

C. BGS AUCTION PROCESS

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").

C.1. Organization of this Chapter

The EDCs filed their proposal to procure BGS supply for the period beginning June 1, 2018 in response to the Order by the New Jersey Board of Public Utilities ("Board" or "BPU") initiating Docket No. ER17040335. This proposal is described in Portion B of these Bidder Materials and is available in its entirety on the [BGS Proceeding](#) page of the BGS Auction website. The regulatory proceeding within which the EDCs' filing was made is described further in the following Section C.2.

As part of their filing, the EDCs proposed a calendar of events. Prior to the Board rendering a decision on the BGS proposals from all parties, the EDCs proposed a number of activities in which potential bidders can participate, including a comment process of the letters of credit. These activities are described in Section C.3. The EDCs proposed that the application process for the Auctions be in two parts. The application process would occur after the Board renders a decision on the EDCs' proposal. The application process is described in more detail in Section C.4. Section C.5 describes the training activities for bidders that successfully completed the application process as well as releases of information to bidders prior to the Auctions. Section C.6 describes the conduct of the Auctions and Section C.7 describes the post-auction activities. Finally, Section C.8 describes the roles for the Board, the Board Advisor, the EDCs and the Auction Manager as proposed in the EDCs' filing.

C.2. Regulatory Process

The Board has followed the same process over the years to solicit and consider proposals on how best to procure supply for BGS customers.

The Board first directs the EDCs to submit their proposal and also invites all other parties to submit proposals on how to procure BGS supply. Once the proposals are filed with the Board, all parties have the ability to issue discovery to parties that have submitted a proposal to the Board. The EDCs thus respond to discovery requests from the parties, which can be on any aspect of the EDCs' proposal. To the extent that responses to such discovery provide data or information that can be useful to bidders, the discovery responses are posted to the Data Room of the BGS Auction website.

All parties also have an opportunity to submit written comments to the Board on any party's proposal. These are called the "Initial Comments". Any party may also appear before the Board to provide oral testimony at a legislative-type hearing. A party may use this testimony to further explain its proposal on the procurement of BGS supply, or to present alternative proposals, or to respond to Initial Comments. Parties have a last opportunity to provide written comments to the Board following the legislative-type hearing by filing "Final Comments". Final Comments can only be used to respond to issues raised in the Initial Comments or issues raised at the legislative-type hearing and cannot be used to raise new issues in the proceeding. The Board considers all proposals and all comments in rendering its decision on how best to procure supply for BGS customers.

The calendar of events in the regulatory proceeding is provided below. The Auction Manager sends reminders to bidders of opportunities to submit comments to the Board and the Auction Manager announces the Board decision once it is rendered.

Activity or Decision Point	Deadline
July 2017	
BGS Proposals Filed by All Parties	Saturday, July 1, 2017
Discovery Requests	Monday, July 24, 2017
August 2017	
Discovery Responses	Monday, August 7, 2017
September 2017	
Initial Comments	Wednesday, September 6, 2017

Activity or Decision Point	Deadline
Legislative-Type Hearing	Thursday, September 28, 2017
October 2017	
Final Comments	Friday, October 13, 2017
November 2017	
Board Decision	November, 2017 (expected)

C.3. Activities Prior to Board Decision

While the regulatory process is on-going, the Auction Manager conducts a number of activities and makes information available to bidders in order to aid in their preparation to participate in the application process and in the Auctions. Bidders have an opportunity to comment on the letters of credit and bidders that are unable to utilize the standard form of guaranty have an opportunity to submit an alternate form of guaranty. Those processes are described in the first subsection. The Auction Manager also conducts a first bidder information webcast, publishes these Bidder Materials, announces certain auction parameters, and provides other preliminary information to bidders. These information releases are described in the second subsection.

A calendar of these events is provided below.

