

## B. ELEMENTS OF THE EDCs' PROPOSAL

*This chapter 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, 2021" filed on July 1, 2020 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 Auction tab 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, 2021".*

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 Components of the Proposal

In an Order dated March 27, 2020 initiating Docket No. ER 20030190, 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, 2021. The EDCs' filing on July 1, 2020 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, similar to the process that has been used successfully 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 Auction tab of the BGS Auction website and includes:

- **Provisional Auction Rules** – The BGS-RSCP Auction Rules and the BGS-CIEP Auction Rules govern the conduct of the Auctions;
- **Supplier Master Agreements** – The BGS-RSCP Supplier Master Agreement and the BGS-CIEP Supplier Master Agreement are the standard contracts that describe the obligations of BGS Suppliers;
- **Company Specific Addenda** – The Company Specific Addenda are filed separately by each EDC and include information about each EDC's contingency plans, rate design, 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.

## **B.2. Removal of Transmission from the BGS Product**

The treatment of transmission and its inclusion in the BGS product have been a subject of debate in prior BGS proceedings. In previously approved BGS Supplier Master Agreements, the mechanism under Section 15.9 served to provide protections to BGS Suppliers against increases in transmission-related costs. Under Section 15.9, to the extent that firm transmission rates increase, the EDCs would make a filing to the Board first to increase the rates of BGS customers to collect these amounts and second to pay BGS suppliers for the increase. However, absent a Final FERC Order<sup>1</sup> in regard to the increase in the transmission rate, the Board at times approved the collection of the increase in transmission-related costs from BGS customers but did not approve the payment of those amounts to BGS Suppliers. These instances created a disparity in timing between the collection of transmission-related costs from BGS customers by the EDCs and the payment of such amounts to the BGS Suppliers.

In its Order approving the 2020 Auction Process, the Board directed Board Staff to work with the parties to find a resolution to these issues. Several meetings were held among the parties. In response to this directive, the EDCs propose to remove transmission from the BGS product. The responsibility for transmission-related costs (Network Integration Transmission Service, Transmission Enhancement Charges, and Generation Deactivation charges) would be transferred from the BGS Supplier to the EDC. The EDCs would pay transmission-related costs directly to PJM and would collect from BGS customers the amounts required to pay these charges.

Modifications to the provisions of the BGS Supplier Master Agreements governing the parties' responsibilities and the payment to the BGS Suppliers are being proposed to implement this change. Furthermore, each BGS Supplier Master Agreement now incorporates a Sample PJM Invoice as an appendix, which shows the PJM billing line items that are the responsibility of the EDC. The EDCs further propose that these same modifications be offered to BGS Suppliers holding existing contracts on an optional basis. Modifications to the rate design are also proposed to implement these changes.

---

<sup>1</sup> The term "Final FERC Order" means a final order issued by FERC in connection with a request for an increase or decrease in the rates for Firm Transmission Service, or, if FERC has issued an order authorizing Company's recovery of transmission costs through formula rates, the acceptance by operation of law or otherwise of the Company's rate tariff filing seeking an increase or decrease for Firm Transmission Service, which is no longer subject (either actually or potentially) to rehearing or judicial review in which the amount of the increase or decrease is in dispute or in question and is not the subject of proceedings at FERC on remand from any court in which the amount of the specific increase or decrease in the Firm Transmission Service rate is in dispute or in question.

**B.3. BGS-RSCP Auction**

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 2019 with a term ending May 31, 2022 and one-third was procured in an auction held in February 2020 with a term ending May 31, 2023. 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 2021 with a supply period from June 1, 2021 to May 31, 2024. 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 the table below.

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

<b>EDC</b>	<b>Rate Class</b>	<b>Customers</b>
<b>PSE&amp;G</b>	High Tension Service (high voltages)	All
	High Tension Service (subtransmission voltages)	All
	Large Power and Lighting, Primary Service	All
	Large Power and Lighting, Secondary Service	500 kW or greater
<b>JCP&amp;L</b>	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
<b>ACE</b>	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
<b>RECO</b>	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. Table B-2 below provides information about the tranches in the 2021 BGS-RSCP Auction.

