

BGS AUCTION PROPOSAL FOR THE PERIOD STARTING JUNE 1, 2010

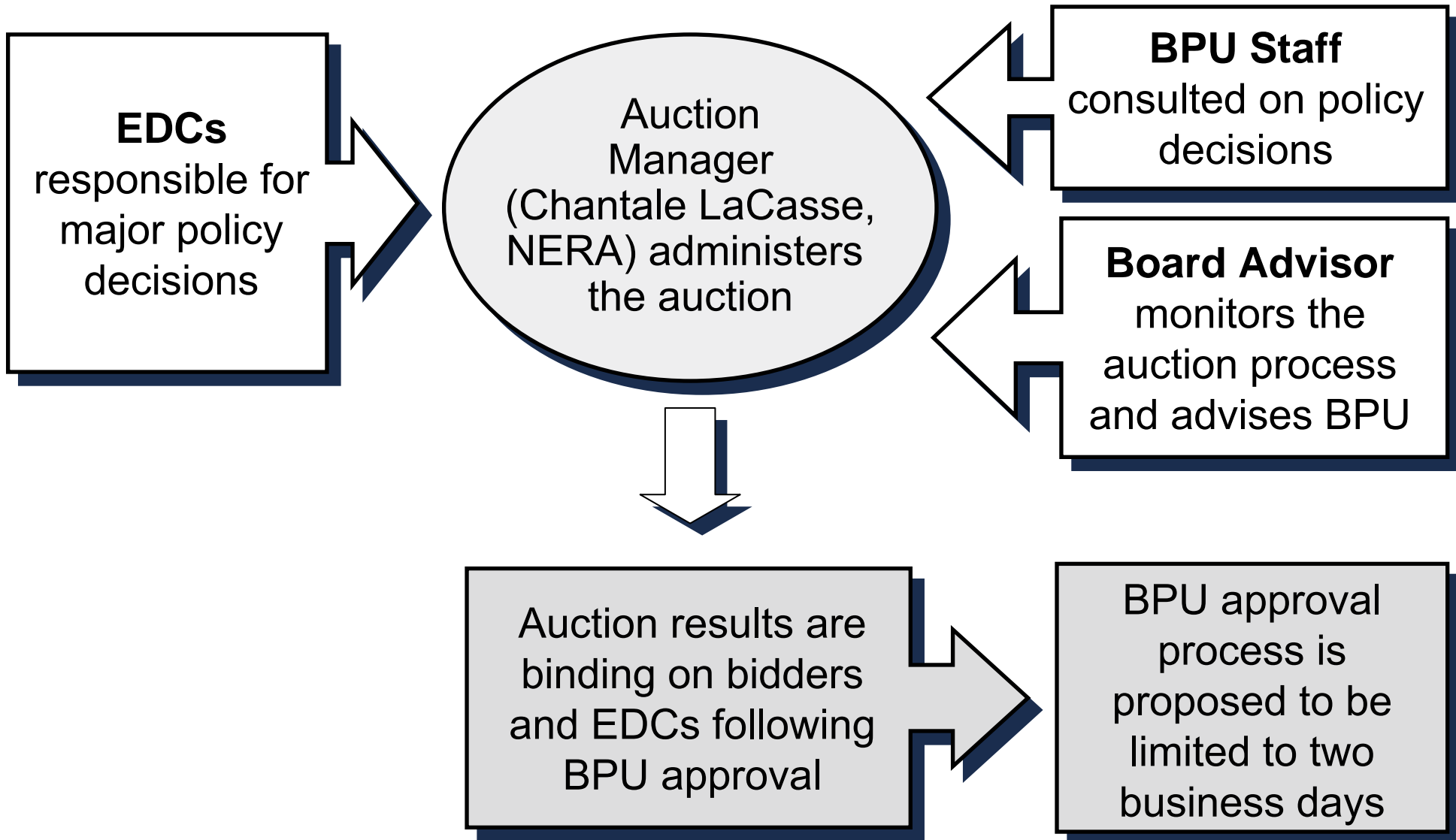
2 OCTOBER 2009 | WASHINGTON, DC
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Agenda

- Roles
- Prior BGS Auctions
- Overview of the EDCs' BGS Proposal
- Product Definition and Business Opportunity
- PJM
- Bidding in the Auction
- Process and Timeline
- BGS Information

Roles



PRIOR BGS AUCTIONS



EDCs Have Held Two Concurrent Auctions: FP & CIEP

FP (Fixed Price) — Smaller and medium customers

- One third of each EDC's BGS-FP load is auctioned each year for a three-year supply period
- The number of tranches is set so that one tranche is approximately 100 MW of eligible load

EDC	Number of Tranches		
	2007	2008	2009
	3-Year	3-Year	3-Year
PSE&G	28	28	29
JCP&L	15	12	17
ACE	7	8	7
RECO	1	2	1
Total	51	50	54

FP Auction — Final Prices

- All prices for the BGS-FP Auction are “all-in” prices in ¢/kWh
- There are typically 10 or more auction winners each year

Final Prices (¢/kWh)			
	2007	2008	2009
EDC	3-Year	3-Year	3-Year
PSE&G	9.888	11.150	10.372
JCP&L	9.964	11.409	10.351
ACE	9.959	11.650	10.536
RECO	10.999	12.049	11.270

Second Auction for Larger Customers

CIEP (Commercial & Industrial Electric Pricing) — Larger Commercial & Industrial Customers

- All of each EDC's BGS-CIEP load is auctioned for a one-year supply period
- In 2008, the tranche size was changed from 25 MW to **75 MW** of **eligible** load