Activity or Decision Point	Timing
August 2017	
First FAQ is posted	Tuesday, August 15, 2017
Release of Preliminary Draft of RSCP Pricing Spreadsheet	Tuesday, August 15, 2017
September 2017	
Posting of Alternate Guaranty Process	Tuesday, September 12, 2017
Posting of Comment Process on Letters of Credit	Wednesday, Sept. 13, 2017
October 2017	
Information Webcast for Potential Bidders	Friday, October 06, 2017
Illustrative Part 1 and Part 2 Application Forms are posted	Thursday, October 19, 2017

Activity or Decision Point	Timing
Deadline to Submit Alternate Form of Guaranty	Tuesday, October 24, 2017
Deadline to propose modifications to the standard form of the Pre-Auction and Post-Auction Letters of Credit	Tuesday, October 24, 2017
November 2017	
Auction Manager provides individual responses to parties proposing modifications to the Letters of Credit	Thursday, November 02, 2017
All modifications to the standard form of the Letters of Credit that are acceptable on an optional basis are posted	Monday, November 06, 2017
Auction Manager informs parties proposing alternate forms of guaranty of the EDCs' decision	Tuesday, November 07, 2017
Statewide minimum and maximum starting prices, load caps, and tranche sizes announced	Wednesday, November 15, 2017

C.3.a. Processes on Credit Instruments

Bidders have an opportunity to comment on the letters of credit and bidders that are unable to utilize the standard form of guaranty have an opportunity to submit an alternate form of guaranty. These processes are described in this subsection.

Letters of Credit

Bidders are required, for each Auction in which they participate, to submit a “Pre-Auction Letter of Credit” with the Part 2 Application in an amount sufficient to support their indicative offers. The Draft Pre-Auction Letter of Credit for BGS-RSCP Bidders and the Draft Pre-Auction Letter of Credit for BGS-CIEP Bidders are posted to the [Contract and Credit](#) page of the BGS Auction website. Bidders may use the “Post-Auction Letter of Credit”, which is the letter of credit appended to the BGS Supplier Master Agreements, to post security under the BGS Supplier Master Agreements. The Draft BGS Post-Auction Letter of Credit is posted to the [Contract and Credit](#) page of the BGS Auction website. Bidders use these draft letters of credit to submit their comments and propose modifications. The final forms of these letters of credit will be issued by November 6, 2017.

Bidders submit their comments or proposed modifications to a draft letter of credit by submitting a Microsoft Word document with tracked changes. The deadline for submission of such comments or modifications is October 24, 2017.

For each modification proposed to a Letter of Credit, the EDCs will:

- a. accept the modification and revise the Letter of Credit; or
- b. approve the use of the modification on an optional basis; or
- c. reject the proposed modification.

The Auction Manager, on behalf of a review committee consisting of EDC representatives and representatives from the Auction Manager, will respond individually to each potential bidder that proposed modifications to a Letter of Credit. At the conclusion of this comment process, each letter of credit in its final form will be posted the BGS Auction website. Furthermore, for each letter of credit, a document that includes all modifications that are acceptable to the EDCs on an optional basis will be made available to all bidders. The comment process is described in further detail in the document “Comment Process on the Letters of Credit” available on the [Contract and Credit](#) page of the BGS Auction website.

Guaranty

Bidders may have corporate policies that preclude them from using the standard form of guaranty appended to the BGS Supplier Master Agreements. Such bidders may submit an alternate form of guaranty for the EDCs’ consideration.

The EDCs make available a list of minimum requirements that an alternate form of guaranty must meet. In particular, an alternate form of must be a financial guaranty and not a performance guaranty. Furthermore, an alternate form of guaranty must be for unlimited liability (while the standard guaranty has a liability limit). A full list of the minimum requirements are available in the document “Alternate Guaranty Process” available on the [Contract and Credit](#) page of the BGS Auction website.

