010 BGS Proceeding

The New Jersey Board of Public Utilities (“Board” or “BPU”), in its prior Orders in BGS Dockets No. ER07060379 and ER08050310, approved the EDCs’ proposal to use a statewide Auction Process to procure two-thirds of the state’s BGS Load through May 31, 2012. The BPU issued a procedural order, dated May 20, 2009, initiating a BGS proceeding to determine how the remaining one-third of New Jersey’s BGS requirements would be procured for the period beginning June 1, 2010. The proceeding invited all parties to offer proposals for the procurement of BGS and granted stakeholders the opportunity to issue discovery and provide both comments and oral testimony.

The Board asked that by July 1, 2009, interested stakeholders:

- file their proposals for the procurement of BGS; and
- address Boston Pacific’s recommendations to improve future auctions provided in its final report on the 2009 BGS Auctions.

Boston Pacific serves as the Board’s Advisor. Boston Pacific’s final report on the 2009 BGS Auctions can be found at: <http://www.bgs-auction.com/bgs.dataroom.bpu.asp>.

B.3. Proposed Auction Process

The EDCs propose that, for the period starting June 1, 2010, procurement be conducted through a statewide Auction Process that simultaneously seeks offers for all BGS Load in the state. The Auction Process will consist of two auctions that will be held concurrently.

The **BGS-FP Auction** will seek offers for the supply of full-requirements tranches of each EDC's BGS-FP Load for a three-year period. Each EDC's BGS-FP Load excludes the load of large customers in certain rate classes as described in Table B-1 below. Historical load data for each EDC can be obtained in the Data Room on the BGS Auction web site (see <http://www.bgs-auction.com/bgs.dataroom.asp>).

Table B-1. Customers Excluded from BGS-FP

EDC	Rate Class	Customers Included	Voltage Level
PSE&G	High Tension Service	All	138,000V to 230,000V
	High Tension Service	All	26,400V to 69,000V
	Large Power and Lighting, Primary Service	All	2,400V to 13,200V
	Large Power and Lighting, Secondary Service	1,000 kW or greater	208V to 480V
JCP&L	General Service Primary	All	2,400V to 34,500 YV
	General Service Transmission	All	34,500ΔV
		All	230,000V
	General Service Secondary	1,000 kW or greater	120 – 480V
	General Service Secondary Time-of-Day	1,000 kW or greater	120 – 480V
ACE	Transmission General Service	All	23,000V or higher
	Annual General Service – Primary	1,000 kW or greater	4,000 & 12,000V
	Annual General Service – Secondary	1,000 kW or greater	120 – 480V
	Monthly General Service Primary	1,000 kW or greater	4,000 & 12,000V
	Monthly General Service Secondary	1,000 kW or greater	120 – 480V

EDC	Rate Class	Customers Included	Voltage Level
RECO	Service Classification No. 7 – Primary TOU Service and Separately Metered Space Heating Service	All	2,400V or higher
	Service Classification No. 2 – General Service	1,000 kW or greater	All primary and secondary voltages

Tranches for an EDC will represent a fixed percentage of the EDC's total BGS-FP Load. Two-thirds of each EDC's BGS-FP Load have already been procured through previous auctions: one-third has already been procured in an auction held in February 2008 with a term ending May 31, 2011 and one-third has already been procured in an auction held in February 2009 with a term ending May 31, 2012. It is proposed that the remaining one-third of each EDC's BGS-FP load be procured through a BGS-FP Auction to be held in February 2010 with a term starting June 1, 2010 and ending May 31, 2013. Table B-2 below summarizes the load to be procured in the 2010 BGS-FP Auction.

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

EDC	FP Peak Load Share (MW)	Number of Tranches			Size of Tranche (%)	MW- Measure
		Planned for 2010	Procured in 2008	Procured in 2009		
PSE&G	8,643.3	28	28	29	1.18	101.69
JCP&L ¹	5,347.8	18	12	17	1.89	101.07
ACE	2,189.4	7	8	7	4.55	99.52
RECO	445.8	1	2	1	25.00	111.45

Beginning with the 2010 Auction, JCP&L is transitioning to procuring more tranches so that the MW-measure of a tranche is closer to approximately 100 MW. At the end of the transition, after the 2012 BGS-FP Auction, JCP&L will be procuring a total of 53 tranches.

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

The EDCs propose to use a multiple round descending clock auction (see the BGS-FP Auction Rules in section C of the FP Auction portion of this information packet) to procure BGS-FP supply. In a round, bidders will state how many tranches they wish to serve of each product (an EDC's BGS-FP Load) at the prices in that round. The going price for an EDC's BGS-FP Load will decrease each round in which there is excess supply for that EDC, and the BGS-FP Auction will end when the amount supplied is equal to the amount the EDCs wish to procure. There will be a single clearing price for the BGS-FP Load of each EDC that will apply to all tranches procured for that EDC in this year's BGS-FP Auction. Payments to BGS-FP Suppliers for June through September will be shaped by the use of a summer multiplicative factor on the auction price, and payments to BGS-FP Suppliers for the remaining months will be shaped by the use of a winter multiplicative factor on the auction price. The overall average payment to the BGS-FP Supplier will depend upon BGS-FP demand in each season and, consequently, will likely differ from the auction clearing price.

The current pattern of current market data results in multiplicative factors that would be slightly lower in the summer months than in the winter months for all EDCs except ACE. The EDCs may suggest to the Board that the factors for this year be set at 1.0 for both the summer and winter so as to avoid using an atypical result from the current 12-month forward prices for the three years of the BGS-FP Supplier Master Agreement. Table B-3 below provides the provisional EDC-specific seasonal factors. These EDC-specific seasonal factors may be revised by the Board and any such revision will be announced by the Auction Manager. The final EDC-specific seasonal factors, once determined, will apply for the entire three years of the supply period.

Table B-3. Provisional EDC-Specific Summer and Winter Factors

	PSE&G	JCP&L	ACE	RECO
Summer Factor	0.9833	0.9718	1.0504	0.9837
Winter Factor	1.0109	1.0176	0.9679	1.0106

A rate design methodology that accounts for supply procured in prior BGS-FP Auctions will be used to translate final auction prices into BGS-FP customer rates. A preliminary spreadsheet that converts final auction prices into customer rates using this rate design methodology is available in the Data Room (<http://www.bgs-auction.com/bgs.dataroom.occ.asp>) and will be updated in the future to account for the Board's

decision in the 2010 BGS proceeding. BGS-FP rates will vary by season and by time-of-day.

Currently, BGS-FP customers 750 kW or greater pay a retail margin of 0.5¢/kWh. The Board may reevaluate the retail margin as part of its decision in the 2010 BGS proceeding. Customers are free to come and go from BGS-CIEP, provided that they give notice at least 20 days before their next scheduled meter reading date.

There will be an EDC load cap, which is a maximum number of tranches that a bidder can bid and serve for a particular EDC, to ensure supplier diversity in each EDC territory. There will also be a statewide load cap that will serve to limit the amount of BGS-FP Load served by a bidder statewide.

The **BGS-CIEP Auction** will seek offers for the supply of full-requirements tranches of each EDC's BGS-CIEP Load. The term will be one year with the BGS-CIEP supply period beginning on June 1, 2010. Historical load data for each EDC can be obtained in the BGS Data Room (see <http://www.bgs-auction.com/bgs.dataroom.asp>).

Tranches for an EDC will represent a fixed percentage of that EDC's total BGS-CIEP Load. The number of tranches will be set so that each tranche is approximately 75 MW on an eligible basis. Table B-4 below summarizes the load to be procured in the 2010 BGS-CIEP Auction.

Table B-4. Provisional Number of BGS-CIEP Tranches and MW-Measures

EDC	CIEP Peak Load Share (MW)	Number of Tranches	Size of Tranche (%)	MW-Measure
PSE&G	1,739.10	24	4.17	72.46
JCP&L	782.50	11	9.09	71.14
ACE	313.80	5	20.00	62.76
RECO	37.20	1	100.00	37.20

It is proposed that rate schedules for BGS-CIEP customers specify a proposed 0.015¢/kWh payment for the CIEP Standby Fee, a per kW or per kWh rate for the transmission obligation, a per kWh rate for ancillary services, and a provision to pass through the hourly PJM real-time energy price. The CIEP Price will be determined through the BGS-CIEP Auction and will be assessed as a specific capacity obligation charge, demand charge, or energy charge. Currently, BGS-CIEP customers pay a retail margin of 0.5¢/kWh. The Board may reevaluate the retail margin as part of its decision

in the 2010 BGS proceeding. Customers are free to come and go from BGS-CIEP, provided that they give notice at least 20 days before their next scheduled meter reading date.

The EDCs propose to use a multiple round descending clock auction (see the BGS-CIEP Auction Rules in section C of the CIEP Auction portion of this information packet) to procure BGS-CIEP supply. There will be a statewide load cap that will limit the amount of BGS-CIEP Load served by a bidder statewide. In a round, bidders will state how many tranches they wish to serve of each product (an EDC's BGS-CIEP Load) at the prices in that round. The going price for an EDC's BGS-CIEP Load will decrease each round in which there is excess supply for that EDC, and the BGS-CIEP Auction will end when the amount supplied is equal to the amount the EDCs wish to procure.

There will be a single clearing price for the BGS-CIEP Load of each EDC that will apply to all tranches procured for that EDC in this year's BGS-CIEP Auction. BGS-CIEP Suppliers for an EDC will receive that EDC's clearing CIEP Price times the daily BGS-CIEP capacity obligation, the then-current OATT network transmission charge times the daily BGS-CIEP transmission obligation, the zonal hourly PJM spot price times the hourly BGS-CIEP Load at the EDC's PJM zone bus, and the ancillary service rate times BGS-CIEP Load at the zone bus. Winners will also be paid the CIEP Standby Fee times the monthly sales to all CIEP customers, regardless of whether these customers are actually taking BGS or not.

While BGS-CIEP and BGS-FP tranches may be auctioned concurrently, there will be no switching between BGS-CIEP and BGS-FP tranches.

Each BGS Supplier, whether a supplier for BGS-FP or BGS-CIEP Load, will be required to assume PJM Load Serving Entity ("LSE") responsibility for the portion of BGS Load (whether BGS-CIEP or BGS-FP) served by that BGS Supplier. In accordance with the PJM Agreements, BGS Suppliers will be physically and financially responsible for the day-to-day provision of electricity to BGS customers. This full-requirements service includes the provision of capacity, energy, transmission, ancillary services and any other services as may be required by PJM. The LSE obligations of each BGS tranche are subject to uncertainty and bidders will be required to manage this uncertainty, including the possibility that customers come and go from BGS.

Please see the BGS Supplier Master Agreements (section D of the FP Auction portion and section D of the CIEP Auction portion of this information packet) for further information on the commercial terms associated with providing BGS-FP or BGS-CIEP supply.

B.4. Renewable Portfolio Standards (“RPS”)

The EDCs propose to assist BGS Suppliers in meeting the reporting requirements of the New Jersey Renewable Portfolio Standards (“RPS”). In addition, PSE&G, JCP&L and ACE propose, to the extent permitted by applicable regulatory and contractual provisions and applicable law, to make available to winning BGS-FP Suppliers Renewable Energy Certificates (“RECs”) from committed supply. ACE’s proposal also makes RECs available to BGS-CIEP Suppliers.

The RPS require that a portion of the electricity delivered to New Jersey customers be supplied from solar electric generation systems. BGS-Suppliers must comply by submitting Solar Renewable Energy Certificates (“SRECs”) or by paying a Solar Alternative Compliance Payment (“SACP”). In response to the Board’s directive in other proceedings, each EDC separately filed solar programs that have the objective, as set by the Board, to enhance the ability of all New Jersey suppliers to meet the solar component of the RPS. For more information see New Jersey Initiatives in section J of the General Information portion of this information packet.

C. THE EDCS

C.1. Public Service Electric and Gas Company (PSE&G)

(<http://www.pseg.com>)

Public Service Electric and Gas Company (“PSE&G”) is one of the largest combined electric and gas companies in the United States, and is also New Jersey’s oldest and largest publicly owned utility. The Public Service Corporation was formed in 1903 by amalgamating more than 400 gas, electric and transportation companies in New Jersey. It was renamed Public Service Electric and Gas Company in 1948. PSE&G currently serves nearly three quarters of the state’s population in a service area consisting of a 2,600-square-mile diagonal corridor across the state from Bergen to Gloucester Counties.

PSE&G is the largest provider of electric and gas service in New Jersey, with over 1.7 million gas and 2.1 million electric customers in more than 300 urban, suburban and rural communities, including New Jersey’s six largest cities.

C.2. Jersey Central Power & Light Company (JCP&L)

(https://www.firstenergycorp.com/JCP_L/index.html)

Jersey Central Power & Light Company (“JCP&L”) is headquartered in Morristown, New Jersey and provides electric service to over one million residential and business customers within 3,200 square miles of northern and central New Jersey. JCP&L is a member of the FirstEnergy family of companies.

FirstEnergy Corp. is a diversified energy company headquartered in Akron, Ohio having annual revenues of approximately \$13.6 billion. Its subsidiaries and affiliates are involved in the generation, transmission and distribution of electricity, as well as energy management and other energy-related services. Its seven electric utility operating companies – Ohio Edison, The Cleveland Electric Illuminating Company, Toledo Edison, Metropolitan Edison, Pennsylvania Electric, Pennsylvania Power, and Jersey Central Power & Light – comprise the nation’s fifth largest investor-owned electric system, serving 4.5 million customers within 36,100 square miles of Ohio, Pennsylvania and New Jersey; and its generation subsidiaries control more than 14,000 megawatts of capacity.

C.3. Atlantic City Electric (ACE)

(<http://www.atlanticcityelectric.com>)

Atlantic City Electric Company (“ACE”), a subsidiary of Pepco Holdings, Inc., is a regulated utility that provides electric service to more than 547,000 customers in eight counties in southern New Jersey. Its service territory covers approximately 2,700 square miles. ACE previously operated under the trade name Conectiv Power Delivery. For more information on ACE, please consult the web site at the address given above.

C.4. Rockland Electric Company (RECO)

(<http://www.oru.com>)

Rockland Electric Company (“RECO”) is a public utility authorized by the Board of Public Utilities to provide electric service within the northern parts of Bergen and Passaic Counties and small areas in the northeastern and northwestern parts of Sussex County, New Jersey. RECO has offices at 82 East Allendale Road, Suite 8, Saddle River, NJ 07458. RECO provides electric service to approximately 72,000 customers.

RECO is a wholly owned subsidiary of Orange and Rockland Utilities, Inc. (“Orange and Rockland”), an electric and gas utility headquartered in Pearl River, NY. RECO, along with Orange and Rockland, and Orange and Rockland’s Pennsylvania subsidiary, Pike County Light & Power Company, operate a fully integrated electric system serving parts of New Jersey, New York, and Pennsylvania.

In March 2002, RECO transferred approximately 400 MW of load, which represents approximately 90% of RECO’s total peak load, to the PJM control area. Only that portion of RECO’s load transferred to PJM will be included in the BGS Auctions. The remainder of RECO’s load is located in the New York Control Area administered by the New York Independent System Operator (“NYISO”) and will not be included in the BGS Auctions.

D. THE ROLES OF THE BOARD, THE EDCs, AND THE AUCTION MANAGER

D.1. The Role of the Board and Board Advisor

The EDCs propose that the Auction Process be similar to that approved in the previous BGS Auctions and that the Board again play a substantial role in the 2010 BGS Auctions.

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

- a. The Board will render a decision on the Auction Process set forth in the EDCs' proposal, the Auction Rules, and the EDCs' Company Specific Addenda;
- b. The Board will render a decision on the BGS-CIEP Supplier Master Agreement and the BGS-FP Supplier Master Agreement;
- c. The Board Advisor will oversee the conduct of the Auctions and brief the Board during the Auction Process; and
- d. 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 the BGS-FP Auction and on the results of the BGS-CIEP 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.