EDC	Number of Tranches		
	2007	2008	2009
	1-Year	1-Year	1-Year
PSE&G	76	26	23
JCP&L	29	10	11
ACE	13	5	5
RECO	2	1	1
Total	120	42	40

CIEP Auction — Final Prices

- Final Auction price is in \$/MW-day
- Four to six auction winners in recent years

Final Prices (\$/MW-day)			
	2007	2008	2009
EDC	1-Year	1-Year	1-Year
PSE&G	128.77	103.28	203.25
JCP&L	121.56	115.76	203.92
ACE	135.61	108.65	215.00
RECO	153.31	134.38	215.25

OVERVIEW: THE EDCs' PROPOSAL FOR THE 2010 BGS AUCTIONS

Pending Board Approval, the February 2010 Auction Would Be the Ninth BGS Auction

Two essential goals of the Auction Process:

- To provide full-requirements Basic Generation Service (“BGS”) to customers at a cost consistent with market conditions
- To enable the participation of a broad spectrum of entities, including energy trading and marketing companies, by aggregating a portfolio of wholesale products and providing price-risk management services

Building Blocks Are the Same As Last Year

- **There is a single statewide process:** Offers for all BGS load (not already procured) solicited in one process
- **Products are full-requirements tranches:** Participants bid for the right to serve these tranches
- **Auction format is a Descending Clock Auction:** Prices tick down as long as more tranches bid than needed
- **Contingency plan:** Any supply not procured at auction to be purchased through PJM-administered markets

The Board is expected to rule on all issues by mid-November 2009

One Process, Two Auctions

Auctions are separate but concurrent

- **CIEP Auction:** Larger customers on hourly price plan
 - Auction determines a CIEP Price in \$/MW-day
 - Suppliers bid to serve tranches at a given price
- **FP Auction:** Smaller and medium customers on a fixed price plan
 - Auction determines all-in price in ¢/kWh
 - Suppliers bid to serve tranches at a given price

Each Auction Has a Single Term and Four Products

- **BGS-CIEP Auction:**

- 1-year supply period: June 1, 2010 to May 31, 2011
- 4 products: one-year tranche for each EDC

- **BGS-FP Auction:**

- 3-year supply period: June 1, 2010 to May 31, 2013
- 4 products: three-year tranche for each EDC

Supplier Payment Based on Auction Prices

BGS-FP

- **Seasonal supplier payments:**
Supplier receives the final auction price for a given product times an EDC-specific seasonal factor
 - e.g., **in the summer** (June 1 to September 30) 1.1 x auction price, to reflect higher summer cost and **in the winter** 0.95 x auction price, to reflect lower winter cost

BGS-CIEP

Supplier receives:

The auction-determined CIEP price for the BGS-CIEP customers' capacity obligation

An option fee (CIEP standby fee) levied on all CIEP customers at retail meter

The real-time PJM hourly price for energy at the EDC zone

A pre-determined EDC-specific ancillary service rate

A pre-determined EDC-specific transmission rate

BGS-FP Seasonal Factors

- Each EDC has a **summer factor** and a **winter factor** that translate the final auction price into a supplier payment rate by season
- Current market data results in factors that are lower in the summer (except for ACE)
- **Subject to board approval**, the EDCs intend to recalculate these factors at the time of the compliance filing. If an EDC's summer factor is still below 1, the EDC will set both its winter and summer factors to 1

Provisional Seasonal Factors (July 1, 2009 filing)

EDC	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

Customer Rates Based on Auction Prices

BGS-FP

- **Auction prices determine an average cost** for each EDC
 - Seasonally-adjusted: average of winter and summer costs
 - Tranche-weighted: average of prices x appropriate seasonal factors for each term
- **Ratios translate average cost into rates:**
 - All classes have seasonal rates
 - Some classes also have time-of-day rates
- A **retail margin** may be imposed by the board for some BGS-FP customers

BGS-CIEP

Auction determines a final CIEP price which **customers pay** for their capacity obligation

Customers also pay

The real-time PJM **hourly price** for energy

A pre-determined EDC-specific **ancillary services rate**

A pre-determined EDC-specific **transmission rate**

The option fee (**CIEP standby fee**)

In addition, a **retail margin** may be imposed by the board

CIEP Standby Fee and Retail Margin: Who Pays and How Much?

	CIEP		FP
	CIEP Standby Fee	Retail Margin	Retail Margin
Who Pays?	<p>Customers on BGS-CIEP</p> <p>Customers being served by a TPS who, if they were to take BGS, would do so on a CIEP tariff</p>	<p>Currently, customers on BGS-CIEP are required to pay a retail margin</p>	<p>Currently, some BGS-FP Customers are required to pay a retail margin</p>
How Much?	<p>EDCs propose 0.015¢/kWh</p>	<p>Currently 0.5¢/kWh</p>	<p>Currently 0.5¢/kWh for BGS-FP ≥ 750kW</p>
Received by BGS Supplier	<p>Yes</p>	<p>No</p>	<p>No</p>

Additional Advantages to BGS Suppliers are Proposed by the EDCs

PSE&G, JCP&L and ACE propose providing RECs to Suppliers to the extent feasible

- **PSE&G and JCP&L:** On a pro-rata basis to BGS-FP Suppliers only
- **ACE:** On a pro-rata basis to **BGS-FP *and* BGS-CIEP Suppliers**
- Board has held that customers have paid for the renewable attributes of the committed supply for each EDC and therefore, this benefit should be returned to customers

