

BGS INFORMATION MATERIALS

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NEW JERSEY STATEWIDE BASIC GENERATION SERVICE ELECTRICITY SUPPLY AUCTION

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A. REGULATORY PROCEEDING

Companion Document: Section C.1 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 BGS regulatory process. This chapter updates the content of the companion document by describing the activities under the regulatory proceeding that have taken place to date.

This chapter is provided for bidder convenience only. Any statements herein describing the EDCs’ “Proposal for Basic Generation Service Requirements to Be Procured Effective June 1, 2020” filed on July 1, 2019 with the New Jersey Board of Public Utilities (“Board” or “BPU”) or describing the EDCs’ “Supplemental Proposal for Basic Generation Service Requirements to Be Procured Effective June 1, 2020” filed on October 8, 2019 or describing the Board Orders in the proceeding are qualified in their entirety by our reference to the EDCs’ proposal available on the BGS Auction website ([Front Part of Filing](#), [Appendix A](#), [Appendix B](#), [Appendix C](#), and [Appendix D](#)), to the EDCs’ supplemental proposal available on the BGS Auction website ([BGS Supplemental Filing](#)) and to the [Board Orders](#). Bidders bear full responsibility for reviewing the EDCs’ proposal, supplemental proposal, and the subsequent Board Orders.

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”).

A.1. Prior to the Board Order

BGS Proposals

In response to a New Jersey Board of Public Utilities (“Board” or “BPU”) [Procedural Order](#) issued April 18, 2019, the EDCs filed their “Proposal for Basic Generation Service Requirements to Be Procured Effective June 1, 2020” on July 1, 2019. No other party filed an alternative proposal. The EDCs’ proposal is available on the [BGS Proceeding](#) page of the BGS Auction website and the links are provided above. The EDCs’ proposal consisted of:

- A joint proposal that detailed the procurement of supply for BGS customers through a statewide Auction Process; and
- A Company Specific Addendum for each EDC that addressed EDC-specific issues including contingency plans, rate design, tariff sheets, as well as an accounting and cost recovery proposal.

Each Company Specific Addendum included the Company's BGS-RSCP rate design spreadsheet that provides full details of the calculation of BGS-RSCP retail rates on the basis of final auction prices as well as draft tariff sheets for BGS-CIEP customers.

Discovery

In its Procedural Order, the Board invited interested parties to file with the Board's Secretary discovery requests on the BGS proposals. The deadline for discovery requests was Monday, July 22, 2019. The EDCs provided responses to discovery by the deadline of Monday, August 5, 2019.

Initial Comments and Hearing

In its Procedural Order, the Board also invited interested parties to submit comments on the BGS proposals. Comments could be submitted at three points in time. First, written initial comments could be submitted to the Board by September 4, 2019. Second, interested parties could appear at a legislative-type hearing held on September 19, 2019 to provide an oral presentation to the Board. Lastly, written final comments could be submitted to the Board following initial comments and the legislative-type hearing.

The Division of Rate Counsel ("Rate Counsel") and TransAlta Corporation submitted initial comments for the Board's consideration. Rate Counsel, the Independent Energy Producers of New Jersey, Exelon Generation Company LLC, PSEG Services Corporation, Vitol Inc, and the EDCs appeared and made oral presentations to the Board at its legislative-type hearing.

Supplemental Filing

In initial comments and at the legislative-type hearing, multiple parties raised concerns that postponement of PJM's Base Residual Auction for the 2022/2023 delivery year, the last year of the BGS-RSCP period, would lead to unknown capacity prices that may adversely affect bids. On October 2, 2019, the EDCs filed a joint communication with the Board, indicating that the EDCs would submit a supplemental filing to address these concerns. The EDCs submitted a supplemental filing to propose enhancements to the initial BGS proposals to address on October 8, 2019 and the Board extended the deadline for final comments to October 29, 2019 so that parties could respond to the EDCs' supplemental filing in their comments.

The supplemental filing proposed setting a proxy price for the 2022/2023 capacity price for each EDC that bidders could incorporate into their bids. In the 2022/2023 delivery year, BGS-RSCP Suppliers would receive an additional payment (or charge) calculated as the difference between the value of the actual capacity price charged to them by PJM and the proxy price set by the EDCs.

Final Comments

The EDCs submitted final comments that responded to the issues raised in the proceeding including: (i) the capacity price in the 2022/2023 delivery year, (ii) credit ratings requirements under BGS Supplier Master Agreements, (iii) Renewable Portfolio Standards obligations under the Solar Transition Program, and (iv) the current practice in calculating RPS obligations. Rate Counsel, TransAlta Corporation, and Vitol Inc also submitted final comments for the Board's consideration.