The EDCs review alternate form of guaranty submissions received from bidders and relay the results of their review to the Auction Manager. The Auction Manager provides to each bidder a personalized evaluation from the EDCs indicating whether the proposed alternate form of guaranty is acceptable to the EDCs or not. Should the EDCs find a proposed alternate form of guaranty to be not acceptable, the bidder will be provided time to update the alternate form of guaranty to comply with any EDC requests.

C.3.b. Information Releases

The information releases from the Auction Manager to bidders that occur generally prior to the Board decision are described in this subsection.

Prior to the First Bidder Information Webcast

Bidders may submit questions to the Auction Manager by email to BGS-Auction@nera.com or through the [Ask a Question](#) page of the BGS Auction website. The Auction Manager provides a response to each questioner individually, generally within two (2) business days of receiving the question. Questions and responses, with information that could identify the questioner redacted to the extent practicable, are posted to the [FAQs](#) page of the BGS Auction website. The first posting of FAQs occurred on August 15, 2017. Further postings will be made on Tuesdays each week (less or more often as circumstances warrant).

The rate design proposed by each EDC is described in each EDC's Company Specific Addendum. All Company Specific Addenda are posted to the [BGS Proceeding](#) page of the BGS Auction website. The Auction Manager makes available to bidders a BGS-RSCP pricing spreadsheet tool. This tool is intended to translate hypothetical Auction prices for each EDC selected by the bidder into their corresponding BGS-RSCP retail rates. BGS-RSCP retail rates may be important to bidders for the purpose of assessing the likelihood and degree of BGS-RSCP migration.

On August 15, 2017, the Auction Manager posted the RSCP pricing spreadsheet tool based on the rate design as proposed by the EDCs to the [Additional Data](#) page of the Data Room. The RSCP pricing spreadsheet tool will be updated with any changes to the rate design as may be ordered by the Board as well as refreshed with 2018 PJM obligations.

The application process begins after the Board has rendered a decision on how best to procure supply for BGS customers. On a preliminary basis, the Auction Manager posts an illustrative Part 1 Form and an illustrative Part 2 Form. The posting is scheduled for October 19, 2017. Bidders may use these illustrative forms to learn about the application requirements of past Auctions and about the application requirements as proposed by the EDCs for the current Auctions. The illustrative Part 2 Form will be updated once specific auction parameters have been announced on November 15, 2017. The illustrative forms will be updated as necessary once the decision of the Board has been rendered.

Bidder Information Webcast

On Friday, October 6, 2017, the Auction Manager holds a first bidder information webcast to describe the EDCs' proposal to the Board for the procurement of supply for their BGS customers. Within a business day of holding the webcast, the Auction Manager posts to the [Info Sessions](#) page of the BGS Auction website the presentation and audio portion of the webcast, as well as these Bidder Information Materials. The Auction

Manager posts to the [FAQs](#) page of the BGS Auction website the question and response for any question received during the webcast.

Release of Auction Parameters

On November 15, 2017, the Auction Manager will announce the following auction parameters:

- **Statewide minimum and maximum starting prices** – The range for the BGS-RSCP will be provided in ¢/kWh and the range for the BGS-CIEP Auction will be provided in \$/MW-day. Bidders will be required to submit indicative offers at each of the minimum and maximum starting price in their Part 2 Application. Furthermore, in the first round of the Auction, prices will be set no lower than the minimum starting price and no higher than the maximum starting price.
- **Load caps** – The statewide load cap is the maximum number of tranches that a bidder can bid in an Auction and serve statewide. Each of the BGS-CIEP Auction and the BGS-RSP Auction will have a statewide load cap. For the BGS-RSCP Auction, there will in addition be an EDC-specific load cap for each EDC. An EDC-specific load cap is the number of tranches that a bidder can bid and serve for that EDC.
- **Tranche sizes** – A tranche target is the number of tranches needed for a given EDC at the beginning of an Auction. The Auction Manager announces the final tranche targets, the final tranche sizes (as a percentage of each EDC's Load) as well as the megawatt measures for each tranche.