D.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 BGS supply from the prior year's suppliers to suppliers for the supply period beginning June 1, 2010, and that adequate protections are in place to assure that the BGS Suppliers are physically and financially reliable.

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

- a. Retention of an Auction Manager to administer the BGS Auctions;
- b. Development of the Auction Process, which is presented to the Board in the July 1, 2009 Joint Filing of the EDCs;

- c. Promotion of the BGS Auctions in conjunction with the Auction Manager;
- d. 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 web site maintained by the Auction Manager;
- e. 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;
- f. Development of the BGS Supplier Master Agreements and instruments for financial guarantees;
- g. Review and approval of financial qualifications, including review of alternate guaranty forms; and
- h. Execution of the BGS Supplier Master Agreements on behalf of their customers.

In addition, the EDCs have proposed to continue to fund the Board's retention of an independent Board Advisor to oversee the BGS 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.

D.3. The Role of the Auction Manager

The EDCs have retained an Auction Manager to administer the BGS Auctions. The Auction Manager will be responsible for day-to-day administration and 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 will be primarily responsible for the following tasks:

- a. Setting up and maintaining a web site for the dissemination of auction information to stakeholders. This auction information includes application deadlines and information session dates, as well as the information packages prepared by the EDCs and the Auction Manager;
- b. 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 web site;

- c. Receiving applications for qualification and notifying interested parties of the results of the qualification procedure;
- d. Managing the Alternate Guaranty process;
- e. Receiving indicative offers and pre-auction security, ensuring that these are in accordance with the rules and notifying Registered Bidders of their initial eligibility;
- f. Developing and testing bidding procedures that implement the Auction Rules;
- g. Providing technical help to bidders with respect to the Auction Rules and the bidding procedures;
- h. Managing the interface during the Auctions to ensure that auction parameters such as length of rounds and decrements are set appropriately;
- i. Developing information packages that bidders will receive at bidder information sessions;
- j. Drafting manuals for the Auction;
- k. Reviewing other information required of bidders before and after qualification and resolving issues over associations with the Board Advisor;
- l. Training potential bidders in the bidding procedures; and
- m. Providing to the Board and the EDCs a full factual report on the Auctions and on the final results.

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

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

E. APPLICATION PROCESS

E.1. Overview

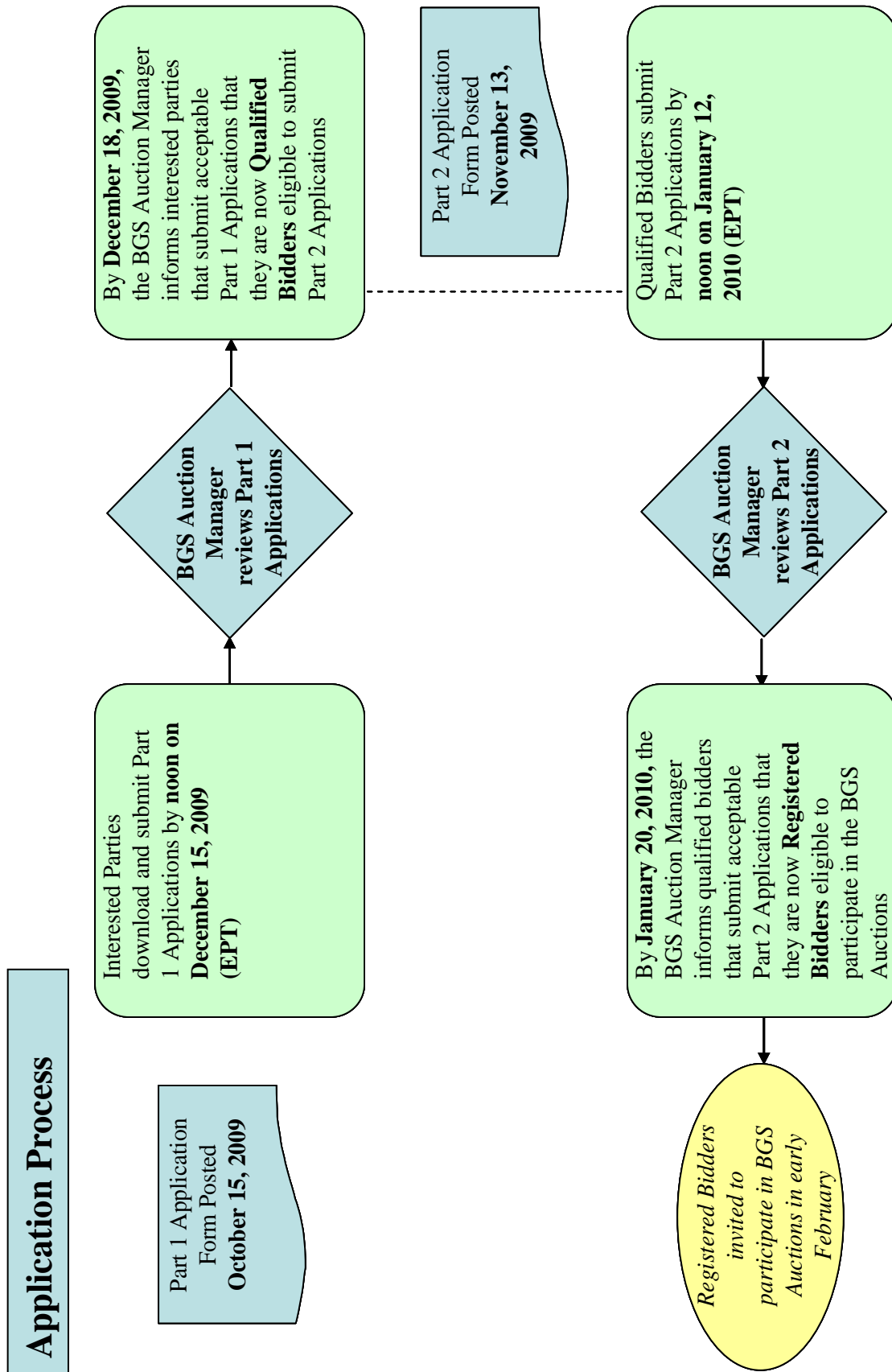
The application process for the 2010 New Jersey Basic Generation Service Fixed Price (“BGS-FP”) and the New Jersey Basic Generation Service Commercial and Industrial Energy Pricing (“BGS-CIEP”) Auctions is in two parts. Applicants may choose to apply to participate in the BGS-FP Auction, or the BGS-CIEP Auction, or both.

In their Part 1 Applications, interested parties will be asked to provide primary contact information and submit financial information so that the EDCs can assess their creditworthiness. In addition, interested parties will be asked to comply with other qualification requirements, including agreeing to the applicable Auction Rules and agreeing to the terms of the applicable Supplier Master Agreement. Each interested party will also be asked to agree that if the interested party is successful in its Part 1 Application, it will keep confidential the list of other successful Applicants and it will not assign its rights or substitute another entity in its place. An Applicant that has successfully completed the Part 1 Application is a “Qualified Bidder.” Only Qualified Bidders may submit Part 2 Applications.

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

Four (4) original completed Application Forms, together with one (1) copy of additional materials listed in Appendix A to the Application Forms, are required at submission. Applications may not be submitted by e-mail or fax. No late applications will be accepted under any circumstances.

The process is summarized in the following figure.



E.2. Part 1 Application

The Part 1 Application Form is the application form to become a Qualified Bidder in the BGS-FP Auction, or the BGS-CIEP Auction, or both.

E.2.a. Requirements

The Part 1 Application Form requirements are the following:

- a. Each Applicant must provide basic information such as the Applicant's legal name, place of incorporation, etc.
- b. Each Applicant must provide the name and contact information for an Authorized Representative, a Credit Representative, and a Legal Representative in New Jersey. Applicants to both the BGS-FP and BGS-CIEP Auctions may provide the information for a Delegate in addition to their Authorized Representative. This is explained further in the section E.2.c.
- c. Each Applicant must either confirm that it is a PJM LSE or certify that there are no impediments for it to become a PJM LSE by June 1, 2010.
- d. Each Applicant must provide financial information, including financial statements and debt ratings, to assess its or its Guarantor's creditworthiness.
- e. Each Applicant must make certifications in order to comply with the "association and confidential information" portion of the Auction Rules.

E.2.b. Timeline

Event	Date
Final Part 1 Application Form is posted	Thursday, October 15, 2009
Deadline to submit Part 1 Application due by NOON	Tuesday, December 15, 2009
Part 1 Applications are reviewed	December 15 – 18, 2009
Applicants are notified of Part 1 Application Results	Friday, December 18, 2009

E.2.c. Authorized Representative

The Authorized Representative represents the Applicant in the Auction or Auctions for which the Applicant is applying. The Authorized Representative receives all documentation related to the Auction or Auctions, including notifications from the BGS Auction Manager, auction procedures manuals, and confidential information required to submit bids in the trial auction and in the Auction or Auctions themselves. The Authorized Representative is the only person authorized to distribute auction procedures manuals and confidential information to other representatives of the Applicant. The Authorized Representative is the only person authorized to designate a person other than him/herself to submit bids in the BGS-FP Auction, or the BGS-CIEP Auction, or both. The integrity of the Auction Process depends upon each Authorized Representative safeguarding confidential information and passwords used in one or both of the Auctions. The Authorized Representative must ensure that only authorized persons act on behalf of the Applicant in the Auction Process.

If the Applicant is applying to participate in both Auctions, the Authorized Representative may designate a Delegate for one of the Auctions. The Delegate serves as the Applicant's contact for the specified Auction while the Auction is in progress and regarding the Applicant's indicative offer in its Part 2 Application.

E.3. Part 2 Application

The Part 2 Application Form is the application form to become a Registered Bidder in the BGS-FP Auction, or the BGS-CIEP Auction, or both. Only a Qualified Bidder for an Auction may submit a Part 2 Application for that Auction.

E.3.a. Requirements

The Part 2 Application Form requirements are the following:

- a. Each Applicant must provide an indicative offer at the maximum starting price for each Auction. Each Applicant must also provide an indicative offer at the minimum starting price for each Auction. These indicative offers are not binding. However, the indicative offer at the maximum starting price for an Auction determines the Applicant's initial eligibility for that Auction.
- b. Each Applicant to the BGS-FP Auction must provide its preliminary interest in each EDC at the maximum and minimum starting prices. The number of tranches indicated for any one EDC at a starting price must be equal to or less than the indicative offer at that price and cannot exceed the applicable EDC load cap. The

- sum of the preliminary interest for all EDCs combined at a given starting price can exceed the indicative offer at that price and can exceed the statewide load cap.
- c. Each Applicant must provide a pre-auction letter of credit (or bid bond) for each Auction sufficient to support the indicative offer at the maximum starting price for that Auction. In the 2010 BGS Auction process, the pre-auction letter of credit will be subject to a comment process in which potential bidders can participate. The final pre-auction letter of credit, which may incorporate comments received, will be posted by November 4, 2009, well in advance of when Part 2 Applications are due. For a detailed description of the credit requirements for participation in the BGS-FP Auction or BGS-CIEP Auction, please refer to section B of the FP Auction or CIEP Auction portion, respectively, of this information packet.
 - d. Each Applicant must make the certifications listed in the Part 2 Application or disclose the requested information.

E.3.b. Timeline

Event	Date
Draft Part 2 Application Form is posted	Thursday, October 15, 2009
Final Part 2 Application Form is posted	Friday, November 13, 2009
Deadline to submit Part 2 Application due by NOON	Tuesday, January 12, 2010
Part 2 Applications are reviewed	January 12 – 20, 2010
Applicants are notified of Part 2 Application results	Wednesday, January 20, 2010

E.3.c. Eligibility and Indicative Offers

Eligibility

The number of tranches in the indicative offer at the maximum starting price that a bidder has financially guaranteed with a pre-auction letter of credit (or bid bond) with its Part 2 Application determines the bidder's initial eligibility. **A bidder will never be able to bid on more tranches than its initial eligibility.** It is therefore important for bidders to present as their indicative offers at the maximum starting price the maximum number of tranches that they would be willing to supply.

BGS-CIEP Auction Indicative Offer

A Qualified Bidder will be required to provide an indicative offer at both the minimum starting price and the maximum starting price. The BGS-CIEP indicative offer at each starting price cannot exceed the BGS-CIEP statewide load cap. The BGS-CIEP indicative offer at the maximum starting price cannot be fewer than 2 tranches.

Example 1.		
CIEP Price (\$/MW-day)		BGS-CIEP Indicative Offer (number of tranches)
Minimum Starting Price	\$260.00	(a) 2 <i>This number cannot exceed the BGS-CIEP statewide load cap of 14 tranches¹.</i>
Maximum Starting Price	\$320.00	(b) 8 <i>This number cannot exceed the BGS-CIEP statewide load cap of 14 tranches. This number cannot be fewer than 2 tranches</i>
<p>The Qualified Bidder has indicated that it would be willing to supply 8 tranches of BGS-CIEP load at the maximum starting price of \$320.00/MW-day. Therefore, should the Qualified Bidder be registered to bid in the BGS-CIEP Auction, its initial eligibility will be set at 8 tranches and it will not be able to bid greater than a total of 8 tranches in the first or in any round of the BGS-CIEP Auction. However, should the Qualified Bidder be registered to bid in the BGS-CIEP Auction, it will be able to bid any number of tranches less than or equal to 8 tranches, including 0 tranches, in the first round of the BGS-CIEP Auction.</p>		

¹ The numbers used in these examples are for illustrative purposes only. The load caps and starting prices for each Auction are scheduled to be announced on November 12, 2009.

BGS-FP Auction Indicative Offer

A Qualified Bidder is required to provide a BGS-FP indicative offer at the minimum starting price and at the maximum starting price. A BGS-FP indicative offer cannot exceed the BGS-FP statewide load cap. There is no minimum on the BGS-FP indicative offer.

Example 2.		
BGS-FP Prices (¢/kWh)		BGS-FP Indicative Offer (number of tranches)
Minimum Starting Price	16.00¢	(a) 5 <i>This number cannot exceed the BGS-FP statewide load cap of 20 tranches.</i>
Maximum Starting Price	19.00¢	(b) 15 <i>This number cannot exceed the BGS-FP statewide load cap of 20 tranches.</i>
<p>The Qualified Bidder has indicated that it would be willing to supply 15 tranches statewide at the maximum starting price of 19.00¢/kWh. Therefore, should the Qualified Bidder be registered to bid in the BGS-FP Auction, its initial eligibility will be set at 15 tranches and it will not be able to bid greater than a total of 15 tranches in the first or in any round of the BGS-FP Auction. However, should the Qualified Bidder be registered to bid in the BGS-FP Auction, it will be able to bid any number of tranches less than or equal to 15 tranches, including 0 tranches, in the first round of the BGS-FP Auction.</p>		

E.3.d. Preliminary Maximum Interest

Only Qualified Bidders in the BGS-FP Auction are required to provide preliminary interests in each EDC. When a Qualified Bidder indicates its preliminary interest in an EDC at a price (either the maximum starting price or the minimum starting price), it can indicate any number of tranches as long as the preliminary interest indicated for the EDC does not exceed the load cap for that EDC or the Qualified Bidder's indicative offer at that price. The sum of the preliminary interests in all EDCs combined at a price can exceed the statewide load cap or the indicative offer at that price. Information that a Qualified Bidder provides regarding its preliminary interest in any particular EDC has no effect on its initial eligibility or subsequent bidding in the BGS-FP Auction.