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

EDC	RSCP Peak Load Share (MW)	Tranche Targets	Size of Tranche (%)	MW-Measure
PSE&G	2,611.48	29	1.18%	90.05
JCP&L	1,830.67	20	1.93%	91.53
ACE	604.58	7	4.55%	86.37
RECO	75.68	1	25.00%	75.68

### **B.3.a. Capacity Price Uncertainty**

At the time of last year’s 2020 BGS-RSCP Auction, the capacity price for the 2022/2023 delivery, the last year of the supply period, was not known. The Base Residual Auction for the 2022/2023 delivery year had been postponed as the Federal Energy Regulatory Commission (“FERC”) was considering PJM’s proposed changes to its capacity market. To alleviate this uncertainty, the EDCs proposed, and the Board approved, the use of a capacity proxy price for each EDC. During the 2022/2023 delivery year BGS-RSCP Suppliers would be paid (or would pay) the difference between the price BGS-RSCP Suppliers were paying for capacity and the capacity proxy price. The details of this mechanism were set out in a Supplement to the BGS-RSCP Supplier Master Agreement.

At this time, the BRA for the 2022/2023 delivery year and the BRA for the 2023/2024 delivery year have been postponed and it is certain that neither the capacity price for the 2022/2023 delivery year (the second year of the BGS-RSCP supply term) nor the capacity price for the 2023/2024 delivery year (the third year of the BGS-RSCP supply term) will be known prior to this year’s 2021 BGS-RSCP Auction. The EDCs propose to address this uncertainty in the manner approved by the Board last year. The EDCs propose using the capacity proxy prices in the following table.

**Table B-3. Capacity Proxy Prices**

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

During the 2022/2023 delivery year, BGS-RSCP Suppliers would be paid (or would pay) the difference between the price BGS-RSCP Suppliers were paying for capacity and the applicable capacity proxy price for that delivery year. Similarly, during the 2023/2024 delivery year, BGS-RSCP Suppliers would be paid (or would pay) the difference between the price BGS-RSCP Suppliers were paying for capacity and the applicable capacity proxy price for that delivery year. The details of this mechanism are set out in Supplements A and B to the BGS-RSCP Supplier Master Agreement.

**B.3.b. 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 supply of each product (a product is an EDC’s BGS-RSCP Load) at the prices in that round. The going price for an EDC decreases each round in which there is excess supply for that EDC. The BGS-RSCP Auction ends when the supply bid is equal to the amount the EDCs seek 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.

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

**B.3.c. 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. The multiplicative summer and winter factors are expected to be 1.

The product is a “full requirements” product. BGS-RSCP Suppliers will be physically and financially responsible for the hour-by-hour provision of electricity to BGS-RSCP customers. Each BGS-RSCP Supplier will be required to assume PJM Load Serving Entity (“LSE”) responsibility for the portion of BGS-RSCP Load served by that BGS-RSCP Supplier. BGS-RSCP Suppliers will provide capacity, energy, and ancillary services; BGS-RSCP Suppliers are responsible for meeting the requirements of the Renewable Portfolio Standards (“RPS”) and for providing any other services as may be required by PJM. BGS-RSCP Suppliers are responsible for managing the uncertainty associated with providing full requirements service, including the possibility that customers come and go from BGS.

As explained above, the EDC would be responsible for transmission-related costs and BGS-RSCP Suppliers would receive an additional payment or be responsible for an additional charge to true up capacity payments to the capacity proxy price. Please see the proposed [BGS-RSCP Supplier Master Agreement](#) posted to the BGS Auction website for further information.

### **B.3.d. 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 thirteen (13) days. The EDCs propose a rate design methodology that accounts for supply procured in prior Auctions that will be used to translate final Auction prices into BGS-RSCP customer rates for one year beginning June 1, 2021. In respect to BGS-RSCP customer rates for the second and third year of the BGS-RSCP supply period, the EDCs include a worksheet for purposes of calculating the adjustment to the Auction price necessary to recover (or reimburse) BGS-RSCP customers for the estimated additional payments made to (or from) BGS-RSCP Suppliers for capacity. Each EDC’s methodology 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, and to update specific inputs prior to the Auction.