C.4. Application Process

The application process for the 2018 BGS-RSCP and BGS-CIEP Auctions is in two parts and is conducted online. Applicants may choose to apply to participate in the BGS-RSCP Auction, the BGS-CIEP Auction, or both. This section describes the proposed requirements.

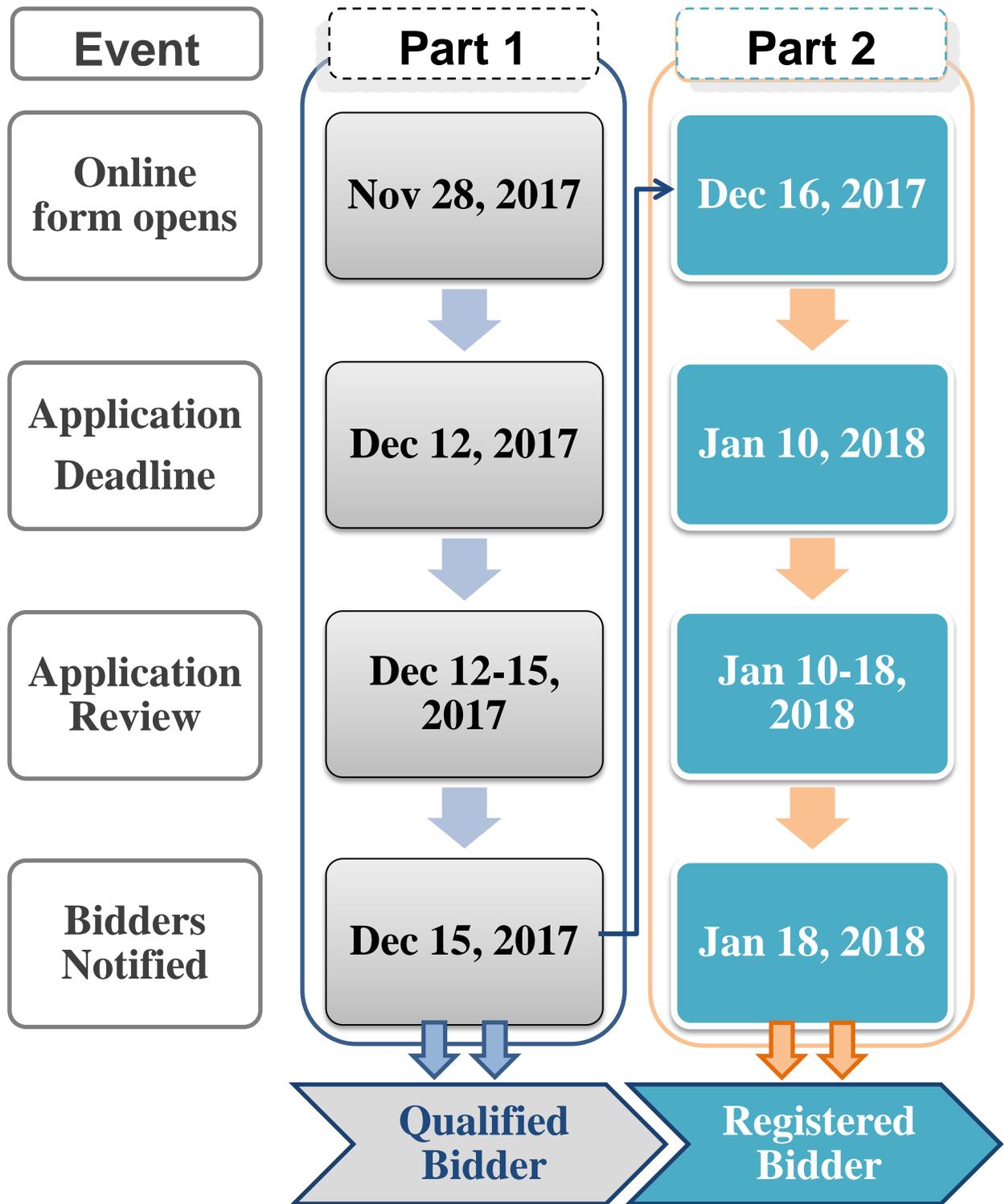
In their Part 1 Applications, interested parties will be asked to provide primary contact information and submit financial information so that the EDCs can assess their creditworthiness. In addition, interested parties will be asked to comply with other qualification requirements, including agreeing 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 its Part 2 Application, each Qualified Bidder will also be required to submit an indicative offer and to submit a financial guarantee in proportion to its indicative offer. A Qualified Bidder that has successfully completed the Part 2 Application is a “Registered Bidder.”