Example 3.			
We can complete the preliminary interest table in the Part 2 Application as follows:			
BGS-FP Auction		Minimum Starting Price:	Maximum Starting Price:
Minimum and Maximum Starting Prices (¢/kWh)		16.00¢	19.00¢
PSE&G	EDC load cap: 13 Tranche Target: 28	(c1) 5 <i>This number cannot exceed the PSE&G load cap of 13 tranches</i>	(d1) 9 <i>This number cannot exceed the PSE&G load cap of 13 tranches</i>
JCP&L	EDC load cap: 7 Tranche Target: 18	(c2) 2 <i>This number cannot exceed the JCP&L load cap of 7 tranches</i>	(d2) 5 <i>This number cannot exceed the JCP&L load cap of 7 tranches</i>
ACE	EDC load cap: 3 Tranche Target: 7	(c3) 0 <i>This number cannot exceed the ACE load cap of 3 tranches</i>	(d3) 3 <i>This number cannot exceed the ACE load cap of 3 tranches</i>
RECO	EDC load cap: 1 Tranche Target: 1	(c4) 1 <i>This number cannot exceed the RECO load cap of 1 tranche</i>	(d4) 1 <i>This number cannot exceed the RECO load cap of 1 tranche</i>

As illustrated above, a Qualified Bidder submits an indicative offer of 15 tranches at the maximum starting price (Example 2 cell (b)) and 5 tranches at the minimum starting price (Example 2 cell (a)). The indicative offer at each price does not exceed the statewide load cap (20). At the maximum starting price, the Qualified Bidder indicates its preliminary maximum interest in each EDC as:

- 9 tranches of PSE&G
- 5 tranches of JCP&L
- 3 tranches of ACE
- 1 tranche of RECO

The EDC load cap for a product restricts the number of tranches that the Qualified Bidder may indicate for that product. For example, the Qualified Bidder cannot indicate more than 7 tranches for JCP&L because this product has an EDC load cap of 7 tranches. Similarly, the Qualified Bidder cannot indicate more than 3 tranches of ACE because this product has an EDC load cap of 3 tranches. The sum of the preliminary maximum interests at the maximum starting price ($9 + 5 + 3 + 1 = 18$) can and does exceed the amount of the indicative offer at the maximum starting price (15).

As its preliminary maximum interest in each EDC at the minimum starting price, the Qualified Bidder submits:

- 5 tranches of PSE&G
- 2 tranches of JCP&L
- 0 tranches of ACE
- 1 tranche of RECO

Again, the number of tranches indicated for each product is at or below the EDC load cap for each EDC and at or below the indicative offer at the minimum starting price (5). The sum of the preliminary maximum interests at the minimum starting price ($5 + 2 + 0 + 1 = 8$) can and does exceed the amount of the indicative offer at the minimum starting price (5).

E.4. Notifications

E.4.a. Confirmation

If an Applicant's Part 1 or Part 2 Application is received by post, a confirmation consisting of a photocopy of the first page of the application stamped with the time and the date that it was received will be faxed to the Authorized Representative. This confirmation of receipt will be faxed after an initial review, either with a confirmation that the application is being considered, or with a deficiency notice (see below). If the Part 1 or Part 2 Application is hand-delivered, a confirmation consisting of a photocopy of the first page of the application stamped with the time and the date that it was received will be provided to the deliverer. Applicants should always expect a fax within 24 hours of an application being submitted and should contact the BGS Auction Manager if a fax is not received. The fax number provided to the BGS Auction Manager should be secure and should be accessible to the Authorized Representative.

E.4.b. Incomplete Applications

Each Applicant is notified by fax if its application has been deemed complete or if it is deficient in some way.

Applicants generally have until noon on the Application Date, or until 6:00 p.m. on the business day following the business day during which a deficiency notice is faxed by the BGS Auction Manager, whichever comes later, to respond. Applicants are provided with two business days to respond to a deficiency notice regarding the pre-auction letter of credit (or bid bond). If the Applicant does not correct or adequately explain the deficiency within the time allowed, its application may be rejected.

E.4.c. Notification Letters

If an Applicant becomes a Qualified Bidder for the BGS-FP Auction, or for the BGS-CIEP Auction, or for both Auctions, the BGS Auction Manager will send a Notification of Qualification for each Auction. The BGS Auction Manager will send each Notification to the Applicant's Authorized Representative by fax no later than three business days after the Part 1 Application Date. The Notification(s) of Qualification will also be sent to the Applicant's Authorized Representative by courier. The Notification(s) of Qualification will include instructions that detail the pre-auction security that the Applicant will be required to post when it submits its Part 2 Application to become a Registered Bidder in the BGS-FP Auction, or the BGS-CIEP Auction, or both Auctions.

If an Applicant becomes a Registered Bidder for the BGS-FP Auction, or for the BGS-CIEP Auction, or for both Auctions, the BGS Auction Manager will send a Notification of Registration for each Auction. The BGS Auction Manager will send each Notification to the Applicant's Authorized Representative by fax no later than five business days after the Part 2 Application Date. The Notification(s) of Registration will also be sent to the Applicant's Authorized Representative by courier.

F. ONLINE BIDDING

F.1. Bidding in the Auctions

Two Auctions are proposed for 2010, the New Jersey Basic Generation Service Fixed Price Auction (“BGS-FP Auction”) and the New Jersey Basic Generation Service Commercial and Industrial Energy Pricing Auction (“BGS-CIEP Auction”). The EDCs, which are Public Service Electric and Gas Company (“PSE&G”), Jersey Central Power & Light Company (“JCP&L”), Atlantic City Electric (“ACE”), and Rockland Electric Company (“RECO”), propose that these two Auctions be separate but concurrent.

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

Bidders may participate in either or both of the BGS Auctions and may bid on one EDC or on many EDCs in a given Auction. Both the BGS-FP and BGS-CIEP Auctions will be conducted in a multiple round descending clock auction format (see the BGS-FP Auction Rules in section C of the FP Auction portion of this information packet and the BGS-CIEP Auction Rules in section C of the CIEP Auction portion of this information packet for a detailed description). Bidders submit their bids online using specialized Auction Software. The Auction Software allows the bidder not only to submit bids, but also to view auction results and to receive secure messages from the BGS Auction Manager. Each bidder will receive a Login ID and password to access the Auction Software for the BGS Auction(s) in which it has been registered to participate. At first login, bidders will be required to change their passwords and then accept the terms of the Auction Software by clicking on “I agree” in a pop-up window.

F.1.a. Bidding Phase of a Round

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

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

If a bidder requests to decrease the number of tranches bid on an EDC while increasing the number of tranches bid on two or more other EDCs ("switching"), the bidder will be asked to enter switching priorities (as described in the BGS-FP Auction Rules in section C of the FP Auction portion of this information packet and in the BGS-CIEP Auction Rules in section C of the CIEP Auction portion of this information packet). Bidders cannot switch between products in one Auction (e.g., the BGS-CIEP Load for one EDC) and products in the other Auction (e.g., the BGS-FP Load for the same EDC or another EDC).

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

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

F.1.b. Calculating and Reporting Phases of a Round

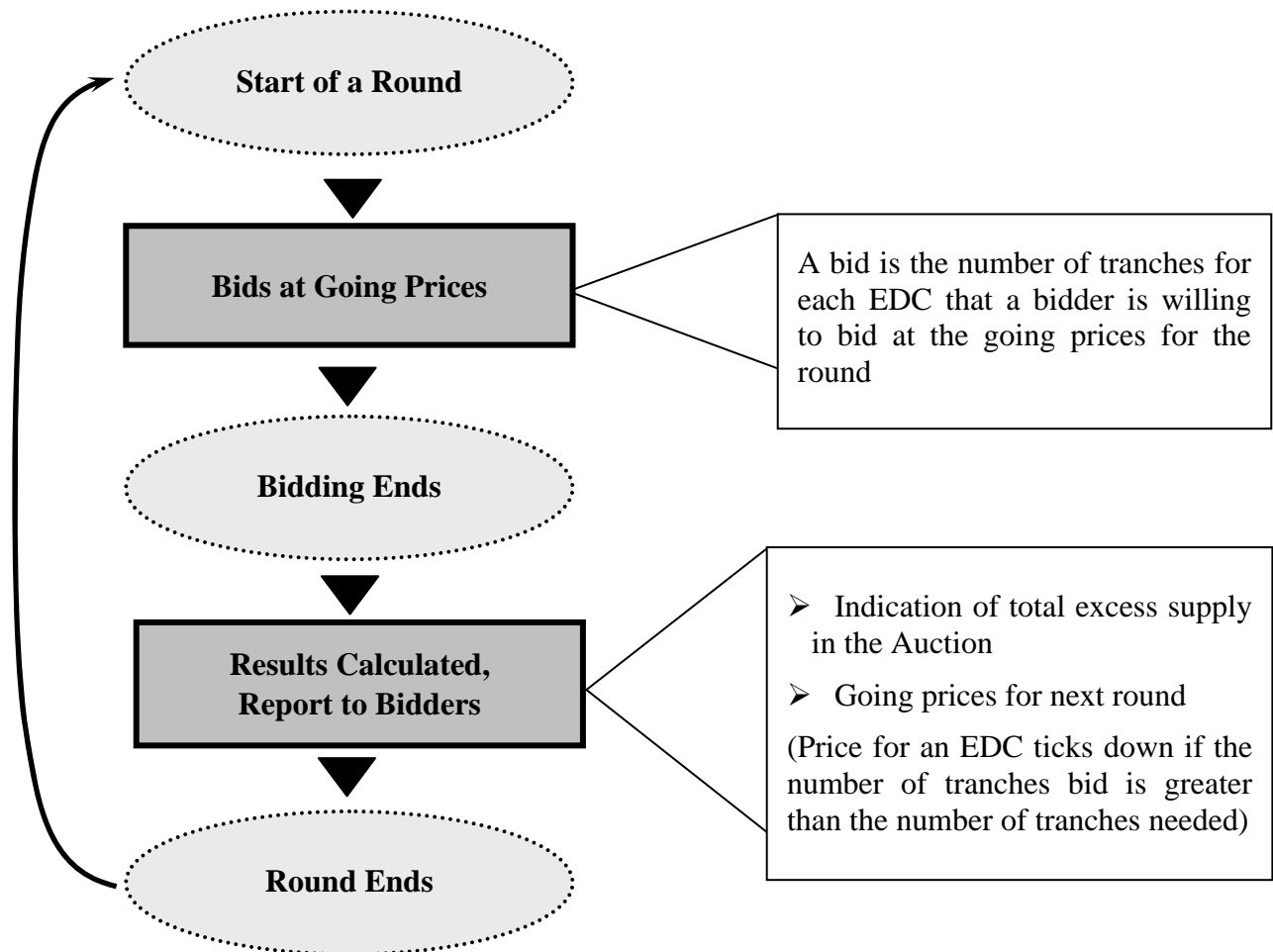
The calculating phase of the round begins after the bidding ends. The Auction Manager determines the going prices for the next round. The price for an EDC in an Auction will "tick down" if the total number of tranches bid for the EDC is greater than the number of tranches needed for that EDC. During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

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

viewed at any point during the Auction. Results for a given round remain available during subsequent rounds.

F.1.c. Schematic

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



F.2. System Requirements

The system requirements needed to submit bids online are as follows:

- A standard PC-compatible computer running Windows 98, Windows Me, Windows NT 4.0, Windows 2000, Windows XP, or Windows Vista;
- An Internet connection;
- A supported web browser.

The following web browsers are supported by the Auction Software: Internet Explorer 7, Internet Explorer 8, Firefox 3.0, Firefox 3.1, Firefox 3.5, Safari 4, and Chrome 2. If you use a web browser that is not in this recommended list, the Auction Software may not function properly.

Please use the following instructions to check the web browser and version number currently installed on the computer that you will use for bidding in the Auctions:

- Internet Explorer: Open Internet Explorer, select “Help” and then select “About Internet Explorer.” A dialog box will open that will indicate the version number of the browser. If you do not have a supported version of Internet Explorer on your computer, you may download Internet Explorer 8.0 from:

<http://www.microsoft.com/windows/products/winfamily/ie/default.msp>

- Mozilla Firefox: Open Mozilla Firefox, select “Help” and then select “About Mozilla Firefox.” A dialog box will open that will indicate the version number of the browser. If you do not have a supported version of Mozilla Firefox on your computer, you may download Mozilla Firefox 3.5 from:

<http://www.mozilla.com/en-US/products/download.html>

- Safari: Click on Safari in your Safari menu, located at the top of your screen. A drop-down menu will now appear. Choose the option labeled “About Safari.” A dialog box will now appear containing the browser's version number. If you do not have a supported version of Safari on your computer, you may download Safari 4 from:

<http://www.apple.com/safari/download/>

- Chrome: Open your Google Chrome web browser. Click the wrench menu. Select “About Google Chrome.” A dialog box will now appear containing the browser's version number. If you do not have Chrome 2, please use another supported web browser instead.

G. BACKGROUND: PRIOR BGS AUCTIONS

For the last eight years, the four New Jersey Electric Distribution Companies (“EDCs”) – Public Service Electric and Gas Company (“PSE&G”), Atlantic City Electric (“ACE”), Jersey Central Power & Light Company (“JCP&L”) and Rockland Electric Company (“RECO”) – have procured several billion dollars of electric supply to serve their Basic Generation Service (“BGS”) Load in a single, statewide Auction Process. NERA Economic Consulting has managed the BGS Auction since its inception. In the first year, it assisted in the design of a clock auction to procure electricity at competitive rates. The New Jersey Board of Public Utilities (“Board” or “BPU”) subsequently approved the auction format and has reaffirmed it since. Each year, the Board has approved the results of the BGS Auctions. The Board has praised the auction method for enabling smaller customers to benefit from competition.

G.1. Background: Deregulation in New Jersey

After New Jersey implemented retail choice in August of 1999, the state adopted a four-year transition period. During the first three years, (i.e., August 1, 1999 through July 31, 2002), the four New Jersey EDCs supplied those customers who did not switch to a competitive retailer through supply arrangements specified in restructuring settlements using pre-established rates or rate-making processes. In the fourth year, (i.e., August 1, 2002 through July 31, 2003), the EDCs jointly proposed an Auction in which suppliers competed to provide BGS.

An essential goal of this Auction Process is to provide full-requirements service to customers at a cost consistent with market conditions. A second important goal is to further the transition in New Jersey by providing an opportunity for energy trading and marketing companies to compete in the Auction by aggregating the supply of wholesale products and providing price-risk management services.

G.2. The Last Five Years

Two BGS Auctions have been conducted concurrently each year. In the BGS Commercial and Industrial Energy Pricing Auction (“BGS-CIEP Auction”), bidders compete to serve a portion of the total supply for large commercial and industrial customers that are on an hourly-price plan. In the BGS Fixed-Price Auction (“BGS-FP Auction”), bidders compete to serve tranches for smaller commercial and residential customers on a fixed-price plan. Customers pay rates that are established on the basis of the final auction prices.

G.2.a. The BGS-CIEP Auctions

The supply periods for the BGS-CIEP Auctions are one year in duration, from June 1 to May 31 to align with the PJM year. BGS-CIEP Suppliers are the winners of the BGS-CIEP Auction. Each supplier receives a CIEP Standby Fee. This fee is paid by all CIEP customers (those taking BGS and those served by a third-party supplier). This fee contributes to suppliers being able to recover costs associated with having to “stand by” to provide service for all CIEP customers – those taking BGS and those who may return to BGS. In 2006, the BGS-CIEP Auction determined the CIEP Standby Fee while the capacity charge was fixed. In 2006, not all tranches were procured through the BGS-CIEP Auction and the EDCs provided supply for the remaining load through their contingency plan. In other BGS-CIEP Auctions of the last five years, this CIEP Standby Fee is fixed at 0.015¢/kWh and the BGS-CIEP Auction determines a CIEP Price. For the 2010 BGS-CIEP Auction, the EDCs have again proposed that the BGS-CIEP Auction determine the CIEP Price. BGS-CIEP Suppliers are paid the CIEP Price on the basis of the customers’ capacity obligations. BGS-CIEP Suppliers are also paid the hourly price for energy as well as a fixed rate for ancillary services.

Data associated with the previous BGS-CIEP Auctions are summarized below, followed by the results from each year.