The EDCs propose that each EDC will collect from its BGS-RSCP customers the amounts required to meet its transmission payment obligations to PJM through a specific transmission charge.

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

**B.4. BGS-CIEP Auction**

The EDCs propose that supply for their BGS-CIEP customers be procured through a BGS-CIEP Auction held in February 2021. Table B-1 describes BGS-CIEP customers – those customers who, if they take BGS, must do so on a CIEP tariff or rate.

“Tranches” for an EDC represent a fixed percentage of that EDC’s total BGS-CIEP Load. The table below provides preliminary information about the tranches in the 2021 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	1,811.15	24	4.17%	75.46
JCP&L	846.80	11	9.09%	76.98
ACE	311.40	4	25.00%	77.85
RECO	56.74	1	100.00%	56.74

**B.4.a. Auction Format**

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

The EDCs propose to use a statewide load cap to limit the amount of BGS-CIEP Load served by a supplier statewide. The statewide load cap will be set at 45% of the volume at the Auction, consistent with previously approved Auction Processes. Please see the proposed [BGS-CIEP Auction Rules](#) for further information.

**B.4.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, the real-time hourly spot price applied hourly to energy obligations, and a pre-specified ancillary service rate. 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 and is paid by all CIEP customers (not just BGS-CIEP customers). 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 that, were they to take BGS, would be required to do so on a CIEP tariff or rate.

The product is a “full requirements” product. BGS-CIEP Suppliers will be physically and financially responsible for the hour-by-hour provision of electricity to BGS-CIEP customers. Each BGS-CIEP Supplier will be required to assume PJM Load Serving Entity (“LSE”) responsibility for the portion of BGS-CIEP Load served by that BGS-CIEP Supplier. BGS-CIEP Suppliers will provide capacity, energy, and ancillary services; BGS-CIEP Suppliers are responsible for meeting the requirements of the Renewable Portfolio Standards (“RPS”) and for providing any other services as may be required by PJM. BGS-CIEP Suppliers are responsible for managing the uncertainty associated with providing full requirements service, including the possibility that customers come and go from BGS.

As explained above, the EDC would be responsible for transmission-related costs. Please see the proposed [BGS-CIEP Supplier Master Agreement](#) posted to the BGS Auction website for further information.

#### **B.4.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 thirteen (13) days. The EDCs propose that BGS-CIEP customers pay 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. BGS-CIEP customers pay a EDC-specific transmission 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.5. 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"). For the BGS year commencing June 1, 2021, RECO proposes the same procurement process that the Board approved in the 2017 Order. RECO proposes to enter into a bi-lateral agreement or agreements to hedge the cost of energy purchases from the NYISO.

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

## **B.6. Roles**

The EDCs propose clearly defined roles for each of the Auction Manager, the EDCs, the Board, Board Staff, and the Board's Advisor in the management of the BGS procurement process. The 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 Auction Manager manages the qualification procedure and the bid process. The EDCs file with the Board their BGS proposal each year, provide bidders with data and documents needed to prepare their bids, assess the creditworthiness of bidders, 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 IV of the EDCs' Joint Proposal, posted to the [BGS Proceeding](#) page of the BGS Auction website.

## **B.7. Modifications Relative to the 2020 BGS Auctions**

This is a summary of the modifications proposed by the EDCs:

- Removal of transmission from the BGS product;
- Use of capacity proxy prices for the 2022/2023 and 2023/2024 delivery years;
- Changes to the BGS-CIEP and BGS-RSCP Supplier Master Agreements to accommodate removal of transmission and the use of capacity proxy prices;

- Modifications to the EDCs' rate design methodology to accommodate removal of transmission and the use of capacity proxy prices;
- PSE&G proposes a quarterly (rather than monthly) reconciliation charge.