The second bidder information webcast will provide all details of the application process. The process and major milestones are summarized in the following figure.

Figure C.3. Application Process



The full calendar of events is provided below.

Activity or Decision Point	Timing
October 2017	
Illustrative Part 1 and Part 2 Application Forms posted	Thursday, October 19, 2017
November 2017	
Second Information Webcast for Potential Bidders	Monday, November 27, 2017
December 2017	
Deadline to submit Part 1 Application due by NOON	Tuesday, December 12, 2017
Part 1 Applications are reviewed	December 12-15, 2017
Applicants are notified of Part 1 Application Results	Friday, December 15, 2017
January 2018	
Deadline to submit Part 2 Application due by NOON	Wednesday, January 10, 2018
Part 2 Applications are reviewed	January 10-18, 2018
Applicants are notified of Part 2 Application results	Thursday, January 18, 2018

C.5. Bidder Training and Additional Information Releases

Bidder Training

Once bidders have been registered to participate in the Auctions through successful completion of the Part 1 Application and Part 2 Application, the Auction Manager makes available bidder training materials such as a guide to the Auction Rules, a software manual for submission of bids through the auction software, as well as a description of the backup bidding procedure to follow in the event a bidder experiences technical difficulties with the auction software.

The Auction Manager also holds the following activities for bidder training purposes:

- **Webcast for Registered Bidders** – The Auction Manager holds a third and final bidder information webcast, for Registered Bidders only. The tranche fees are announced at this webcast. The webcast primarily aims to provide details regarding online bidding procedures, backup bidding procedures, and technical preparedness.

- **Trial Auctions** – The Auction Manager holds trial auctions for Registered Bidders during which bidders can ensure that they have all systems ready for participating in the Auctions. Bidders have, over several rounds, the opportunity to practice all aspects of the online submission of bids using the auction software as well as submission of bids through the backup bidding procedure.

Information Releases

As mentioned above, the Tranche Fees are released during the third and final bidder information webcast. The Auction Manager makes a number of announcements to release further information to bidders, including:

- Transmission rates;
- Mark-to-Market information;
- Updates to decrement formulas and range of total excess supply.

Such announcements are posted to the [News](#) page of the BGS Auction website. The full calendar of events, including the timing of these announcements, is provided below.

Activity or Decision Point	Timing
January 2018	
Transmission Rates announced	Friday, January 05, 2018
Deadline to submit Part 2 Application due by NOON	Wednesday, January 10, 2018
Part 2 Applications are reviewed	January 10-18, 2018
Mark-to-Market information release	Tuesday, January 23, 2018
Auction Manager informs Registered Bidders of changes to decrement formulas or ranges of total excess supply (if necessary)	Tuesday, January 23, 2018
Tranche Fee is announced	Tuesday, January 23, 2018
Information Webcast for Registered Bidders	Tuesday, January 23, 2018
Trial Auctions for Registered Bidders	Thursday, January 25, 2018

C.6. Conduct of the Auctions

Two Auctions are proposed, the BGS-RSCP Auction and the BGS-CIEP Auction. The EDCs 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-RSCP Auction, each representing the BGS-RSCP 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-RSCP and BGS-CIEP Auctions will be conducted using a multiple round descending clock auction format. 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 Auction Manager. Each bidder will receive a Login ID and initial password to access the Auction Software for the BGS Auction(s) in which it has been registered to participate. At first login, each bidder will be required to change its initial password and then to accept the Auction Software “Terms and Conditions” by clicking “Accept”.