Tranches

Each year, bidders compete to win “tranches”. In the BGS-CIEP Auction, a tranche is a fixed percentage of an EDC’s BGS-CIEP Load. Prior to the 2008 BGS-CIEP Auction, the number of tranches for each EDC was set so that one tranche was approximately 25 MW on an eligible basis. For the 2008 and 2009 BGS-CIEP Auction, and as the EDCs have proposed for the upcoming 2010 BGS-CIEP Auction, the number of tranches is set so that one tranche is approximately 75 MW on an eligible basis.

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

		PSE&G	JCP&L	ACE	RECO
2005	Peak Load Share (MW)	1,679.7	881.5	291.8	30.1
	Tranche Size (%)	1.49	2.86	8.33	100.00
	MW-Measure	25.07	25.19	24.32	30.10
2006	Peak Load Share (MW)	1,829.8	779.3	315.8	35.7
	Tranche Size (%)	1.37	3.23	7.69	100.00
	MW-Measure	25.07	25.14	24.29	35.70
2007	Peak Load Share (MW)	1,881.2	720.5	315.7	37.1
	Tranche Size (%)	1.32	3.45	7.69	50.00
	MW-Measure	24.75	24.84	24.28	18.55
2008	Peak Load Share (MW)	1,908.8	737.8	336.5	38.4
	Tranche Size (%)	3.85	10.00	20.00	100.00
	MW-Measure	73.42	73.78	67.30	38.40
2009	Peak Load Share (MW)	1696.4	821.4	323.00	37.4
	Tranche Size (%)	4.35	9.09	20.00	100.00
	MW-Measure	73.76	74.67	64.6	37.4

The number of tranches available for each EDC in the BGS-CIEP Auction is its “tranche target”. The statewide load cap represents the maximum number of tranches that a bidder may bid and win statewide. The table below presents a summary of these data for the past five years.

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

		PSE&G	JCP&L	ACE	RECO	Total
2005	Tranche Target	67	35	12	1	115
	Statewide Load Cap	39				
2006	Tranche Target	73	31	13	1	118
	Statewide Load Cap	40				
2007	Tranche Target	76	29	13	2	120
	Statewide Load Cap	40				

		PSE&G	JCP&L	ACE	RECO	Total
2008	Tranche Target	26	10	5	1	42
	Statewide Load Cap	14				
2009	Tranche Target	23	11	5	1	40
	Statewide Load Cap	14				

Prices

Prior to the submission of Part 1 Applications, the Auction Manager announces a statewide minimum starting price and a statewide maximum starting price for each Auction. These prices reflect the range of potential prices for the first round of the Auction. The final prices are reached at the close of the Auction, once supply falls to the amount of supply to be procured. Except for the 2006 BGS-CIEP Auction that determined the CIEP Standby Fee measured in \$/MWh, all prices provided in the table below are in \$/MW-Day.

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

Price (\$/MW-Day)		PSE&G	JCP&L	ACE	RECO
2005	Minimum Starting Price	70.00			
	Maximum Starting Price	130.00			
	Final Price	22.62	25.38	39.76	20.47
2006	Minimum Starting Price	\$0.45/MWh			
	Maximum Starting Price	\$0.85/MWh			
	Final Price (\$/MWh)	0.4981	0.4787	0.3876	0.4981
2007	Minimum Starting Price	160.00			
	Maximum Starting Price	215.00			
	Final Price	128.77	121.56	135.61	153.31
2008	Minimum Starting Price	285.00			
	Maximum Starting Price	350.00			
	Final Price	103.28	115.76	108.65	134.38
2009	Minimum Starting Price	275.00			
	Maximum Starting Price	340.00			
	Final Price	203.25	203.92	215.00	215.25

Winners

The BGS-CIEP Auction typically lasts multiple rounds, which can be conducted over more than one day. Bidders holding the final bids at the close of the Auction are the winners. The following table presents the number of rounds taken by each BGS-CIEP Auction. Tables G-5 to G-8 present the winning bidders for each EDC and the number of tranches won by each winning bidder.

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

Year	Start Date	End Date	# Rounds
2005	2/10/2005	2/15/2005	71
2006	2/3/2006	2/6/2006	15
2007	2/2/2007	2/6/2007	29
2008	2/1/2008	2/6/2008	64
2009	1/30/2009	2/4/2009	57

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

PSE&G	Tranches Won				
	2005	2006	2007	2008	2009
Consolidated Edison Energy, Inc.			3		10
Constellation Energy Commodities Group, Inc.	6	7	4	7	
Dominion Retail Inc.	11		5		4
DTE Energy Trading, Inc.	20	30	35	13	
Edison Mission Marketing & Trading, Inc.	5				
FPL Energy Power Marketing, LLC		9	20	6	7
Morgan Stanley Capital Group, Inc.					2
PPL EnergyPlus, LLC	17				

PSE&G	Tranches Won				
	2005	2006	2007	2008	2009
PSEG Energy Resources & Trade, LLC	8		9		
Total	67	46	76	26	23

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

JCP&L	Tranches Won				
	2005	2006	2007	2008	2009
Consolidated Edison Energy, Inc.			22		
Constellation Energy Commodities Group, Inc.	2	9		1	
Dominion Retail Inc.	11				4
DTE Energy Trading, Inc.				1	
Edison Mission Marketing & Trading, Inc.	2				
FPL Energy Power Marketing, LLC		11	2	8	5
Morgan Stanley Capital Group, Inc.					2
PSEG Energy Resources & Trade LLC	20		5		
Total	35	20	29	10	11

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

ACE	Tranches Won				
	2005	2006	2007	2008	2009
Constellation Energy Commodities Group, Inc.	8	9			
Dominion Retail Inc.					
FPL Energy Power Marketing, LLC			6		1
Hess Corporation				5	
PSEG Energy Resources & Trade LLC	4		7		4
Total	12	9	13	5	5

In the 2006 BGS-CIEP Auction, RECO's one available tranche was not procured through the Auction. The Board set the CIEP Standby Fee for CIEP customers in RECO's territory at the highest closing price of the three other EDCs, \$0.4981/MWh.

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

RECO	Tranches Won				
	2005	2006	2007	2008	2009
Constellation Energy Commodities Group, Inc.	1	n/a		1	
FPL Energy Power Marketing, LLC					1
PSEG Energy Resources & Trade LLC			2		
Total	1		2	1	1

G.2.b. The BGS-FP Auctions

Bidders in the BGS-FP Auction bid for the right to supply full-requirements service for tranches of BGS-FP Load for one or more of the EDCs. The supply periods for the BGS-FP Auctions were chosen to be aligned with the PJM year. For their BGS-FP Load, the EDCs use a rolling procurement structure, where each year one-third of the load is procured for a three-year period. As a result, currently one-third of the BGS-FP Load is served by suppliers with a three-year contract ending on May 31, 2010, one-third of the BGS-FP Load is served by suppliers with a three-year contract ending May 31, 2011, and the remaining third is served by suppliers with a three-year contract ending May 31, 2012.

BGS-FP Suppliers receive the final auction price for a given EDC times an EDC-specific seasonal factor for every kWh of load served. Historical seasonal factors are presented below.

Table G-9. BGS-FP Auction: Seasonal Factors

		PSE&G	JCP&L	ACE	RECO
2005	Summer	1.1381	1.1387	1.1628	1.0411
	Winter	0.9149	0.9149	0.8982	0.9749
2006	Summer	1.1303	1.1149	1.1315	1.0832
	Winter	0.9276	0.9294	0.9172	0.9483
2007	Summer	1.1269	1.1145	1.1293	1.1189
	Winter	0.9225	0.9286	0.9192	0.9253
2008	Summer	1.0616	1.0552	1.0792	1.0395
	Winter	0.9624	0.9656	0.9493	0.9743
2009	Summer	1.0329	1.0130	1.0818	1.0271
	Winter	0.9800	0.9919	0.9473	0.9822

Data associated with the previous BGS-FP Auctions are summarized below, followed by the results from each year.

Tranches

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

Table G-10. BGS-FP Auction: Tranche Size and Peak Load Share

		PSE&G	JCP&L	ACE	RECO
2005	Peak Load Share (MW)	2,842.9	1,333.9	772.6	182.4
	Tranche Size (%)	1.18	2.27	4.55	25.00
	MW-Measure	101.53	111.16	96.58	91.18
2006	Peak Load Share (MW)	2,882.3	1,926.4	652.6	96.6
	Tranche Size (%)	1.18	2.27	4.55	25.00
	MW-Measure	99.39	113.32	93.23	96.58
2007	Peak Load Share (MW)	2,757.9	1,735.9	668.8	100.7
	Tranche Size (%)	1.18	2.27	4.55	25.00
	MW-Measure	98.50	115.73	95.54	100.73
2008	Peak Load Share (MW)	2831.4	1435.3	824.5	205.3
	Tranche Size (%)	1.18	2.27	4.55	25.00
	MW-Measure	101.12	120.22	103.06	102.65
2009	Peak Load Share (MW)	2978.6	2043.4	703.2	107.7
	Tranche Size (%)	1.18	2.27	4.55	25.00
	MW-Measure	102.71	120.56	100.46	107.65

The number of tranches available for each EDC in the BGS-FP Auction is its “tranche target”. The EDC load cap represents the maximum number of tranches that a bidder can bid and win for a particular EDC. EDC load caps ensure diversity in the pool of suppliers for each EDC. Starting with the 2006 BGS-FP Auction, in addition to the EDC load caps, a statewide load cap was also imposed, which limits the number a tranches that a bidder can bid and win statewide. The table below presents a summary of these data for the past five years.

Table G-11. BGS-FP Auction: Tranche Targets and Load Caps

		PSE&G	JCP&L	ACE	RECO
2005	Tranche Target	28	12	8	2
	EDC Load Cap	10	4	3	2
2006	Tranche Target	29	17	7	1
	EDC Load Cap	14	8	3	1
	Statewide Load Cap	20			
2007	Tranche Target	28	15	7	1
	EDC Load Cap	13	7	3	1
	Statewide Load Cap	19			
2008	Tranche Target	28	12	8	2
	EDC Load Cap	13	5	3	2
	Statewide Load Cap	19			
2009	Tranche Target	29	17	7	1
	EDC Load Cap	14	8	3	1
	Statewide Load Cap	20			

Prices

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

Table G-12. BGS-FP Auction: Starting and Final Prices (¢/kWh)

Price (¢/kWh)		PSE&G	JCP&L	ACE	RECO
2005	Minimum Starting Price	7.40			
	Maximum Starting Price	11.40			
	Final Prices	6.541	6.570	6.648	7.179
2006	Minimum Starting Price	11.50			
	Maximum Starting Price	15.50			
	Final Prices	10.251	10.044	10.399	11.114
2007	Minimum Starting Price	11.40			
	Maximum Starting Price	16.00			
	Final Prices	9.888	9.964	9.959	10.999
2008	Minimum Starting Price	16.00			
	Maximum Starting Price	19.00			
	Final Prices	11.150	11.409	11.650	12.049
2009	Minimum Starting Price	15.50			
	Maximum Starting Price	19.50			
	Final Prices	10.372	10.351	10.536	11.270

Winners

The BGS-FP Auction typically lasts multiple rounds, which can be conducted over more than one day. Bidders holding the final bids at the close of the Auction are the winners. The following table presents the number of rounds taken by each BGS-FP Auction. Tables G-14 to G-17 present the winning bidders for each EDC and the number of tranches won by each winning bidder.

Table G-13. BGS-FP Auction: Dates and Number of Rounds

Year	Start Date	End Date	# Rounds
2005	2/10/2005	2/11/2005	13
2006	2/6/2006	2/7/2006	17
2007	2/5/2007	2/7/2007	22
2008	2/4/2008	2/5/2008	17
2009	2/2/2008	2/4/2008	26

Table G-14. BGS-FP Auction: Winning Bidders for PSE&G

PSE&G	Tranches Won				
	2005	2006	2007	2008	2009
BP Energy Company	6				
Consolidated Edison Energy, Inc.					1
Constellation Energy Commodities Group, Inc.	10	3	1	2	
DTE Energy Trading, Inc.			2		
Energy America, LLC		1			
Exelon Generation Company, LLC			2		3
FPL Energy Power Marketing, LLC					4
Hess Corporation					1
J.P. Morgan Ventures Energy Corporation		4	5		4
Morgan Stanley Capital Group Inc.	4	4			
NRG New Jersey Energy Sales LLC		1			
NRG Power Marketing Inc.			2		
PPL EnergyPlus, LLC		2		13	4
PSEG Energy Resources & Trade LLC	8	12	13	13	10
Sempra Energy Trading Corp.		2	3		2
Total	28	29	28	28	29

Table G-15. BGS-FP Auction: Winning Bidders for JCP&L

JCP&L	Tranches Won				
	2005	2006	2007	2008	2009
BP Energy Company	3				
Consolidated Edison Energy, Inc.		4		2	
Constellation Energy Commodities Group, Inc.	4			2	
Energy America, LLC		1	2		
Exelon Generation Company, LLC			2		3
J. Aron & Company				1	
J.P. Morgan Ventures Energy Corporation		5			
Morgan Stanley Capital Group Inc.	1				4
NRG Power Marketing Inc.			1		
PPL EnergyPlus, LLC		3	3	4	3
PSEG Energy Resources & Trade LLC		4	6	3	7
Select Energy, Inc.	4				
WPS Energy Services, Inc.			1		
Total	12	17	15	12	17

Table G-16. BGS-FP Auction: Winning Bidders for ACE

ACE	Tranches Won				
	2005	2006	2007	2008	2009
Conectiv Energy Supply, Inc.	1	1	1	3	1
Consolidated Edison Energy, Inc.					1
Constellation Energy Commodities Group, Inc.	3	1	3	3	
FPL Energy Power Marketing, LCC				1	
Hess Corporation			1	1	
Morgan Stanley Capital Group Inc.		1			
PPL EnergyPlus, LLC		1	2		2
PSEG Energy Resources & Trade LLC	3	3			3
Tractebel Energy Marketing, Inc.	1				
Total	8	7	7	8	7

Table G-17. BGS-FP Auction: Winning Bidders for RECO

RECO	Tranches Won				
	2005	2006	2007	2008	2009
Conectiv Energy Supply, Inc					1
Consolidated Edison Energy, Inc.				1	
Constellation Energy Commodities Group, Inc.	2				
Morgan Stanley Capital Group Inc.			1		
PSEG Energy Resources & Trade LLC		1		1	
Total	2	1	1	2	1

H. THE BGS AUCTION WEB SITE

H.1. Overview

The BGS Auction web site (<http://www.bgs-auction.com>), shown below, is a quick and efficient way to obtain information on the BGS-FP and BGS-CIEP Auctions.

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

Search:

home auction bidder info calendar data room faqs news register about us site map questions?

PSE&G
PUBLIC SERVICE ELECTRIC AND GAS CO.

Jersey Central Power & Light
A FirstEnergy Company
JERSEY CENTRAL POWER & LIGHT COMPANY

atlantic city electric
A PG&E Company
ATLANTIC CITY ELECTRIC (ACE)

Rockland Electric Company
ROCKLAND ELECTRIC COMPANY (RECO)

BGS Auction

The 2010 BGS-CIEP Auction and the 2010 BGS-FP Auction are scheduled to begin in early 2010. The New Jersey Board of Public Utilities (Board) is expected to make a decision on the results within 2 days of the end of the BGS-FP Auction or the BGS-CIEP Auction, whichever comes later. At that time, the Board may also release results of the auctions through its website as it has in years past.

Each year since 2002, the four New Jersey Electric Distribution Companies (EDCs) - Public Service Gas & Electric Company (PSE&G), Atlantic City Electric Company (ACE), Jersey Central Power & Light Company (JCP&L), and Rockland Electric Company (RECO) - have procured several billion dollars of electric supply to serve their Basic Generation Service (BGS) customers through a statewide auction process held in February. BGS refers to the service of customers who are not served by a third party supplier or competitive retailer. This service is sometimes known as Standard Offer Service, Default Service, or Provider of Last Resort Service. The Auction Process has consisted of two

What's New

EDCs' Filing is Available on the BGS Auction Web Site ... GO >>

Do you have a question?... GO >>

The BGS Auction web site:

- Provides an overview of the 2010 BGS-FP and BGS-CIEP Auctions as well as a summary of past auction results;
- Provides potential bidders with information for preparing their bids, e.g., hourly load data by EDC, Auction Rules, Supplier Master Agreements, and announcements of upcoming events and deadlines; and
- Provides a forum to ask questions about the BGS-FP and BGS-CIEP Auctions.