Compliance with RPS through RECs

- BGS Suppliers are responsible for fulfilling RPS during supply period
- Compliance with Class I and II requirements and solar must be demonstrated using RECs issued by PJM-EIS GATS (SRECs now being issued by PJM-EIS GATS as well)
- Suppliers must register into GATS and open a Retail LSE Account to be able to transfer RECs and SRECs to the EDCs
- GATS Administrator is available to help suppliers through process:
 - 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

Timeline of Recent Amendments to RPS

March 16, 2009 RPS Amendments

June 16, 2008	The Board issued for comment amendments to the RPS
December 18, 2008	The Board issued a notice of correction to the proposed amendments and extended the comment process
February 11, 2009	The amendments were adopted by the Board with modifications
March 16, 2009	Amendments became effective

September 8, 2009 RPS Amendments

December 1, 2008	The Board issued for comment amendments to the RPS
December 18, 2008	The Board issued a notice of correction to the proposed amendments and extended the comment process
July 29, 2009	The amendments were adopted by the Board with modifications
September 8, 2009	Amendments became effective

Reminder on Requirements

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%

Solar and Class I requirements increase each year

ACP level has been \$50/MWh

Upcoming SACP levels:

\$675/MWh for the period June 1, 2010 through May 31, 2011

\$658/MWh for the period June 1, 2011 through May 31, 2012

\$641/MWh for the period June 1, 2012 through May 31, 2013

Amendments Include Changes Specific to Solar Requirements

- Eligibility to generate Solar RECs not limited to facilities located on a customer-generator's premises or to facilities that use a net meter
- A facility can generate Solar RECs 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
- Trading life of a Solar REC extended for an additional year, for all Solar RECs based on electricity generated on or after June 1, 2009
- The solar percentage will be frozen if the Board determines:
 - **The total cost of solar incentives for a reporting year exceeds 2% of the total retail cost of electricity for that year**

Board Has Encouraged Market-Based Initiatives

- In response to the Board's directive, the EDCs (PSE&G, JCP&L, ACE, and RECO) have proposed **programs** to encourage growth in solar installations to meet the solar RPS
- PSE&G has three Programs:
 - Solar Loan I (in the implementation phase)
 - Solar 4 All (approved by the Board)
 - Solar Loan II (proposed to the Board)
- JCP&L, ACE, and RECO are starting to implement their approved **SREC-Based Financing Programs**

Considerable Quantities Targeted Through These Programs

- **PSE&G Solar Loan I:** loans to customers for installation of solar photovoltaic systems on the customers' premises. Targeted quantity is 30 MW
- **PSE&G Solar 4 All:** PSE&G will directly invest in and own 80 MW of solar generation
- **PSE&G Solar Loan II:** PSE&G extends loans for qualifying solar photovoltaic projects and the targeted quantity is 40 MW

for additional information, see:

<http://www.pseg.com/customer/solar/index.jsp>

- **JCP&L, ACE, and RECO:** Three-year program targeted to select 65MW of solar projects from which the EDCs are purchasing SRECs for a term of 10-15 years

for additional information, see:

<http://www.njedcsolar.com>

BGS Suppliers Can Participate in SREC Auctions

- 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 Solar Loan I are expected to be available for sale
- Auctions will be open to all SREC market participants **including BGS Suppliers**

for additional information, see:

<http://www.SolarREC-auction.com>

PRODUCTS AND THE SUPPLIER'S ROLE



BGS Load

- **BGS** is the service for all electricity customers in New Jersey who do not elect to be served by a Third Party Supplier (“TPS”)
- BGS Load is separated into two customer groups:
 - **BGS-CIEP customers** are larger customers and are interval metered
 - **BGS-FP customers** are smaller and mid-sized customers and only some are interval metered at this time

BGS Is the Service for Customers In New Jersey Who Do Not Choose a TPS

CIEP Line		
EDC	Customers that must take BGS on a CIEP Tariff (excluded from BGS-FP)	Customers Included
PSE&G	High Tension Service (HTS-HV)	All
	High Tension Service (HTS-Sub)	All
	Large Power and Lighting, Primary Service (LPL-P)	All
	Large Power and Lighting, Secondary Service (LPL-S)	Customers 1000+ kW
JCP&L	General Service Primary (GP)	All
	General Service Transmission (GT)	All
	General Service Secondary (GS)	Customers 1000+ kW
	General Service Secondary Time-of-Day (GST)	Customers 1000+ kW

BGS Is the Service for Customers In New Jersey Who Do Not Choose a TPS

CIEP Line		
EDC	Customers that must take BGS on a CIEP Tariff (excluded from BGS-FP)	Customers Included
ACE	Transmission General Service (TGS)	All
	Annual General Service – Primary (AGS-Primary)	Customers 1000+ kW
	Annual General Service – Secondary (AGS-Secondary)	Customers 1000+ kW
	Monthly General Service – Primary (MGS-Primary)	Customers 1000+ kW
	Monthly General Service – Secondary (MGS-Secondary)	Customers 1000+ kW
RECO	Service Classification No. 7 – Primary TOU Service and Separately Metered Space Heating Service	All
	Service Classification No. 2 – General Service	Customers 1000+ kW

The BGS-CIEP Products

- The total CIEP load is expected to be about 2,900 MW
- A **tranche** is a fixed percentage of BGS-CIEP Load for an EDC that represents about 75 MW
- A BGS-CIEP supplier would supply **full requirements** (energy, transmission, capacity, ancillary service, and any other services as may be required by PJM) tranches of BGS-CIEP load for an EDC

Tranche Targets and Sizes

EDC	CIEP Peak Load Share (MW)	Number of Tranches	Tranche Size (%)	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

CIEP Migration is Substantial

- As of **August 31, 2009** there was substantial switching by BGS-CIEP customers to Third Party Suppliers (TPS)

