

## C. APPLICATION PROCESS

**Companion Document:** Section C.3. of the [BGS Auction Process](#) Chapter of the October Bidder Information Materials is a **companion document** that provides a timeline and brief overview of the application process. This chapter expands upon the requirements of the application process.

*This chapter is provided for bidder convenience only. Any statements herein describing the application process are summaries only and are qualified in their entirety by the BGS-CIEP Auction Rules and the BGS-RSCP Auction Rules posted to the [auction rules](#) page as well as the Illustrative Part 1 Application and the Illustrative Part 2 Application posted to the [application process](#) page of the BGS Auction website. Bidders bear full responsibility for reviewing these documents and for complying with any additional instructions from the Auction Manager provided to bidders during the application process.*

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”).

### C.1. Overview

The Application Process is conducted online at <https://www.bgs-application.com>. The Application Process is in two parts. The first is the Part 1 Application in which Applicants submit contact and financial information. The second is the Part 2 Application in which Qualified Bidders present indicative offers and submit financial guarantees. Interested parties may request an account to access the online forms.

This chapter provides information and/or instructions for:

- Accessing the BGS Application website;
- The requirements of the Part 1 Application;
- The requirements of the Part 2 Application; and
- Processing of applications.

### C.2. Accessing the Application Website

The BGS Application website is <https://www.bgs-application.com>. Applicants can access the site directly or through:

- The application tab on the BGS Auction website;
- The link above “What’s New” on each page of the BGS Auction website; or

- The link on the “application process” page of the “bidder info” tab.

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

Search:

home ▾ auction ▾ bidder info ▾ calendar data room ▾ faqs ▾ news ▾ contact us ▾ **application**

## Application Process

Part 1 and Part 2 Applications must be submitted via **online** forms. Additional information is posted below as it becomes available.

The online BGS Application web site is:

[www.BGS-Application.com](http://www.BGS-Application.com)

You may use the following links to navigate the applications process:

- Request an account [here](#).
- You can use the login credentials for your account to access the online application forms [here](#) once they become available.

**Inserts (November 28, 2018) (1)**  
**Final Pre-Auction Credit Documents for BGS-CIEP Bidders (November 2, 2018) (2)**  
**Final Pre-Auction Credit Documents for BGS-RSCP Bidders (November 2, 2018) (4)**  
**Application Requirements (November 19, 2018) (1)**  
**Application Requirements (October 4, 2018) (1)**

Click here for the Online Application at BGS-Application.com

### What's New

**POSTING: Compliance Filing Documents...** GO >>

**ANNOUNCEMENT: Daily FAQ Postings; REMINDER: Part 1 Applications Due by NOON on December 18...** GO >>

The home page of the BGS Application website appears as shown below.

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

home | get account

Welcome to BGS Auctions Application website.

You will use this website to apply to participate in the BGS Auctions. Registered Bidders also use this website to access materials important to their participation.

For more information regarding the auction, including information about the auction process, the calendar for the auctions, the data room, FAQs and announcements, please go the BGS Auction website here: <http://bgs-auction.com/>

If you have a login and password, please [login here](#).

To request a login and password, please fill out the form [here](#).

To get an account, click on the “get account” tab and provide the required contact information. Applicants receive login credentials (a username and a password) to access and fill in the online forms.

Before completing the online forms, Applicants should download all required Inserts, which are provided on the Inserts tab. Inserts are separate forms in Microsoft Word format. Applicants complete all applicable Inserts and provide notarized signatures if required. Applicants scan any signed and completed Inserts, and upload the Inserts to the online forms.

**inserts**

“Inserts” are separate forms in Microsoft Word format posted to the website. Applicants fill in each applicable Insert, sign the Insert (and have the signature notarized when instructed), scan the signed and completed Insert, and upload the scanned Insert to the online Form.

The Inserts are numbered; the first Insert for the Part 1 Application is numbered #P1-1, the second Insert is numbered #P1-2, etc. **All Applicants should download the Inserts in this file:**  
[ALL BIDDERS – Inserts #P1-1 to #P1-5](#)

Applicants to **BOTH the BGS-RSCP Auction and the BGS-CIEP Auction** should download this file:  
[BIDDERS for BOTH Auctions – Inserts #P1-9 to #P1-11](#)

Applicants to the **BGS-RSCP Auction ONLY (and NOT the BGS-CIEP Auction)** should download this file:  
[BIDDERS for RSCP ONLY – Inserts #P1-6 to #P1-8](#)

Applicants to the **BGS-CIEP Auction ONLY (and NOT the BGS-RSCP Auction)** should download this file:  
[BIDDERS for CIEP ONLY – Inserts #P1-12 to #P1-14](#)

## C.3. Part 1 Application

### C.3.a. Requirements

Submission of the online Part 1 Form and of all supporting documents is required by 12 PM (noon) December 18, 2018. Applicants are notified of their qualification status by December 21, 2018.