There are several parts of the web site that provide new information on a regular basis. They are as follows:

1. **Announcements** (<http://www.bgs-auction.com/bgs.press.annc.asp>)

Updated regularly, this section lists all announcements that the BGS Auction Manager sends directly by email to BGS web site registrants.

2. **Calendar** (<http://www.bgs-auction.com/bgs.calendar.asp>)

Upcoming deadlines, events, and regulatory milestones.

3. **FAQs** (<http://www.bgs-auction.com/bgs.faq.thisweek.asp>)

Questions to and answers from the BGS Auction Manager are updated every Tuesday.

4. **BGS Data Room** (<http://www.bgs-auction.com/bgs.dataroom.asp>)

The “monthly data” sub-tab contains historical EDC data, which are updated monthly on the 17th. The “additional data” sub-tab contains other information and data, some of which are subject to less frequent updates.

To access a web sub-tab from the home page, click on the appropriate tab in the navigation bar at the top of the screen. Some tabs contain multiple sub-tabs. To access these, click on the appropriate sub-tab in the menu.

H.2. The Search Function



The BGS Auction web site incorporates a search function for the convenience of bidders. The search field is in the navigation bar, which is at the top-right corner of the BGS Auction web site (<http://www.bgs-auction.com>). Simply type a keyword or phrase such as “RECO” or “auction rules”, and the search function yields documents, announcements, and FAQs containing any of the keywords entered.

H.3. Navigating the BGS Auction Web Site

This section serves as a guide for finding documents and information that may be of interest to bidders, while also introducing the BGS Auction web site’s structure and

functionality. The links for finding the documents are organized by broad information topics.

Are you looking for more information about Bidder Information Sessions and Presentations?

- Details on the information session registration procedure, materials, and dates can be found on the “info sessions” sub-tab of the ***bidder info*** tab.
 - <http://www.bgs-auction.com/bgs.bidinfo.ip.asp>
- Register to receive information updates about future events.
 - <http://www.bgs-auction.com/bgs.register.asp>
- Presentations can be found on the “presentations” sub-tab of the ***auction*** tab of the web site.
 - <http://www.bgs-auction.com/bgs.auction.pres.asp>

Are you looking for the results from previous BGS Auctions?

- Information on bidders, dates/timeline, and auction results can be found on the “previous results” sub-tab of the ***auction*** tab of the web site.
 - <http://www.bgs-auction.com/bgs.auction.prev.asp>
- The NJ BPU Consultant’s Reports on the BGS Auctions can be found on the “BPU links” sub-tab in the ***BGS Data Room***.
 - <http://www.bgs-auction.com/bgs.dataroom.bpu.asp>

Are you looking for load data related to the BGS Auctions?

- Hourly load data (both on an actual and eligible basis) are updated monthly and can be found in the ***BGS Data Room***.
 - <http://www.bgs-auction.com/bgs.dataroom.asp>
- Data on customer size distribution for various customer groups, as well as switching data and data on customer distribution can be found in the “additional data” sub-tab.
- Data descriptions can be found in both the “additional data” sub-tab and the “monthly data” sub-tab.
 - “monthly data”: <http://www.bgs-auction.com/bgs.dataroom.asp>
 - “additional data”: <http://www.bgs-auction.com/bgs.dataroom.occ.asp>

Do you have a question about how auction prices are converted into retail rates?

- Information on the methodology that the EDCs use to convert auction prices into final retail rates can be found on the “regulatory process” sub-tab of the auction tab of the web site.
 - PSE&G:
http://www.bgs-auction.com/documents/PSE&G_Company_Specific_Addendum_files_July_1_2009.pdf
 - JCP&L:
http://www.bgs-auction.com/documents/JCP&L_Company_Specific_Addendum_files_July_1_2009.pdf
 - ACE:
http://www.bgs-auction.com/documents/ACE_Company_Specific_Addendum_files_July_1_2009.pdf
 - RECO:
http://www.bgs-auction.com/documents/RECO_Company_Specific_Addendum_files_July_1_2009.pdf
- Spreadsheets illustrating how EDCs convert auction prices into final retail rates are found in the “Retail Rates” panel on the “additional data” sub-tab in the **BGS Data Room**.
 - <http://www.bgs-auction.com/bgs.dataroom.occ.asp>
- An interactive tool for calculating retail rates for assumptions about auction prices is available in the in the “Retail Rates” panel of the “additional data” sub-tab in the **BGS Data Room**.
 - <http://www.bgs-auction.com/bgs.dataroom.occ.asp>
- Current EDC Tariff sheets are available on each EDC’s web site.
 - PSE&G:
http://www.pseg.com/companies/pseandg/schedules/prior_etariffs_bpunj14.jsp
 - JCP&L:
http://www.firstenergycorp.com/Residential_and_Business/Customer_Choice/Tariff_Information/New_Jersey_Tariffs.html
 - ACE:
<http://www.atlanticcityelectric.com/business/choice/nj/tariffs/>
 - RECO:
<http://www.oru.com/aboutoru/tariffsandregulatorydocuments/newjersey/scheduleforelectricservice.html>
- Draft tariff sheets for 2009 can be found on the “regulatory process” sub-tab of the **auction** tab of the web site.
 - <http://www.bgs-auction.com/bgs.auction.regproc.asp>

Do you have a question about Renewable Energy Portfolio Standards?

- A document summarizing the New Jersey Renewable Energy Portfolio Standards (“RPS”) can be found in this information packet posted to the “info sessions” sub-tab of the **bidder info** tab of the web site.
 - <http://www.bgs-auction.com/bgs.bidinfo.ip.asp>
- The RPS can be found on the web site of New Jersey’s Clean Energy Program and in the BGS Data Room.
 - <http://njcleanenergy.com/renewable-energy/programs/solar-renewable-energy-certificates-srec/rps-background-info/rps-background>
 - <http://www.bgs-auction.com/bgs.dataroom.bpu.asp>

Do you have a question about Indicative Offers?

- Details regarding indicative offers and the Application Process are provided in Section E of the General Information portion of this information packet. The Part 1 and Part 2 Application forms related to the BGS Auctions are found in the “application materials” sub-tab of the **bidder info** tab of the web site. For definitions, see the glossary of terms found at the end of the Part 1 and Part 2 Application Forms.
 - <http://www.bgs-auction.com/bgs.bidinfo.am.asp>
- Indicative Offers are discussed in Sections XI.B.2 and XI.F.29 of the BGS-FP Auction Rules and Section X.F.30 of the BGS-CIEP Auction Rules.
 - <http://www.bgs-auction.com/bgs.bidinfo.ar.asp>

Do you have a question about the volume in each BGS Auction?

- Information on Auction volume can be found in Section XI.B.2 and XI.F.2 of the BGS-FP Auction Rules and Section X.B.2 and X.F.2 of the BGS-CIEP Auction Rules.
 - <http://www.bgs-auction.com/bgs.bidinfo.ar.asp>
- Information on historical Auction volumes can be found in the “previous results” sub-tab of the **auction** tab of the web site.
 - <http://www.bgs-auction.com/bgs.auction.prev.asp>

H.4. The BGS Data Room

The BGS Data Room provides potential bidders with a variety of data and information relevant to the BGS-FP and BGS-CIEP Auctions. These include historical hourly and peak load data, switching statistics, retail rates, Renewable Energy Portfolio Standards (“RPS”) documents etc. The BGS Data Room can be accessed at: <http://www.bgs-auction.com/bgs.dataroom.home.asp>.

The BGS Data Room has 4 sections: Monthly Data, Additional Data, PJM Links and BPU Links. The PJM Links and BPU Links sections are recent additions to the BGS Data room and are described in greater detail below as they provide easy access to links and documents that are relevant to potential bidders.

PJM Links: <http://www.bgs-auction.com/bgs.dataroom.pjm.asp>



The PJM Links page provides access to a variety of PJM web sites and documents. Information on PJM OASIS, RPM Auction User Information, PJM-EIS GATS, OATT rates for the EDCs, ACE Transmission Formula Rate and PJM FTR/ARR can be accessed from the links provided on this page.

BPU Links: <http://www.bgs-auction.com/bgs.dataroom.bpu.asp>



The BPU Links page provides links to various New Jersey Board of Public Utilities initiatives as well as orders and filings. Links to the New Jersey Clean Energy Program, Renewable Energy Portfolio Standards (“RPS”) and Switching Data are listed under “General Links”. Orders approving the Auction Process are available under “Orders on BGS Auction Process” and Post-Auction Reports from 2002-2009 are available under “Post-Auction Reports”. Orders and filings related to retail transmission rates can be found under “Section 15.9 Orders and Filings”. Other relevant documents are also listed in this section under “Renewable Energy Portfolio Standards” and “Miscellaneous BPU Documents”.

H.5. Document Posting Timeline

This timeline indicates when important documents will be posted to the BGS Auction web site.

Table H.1. Document Posting Timeline

Document	Posting Date
Release of Preliminary Draft of FP Pricing Spreadsheet	Tuesday, August 25, 2009
First FAQ	Tuesday, August 11, 2009
Alternate Guaranty Process	Wednesday, September 16, 2009
Invitation to Comment on Pre-Auction Letter of Credit	Thursday, September 17, 2009
Bidder information packet	Friday, October 9, 2009
Final Part 1 Application Form	Thursday, October 15, 2009
Draft Part 2 Application Form	Thursday, October 15, 2009
EDC Compliance Filing	November, 2009
Final Part 2 Application Form	Friday, November 13, 2009
Final Auction Rules & Supplier Master Agreements	Mid-November 2009
Mark-to-Market Information Release	Monday, January 25, 2010

H.6. Site Map

The *site map* of the BGS Auction web site outlines the content. To go to the desired tab, simply click on the title.



Site Map

To visit a page on the site, click below. If you have a question, [please ask](#).

- Home
- Auction
 - Overview
 - Previous Results
 - Presentations
 - Regulatory Process
 - BGS RFPs
- Bidder Info
 - Application Materials
 - Info Sessions
 - Auction Rules
 - Contract and Credit
 - Info Session RSVP
 - Backup Bidding
- Calendar
- Data Room
 - Data Room
 - Monthly Data
 - Additional Data
 - PJM Links
 - BPU Links
- FAQs
 - This Week
 - Topics
 - Archives
 - All
 - Disclaimer
- Announcements
 - Announcements
 - Announcement Archives
- Register
- About Us
- Site Map
- Questions?

I. PJM

BGS Suppliers have responsibilities under PJM agreements. The purpose of this section is to provide, for the convenience of bidders, references to information available from PJM. These may not be the only items related to PJM that could affect bidders, and bidders should not rely on information provided in this section as a full and accurate description of such issues. Bidders should obtain additional information on each subject discussed here, as well as other PJM topics, as they deem appropriate, from the PJM web site (<http://www.pjm.com>). A summary guide to the PJM web site is provided below.

I.1. Supplier Responsibility to PJM

The EDCs' BGS Load is within the control area operated by PJM. BGS Suppliers must become PJM Load Serving Entities ("LSEs") by the start of the supply period and serve BGS Load according to PJM procedures and rules.

If the New Jersey Board of Public Utilities ("BPU") approves the auction results, a winning bidder becomes a BGS Supplier and is responsible for fulfilling all the requirements of a PJM LSE. The EDC will provide to PJM the magnitude and location of the BGS Supplier's Responsibility Share, from which PJM will calculate the BGS Supplier's firm transmission service obligation, capacity obligation, energy obligation, ancillary services obligation, and any other requirements arising under applicable PJM agreements. Each BGS Supplier will be responsible to PJM for the performance of its LSE obligations for the BGS Load that it wins. Each BGS Supplier will financially settle directly with PJM for these obligations. Supplier responsibilities are detailed in several documents, including:

- BGS Supplier Master Agreements, available on the "contracts and credit" sub-tab of the *bidder info* tab of the BGS Auction web site:
<http://www.bgs-auction.com/bgs.bidinfo.cc.asp>
- PJM training documents (refer to the PJM web site for new participant training):
<http://www.pjm.com/training.aspx>
- PJM tariff, PJM Operating Agreement, Reliability Assurance Agreement and the PJM guide to billing:
 - PJM Open Access Transmission Tariff ("OATT"):
<http://www.pjm.com/documents/agreements/~media/documents/agreements/tariff.ashx>

- PJM Operating Agreement (“OA”):
<http://pjm.com/documents/agreements/~media/documents/agreements/oa.ashx>
- PJM’s Reliability Assurance Agreement (“RAA”):
<http://pjm.com/documents/agreements/~media/documents/agreements/raa.ashx>
- PJM guide to billing:
<http://www.pjm.com/~media/markets-ops/settlements/custgd.ashx>

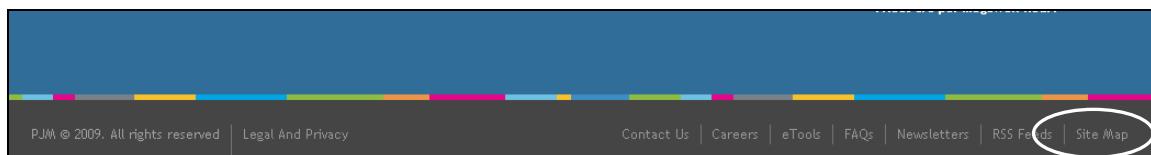
If you have questions or need assistance, please contact the PJM Member Relations Hotline at (610) 666-8980 or toll free at (866) 400-8980.

I.2. PJM Web Site User Guide

The PJM web site (<http://www.pjm.com>) provides information about PJM. The primary web site navigation bar and other potentially useful links are highlighted below.

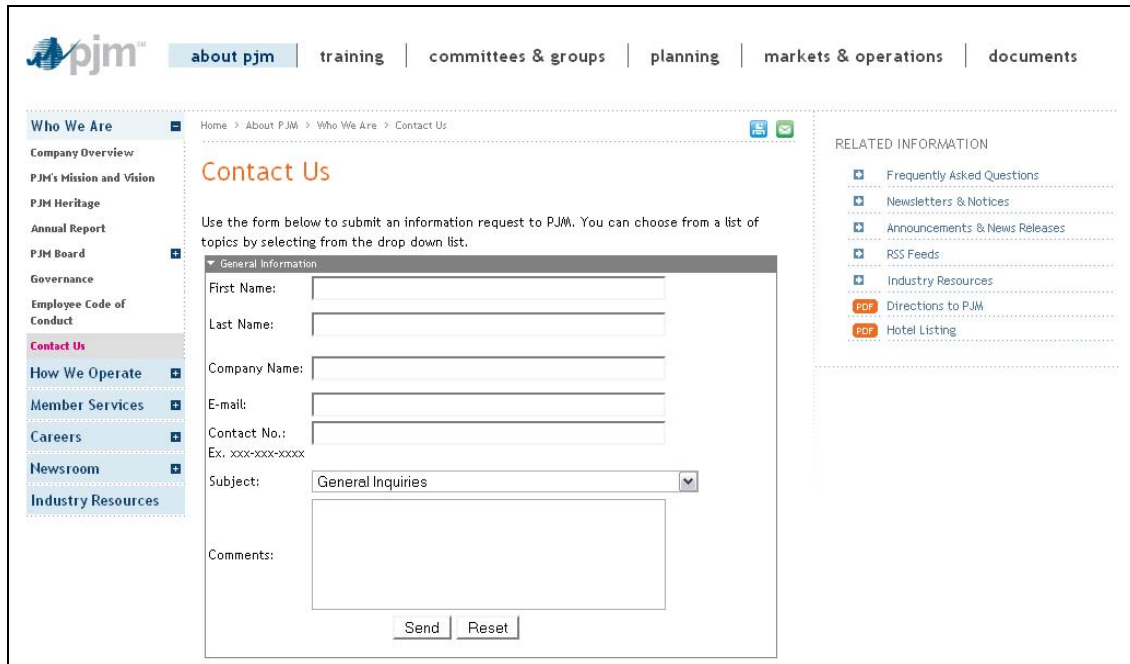
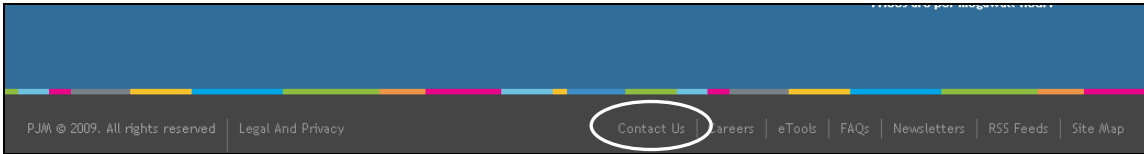
I.2.a. Site Map

For an overview of what is on the PJM web site, click on the “**site map**” link located at the bottom-right corner of the home page of the web site.