A.2. Board Decision

At its agenda meeting on November 13, 2019, the Board rendered its decision on the EDCs' proposal and the EDCs' supplemental proposal. The Board rejected the EDCs' proposed changes to the auction timeline as well as the EDCs' proposed modifications to the BGS-RSCP and BGS-CIEP Supplier Master Agreements that would have required BGS Suppliers to transfer RECs and SRECs on a quarterly basis. However, the Board approved the main elements of the EDCs' proposal, which have been stable over the past several years, namely:

- Using a single statewide Auction Process to procure supply for BGS customers;
- Holding two auctions, the BGS-CIEP Auction for large commercial and industrial customers, and the BGS-RSCP Auction for residential and smaller commercial customers;
- A supply period of June 1, 2020 through May 31, 2023 for the BGS-RSCP Auction;
- A supply period of June 1, 2020 through May 31, 2021 for the BGS-CIEP Auction;
- The use of a clock auction format; and
- A decision by the Board on the auction results within two business days of the close of the last auction.

The Board approved the EDCs supplemental proposal, setting a proxy price for capacity in the 2022/2023 delivery year and introducing a supplement to the BGS-RSCP Supplier Master Agreement to allow payment to (or from) the BGS-RSCP Supplier based on the difference between the actual capacity price in the 2022/2023 delivery year and the proxy price. The proxy prices approved by the Board were \$162.13/MW-day for PSE&G and \$152.06/MW-day for JCP&L, ACE, and RECO.

The Board also explicitly approved:

- The EDCs' plan for marketing efforts, including holding bidder information webcasts, publicizing new developments through the BGS Auction website, and making announcements by email to interested parties; and

- The confidentiality provisions to protect information provided in the bidder application forms and information related to specific bidder activity during the auctions

Please consult the [Board Order](#) in Docket No. ER19040428 as posted to the BGS Auction website for full details regarding the Board's actions.

B. ACTIVITIES PRIOR TO BOARD ORDER

Companion Document: Section C.2 of the [BGS Auction Process](#) Chapter of the October Bidder Information Materials is a **companion document** that provides a timeline and brief overview of activities prior to the Board Decision. This chapter updates the content of the companion document by describing the activities prior to the Board Order.

This chapter is provided for bidder convenience only. Any statements herein describing activities prior to the New Jersey Board of Public Utilities (“Board” or BPU”) decision on the BGS Auction Process are summaries only and are qualified in their entirety by the [Comment Process on the Letters of Credit](#), the [Alternate Guaranty Process](#) document, as well as announcements posted the BGS Auction website. Bidders bear full responsibility for reviewing in detail the original documents referred to or summarized in this chapter.

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. Processes on Credit Instruments

Credit Instruments

All credit instruments described in this section are available on the [contract and credit](#) page of the BGS Auction website.

A *Pre-Auction Letter of Credit* is due with the Part 2 Application for each auction for which a Qualified Bidder applies. The Pre-Auction Letter of Credit is used to support the Qualified Bidder’s indicative offer. The terms of the Pre-Auction Letter of Credit detail the circumstances under which a draw may occur.

BGS suppliers must provide financial guarantees under the terms of each BGS supplier Master Agreement (“SMA”). Bidders may, for this purpose, use the *Post-Auction Letter of Credit*. The standard form of the Post-Auction Letter of Credit is included as Appendix B to the BGS-CIEP SMA and as Appendix C to the BGS-RSCP SMA. BGS suppliers may also rely on the financial standing of a guarantor. A BGS supplier may utilize the *standard form of guaranty* included as Appendix C to the BGS-CIEP SMA and as Appendix D to the BGS-RSCP SMA for that purpose.

Comment Processes

A [Comment Process on the Letters of Credit](#) was held for potential bidders to submit comments on and propose modifications to the Pre-Auction and the Post-Auction Letters

of Credit. Potential bidders also had the opportunity to propose an alternate form of guaranty by expressing interest in the [Alternate Guaranty Process](#). The deadline to propose modifications to the standard form of the letters of credit and to submit an alternate form of guaranty was initially set to October 22, 2019. However, the Auction Manager became aware that some registrants had not received the announcement containing information about expressing interest in the Alternate Guaranty process. A new deadline was set to October 29, 2019.

Potential bidders submitted comments on the letters of credit by providing a redline of the letters of credit in Microsoft Word to the Auction Manager. Potential bidders could include explanatory notes as part of their submissions. For each modification proposed to a letter of credit, the EDCs could:

- accept the modification and revise the standard form of the letter of credit; or
- approve the use of the modification on an optional basis; or
- reject the proposed modification.

The Auction Manager, on behalf of a review committee consisting of EDC representatives and representatives from the Auction Manager, responded individually to each potential bidder with the results of the review of the potential bidder's proposed modifications.

Potential bidders not wishing to use the standard form of guaranty could express interest in proposing an alternate form of guaranty for the EDCs' consideration. Any alternate form was required to satisfy the minimum requirements outlined in the [Alternate Guaranty Process](#) document posted to the [contract and credit](#) page of the BGS Auction website. The Auction Manager issues a schedule for this process upon receiving expressions of interest.

Results of Comment Process on the Letters of Credit

The EDCs accepted modifications to the letters of credit that bidders may adopt on an optional basis as a result of the comment process on the letters of credit. No revisions were made to the standard forms of the letters of credit as a result of the comment process. The final letters of credit and the lists of acceptable modifications to the letters of credit were posted to the [contract and credit](#) page of the BGS Auction website on November 11, 2019. Bidders should use the current documents as posted to the BGS Auction website to avoid using a standard form to which administrative type changes have been made.