Migration Among CIEP Customers

EDC	Accounts			Load (MW)		
	Total	Switching	%	Total	Switching	%
PSE&G	1261	825	65.42%	1994.5	1706.6	85.57%
JCP&L	596	409	68.62%	769.5	670.91	87.19%
ACE	120	107	89.17%	315.8	304.7	96.49%
RECO	20	11	55.00%	38.4	25	65.10%
Statewide	1,997	1,352	67.70%	3,118.2	2,707.2	86.82%

The BGS-FP Products

- The total FP load is expected to be about 5,500 MW
- A **tranche** is a fixed percentage of BGS-FP Load for an EDC that represents about 100 MW
- A BGS-FP Supplier would supply **full requirements** (energy, transmission, capacity, ancillary services, and any other services as may be required by PJM) tranches of BGS-FP load of an EDC

Tranche Targets and Sizes

EDC	FP Peak Load Share (MW)	Tranche Target	Tranche Size (%)	MW-Measure
PSE&G	2,847	28	1.18	101.69
JCP&L	1,823	18	1.89	101.07
ACE	697	7	4.55	99.52
RECO	111	1	25.00	111.45

JCP&L is adding **three tranches** this year to bring the MW-measure of its tranches in line with other EDCs

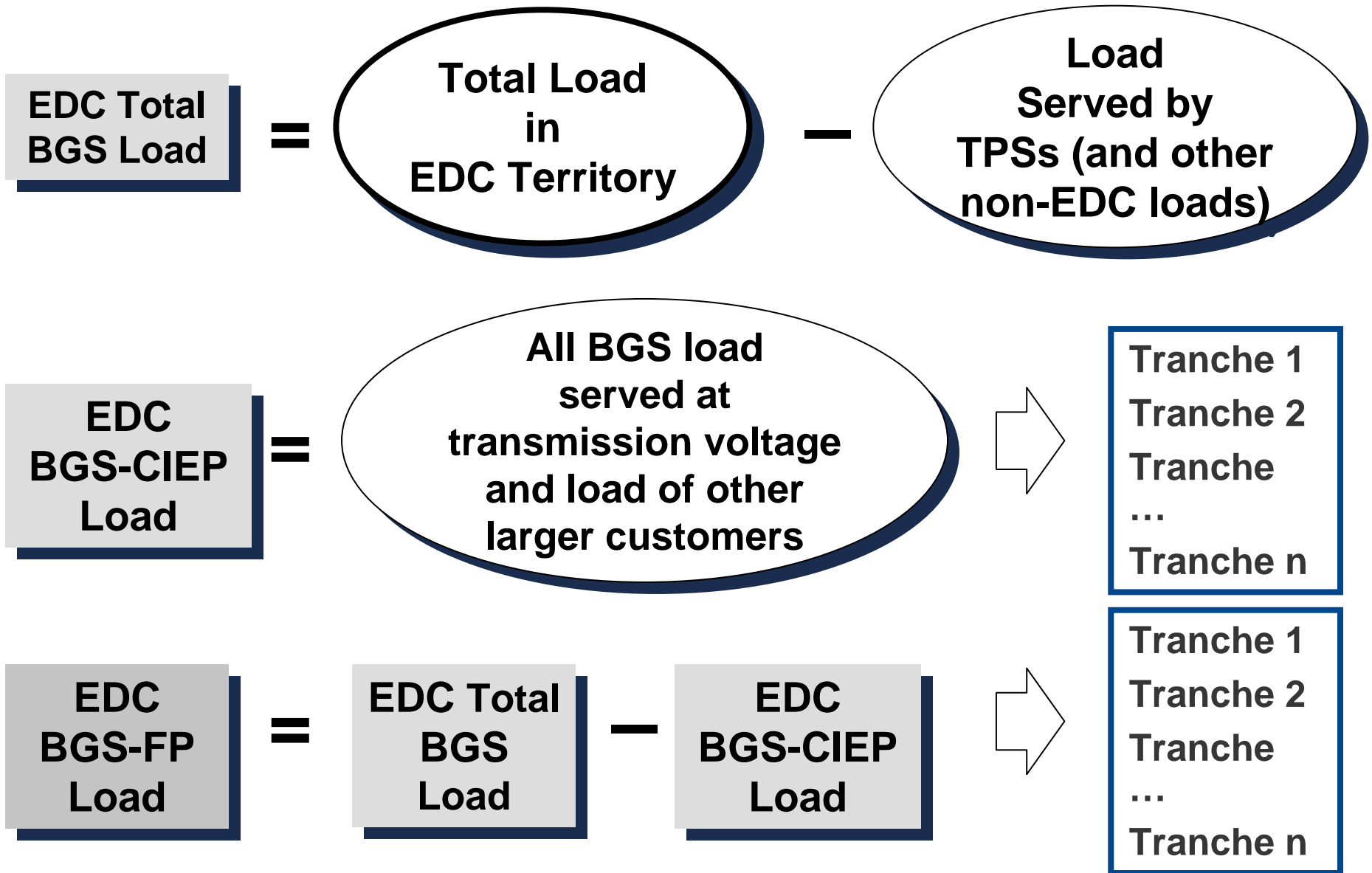
FP Migration Is Increasing

- There has been increasing migration of FP customers, especially among those who pay the retail margin
- However, fewer than 0.05% of residential customers have switched

Migration Among FP Customers with Peak Load Share of 750kW to 999kW

EDC	Accounts			Load (MW)		
	Total	Switching	%	Total	Switching	%
PSE&G 6/1/09	186	61	32.80%	158.94	52.00	32.71%
JCP&L 6/1/09	62	33	53.23%	55.16	29.60	53.67%
ACE 8/14/09	30	17	56.67%	26.35	15.23	57.78%
RECO 6/1/09	11	6	54.55%	9.38	5.01	53.44%
Statewide	289	117	40.48%	249.84	101.84	40.76%

What Is a Tranche?