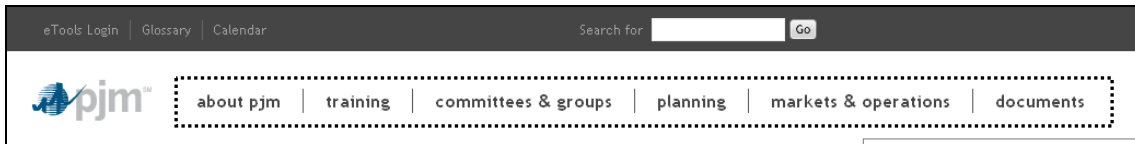


I.2.b. Contact Us

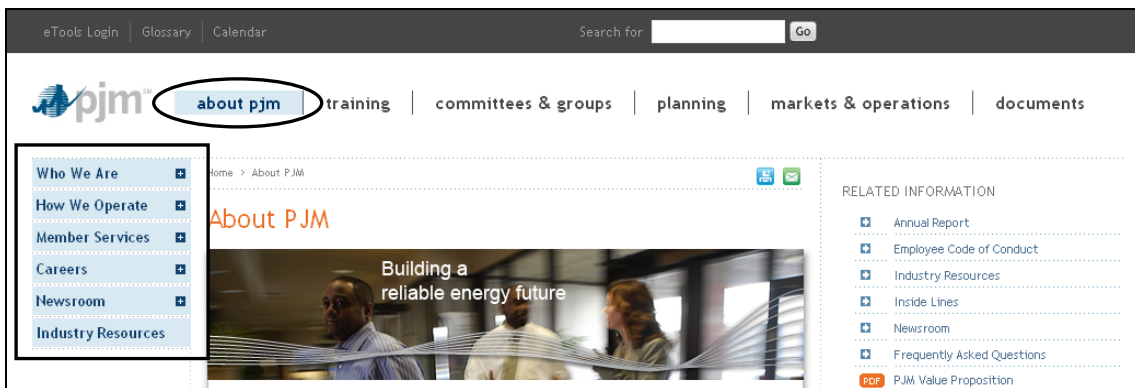
The “**contact us**” link at the bottom of the page will lead to a web form and links to other informational pages where users can submit questions or comments to PJM, subscribe to informational e-mails, and access news releases.



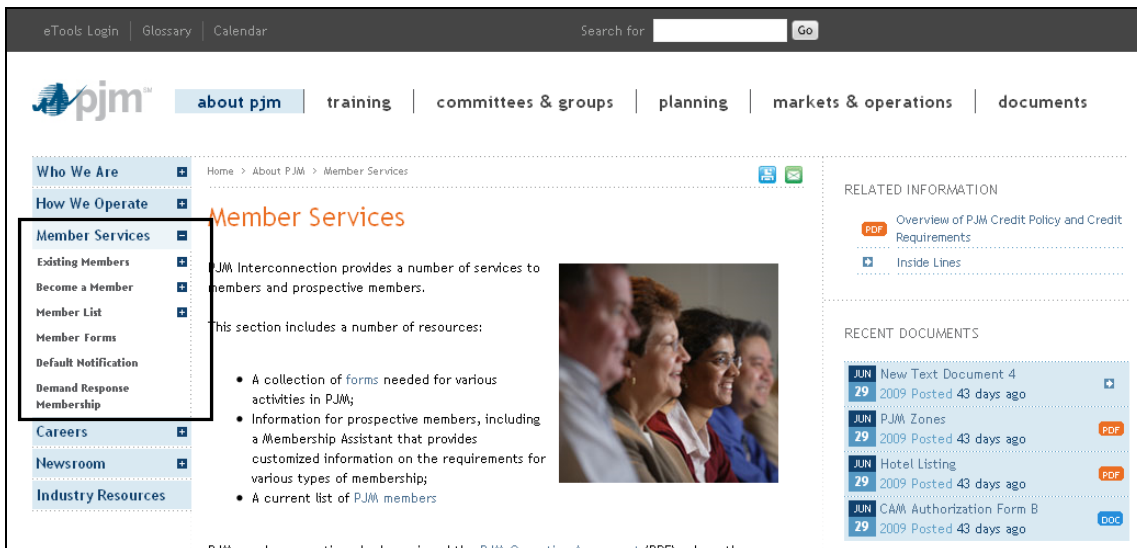
I.2.c. The Navigation Bar



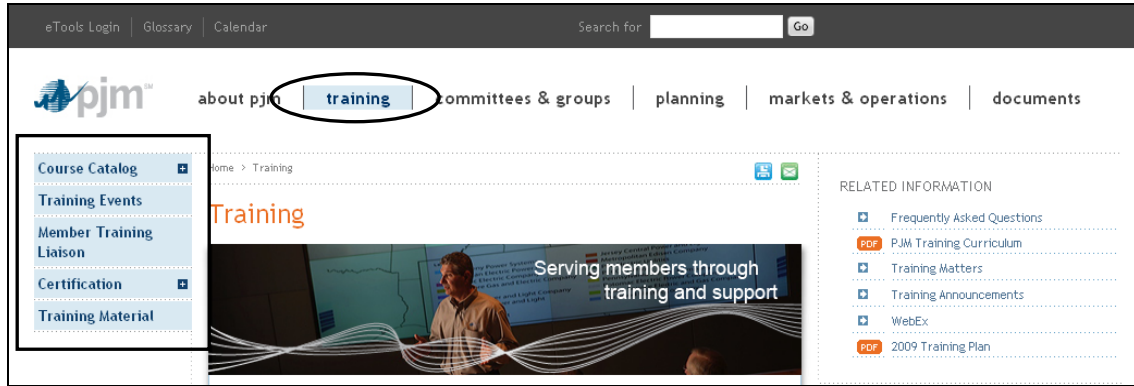
- a. The “About PJM” section found at the primary navigation bar on the PJM web site provides an overview of PJM and a newsroom containing news articles about PJM.



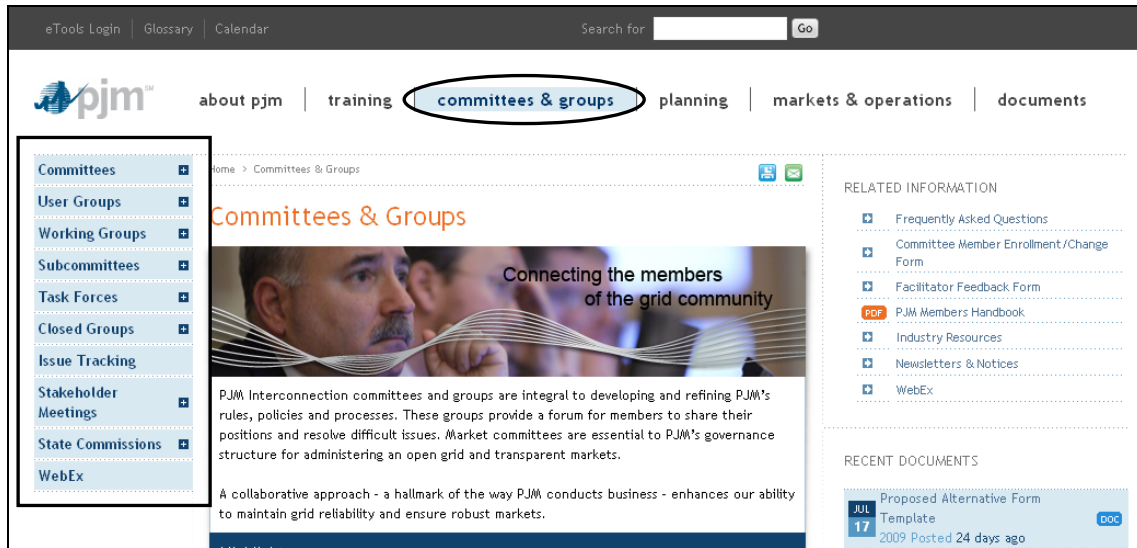
- b. Under the About PJM section, the third sub-section, called “Member Services” provides more information about existing PJM members and how to become a PJM member.



- c. The “**Training**” section provides links to web pages containing useful information and documents relating to courses, training events, training materials, and certification.



- d. The “**Committees & Groups**” section provides a variety of links to information about the committees and groups involved in the governance of PJM. The “**Issue Tracking**” subsection coordinates user access to all documents on PJM’s web site related to issues being addressed by PJM’s Committees and is an efficient way to look for documents on a particular issue.



- e. The “**Planning**” section provides helpful information to bidders, including information on PJM’s Regional Transmission Expansion Plan (“RTEP”), generation interconnection queues, resource adequacy, and planning criteria.

eTools Login | Glossary | Calendar | Search for [] Go

about pjm | training | committees & group | **planning** | markets & operations | documents

Home > Planning

Planning

Strengthening the region's capacity resources

PJM's Regional Transmission Expansion Plan (RTEP) identifies transmission system additions and improvements needed to keep electricity flowing to 51 million people throughout 13 states and the District of Columbia. Studies are conducted that test the transmission system against mandatory national standards and PJM regional standards. These studies look 15 years into the future to identify transmission overloads, voltage limitations and other reliability standards violations. PJM then develops transmission plans in collaboration with Transmission Owners to resolve violations that could otherwise lead to overloads and black-outs. This process culminates in one recommended plan - one RTEP - for the entire PJM footprint that is subsequently submitted to PJM's independent governing Board for consideration and approval.

Highlights

- Generation Interconnection Queues: []
- RTEP Construction Status: View a full []

RELATED INFORMATION

- Manuals
- 2008 Regional Transmission Expansion Plan Report
- Compliance
- Transmission Expansion Advisory Committee
- Regional Planning Process Working Group

RECENT DOCUMENTS

- AUG 5 Generation Adequacy Analysis - Technical Methods 2009 Posted 5 days ago [PDF]
- JUN 8 2004-2008 PJM Class Average Values 2009 Posted 63 days ago [PDF]
- MAY 15 World Modeling Region - Technical Issues 2009 Posted 87 days ago [PDF]

Operational Data

eTools

Energy Market

Reliability Pricing Model

Financial Transmission Rights

Ancillary Services

Demand Response

Market Settlements

Financial Credit

Compliance

Transmission Service

Operational Analysis

- f. The “**Markets & Operations**” section of the PJM web site, located at the fifth link on the navigation bar, has the following subsections:

eTools Login | Glossary | Calendar | Search for [] Go

about pjm | training | committees & groups | planning | **markets & operations** | documents

Home > Markets & Operations

Markets & Operations

Working to ensure grid reliability

Since it began operating a competitive wholesale electricity market in 1997, PJM Interconnection has employed a dynamic collaborative process with its members that has expanded the number of markets in the region. Acting neutrally and independently, PJM establishes systems and rules to ensure that the markets operate fairly and efficiently.

More than 500 members participate in PJM's markets. PJM uses sophisticated information technology to provide market participants with a variety of online resources and eTools to help them make business decisions and carry out their transactions. Billings in PJM-administered markets total more than \$110 billion since the regional markets opened.

Monitoring Analytics

Monitoring Analytics was established in 2008, created by spinning off the Market Monitoring Unit of PJM Interconnection. Monitoring Analytics continues to serve as the Independent Market Monitor for PJM under a long-term contract. Monitoring Analytics also has extensive

RELATED INFORMATION

- Frequently Asked Questions
- Manuals
- Industry Resources
- eTools
- Monitoring Analytics

RECENT DOCUMENTS

- AUG 6 Virginia Electric and Power Company - Notice of meeting regarding formula rate 2010 Annual Update 2009 Posted 3 days ago [PDF]
- AUG 4 Network Service Peak Loads 2009 Historical Synchronized Reserve Events 2009 Posted 6 days ago [PDF]
- JUL 28 2009 Posted 13 days ago [XLS]
- JUL Network Integration Transmission Services Revenue Requirements 2009 Posted 87 days ago [PDF]

Operational Data

eTools

Energy Market

Reliability Pricing Model

Financial Transmission Rights

Ancillary Services

Demand Response

Market Settlements

Financial Credit

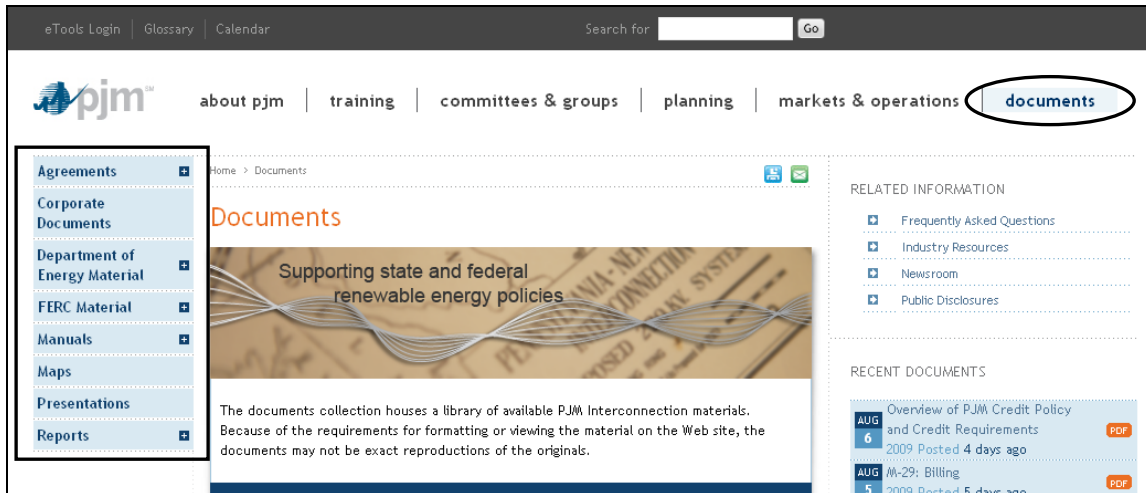
Compliance

Transmission Service

Operational Analysis

- *Operational Data* provides real-time or recent Locational Marginal Price data, transmission transfer and limit information, instantaneous dispatch rates, and load information.
- *eTools* provides information and links to a suite of online applications that give PJM members access to real-time market operations data, such as real-time prices. These tools assist members with managing daily transactions as well as enabling members to operate in PJM.
- *Energy Market* allows access to detailed information on the nature of PJM's market for electricity, including the real-time and day-ahead markets, where historical data on Locational Marginal Prices can be viewed and downloaded.
- *Reliability Pricing Model ("RPM")* provides information on PJM's capacity-market model, RPM auctions, and PJM's Capacity Credit Market archive.
- *Financial Transmission Rights ("FTR")* provides information on the financial transmission rights used to hedge economic risks associated with delivering energy on the grid.
- *Ancillary Services* provides information and historical data on black start services, spinning reserves and market-based regulation.
- *Demand Response* describes the demand response programs implemented by PJM, such as the Emergency Load Response Program and the Economic Load Response Program and provides information on the day-ahead scheduling reserve and capacity markets and other reference materials.
- *Market Settlements* includes links to a variety of helpful PJM web pages covering the process of settling transactions within the PJM market.
- *Financial Credit* explains PJM's Federal Energy Regulatory Commission ("FERC")-approved credit policy.
- *Compliance* provides details about PJM's commitment to fulfilling all compliance standards with all applicable North American Electric Reliability Corporation ("NERC") and regional reliability standards as well as North American Energy Standards Board ("NAESB") business standards.
- *Transmission Service* specifies the transmission services that are available to eligible customers.
- *Operational Analysis* provides current and historical PJM data related to generation, transmission, and load, as well as operations reports, system data graphs, and information about emergency procedures.