The online Part 1 Form is divided into eleven (11) sections:

1. **Basic Application Information:** An Applicant must provide basic information regarding the Applicant, including the Applicant's legal name and place of incorporation.
2. **Authorized Representative and Nominees:** An Applicant must name an Authorized Representative. This individual is authorized by an officer or director of the Applicant to represent the Applicant in the auctions and in the Application Process. The Authorized Representative is the only person authorized to designate a person other than himself or herself to submit bids in the BGS-RSCP Auction, or the BGS-CIEP Auction, or both. The Authorized Representative may authorize other individuals, called "Nominees", to represent the Applicant. The Authorized Representative and any Nominees are collectively referred to as the "Bidder Team". The Bidder Team receives all correspondence related to the auctions, including: notifications from the Auction Manager; auction procedures manuals; and confidential information required to submit bids. The Auction Manager communicates only with individuals on the Bidder Team regarding the Applicant's materials and Application status.
3. **Applicant's Legal Representative in New Jersey:** An Applicant must name a Legal Representative in New Jersey, either legal counsel or a representative agent. The Legal Representative must have an address in New Jersey and must agree to accept service of process on the Applicant's behalf. If the Legal Representative is a company, an individual must be identified.
4. **Applicant's Credit Representative:** An Applicant must name an individual who can answer questions or provide information about the Applicant's response to the credit requirements of the Part 1 Application.
5. **General Requirements to Participate in the Auction(s):** By the time service begins, each BGS Supplier must be a PJM Interconnection, L.L.C. ("PJM") Load Serving Entity ("LSE"). An Applicant must show that it is a PJM LSE or certify that there exist no impediments for the Applicant to become a PJM LSE by the start of the supply period.

6. **Financial Information for the Applicant:** An Applicant provides, if available, financial information about itself, including financial statements and credit ratings. This information must be provided when available even if the Applicant is relying on the financial standing of a Guarantor.
7. **Information for the Guarantor:** If an Applicant relies on the financial standing of a Guarantor, the Applicant provides contact information and financial information for the Guarantor, including contact information for a credit representative, financial statements, and credit ratings.
8. **Foreign Entities:** If an Applicant (or its Guarantor) has not been incorporated or otherwise formed under the laws of a state of the United States or of the District of Columbia, the Applicant must acknowledge that additional documents are required upon execution of a BGS Supplier Master Agreement. These additional documents are detailed in Article 6 of the BGS Supplier Master Agreements posted to the [contract and credit](#) page of the BGS Auction website. Applicants may also submit drafts of the required documents by upload to the Part 1 Form.
9. **Auction Participation:** An Applicant must indicate whether it plans to participate in the BGS-CIEP Auction, in the BGS-RSCP Auction, or in both BGS Auctions.
10. **Requirements Specific to the Auction Participation of the Applicant:** An Applicant must make a number of certifications related to the auction or auctions in which it plans to participate by completing the applicable Inserts.
11. **Justification of Omissions:** An Applicant may provide a justification for any omissions from its Part 1 Application.

An Applicant that has successfully completed the Part 1 Application becomes a “Qualified Bidder.” Only Qualified Bidders may submit the Part 2 Application.

### **C.3.b. Creditworthiness Evaluation**

A committee of representatives from the EDCs determines the credit rating and the tangible net worth (“TNW”) for the Applicant (if the Applicant is relying on its own financial standing) or for the Guarantor (if the Applicant is relying on the financial standing of a Guarantor). In this section, the “entity” refers to the entity upon whose financial standing the Applicant relies, either itself or a Guarantor. The committee determines the credit rating in the manner specified in the BGS Supplier Master Agreements – namely by taking for the entity the lower of the two highest senior unsecured debt ratings from S&P Global Ratings (“S&P”), Moody’s Investors Service,