C.6.a. Bidding Phase of a Round

A bid is the number of tranches that a bidder is willing to supply for each EDC at the going price in a round 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 a 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. 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-RSCP 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. A bidder may re-enter the bid as long as the bidding phase of the round is open. 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.

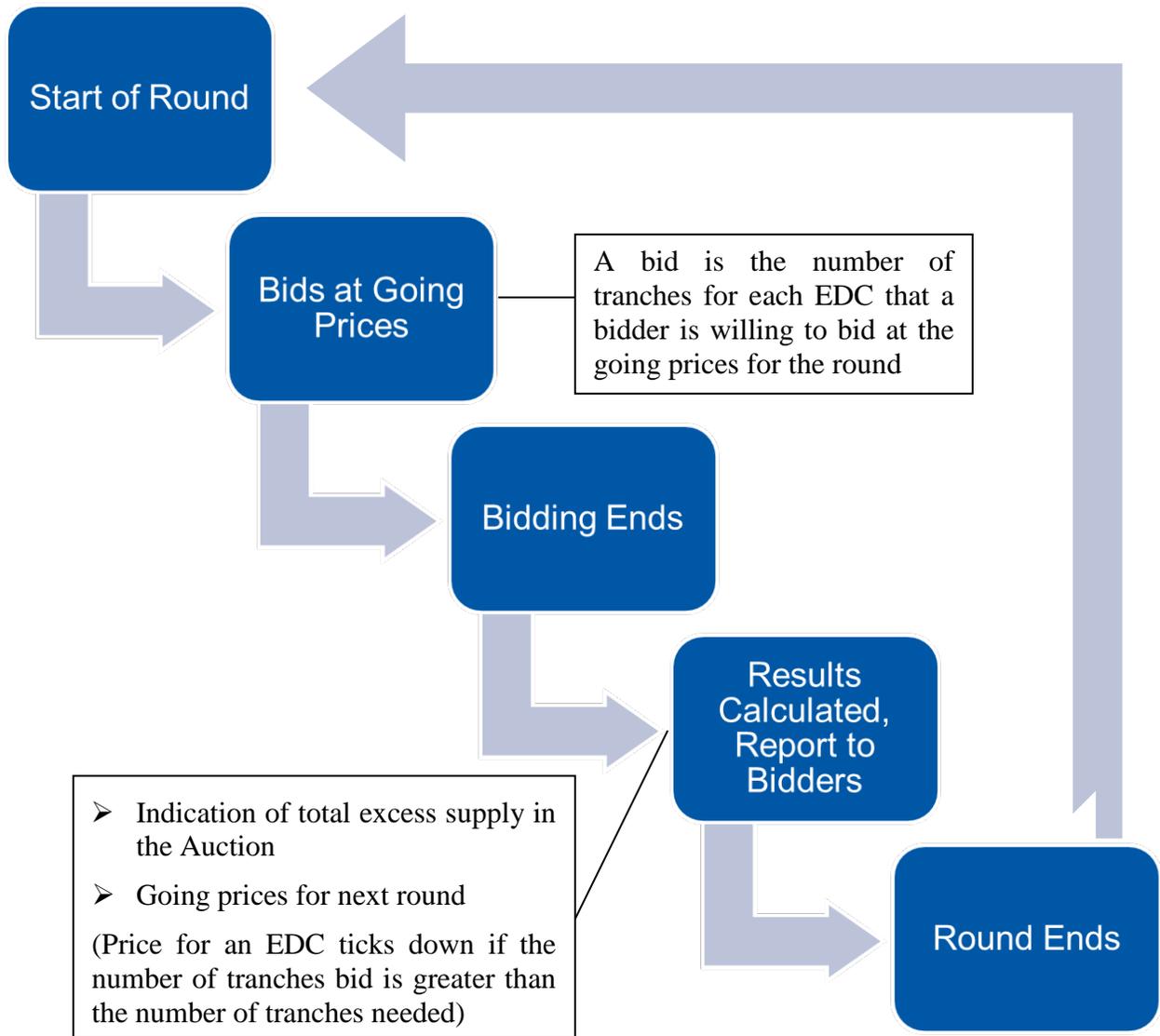
C.6.b. Calculating and Reporting Phase of a Round