- g. The “**Documents**” section provides links to important PJM documents, including regulatory filings. The “**Types of Agreements**” subsection provides links to PJM agreements relevant to BGS Suppliers (such as the OATT, OA, and RAA). The “**Manuals**” subsection provides links to PJM Manuals that delineate the administrative, planning, operating, and accounting procedures of PJM.



I.3. Financial Transmission Rights (“FTRs”) and Auction Revenue Rights (“ARRs”)

Under the BGS Supplier Master Agreements, the BGS Suppliers (and not the EDCs) are the LSEs in PJM and the firm or network transmission service customers. When BGS Suppliers purchase Network Integration Transmission Service (“NITS”), they can request ARR. ARR allocated for the planning period are reassigned on a proportional basis within a zone as load switches between LSEs.

BGS Suppliers can also purchase FTRs in periodic auctions held by PJM.

General information on ARR and FTRs is provided by PJM at the Frequently Asked Questions web page under FTR Market FAQs:

<http://www.pjm.com/FAQs.aspx#FTRMarketFAQs>

Reference materials as well as the FTR and ARR credit rules and historical auction results are available at the PJM FTR Auction User information web page:

http://www.pjm.com/markets-and-operations/ft/auction-user-info.aspx?sc_lang=en

I.3.a. Purpose and Application of FTRs

As noted by PJM,

“A Financial Transmission Right (FTR) is a financial instrument, awarded to a bidder in the FTR Auctions that entitles the holder to a stream of revenues (or charges) based on the hourly day-ahead congestion price differences across the path. FTRs do not represent a right for physical delivery of power.”

“One purpose of FTRs is to protect Firm Transmission Service Customers from increased cost due to Transmission Congestion when their energy deliveries are consistent with their firm reservations. Essentially, FTRs are financial instruments that entitle the holder to rebates of congestion charges paid by the PJM Firm and Network Transmission Service Customers.”

For more details, please refer to the Financial Transmission Rights FAQs web page at: <http://www.pjm.com/faqs/ptr-market/ptr-ptr.aspx>

I.3.b. Purpose and Application of ARRs

As defined by PJM,

“Auction Revenue Rights are entitlements allocated annually to Firm and Network Transmission Service Customers that entitle the holder to receive an allocation of the revenues from the Annual FTR Auction.”

For more details, please refer to the Auction Revenue Rights FAQs web page at: <http://www.pjm.com/Home/faqs/ptr-market/ptr-arr.aspx#FAQ1>

I.4. PJM eTools

PJM provides web-based software applications, collectively referred to as eTools, which allow members to conduct a number of PJM-related tasks, including the following:

- Access market data
- Submit energy schedules
- View load obligation and report bilateral capacity transactions

- Reserve transmission through OASIS
- Manage transactions in PJM's markets

These eTools are described on the PJM web site:

<http://www.pjm.com/markets-and-operations/etools.aspx>

I.5. Reliability Pricing Model

PJM's RPM provides:

- “Procurement of capacity three years before it is needed through a competitive auction;
- Locational pricing for capacity that reflects limitations on the transmission system's ability to deliver electricity into an area and to account for the differing need for capacity in various areas of PJM;
- A variable resource requirement to help set the price for capacity;
- A backstop mechanism to ensure that sufficient resources will be available to preserve system reliability.”

RPM came into effect on June 1, 2007. RPM replaced PJM's former capacity credit market construct. The FERC approved an RPM settlement in its December 22, 2006 Order in Docket No. ER05-1410. The Reliability Pricing Model consists of one Base Residual Auction (“BRA”) and up to three incremental auctions per PJM delivery year (June 1- May 31).

The 2011/2012 BRA cleared 132,221.5 MW of unforced capacity at a price of \$110.00/MW-Day. This quantity represents an 18.1% reserve margin. Results of auctions conducted to date are presented in the table below.

Table I-1. BRA Auction Results for 2007/2008 through 2012/2013 Planning Years for the EDCs' Zone

Year	Price (\$MW-Day)¹
2007/2008 (All EDCs)	\$197.67
2008/2009 (All EDCs)	\$148.80
2009/2010 (All EDCs)	\$191.32
2010/2011 (All EDCs)	\$174.29
2011/2012 (All EDCs)	\$110.00
2012/2013 (JCP&L, ACE, and RECO)	\$139.82
2012/2013 (PSE&G)	\$162.87

Information on RPM as well RPM auction results can be found on PJM web site:
<http://www.pjm.com/markets-and-operations/rpm.aspx>

I.6. Demand Response

As defined by PJM:

“Demand response (also known as load response) is end-use customers reducing their use of electricity in response to power grid needs, economic signals from a competitive wholesale market or special retail rates.”

The FERC initially approved PJM’s pilot programs in 2002. In 2006, FERC approved changes to PJM’s demand response initiatives, such as making economic load response a permanent part of the PJM Energy Market, improving the options available to emergency load response participants, and enabling demand resources to provide synchronized reserve and regulation service.

End-use customers usually reduce their electricity consumption during emergencies or when Location Marginal Prices (“LMPs”) are high. PJM’s demand response program enables end users to receive a revenue stream for reducing electricity consumption in such circumstances.

End-use customers can participate in demand response through qualified PJM market participants called Curtailment Service Providers (“CSPs”), who act as agents for these participating customers. These CSPs register the aggregated demand of participating end-use customers with PJM and submit the verification of demand reductions. In turn, PJM

¹ These prices are net of Capacity Transfer Rights (“CTRs”). RPM costs for LSEs may not equal these values because prices are subject to adjustment pending the outcome of any incremental RPM auctions that may be held.

makes payments to the CSPs as a result of these demand reductions. The CSP pays the customer in accordance with the agreement between the CSP and the end-use customer.

Detailed information on demand response can be found on PJM web site:

<http://www.pjm.com/markets-and-operations/demand-response.aspx>

I.7. Marginal Losses

On June 1, 2007, PJM began incorporating marginal loss factors into its LMP calculations. Prior to June 1, 2007 certain average transmission losses, such as allocated 500 kV losses, were included in the energy quantities that the LSEs were required to supply to meet their load. Under marginal losses, these average transmission losses are included in the LMPs rather than being included in the energy quantities for which LSEs are responsible as was done previously. To prevent double-counting there is a transitional mechanism whereby PJM will use loss-loaded schedules and de-rate these schedules by marginal losses to determine energy settlement values. These factors used in de-rating are determined for each hour for each EDC by PJM. BGS Supplier payments will be based on loads de-rated for marginal losses.

Additional information regarding marginal losses and their implementation can be found on PJM's web site at:

http://www.pjm.com/sitecore/content/Globals/Training/Courses/ol-ml.aspx?sc_lang=en

Frequently asked questions regarding marginal loss implementation can be found on PJM's web site at:

<http://www.pjm.com/FAQs.aspx#MarginalLossesFAQs>

I.8. Keeping Up with Market Updates

The PJM newsroom provides information about PJM's activities, including news releases, a media kit with a variety of statistical data, and background information on PJM:

http://www.pjm.com/about-pjm/newsroom.aspx?sc_lang=en

I.9. PJM-EIS GATS Implementation

PJM-EIS has implemented an environmental attribute tracking system. BGS Suppliers must use GATS for compliance with the Renewable Portfolio Standards. More information on this system can be found at the PJM-EIS web site:

<http://www.pjm-eis.com/>

The New Jersey Renewable Portfolio Standards are discussed in more detail in section J of the General Information portion of this information packet.

I.10. New Transmission Projects

PJM's RTEP identifies transmission system upgrades and improvements to maintain the reliability of the electricity grid. The RTEP planning horizon permits PJM to assess reliability criteria five and fifteen years in advance. The five-year planning period enables PJM to assess and recommend upgrades to meet forecasted short-term load growth and to ensure reliable interconnection of new generation and merchant transmission projects. The fifteen-year horizon permits consideration of many projects of a larger magnitude which may be efficient at addressing larger, more global, reliability issues. An up-to-date list and construction status of transmission system upgrade projects can be found at the PJM RTEP Construction Status site:

<http://www.pjm.com/planning/rtep-upgrades-status/construct-status.aspx>

As part of the RTEP process, PJM will charge BGS Suppliers for costs related to the development of transmission projects. The EDCs have applied to the BPU to adjust retail rates to cover these costs. Upon approval from the BPU, the EDCs will track these costs on behalf of the BGS Suppliers, and when the rates upon which these costs are based are the subject of a final FERC Order and no longer subject to refund, BGS Suppliers will be paid based on the amount of recovery approved by the BPU. Please see Section 15.9 of the BGS-FP Supplier Master Agreement and the BGS-CIEP Supplier Master Agreement for a full description of the contractual provisions applicable to RTEP cost recovery if such recovery is approved by the BPU.

J. NEW JERSEY INITIATIVES

J.1. Renewable Portfolio Standards

J.1.a. Overview

The Renewable Portfolio Standards (“RPS”) implement provisions of the Electric Discount and Energy Competition Act (“EDECA”), N.J.S.A. 48:3-49 et seq., that require each electric power supplier or Basic Generation Service (“BGS”) Supplier in New Jersey to include in its electric energy portfolio a percentage of electricity generated from renewable energy sources.

In this section, we highlight the main features of the RPS for the convenience of bidders, including recently adopted amendments to the RPS. Please consult the RPS, amendments, and relevant Orders of the New Jersey Board of Public Utilities (“Board” or “BPU”) for a comprehensive listing of the requirements.

J.1.b. What are the Requirements?

A BGS Supplier must demonstrate that it includes in its energy portfolio a percentage of electricity generated from renewable energy sources. A BGS Supplier will not be able to demonstrate compliance with the RPS using direct supply of any type of renewable energy. Instead, RPS compliance is in the form of Renewable Energy Certificates (“RECs” or “Certificates”) and Solar Renewable Energy Certificates (“SRECs”). Alternatively, the BGS Supplier may make Alternative Compliance Payments (“ACPs”) and/or Solar Alternative Compliance Payments (“SACPs”).

Renewable energy means electric energy generated within or delivered into the PJM region and produced from a source belonging to one of two classes:

1. Class I renewable energy. Electric energy produced from solar technologies, photovoltaic technologies, wind energy, fuel cells powered by renewable fuels, geothermal technologies, wave or tidal action, and/or methane gas from landfills or a biomass facility, provided that the biomass is cultivated and harvested in a sustainable manner.
2. Class II renewable energy. Electric energy produced at a resource recovery facility or hydroelectric power facility, provided that such facility is located where retail competition is permitted and provided further that the Commissioner of Environmental Protection has determined that such facility meets the highest

environmental standards and minimizes any impacts to the environment and local communities.

Table J-1 below provides, for the three years of the BGS-FP supply period, the minimum percentage of renewable energy required by the RPS.

Table J-1. Minimum Percentages of Renewable Energy Required

Period	Solar Electric Generation	Class I Renewable Energy	Class II Renewable Energy	Total Renewable Energy
June 1, 2010 to May 31, 2011	0.305%	5.492%	2.5%	8.297%
June 1, 2011 to May 31, 2012	0.394%	6.320%	2.5%	9.214%
June 1, 2012 to May 31, 2013	0.497%	7.143%	2.5%	10.140%

Although solar electric generation is a type of Class I renewable energy, each BGS Supplier must meet a separate requirement for solar electric generation. In order to qualify for the generation of SRECs, the solar electric generation facility must be interconnected with an electric distribution system that supplies New Jersey. SRECs may be used to comply with any of the requirements in Table J-1 above. Class I RECs may be used to meet Class I and Class II renewable energy requirements, but may not be used to meet the solar electric generation requirements. Class II RECs may only be used to meet Class II renewable energy requirements.

J.1.c. Recent Amendments to the RPS

On June 16, 2008, the Board issued for comment amendments to the RPS. On December 18, the Board issued a notice of correction to the proposed amendments and extended the comment process. The amendments were adopted by the Board with modifications on February 11, 2009 and became effective on March 16, 2009 (the “March 16, 2009 RPS Amendments”). A courtesy copy of the proposed amendments is available here: <http://www.bpu.state.nj.us/bpu/pdf/rules/proposal.pdf>.

A courtesy copy of the notice of correction and extension of public comment period is available here:

http://www.bgs-auction.com/documents/RPS_Administrative_Correction_and_Extension_of_Public_Comment_Period_20081218.pdf

A courtesy copy of the adopted modifications to the proposed amendments is available here:

<http://www.state.nj.us/bpu/pdf/rules/RPSsolar.pdf>

On December 1, 2008, the Board issued for comment amendments to the RPS. The amendments were adopted by the Board with modifications on July 29, 2009 and became effective on September 8, 2009 (the “September 8, 2009 RPS Amendments”) under BPU Docket Number EX08050346. A courtesy copy of the September 8, 2009 RPS Amendments is available here: <http://www.state.nj.us/bpu/pdf/rules/rpspjm.pdf>.

The March 16, 2009 RPS Amendments include amendments filed with the Office of Administrative Law on May 23, 2008. These amendments implement a new statutory mandate (P.L. 2007, c.300), which makes it clear that eligibility to generate SRECs should not be limited to facilities located on a customer-generator’s premises or to facilities that use a net meter. A copy of these specific amendments is available here:

<http://www.bpu.state.nj.us/bpu/pdf/rules/Solarspecialadoption.pdf>.

The March 16, 2009 RPS Amendments also establish that if the Board determines that the total cost of solar incentives for a reporting year exceeds two percent of the total retail cost of electricity, then the level of solar RPS will be frozen at the level in effect at the time of the Board’s determination. In addition, the amendments establish that a facility can generate SRECs for fifteen years beginning the year that the project became operational; after this time, the facility will only be eligible to generate Class I RECs. Finally, the amendments extend the trading life of an SREC for an additional year, for all SRECs based on electricity generated on or after June 1, 2009.

J.1.d. How are RECs Issued, Tracked, and Traded?

The renewable energy that has been accounted for in issuing a REC (or SREC) cannot be used again for the issuance of another REC (or SREC), or used to satisfy another state’s renewable energy requirement. Once a REC (or SREC) has been submitted for compliance with the RPS, the REC (or SREC) will be permanently retired and cannot be used again.

The PJM-Environmental Informational Systems (“PJM-EIS”), through the Generation Attribute Tracking System (“GATS”), issues SRECs, Class I RECs, and Class II RECs. To obtain these RECs (or SRECs) and show compliance with the RPS, BGS Suppliers must participate in PJM-EIS GATS.

To participate in PJM-EIS GATS, BGS Suppliers must complete a GATS “Terms of Use” that is available at <http://www.pjm-eis.com>. The BGS Supplier must also register with the GATS by opening a Retail LSE Account and establish a sub-account for each EDC service territory that it is supplying. For more information, including the cost involved, please see <http://www.pjm-eis.com/documents/downloads/terms-of-use.pdf>.

For questions about the PJM-EIS GATS, please contact:

PJM-EIS GATS Administrator

Phone: 610-666-2245

Fax: 610-771-4114

E-mail: info@pjm-eis.com

For BGS Suppliers that have existing arrangements with generators to meet the requirements from the RPS, those generators will need to register with the PJM-EIS GATS and convert the relevant attributes to RECs (or SRECs).