Inc (“Moody’s”), Fitch, Inc (“Fitch”), or A.M. Best Company (“A.M. Best”). The committee determines the TNW of the entity by reference to the financial statements provided in the Part 1 Application. On the basis of the credit rating and the TNW for the entity, the committee determines the amount of unsecured credit for which the entity is eligible under the terms of the BGS Supplier Master Agreements, in accordance with the table below<sup>1</sup>:

**Table C-1. Determination of Unsecured Credit Line**

Credit Rating of the Applicant or Guarantor				Credit Line
S&P	Moody’s	Fitch	A.M. Best	
A- and above	A3 and above	A- and above	aaa	16% of TNW
BBB+	Baa1	BBB+	aa	10% of TNW
BBB	Baa2	BBB	a	8% of TNW
BBB-	Baa3	BBB-	bbb	6% of TNW
Below BBB-	Below Baa3	Below BBB-	Below bbb	0% of TNW

The amount of the unsecured credit is communicated to the Applicant through the Notification of Qualification if the Applicant is successful in the Part 1 Application process. Furthermore, if the Applicant is a current BGS-RSCP Supplier and the entity is eligible for unsecured credit, the *available* amount of unsecured credit is also provided to the Applicant in the Part 1 Notification. The *available* amount of unsecured credit is the amount of unsecured credit less a measure of the unsecured credit already used for purposes of the Applicant’s current BGS-RSCP obligations.

## C.4. Part 2 Application

### C.4.a. Timeline and Information Required by the Part 2 Form

Online submission of the Part 2 Form as well as all supporting documents are required by January 10, 2019. Qualified Bidders are notified of their Part 2 Application results on January 17, 2019.

<sup>1</sup> The unsecured credit line for purposes of the Total Exposure Amounts (for the Mark-to-Market exposure and the BGS-CIEP credit exposure) is also subject to a cap.

The Part 2 Form is divided into the following four (4) sections:

1. **Auction Participation:** This section is pre-populated with information submitted through the online Part 1 Form and allows the Qualified Bidder to update as necessary the auctions in which it plans to participate.
2. **Requirements for BGS-RSCP Bidders:** A Qualified Bidder applying to participate in the BGS-RSCP Auction is required to provide an indicative offer and to submit to the certifications required of Qualified Bidders for compliance with the Association and Confidential Information Rules. The indicative offer consists of a number of tranches at each of the minimum starting price and maximum starting price. The minimum starting price is 12.5¢/kWh and the maximum starting price is 18.0¢/kWh. The Qualified Bidder is required to submit pre-auction security to support its indicative offer at the maximum starting price (described in the next section). The number of tranches in the indicative offer at the maximum starting price that a Qualified Bidder supports by pre-auction security determines the bidder's initial eligibility in the BGS-RSCP Auction. A bidder is never able to bid on more tranches than its initial eligibility. Qualified Bidders in the BGS-RSCP Auction are also required to provide preliminary maximum interests in each EDC. A Qualified Bidder's preliminary maximum interest in an EDC at a price cannot exceed the Qualified Bidder's indicative offer at that price.

All documents provided by Qualified Bidders as pre-auction security for the BGS-RSCP Auction must be provided in hardcopy by overnight delivery service to the Auction Manager office, One Gateway Center, Suite 720, Newark, NJ 07102.

3. **Requirements for BGS-CIEP Bidders:** A Qualified Bidder applying to participate in the BGS-CIEP Auction is required to provide an indicative offer and to submit to the certifications required of Qualified Bidders for compliance with the Association and Confidential Information Rules. The indicative offer consists of a number of tranches at each of the minimum starting price and maximum starting price. The minimum starting price is \$500/MW-day and the maximum starting price is \$700/MW-day. The Qualified Bidder is required to submit pre-auction security to support its indicative offer at the maximum starting price (described in the next section). The number of tranches in the indicative offer at the maximum starting price that a Qualified Bidder supports by pre-auction security determines the bidder's initial eligibility in the BGS-CIEP Auction. A bidder is never able to bid on more tranches than its initial eligibility. The number of tranches in the indicative offer at the maximum starting price must be at least 2 tranches.

Documents provided by Qualified Bidders as pre-auction security for the BGS-CIEP Auction must be provided in hardcopy by overnight delivery service to the Auction Manager office, One Gateway Center, Suite 720, Newark, NJ 07102.