What Is a Tranche?

- A **tranche** is a set percentage of an EDC's BGS load (for CIEP or FP)
- In general, BGS-FP customers are **free to come and go from BGS** provided that they give **notice at least 20 days before** their next scheduled meter reading date
- Loads are **adjusted for losses** to the zonal aggregate load bus and de-rated by PJM per marginal loss implementation procedures

PJM's Perspective of BGS Suppliers

From PJM's perspective, BGS Suppliers are Third Party Suppliers that are Load Serving Entities

Each Day

Unforced capacity obligation

Each EDC will transmit to PJM the supplier responsibility share of BGS Peak Capacity and Transmission to determine supplier obligations

Network transmission obligation

BGS obligations will be zone obligations less obligation of TPS and other non-EDC entities

Each Hour

Energy at zone bus

PJM will know the EDC total and the EDC will transmit to PJM the share of each TPS and each BGS Supplier

BGS Suppliers will not be paired with customers. They will be serving a percentage of each EDC's BGS demand. Each EDC will inform PJM of each BGS supplier's obligation for each category of ancillary service.

Supplier Role and Business Opportunity

Wholesale Sources include: Generation owners in PJM or in adjoining regions, wholesale marketers, financial and OTC power and gas markets, PJM markets, weather derivatives markets

BGS-FP Roles and Rewards

- Aggregate supply portfolio from wholesale sources
- Assess and price load variability, market price volatility and migration risk
- Platform for participation in future BGS auctions
- Provide price-risk management services

BGS-CIEP Roles and Rewards

- Acquire capacity; provide option on capacity to customers
- Assess and price migration risk
- Platform for participation in future BGS auctions
- Stable revenue on entire CIEP customer base via CIEP Standby Fee
- Ability to arbitrage day-ahead and real-time markets

Supplier and Risk

BGS-FP

Risks assumed:

- Migration risks
- Load and weather risks
- Fuel price risk
- Longer term changes to FP class composition or rate design

Risks protected from:

Uncollectibles

Fluctuations in losses

Requirements to provide billing and metering

BGS-CIEP

Risks assumed:

- Migration risks
- Ancillary services cost risk

Risks protected from:

Energy price risk

Uncollectibles

Fluctuations in losses

Requirements to provide billing and metering

BGS Supplier Master Agreement

- Contract is between BGS Supplier and EDC acting as agent for retail customers
- Final Agreements will be approved by BPU prior to the auction and will be **non-negotiable**
- Parties had opportunity to submit comments to BPU on standard comment schedule

August 28, 2009	Deadline for <i>initial</i> comments
September 10, 2009	Legislative-type Board Hearing
September 25, 2009	Deadline for <i>final</i> comments

Key Elements of Credit Provisions

- **Security requirements are on a sliding scale**
 - Depend on credit rating and TNW
 - Security can be in the form of a guaranty, letter of credit, or cash deposit
- **Security to be posted depends on all BGS obligations to a given EDC**
 - For BGS-FP Suppliers, security posted with an EDC to fulfill the ICR will consider ICR obligations under all other BGS-FP contracts with that EDC
 - For BGS-FP and BGS-CIEP Suppliers, security posted with an EDC for Mark-to-Market (BGS-FP) or credit exposure (BGS-CIEP) will consider MtM and credit exposure obligations under all BGS contracts with that EDC

PJM and Transmission



Section 15.9 Filings

- All filings to date by all EDCs to increase transmission-related charges to BGS-FP and BGS-CIEP customers have been approved by the Board
- ACE and PSE&G have formula transmission rates
 - ACE annual updates effective June 1
 - PSE&G annual updates filed October 15
- Future filings are expected relative to RTEP projects as well as ACE and PSE&G
- Documents posted on the BPU Links page of the BGS Auction web site:
<http://www.bgs-auction.com/bgs.dataroom.bpu.asp>
- List of transmission system upgrade projects is online:
<http://www.pjm.com/planning/rtep-upgrades-status/construct-status.aspx>

PJM Web Site Is Main Source of Information

- Home page

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

- Reliability Pricing Model

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

- *Marginal Losses*

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

- FAQs:

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

- PJM OASIS

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

- PJM-EIS GATS

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

OVERVIEW: BIDDING IN THE AUCTION

Proposed Auction Format Is a Clock Auction

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

BGS-FP

“Price” is a ¢/kWh all-in price

BGS-CIEP

“Price” is a \$/MW-day CIEP Price

FP Example: Prices Tick Down When There Is Excess Supply

Round 1

EDC	Price (¢/kWh)	#bid	#to buy	Excess Supply	Oversupply Ratio
PSE&G	19.000	85	28	57	0.8769
JCP&L	19.000	20	18	2	0.0308
ACE	19.000	7	7	0	0.0000
RECO	19.500	4	1	3	0.1500

Round 2

EDC	Price (¢/kWh)	#bid	#to buy	Excess Supply	Oversupply Ratio
PSE&G	18.050	55	28	27	0.4500
JCP&L	18.905	37	18	19	0.3167
ACE	19.000	13	7	6	0.1071
RECO	18.915	7	1	6	0.3000