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 determined during the calculating phase of the round. 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 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.

C.6.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.



C.7. Post-Auction Activities

At the conclusion of the BGS-CIEP Auction or the BGS-RSCP Auction, whichever comes later, the Auction Manager prepares a full factual report to the Board with its recommendation of whether to accept the auction results. Simultaneously, the Board Advisor prepares for the Board a checklist with its recommendation of whether to accept the auction results.

The Board makes its decision to either accept or reject the results of the BGS-CIEP Auction and the BGS-RSCP Auction separately within two (2) business days of the close of the Auctions. If the Board approves the auction results, the EDCs will provide Supplier Master Agreements via email to winning BGS suppliers for their execution. Winning BGS suppliers will then have three (3) business days to execute the BGS Supplier Master Agreements. All participants in the Auctions have five (5) business days to destroy any document containing confidential information related to the Auctions and provided by the Auction Manager.

Should a winning BGS supplier fail to execute the applicable BGS Supplier Master Agreement, the EDCs may draw on that BGS supplier's Pre-Auction Letter of Credit provided with the Part 2 Application. The full calendar of events for auction and post-auction activities is provided below.

Activity or Decision Point	Timing
February 2018	
BGS-CIEP Auction starts	Friday, February 02, 2018
BGS-RSCP Auction Starts	Monday, February 05, 2018
Board decision on Auction results	Within 2 business days of close of the BGS-RSCP or BGS-CIEP Auction, whichever comes later
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
Power Flows	Friday, June 01, 2018

C.8. The Roles of the Board, the Board Advisor, the EDCs and the Auction Manager

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

- The Board will approve the Auction Process set forth in this Proposal, the Auction Rules, and the EDCs' Company Specific Addenda;
- The Board will approve the BGS-CIEP Supplier Master Agreement and the BGS-RSCP Supplier Master Agreement;
- The Board Advisor will oversee the conduct of the Auctions and brief the Board during the Auction Process; and
- 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 one Auction and on the results of the other 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.

The EDCs have proposed that the EDCs to continue to assume the previously-approved logistical responsibilities for the Auctions, which include:

- Development of the Auction Process, which is presented to the Board in the EDCs' filing;
- Promotion of the Auctions in conjunction with the Auction Manager;
- 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 website maintained by the Auction Manager;
- 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;
- Development of the BGS Supplier Master Agreements and instruments for financial guarantees;
- Review and approval of financial qualifications, including review of alternate guaranty forms; and
- Execution of the BGS Supplier Master Agreements on behalf of their customers.

The EDCs propose that the Auction Manager be responsible for day-to-day administration, for dissemination of information about the Auction Process. As such, the Auction Manager would be primarily responsible for the following tasks:

- Setting up and maintaining a website for the dissemination of Auction information to stakeholders;
- Receiving queries from interested parties, directing the questions to EDC representatives if necessary, and returning the answers to the inquiring parties;
- Receiving applications for qualification and notifying interested parties of the results of the qualification procedure;
- Managing the Alternate Guaranty process;
- Receiving indicative offers and letters of credit;
- Developing and testing bidding procedures that implement the Auction Rules;
- Providing technical help to bidders with respect to the Auction Rules and the bidding procedures;
- Drafting manuals for the Auctions;
- Training potential bidders in the bidding procedures; and
- Providing to the Board and the EDCs a full factual report on the Auctions and on the final results.