4. **Justification of Omissions:** A Qualified Bidder may justify any omissions from its Part 2 Application.

A Qualified Bidder that has successfully completed the Part 2 Application becomes a “Registered Bidder.” Only Registered Bidders may submit bids at the auction.

#### **C.4.b. Pre-Auction Security Requirements**

Each Qualified Bidder must submit a Pre-Auction Letter of Credit for each auction in which it is participating in an amount proportional to its indicative offer at the maximum starting price as follows:

- \$375,000 per tranche of the indicative offer at the maximum starting price for the BGS-CIEP Auction; and
- \$500,000 per tranche of the indicative offer at the maximum starting price for the BGS-RSCP Auction.

A Qualified Bidder participating in both auctions submits two separate and distinct Pre-Auction Letters of Credit.

Qualified Bidders applying to participate in the BGS-CIEP Auction have no further pre-auction security requirements. Qualified Bidders applying to participate in the BGS-RSCP Auction may be asked to submit additional pre-auction security in the form of a Letter of Reference and/or a Letter of Intent to Provide a Guaranty. The circumstances in which such additional financial assurances are required are as follows:

1. A Qualified Bidder applying to participate in the BGS-RSCP Auction is relying on its own financial standing and its available amount of unsecured credit is not sufficient to cover the amount associated with its indicative offer at the maximum starting price. The amount associated with its indicative offer is defined as the number of tranches in the indicative offer at the maximum starting price times \$1.9M.<sup>2</sup> In that case, the Qualified Bidder is required to submit a Letter of Reference for the difference between its available amount of unsecured credit and

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<sup>2</sup> The amount of \$1.9M per tranche is the ICR at the start of the BGS-RSCP Supplier Master Agreement (\$2.4M per tranche) less the amount already tendered through the Pre-Auction Letter of Credit (\$0.5 million per tranche).



- the amount associated with its indicative offer at the maximum starting price. For example, if a Qualified Bidder is not eligible for unsecured credit, the Qualified Bidder is required to provide a Letter of Reference for \$1.9M times the number of tranches in the indicative offer at the maximum starting price. [Samples for the Letter of Reference](#) are available on the BGS Auction website.
2. A Qualified Bidder applying to participate in the BGS-RSCP Auction is relying on the financial standing of a Guarantor. There are two possibilities:
- The Guarantor is not eligible for unsecured credit (i.e., its unsecured credit line is zero according to Table C-1). In that case, the Qualified Bidder is required to provide a Letter of Reference for \$1.9M times the number of tranches in the indicative offer at the maximum starting price. [Samples for the Letter of Reference](#) are available on the BGS Auction website.
  - The Guarantor is eligible for an amount of unsecured credit. In that case, the Qualified Bidder is required to submit a Letter of Intent to Provide a Guaranty from the Guarantor in an amount of \$1.9M times the number of tranches in the indicative offer at the maximum starting price. A [Sample Letter of Intent to Provide a Guaranty](#) is available on the BGS Auction website. In the special case where the Guarantor's unsecured credit is not sufficient to cover the amount associated with the Qualified Bidder's indicative offer at the maximum starting price, the Qualified Bidder is required also to submit a Letter of Reference for the difference. [Samples for the Letter of Reference](#) are available on the BGS Auction website.
  - A Qualified Bidder that is required to provide additional financial assurances always has the option to increase the amount of its Pre-Auction Letter of Credit instead of providing a Letter of Intent to Provide a Guaranty or a Letter of Reference. Cash is not accepted as pre-auction security.

### **C.5. Processing**

The Auction Manager acknowledges receipt of an online submission (the Part 1 Form or the Part 2 Form) by email to the Bidder Team. This acknowledgement is sent after an initial review, either with a confirmation that the application is being considered, or with a deficiency notice.

If the application is incomplete or requires clarification, the Auction Manager sends a deficiency notice. The Applicant has until 12PM (noon) on the application deadline, or until 6 PM on the business day following the business day during which a first deficiency notice is sent, whichever comes later, to respond. Qualified Bidders are provided an

additional business day for deficiencies related to the pre-auction security required by the Part 2 Application.

If an Applicant completes the Part 1 Application successfully for an auction, the Auction Manager sends a Notification of Qualification to the Bidder Team. If a Qualified Bidder completes the Part 2 Application successfully, the Auction Manager sends a Notification of Registration to the Bidder Team. Separate notifications are provided for each of the two auctions.