Four Main Auction Features

- **Offers are binding:** If the price on a product is not reduced in a round, a bidder cannot reduce the number of tranches bid on that product
- **Total number of tranches bid cannot increase:** Bidders can maintain or reduce their total number of tranches bid, but bidders cannot increase the total number of tranches bid from one round to the next
- **Auction closes on all products at once:** Winners are determined for all products at once within each auction
- **Uniform price:** All winners on a product are given the same price

Auction Process



One Process, Two Auctions

One Auction Process for both the BGS-FP and BGS-CIEP Auctions

Same Timeline

- Same announcements
- Same application deadlines
- Same information sessions
- Same Trial Auction date
- Auctions held concurrently—BGS-CIEP Auction begins one business day before BGS-FP Auction

Pre-Auction Process: Calendar

Mid-Nov 2009	Expected Board Decision on EDC Proposal
Nov 12, 2009	Auction Manager announces minimum and maximum starting prices, tranche sizes and load caps
Dec 15, 2009	Part 1 Application deadline (to become a Qualified Bidder)
Jan 12, 2010	Part 2 Application deadline (to become a Registered Bidder)
Feb 2, 2010	Auction Manager informs Bidders registered in BGS-CIEP Auction of starting prices
Feb 3, 2010	Auction Manager informs Bidders registered in BGS-FP Auction of starting prices
Feb 5, 2010	BGS-CIEP Auction starts
Feb 8, 2010	BGS-FP Auction Starts

Opportunity to Comment on Pre-Auction Letter of Credit

- **Draft Pre-Auction Letter of Credit** has been posted to the Contract & Credit page of the BGS Auction web site:
<http://www.bgs-auction.com/bgs.bidinfo.cc.asp>
- Potential bidders for the 2010 BGS Auctions are invited to **propose modifications** to the Draft Pre-Auction Letter of Credit
- The exclusive method for submitting comments is a redline MS Word document
- Comments must be submitted by email to the BGS Auction Manager at the following address:
comments@bgs-auction.com

Pre-Auction Letter of Credit Comment Process Timeline

- For each proposed modification, the EDCs will
 - 1) Revise the standard form; or
 - 2) Approve the use of the modification on an optional basis; or
 - 3) Reject the proposed modification

October 27, 2009 by NOON	Deadline to provide comments
November 2, 2009	Potential bidders will receive individual responses to their comments
November 4, 2009	BGS Auction Manager will post all modifications that are acceptable on an optional basis

Board Order Is Final Word on Process

Approved Rules, Agreements, process and terms may be different than presented here or provided in bidder information packet

- Board Order will determine if EDC proposal is approved and how it may be amended
- **Bidder is responsible** for reading all final documents which will be provided on the web site
- Board will decide whether EDCs can provide additional advantages

Qualification Requirements Are Simple

Part 1 Application to become Qualified Bidders

- **BGS Supplier must be an LSE** by the start of supply period
- **In the Part 1 Application:** interested parties
 - Certify they have no impediments to becoming LSE
 - Agree to the Auction Rules and the terms of the Agreement
 - Submit financial information for creditworthiness evaluation
- There are **no state licensing requirements**
- Financial information determines **pre-auction security** required in Part 2 Application

Requirements To Be Registered As A Bidder

In the Part 2 Application, Qualified Bidders:

- Make certifications regarding any associations and their handling of confidential information
- Provide an indicative offer (number of tranches at the **maximum and minimum starting price**)
- Provide a financial guarantee proportional to indicative offer at maximum starting price

BGS-FP

Financial Guarantee:

All Qualified Bidders: Letter of credit of **\$500,000 per tranche**

Some Qualified Bidders: Additional security: Letter of Reference or Letter of Intent to Provide a Guaranty

BGS-CIEP

Financial Guarantee:

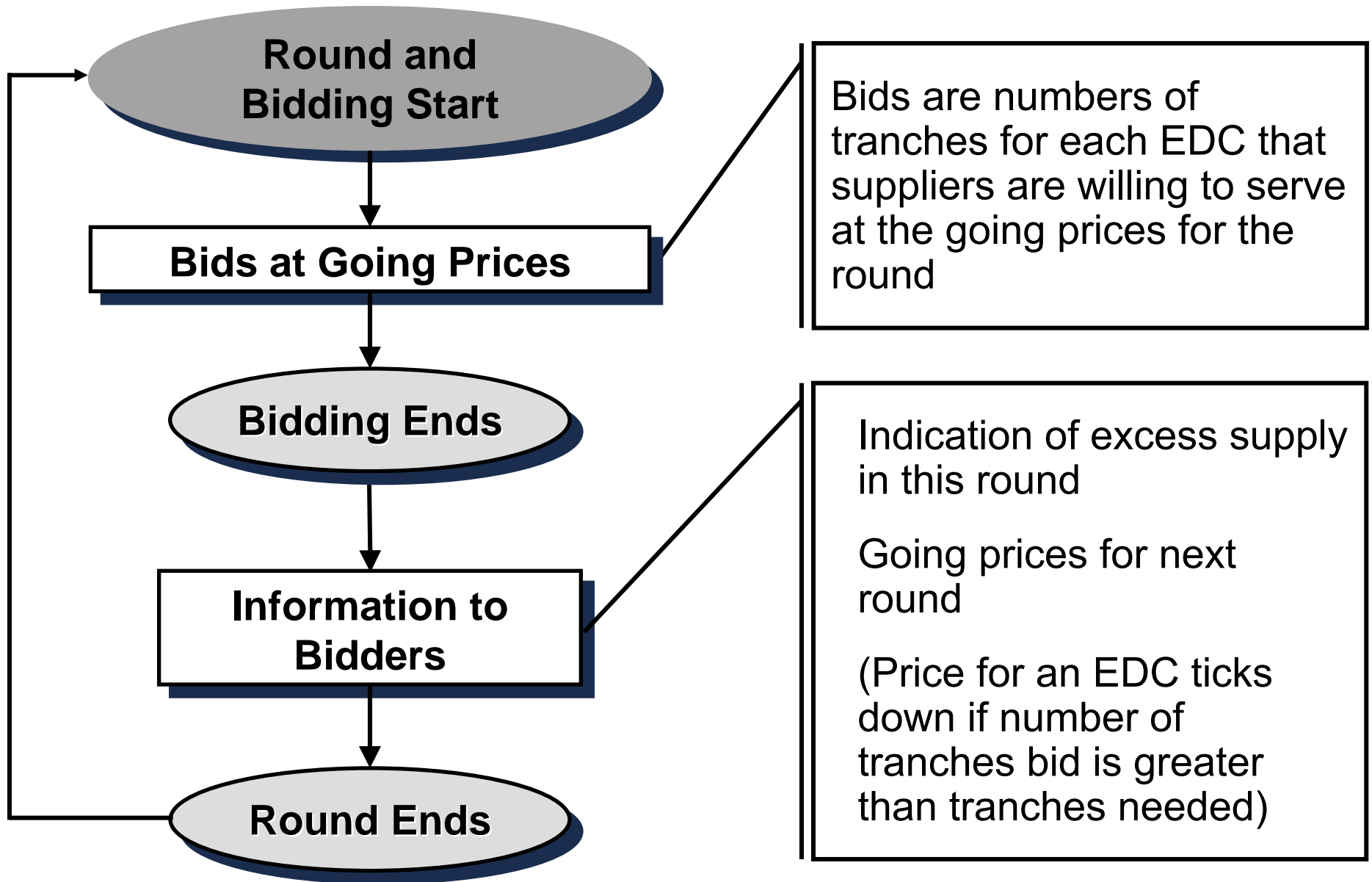
All Qualified Bidders: Letter of credit of **\$375,000 per tranche**

No other pre-auction security

Indicative Offers Have Two Roles

- ***For the Bidder:*** The indicative offer at the maximum starting price sets the maximum number of tranches that the bidder can bid in the auction
- ***For the EDCs:*** They can use the indicative offers in setting **prices for round 1** of the auction

