

B. ELEMENTS OF THE EDCs' PROPOSAL

This section is provided for bidder convenience only. Any statements herein describing the EDCs' proposal are summaries only and are qualified in their entirety by the EDCs' "Proposal for Basic Generation Service Requirements to Be Procured Effective June 1, 2018" filed on June 30, 2017 with the New Jersey Board of Public Utilities as well as each EDC's Company Specific Addendum. These documents are available on the [BGS Proceeding](#) page of the BGS Auction website. Bidders bear full responsibility for reviewing each EDC's Company Specific Addendum and accompanying attachments, as well as all documents filed as part of the EDCs' "Proposal for Basic Generation Service Requirements to Be Procured Effective June 1, 2018".

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

B.1. Key Elements of the Proposal

In an Order dated April 21, 2017 initiating Docket No. ER17040335, the New Jersey Board of Public Utilities ("Board" or "BPU") directed the EDCs to submit a proposal to procure BGS supply for the period beginning June 1, 2018. The EDCs' filing on June 30, 2017 was prepared in response to this Order. In this filing, the EDCs propose to conduct a statewide Auction that simultaneously seeks offers for all BGS Load in the state using the process that has been successfully used in past years. In particular, the EDCs propose to hold two Auctions concurrently (the BGS-RSCP Auction for residential and small commercial customers and the BGS-CIEP Auction for larger commercial and industrial customers). The EDCs filing is available in its entirety on the [BGS Proceeding](#) page of the BGS Auction website and includes:

- **Provisional Auction Rules** – The BGS-RSCP Auction Rules and the BGS-CIEP Auction Rules govern the conduct and rules of the Auctions;
- **Supplier Master Agreements** – The BGS-RSCP Supplier Master Agreement and the BGS-CIEP Supplier Master Agreement layout the contractual obligations of BGS suppliers and are executed by suppliers who win in the Auctions;
- **Company Specific Addenda** – The Company Specific Addenda are filed separately for each EDC and include information about each EDC's contingency plans, accounting and cost recovery, as well as draft tariffs; and
- **RSCP Pricing Factors** – The RSCP pricing factor spreadsheets are filed separately for each EDC and detail the development of BGS-RSCP retail rates.

We provide additional details on the proposal below.

B.2. BGS-RSCP Auction

The *BGS-RSCP Auction* would seek offers for the supply of full requirements tranches of each EDC's BGS-RSCP Load for a three-year period. Each EDC's BGS-RSCP customers exclude customers in specific rate classes as well as customers with a peak load share of 500 kW or above as described in Table B-1 below. Historical load data series for each EDC are posted to the [BGS Monthly Data](#) page of the BGS Data Room.

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

EDC	Rate Class	Customers
PSE&G	High Tension Service	All
	High Tension Service	All
	Large Power and Lighting, Primary Service	All
	Large Power and Lighting, Secondary Service	500 kW or greater
JCP&L	General Service Primary	All
	General Service Transmission	All
	General Service Secondary	500 kW or greater
	General Service Secondary Time-of-Day	500 kW or greater
ACE	Transmission General Service	All
	Annual General Service – Primary	500 kW or greater
	Annual General Service – Secondary	500 kW or greater
	Monthly General Service Primary	500 kW or greater
	Monthly General Service Secondary	500 kW or greater
RECO	Service Classification No. 7 – Primary TOU Service and Separately Metered Space Heating Service	All
	Service Classification No. 2 – General Service	500 kW or greater

“Tranches” for an EDC represent a fixed percentage of the EDC’s BGS-RSCP Load. Supply has already been procured for two-thirds of each EDC’s BGS-RSCP Load through previous auctions: one-third was procured in an auction held in February 2016 with a term ending May 31, 2019 and one-third was procured in an auction held in February 2017 with a term ending May 31, 2020. The EDCs propose that supply for the remaining one-third of each EDC’s BGS-RSCP Load be procured through a BGS-RSCP Auction held in February 2018 with a supply period from June 1, 2018 to May 31, 2021.

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

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

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

B.2.a Auction Format

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

To ensure supplier diversity in each EDC territory, the EDCs propose an EDC load cap, which is a maximum number of tranches that a bidder can bid and win for a particular EDC. There would also be a statewide load cap that limits the amount of BGS-RSCP Load served by a supplier statewide.

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

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

B.2.b Product and Contract

The auction produces a single clearing price for each EDC. This clearing price would apply to all tranches procured for that EDC in this year's BGS-RSCP Auction. Payments to BGS-RSCP Suppliers from June through September would be shaped by the use of a multiplicative summer factor on the auction price while payments for the remaining months would be shaped by the use of a multiplicative winter factor on the auction price.

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

Please see the proposed [BGS-RSCP Supplier Master Agreement](#) posted to the BGS Auction website for further information.