All SRECs and ‘behind the meter’ (“BTM”) RECs are now being issued by PJM-EIS GATS. Clean Power Markets no longer issues SRECs and BTM RECs. By its Orders dated September 24, 2008 and December 9, 2008, the BPU approved the transition from the platform operated by the Clean Power Markets to PJM-EIS GATS for the issuance, tracking and trading of SRECs and BTM RECs (see Docket No. EO08060385 I/M/O the Use of PJM-EIS GATS for Issuance, Tracking and Trading of Solar Renewable Energy Certificates (SRECs) and I/M/O the Use of PJM-EIS GATS for Issuance, Tracking and Trading of Class I Behind-the-Meter Renewable Energy Certificates (RECs) for use in the Board’s Renewable Portfolio Standards). For more information, please see <http://www.njcleanenergy.com/renewable-energy/programs/solar-renewable-energy-certificates-srec/new-srec-gats-transition>.

J.1.e. How Does a BGS Supplier Demonstrate Compliance?

Each BGS Supplier is responsible for meeting the renewable energy requirements associated with the tranches it serves. The BGS Supplier either obtains the required RECs and SRECs, or the BGS Supplier pays the ACPs and SACPs in sufficient quantities to make up the shortfall. The ACP has not yet been determined for the period starting June 1, 2010. The March 16, 2009 RPS Amendments set the SACP at \$675/MWh for the period June 1, 2010 through May 31, 2011, and \$658/MWh for the period June 1, 2011 through May 31, 2012, and \$641/MWh for the period June 1, 2012 through May 31, 2013.

The Board requires an annual report by October 1st of each year to demonstrate compliance with the RPS for the year ending on the preceding May 31st. The EDCs will assist BGS Suppliers in meeting these reporting requirements. Each BGS-FP and BGS-CIEP Supplier submits sufficient information to the EDCs for them to prepare the annual compliance reports and the EDCs submit the required reports on behalf of BGS Suppliers.

A BGS Supplier may be subject to penalties if it fails to demonstrate compliance with the RPS or fails to meet the deadlines set forth in the RPS. BGS Suppliers must keep all records relating to meeting the requirements of the RPS for a period of five years, and may be required to present these records for review upon request by the Board or its designees.

J.2. New Jersey Solar Initiatives

The RPS require that a BGS Supplier demonstrate that its energy portfolio includes a percentage of electricity generated from solar energy sources. In response to the Board's directive, each of the EDCs has filed programs that have the objective, as set by the Board, to enhance the ability of suppliers to meet the solar RPS. The EDC, BPU Staff, the Division of Rate Counsel ("Rate Counsel"), and The Solar Alliance were parties to the proceedings before the Board for each of the EDC's program.

This section discusses the various EDC programs that have been approved by or proposed to the Board. Further information on the EDC's programs can be found on the Office of Clean Energy's web site here:

<http://www.njcleanenergy.com/renewable-energy/programs/utility-financing-programs/utility-financing-programs>

J.2.a. PSE&G Solar Programs

Solar Loan I Program

In its Order dated April 16, 2008, in Docket No. EO07040278, I/M/O the Petition of Public Service Electric and Gas Company for Approval of a Solar Energy Program and an Associated Cost Recovery Mechanism, the Board approved PSE&G's proposal to implement a 30 MW solar photovoltaic development program within its electric service territory ("Solar Loan I Program"). Under this program, PSE&G extends loans to its customers for installation of solar photovoltaic systems on the customers' premises. Solar Loan I Program will be open for 2 years and projects are accepted on a first-come, first-served basis until 30 MW of projects have been developed or 2 years pass,

whichever comes first. A borrower in the Solar Loan I Program will repay the loan over a period of 10 years for residential loans, or 15 years for commercial loans, by providing PSE&G with SRECs generated by photovoltaic systems or with cash. Pursuant to the Board's Order, PSE&G will sell the SRECs it receives through periodic auctions.

Further information on PSE&G's solar loan program can be found on PSE&G's web site here: <http://www.pseg.com/customer/solar/index.jsp>

Solar Loan II Program

In response to the Board's directive, PSE&G has filed a petition for approval of a second loan program ("Solar Loan II Program"). As in the Solar Loan I Program, PSE&G will offer long-term loans for qualifying solar photovoltaic projects, and the loans will be repaid in SRECs or cash. PSE&G proposes to sell the SRECs it receives through periodic auctions.

PSE&G's Solar Loan II Program is awaiting approval from the Board. Further information on the Solar Loan II Program is available here:

<http://www.njcleanenergy.com/files/file/Utility%20Info/PSEG%20Petition%20for%20Solar%20Loan%20II-2009-03-31%20Solar%20Loan%20II%20Filing.pdf>

Solar 4 All Program

In a Board Order dated August 3, 2009, I/M/O Petition of Public Service Electric and Gas Company for Approval of a Solar Generation Investment Program and an Associated Cost Recovery Mechanism, Docket No. EO09020125, the Board approved PSE&G's Solar 4 All Program. A copy of the Board Order can be found here:

<http://www.njcleanenergy.com/files/file/Utility%20Info/Board%20Order%20approving%20PSEG%20for%20Solar%204%20All%20Stipulation-S4A%20Order.pdf>

Under the Solar 4 All Program, PSE&G will directly invest in and own 80 MW of grid-connected solar generation. Installation of projects under the Solar 4 All Program started in 2009 and is expected to end by 2013.

PSE&G will receive the SRECs its solar systems generate. Pursuant to the Board's Order, PSE&G will sell the SRECs it receives through periodic auctions.

J.2.b. ACE and JCP&L Solar Programs

In a Stipulation of Settlement dated March 13, 2009, and in a Board Order dated March 27, 2009 in Docket Nos. EO08100875 and EO08090840, the Board approved an SREC-based financing program for ACE and JCP&L. A copy of the Stipulation of Settlement and a copy of the Board Order can be found here:

<http://www.njcleanenergy.com/files/file/Utility%20Info/Stipulation%20FINAL.pdf>

http://www.njcleanenergy.com/files/file/program_updates/3-27-09-8A.pdf

Through this program, ACE and JCP&L will enter into contracts of 10 to 15 years to buy the SRECs generated by new solar systems. ACE and JCP&L will solicit bids several times over a period of three years for the sale of SRECs to the EDCs. These bids will propose a price for the SRECs and a term length for the contract. Bids will be ranked according to the Net Present Value (“NPV”) of the payment stream for one SREC over the proposed term. Projects will be selected based on the lowest NPV, up to the approved MW solicited or up to the point where pricing is found no longer to be competitive. Construction of awarded projects must occur within 12 months of the execution of the contract. Pursuant to the Board’s Order, JCP&L and ACE will sell the SRECs it receives through periodic auctions.

Only projects within the service area of either ACE or JCP&L and with capacities of 500 kW or less are eligible to submit bids in this program. No one entity, and no combination of affiliated entities under the same majority ownership, can obtain more than 20% of either EDC’s long term contracts in any one reporting year. To be eligible, a project must have completed the initial application process under the Renewable Energy Incentive Program (“REIP”) or the SREC Registration Program. The Stipulation articulates an aspirational goal that approximately 25% of the MWs planned be provided by projects less than or equal to 50 kW.

The program is targeted to procure 61 MW over the three years from July 2009 through May 2012 (42 MW for JCP&L and 19 MW for ACE). The results from the first solicitation are expected to be announced in early October 2009.

More information and relevant documents on the ACE and JCP&L SREC-based financing program can be found on the program web site at <http://www.njedcsolar.com/>.

J.2.c. RECO SREC-Based Financing Program

In a Stipulation of Settlement dated July 24, 2009, I/M/O the Verified Petition of Rockland Electric Company Concerning a Proposal for an SREC-Based Financing Program Under N.J.S.A. 48:3-98.1, Docket No. EO09020097, the Board approved an

SREC-Based Financing Program for RECO. RECO's SREC-Based Financing Program follows the approved program for ACE and JCP&L. A copy of the Stipulation of Settlement and the Board Order dated, July 31, 2009 can be found here:

<http://www.njcleanenergy.com/files/file/Utility%20Info/Board%20Order%20approving%20the%20RECO%20Solar%20Financing%20Program.pdf>

RECO expects that its solicitations will occur simultaneously with the solicitations for ACE and JCP&L. The program's goal is to procure 3.769 MW for RECO over the three reporting years from July 2009 through May 2012. Due to concerns that limiting awards to an entity might prevent RECO from attaining its SREC requirement, the 20% developer cap does not apply to RECO's solicitation. Pursuant to the Board's Order, RECO will sell the SRECs it receives through periodic auctions.

The parties to the stipulation support an aspirational goal that approximately 50% of the MWs to be solicited are to be provided by projects less than or equal to 50 kW.

J.2.d. SREC Auctions

The Board in its Order dated August 7, 2008, Docket No. EO06100744 ordered that the EDCs resell SRECs procured under their solar programs through an auction process. A copy of the Board Order can be found here:

<http://www.state.nj.us/bpu/pdf/boardorders/7-30-08-8E.pdf>

The Board has approved details on the SREC auction process, which can be found here:

<http://www.state.nj.us/bpu/pdf/boardorders/11-7-08-2D.pdf>

There will be quarterly auctions to sell the SRECs procured through the EDCs' solar programs. The first auction is planned for January 29, 2010. At that time, only SRECs from PSE&G's programs are expected to be available for sale. When the SREC-Based Financing Programs of ACE, JCP&L, and RECO are sufficiently advanced, the SRECs from these programs will also be sold through the auctions.

Auctions will be held quarterly in January, April, July and October. The SREC auctions will be open to all SREC market participants, including SREC traders, aggregators, as well as BGS Suppliers and third party suppliers that have an obligation to acquire SRECs to satisfy the RPS.

The auctions will follow an ascending clock format. In the first round, bidders will bid by stating how many SRECs they want to buy at the starting price proposed. If there are more SRECs bid than there are available, the auction proceeds to a second round, where a new, higher price is proposed for the SRECs. In each round of the auction, the price will go up based on the excess of SREC demand over the SRECs available. The process

continues until a price is reached at which the number of SRECs bid is just equal to the number of SRECs to be sold. The winners at the Auction pay PSE&G the final auction price and PSE&G transfers the SRECs to the winner's account.

More information and relevant documents related to the SREC auction can be found at <http://www.solarrec-auction.com>.

K. CONTACT US

Mail

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Phone and Fax

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(973) 297-0246 (fax)

Web site

For all questions related to the BGS Auctions, including rules, contract issues, and data, you can log into the BGS Auction web site (<http://www.bgs-auction.com>) and click on the **questions?** (<http://www.bgs-auction.com/bgs.contactus.asp>) tab on the menu.



Ask a Question

To submit a question or comment, use the form below.

Subject: *

Name: *

Company: *

Email address: *

Questions / Comments:

Megargel **enormity**

Type the two words:

reCAPTCHA™
stop spam.
read books.

You can use the pull-down menu to ask a question on a particular topic. You will be asked to enter your name, company information and email address.

Ask a Question

To submit a question or comment, use the form below.

Subject: *

Name: *

Company: *

Email address: *

Questions / Comments:

Once you fill out the information, you will be asked to enter the two words that appear in the reCAPTCHA™ box as shown above, before you click on the “submit” button to send your question. For instance, in the image above, you will be required to enter “Megargel enormity” in the reCAPTCHA™ box before submitting your question. If you need to start again, just click on the “reset” button.

Ask a Question

Thank you! Your message has been received. We will respond to you shortly.

Click [HERE](#) to return to the home page or click [HERE](#) to ask another question.

Once you have clicked on the “submit” button, you will be navigated to the confirmation page as shown above. If you would like to submit another question, please click on the second “HERE” button on this page.

L. CALENDAR

Following is a list of regulatory milestones and a tentative auction timeline. Please check the BGS Auction web site for an up-to-date timeline on the *calendar* tab:

<http://www.bgs-auction.com/bgs.calendar.asp>.

Activity or Decision Point	Timing
BGS proposals filed	Wednesday, July 1, 2009
Discovery request deadline	Friday, July 24, 2009
Discovery response deadline	Friday, August 7, 2009
First FAQ is posted	Tuesday, August 11, 2009
Release of Preliminary Draft of FP Pricing Spreadsheet	Tuesday, August 25, 2009
Deadline for Initial Comments on all proposals	Friday, August 28, 2009
Legislative-type Board Hearing	Thursday, September 10, 2009
Posting of Alternate Guaranty Process	Wednesday, September 16, 2009
Deadline for Final Comments	Friday, September 25, 2009
Information Session for Potential Bidders (Washington, DC)	Friday, October 2, 2009
Information Session for Potential Bidders (Philadelphia, PA)	Friday, October 9, 2009
Final Part 1 Application Form is posted	Thursday, October 15, 2009
Draft Part 2 Application Form is posted	Thursday, October 15, 2009
Deadline to submit alternate form of guaranty	Tuesday, October 27, 2009
Deadline to propose modifications to the standard form of the Pre-Auction Letter of Credit	Tuesday, October 27, 2009
Auction Manager informs a proposing party that had previously secured approval for its alternate form of guaranty whether the approval is renewed	Wednesday, October 28, 2009
Deadline to submit alternate form of guaranty and supporting documentation for parties whose approval of a previously accepted alternate form of guaranty is not renewed	Friday, October 30, 2009
Auction Manager provides individual responses to parties proposing modifications to the Pre-Auction Letter of Credit	Monday, November 2, 2009
All modifications to the standard form of the Pre-Auction Letter of Credit that are acceptable on an optional basis are posted	Wednesday, November 4, 2009
Auction Manager informs parties proposing alternate form of guaranty of status of submission	Wednesday, November 4, 2009

Activity or Decision Point	Timing
Deadline to submit required modifications or revisions to the alternate form of guaranty or supporting documentation	Friday, November 6, 2009
Board decision on Auction proposal	November, 2009
EDC Compliance Filing	November, 2009
Expected Board Decision on Compliance Filing	November, 2009
Auction Manager informs parties proposing alternate forms of guaranty of the EDCs' decision	Tuesday, November 10, 2009
Statewide minimum and maximum starting prices announced	Thursday, November 12, 2009
Load caps announced	Thursday, November 12, 2009
Tranche sizes announced	Thursday, November 12, 2009
Final Part 2 Application Form is posted	Friday, November 13, 2009
Information Session for Potential Bidders, Philadelphia, PA	Friday, December 4, 2009
Deadline to submit Part 1 Application	Tuesday, December 15, 2009
Part 1 Applications are reviewed	December 15 – 18, 2009
Applicants are notified of Part 1 Application Results	Friday, December 18, 2009
Deadline to submit Part 2 Application	Tuesday, January 12, 2010
Part 2 Applications are reviewed	January 12 - 20, 2010
Applicants are notified of Part 2 Application results	Wednesday, January 20, 2010
Mark-to-Market Information Release	Monday, January 25, 2010
Auction Manager informs Registered Bidders of changes to decrement formulas or ranges of total excess supply (if necessary)	Monday, January 25, 2010
Tranche Fee is announced	Tuesday, January 26, 2010
Information session for Registered Bidders, Philadelphia, PA	Tuesday, January 26, 2010
Trial auctions for Registered Bidders	Thursday, January 28, 2010
Auction Manager informs Bidders registered in BGS-CIEP Auction of starting prices	Tuesday, February 2, 2010
Auction Manager informs Bidders registered in BGS-FP Auction of starting prices	Wednesday, February 3, 2010
BGS-CIEP Auction Starts	Friday, February 5, 2010
BGS-FP Auction Starts	Monday, February 8, 2010
Board decision on Auction results	Within 2 business days of close of the BGS-FP Auction or BGS-CIEP Auction, whichever comes later

Activity or Decision Point	Timing
Winning suppliers execute BGS Supplier Master Agreements	Within 3 business days of Board decision
Documents provided to bidders by Auction Manager containing confidential information must be destroyed	Within 5 business days of Board decision
BGS-FP rates filed with Board	Within 60 business days of Board decision
Power Flows	Tuesday, June 1, 2010