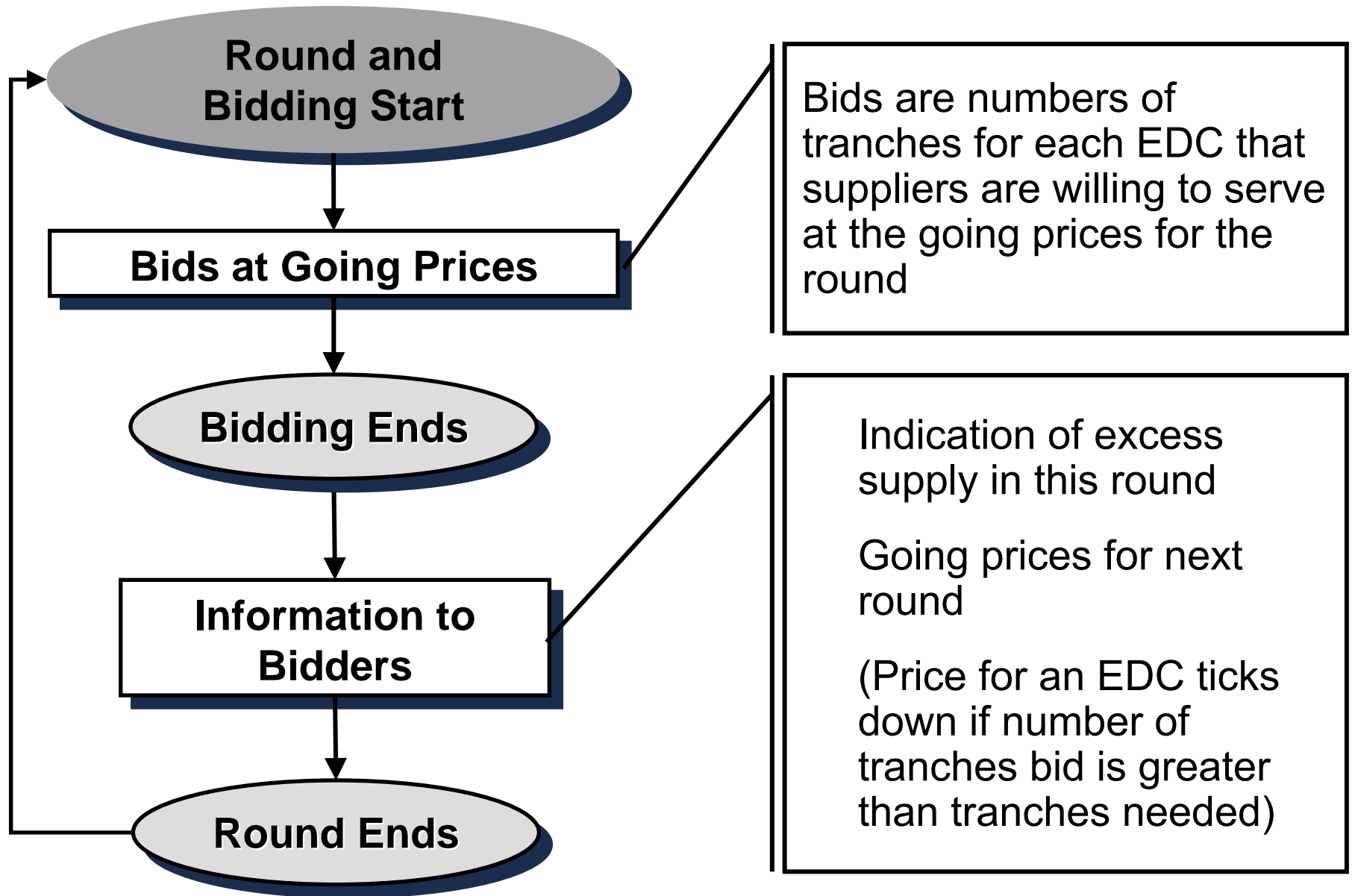
The Auction Starts



Possible Volume Reduction Round 1

- Volume is reduced if it is necessary to do so to ensure competitiveness of bidding environment
 - Whether an adjustment is necessary is decided on the basis of interest in the first round of bidding
- If volume must be reduced, it is reduced to:
$$\frac{[\# \text{ tranches bid}]}{[\text{target eligibility ratio}]}$$
- Ensures sufficient tranches bid for each tranche to be procured

Round 2,3,...



Bidding In Subsequent Rounds

- **In response to reduced prices, bidders**

- Leave bids unchanged

Or if price for an EDC has ticked down

- Reduce the number of tranches they wish to provide for that product by

- Withdrawing tranches from auction

- Bidding those tranches on one other or several other EDCs (switching)

- **Bidders cannot increase the total number of tranches on which they bid**

BGS-CIEP: Only a Statewide Load Cap

BGS-CIEP					
EDC	PSE&G	JCP&L	ACE	RECO	<i>Total</i>
Tranche targets	23	12	5	1	41
Statewide load cap	14				14
Sample Bid 1	0	10	0	0	10
Sample Bid 2	5	0	5	0	10

BGS-FP: EDC Load Caps and Statewide Load Cap

BGS-FP					
EDC	PSE&G	JCP&L	ACE	RECO	Total
Tranche targets	29	17	7	1	54
EDC load caps	14	8	3	1	
Statewide load cap	20				20
Sample Bid 1	13	0	3	0	16
Sample Bid 2	8	5	2	1	16

Sample Round Report for BGS-CIEP

Round Report: Round 5

Total Excess Supply: 126-130

EDC	Round 6 Price \$/MW-day
PSE&G	239.00
JCP&L	245.00
ACE	239.94
RECO	242.85

Auction Closes

- Auction closes on all **EDCs at once**
 - Bidding must have stopped on all EDCs
 - Total excess supply is zero
- **Same final price** for all winners of a given EDC

Post-Auction

- **Board renders a decision** on auction results within two business days of auction close
 - The Board has the option of rendering a decision on the results of each auction at different times
- **If Board accepts results: SMAs executed within three business days of Board decision**
 - If any security is required under the creditworthiness standards of the Agreement, it is posted upon execution of the Agreement
 - Pre-auction security “expires” upon execution of the Agreement: certificate of expiration of letter of credit is returned and letter of credit is cancelled
- **Power flows on June 1, 2010**

BGS INFORMATION

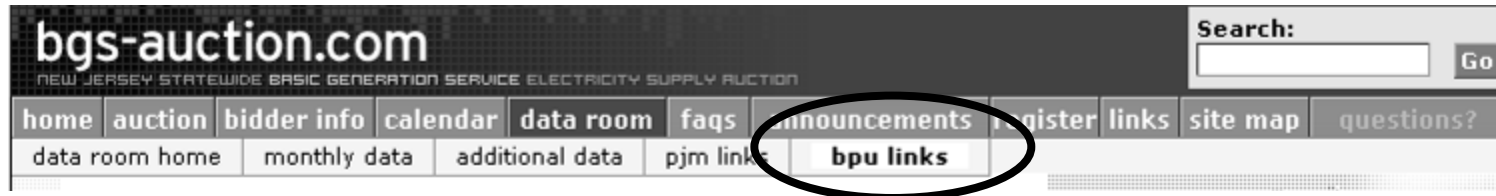
Auction Web Site

- Auction web site: www.bgs-auction.com
- Data Room
- Search capability and site map
- Announcements, including alerts to upcoming deadlines and events
- Frequently Asked Questions
- Auction documents
 - Auction Rules
 - Supplier Master Agreements
 - Bidder information packets and presentation

Data Updates

- Core Data Series updated on the 17th of each month
 - Hourly load at various levels of aggregation (total retail, BGS, BGS-CIEP, BGS-FP)
 - Peak Load Allocations at various levels of aggregation
- **Update** to many of the **additional data** series for this year already on the web site
 - Switching statistics
 - Size distributions
 - Load profiles

Board Orders Available On BPU Links Page



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

The **BPU Links** page provides access to several important BPU documents and web sites including:

Historical BPU orders on the BGS Auction Process

Historical Post-Auction Reports

Renewable Energy Portfolio Standards documents and links

Bidder Questions

- Questions may be submitted to the Auction Manager
 - Via web form at:
<http://www.bgs-auction.com/bgs.contactus.asp>
 - By phone: (973) 297-0880
 - By fax: (973) 297-0246
- When needed, the Auction Manager will direct questions to appropriate EDC representatives (e.g., data questions)
- Answers will be routed back through the Auction Manager
- Questions and answers are posted to Auction web site



QUESTIONS?

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Economic Consulting

 **PSEG**
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Jersey Central
Power & Light
A FirstEnergy Company

 **atlantic city**
electric
A PHE Company


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NEW JERSEY STATEWIDE BASIC GENERATION SERVICE ELECTRICITY SUPPLY AUCTION