B.2.c Rates

Customers are free to come and go from BGS-RSCP, provided that they give timely notice before their next scheduled meter reading date, with timely notice generally being twenty (20) days. The EDCs propose a rate design methodology that yields for each EDC the multiplicative factors used to determine payments to BGS-RSCP Suppliers. The provisional multiplicative factors included in the EDC's filing are 1. The EDCs will provide to bidders final multiplicative factors approximately two weeks before the BGS-RSCP Auction.

A preliminary spreadsheet that converts final auction prices into customer rates using the proposed rate design methodology for each EDC is posted to the [BGS Additional Data](#) page of the BGS Data Room. BGS-RSCP rates are expected to vary by season and in some cases by time of day. This spreadsheet will be updated to account for the Board's decision in the BGS proceeding, including potential changes to the rate design methodology, and to update specific 2018 data prior to the Auction.

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

B.3. BGS-CIEP Auction

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

“Tranches” for an EDC represent a fixed percentage of that EDC's total BGS-CIEP Load. The number of tranches is set so that each tranche is approximately 75 MW on an eligible basis. The number of tranches is rounded to the nearest integer. The EDCs propose that supply for each EDC's BGS-CIEP Load be procured through a BGS-CIEP Auction held in February 2018 with a supply period from June 1, 2018 to May 31, 2019. Table B-3 below provides information on a preliminary basis about the tranches in the 2018 BGS-RSCP Auction.

Table B-3. Provisional Number of BGS-CIEP Tranches and MW-Measures

EDC	CIEP Peak Load Share (MW)	Number of Tranches	Size of Tranche (%)	MW-Measure
PSE&G	1,900.95	25	4.00%	76.04
JCP&L	907.94	12	8.33%	75.66
ACE	350.90	5	20.00%	70.18
RECO	57.70	1	100.00%	57.70

B.3.a Auction Format

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

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

B.3.b Product and Contract

The auction produces a single clearing price for each EDC that would apply to all tranches procured for that EDC. BGS-CIEP Suppliers for an EDC receive that EDC's auction clearing price applied to the capacity obligation, a pre-specified ancillary service rate, and a pre-specified transmission rate based on the PJM Open Access Transmission Tariff. The EDCs propose an ancillary service component of \$6/MWh. BGS-CIEP Suppliers would also be paid the CIEP Standby Fee, which is a fee for the option to take BGS-CIEP. The EDCs propose a CIEP Standby Fee of 0.015¢/kWh of the energy used by CIEP customers measured at the customer meter. CIEP customers include all customers who take BGS-CIEP as well as all customers served by third party suppliers who, were they to take BGS, would be required to do so on a CIEP tariff or rate.

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

Please see the proposed [BGS-CIEP Supplier Master Agreement](#) posted to the BGS Auction website for further information.

B.3.c Rates

Customers are free to come and go from BGS-CIEP, provided that they give timely notice before their next scheduled meter reading date, with timely notice generally being twenty (20) days. It is proposed that rate schedules for BGS-CIEP customers specify a per kW or per kWh rate for the transmission obligation, a pre-specified per kWh rate for ancillary services, and an energy charge on the basis of the hourly PJM real-time energy price. The BGS-CIEP Auction clearing price will be assessed as a specific capacity obligation charge, a demand charge, or as an energy charge. All CIEP customers (and not just BGS-CIEP customers) pay the CIEP Standby Fee.

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

B.4. RECO Central and Western Divisions

RECO must purchase the physical electric supply needed to meet its full service obligations for its non-PJM areas (i.e., RECO's Central and Western Divisions), which are included in the New York Control Area that is administered by the New York Independent System Operator ("NYISO"). RECO proposes to conduct a request for proposal ("RFP") to secure a hedging contract for its electric purchases. The proposed contract would commence on June 1, 2018 and extend through May 31, 2021.

Please see section G of RECO's Company Specific Addendum posted to the [BGS Proceeding](#) page of the BGS Auction website.

B.5. Roles

The EDCs propose clearly defined roles for each of the BGS Auction Manager, the EDCs, the Board, Board Staff, and the Board's Advisor in the management of the BGS procurement process. The BGS Auction Manager serves as a single point of contact for bidder questions and concerns, maintains a website through which bidders are kept informed about the process, ensuring the fairness of the process by providing equal access to information for all bidders. Additionally, the BGS Auction Manager manages the qualification procedure and the bid process. The EDCs file with the Board their procurement proposal each year, provide bidders with data and documents needed to prepare their bids, assess the financial and creditworthiness qualifications of suppliers, support the promotion of the auction opportunity, and manage the contracts with BGS suppliers on behalf of their customers. The Board considers the procurement proposal as well as accounting, contingency plans, and cost recovery. Board Staff and the Board Advisor monitor the entire process and monitor the bids round by round.

Details of these roles are found in Section V of the EDCs' BGS Filing Joint Proposal, posted to the [BGS Proceeding](#) page of the BGS Auction website.

B.6. Modifications Relative to the 2017 BGS Auctions

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

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