B.2. Information Releases

The Auction Manager released information and documents to potential bidders in the period between August and the Board Order. These information releases included posting

the first set of FAQs, materials related to the first bidder information webcast, and announcement of auction parameters. These are described in more detail below.

First FAQs

Throughout the Auction Process, the Auction Manager answers questions that are submitted by potential bidders online via the [Ask A Question](#) form or by email to BGS-Auction@nera.com. Questioners receive a response individually by email and then the question and answer are posted as an FAQ to the BGS Auction website for the benefit of all potential bidders. FAQs are sorted by date and are available by topic.

On Tuesday, August 13, 2019, a first set of FAQs was posted to the [FAQs](#) page of the BGS Auction website. FAQs continue to be posted each Tuesday throughout the Auction Process until bidders are registered for bidding in the auctions (at which point FAQs are sent to these Registered Bidders only). Potential bidders are encouraged to check this page frequently in order to keep informed about the BGS Auctions.

October Webcast Materials

The first bidder information webcast was held on Thursday, October 3, 2019 to review the EDCs' Joint Proposal and any changes to the Auction Process from prior years proposed by the EDCs. Additional topics covered by the Auction Manager during the webcast included:

- a description of the auctions and bidding procedures;
- a description of the responsibilities for BGS suppliers;
- an overview of past auctions; and
- an overview of the online application process.

The webcast presentation and corresponding audio file are posted to the [presentations](#) and [info session materials](#) pages of the BGS Auction website.

Bidder Information Materials that expanded upon the topics covered during the webcast were also posted to the [info session materials](#) page of the BGS Auction website. These Bidder Information Materials include the following chapters:

- [Chapter A: Past BGS Auctions](#) – This chapter describes tranches available, final prices, and winners from the 2017, 2018, and 2019 BGS Auctions.
- [Chapter B: Elements of the EDCs' Proposal](#) – This chapter describes elements of the EDCs' "Proposal for Basic Generation Service Requirements to Be Procured Effective June 1, 2020" ("EDC Proposal") filed with the Board on July 1, 2019. The chapter reviews key elements of the EDCs' proposal including the Joint proposal, SMAs, Auction Rules, and Company Specific Addenda.

- [Chapter C: BGS Auction Process](#) – This chapter generally describes the Auction Process and provides calendars for events that occur throughout the Auction Process. Chapter C is broken down into a number of activities (each of which is further described in these Bidder Information Materials):
 - *Section C.1. Regulatory Proceeding* – This section provides a description and timeline of events of the regulatory process that occurs as part of the BGS Auction Process. Section C.1. is a companion document to Chapter A of these Bidder Information Materials.
 - *Section C.2. Activities Prior to Board Decision* – This section provides a description and timeline of events occurring prior to the issuance of the Board Decision. Section C.2. is a companion document to Chapter B of these Bidder Information Materials.
 - *Section C.3. Application Process* – This section provides a description and timeline of events for the BGS Application Process. Section C.3. is a companion document to Chapter C of these Bidder Information Materials.
 - *Section C.4. Bidder Training and Additional Information Releases* – This section provides a description and timeline of events for bidder training as well as information releases scheduled for after the Board Decision. Section C.4. is a companion document to Chapter D of these Bidder Information Materials.
 - *Section C.5. Conduct of the Auctions* – This section provides a description of the descending clock auction format. Section C.5. is a companion document to Section E of these Bidder Information Materials.
 - *Section C.6. Post-Auction Activities* – This section provides a description and timeline of events occurring after the auctions have taken place. Section C.6. is a companion document to Section F of these Bidder Information Materials.
- [Chapter D: RSCP Supplier Payments and Customer Rates](#) – This chapter describes the flow of supplier payments and the method by which customer rates are determined for the BGS-RSCP Auction.
- [Chapter E: CIEP Supplier Payments and Customer Rates](#) – This chapter describes the flow of supplier payments and the method by which customer rates are determined for the BGS-CIEP Auction.

Auction Parameters

On November 13, 2019, the Auction Manager announced key auction parameters for the BGS-CIEP and BGS-RSCP Auctions.

For the BGS-CIEP Auction, the Auction Manager announced:

- the statewide load cap;
- the tranche target for each EDC;
- the size and MW-measure for each tranche; and
- the minimum and maximum starting prices.

The statewide load cap, which is the maximum number of tranches that a bidder can bid in the BGS-CIEP Auction and serve statewide, is **19 tranches**. This statewide load cap and the tranche targets (the number of tranches needed at the beginning of the auction), as announced for the BGS-CIEP Auction, are provided in the table below.

Table B-1. BGS-CIEP Auction Parameters

EDC	CIEP Peak Load Share (MW)	Tranche Target	Statewide Load Cap	Size of Tranche (%)	MW-Measure
PSE&G	1,826.05	24	19	4.17%	76.09
JCP&L	896.16	12		8.33%	74.68
ACE	313.00	4		25.00%	78.25
RECO	58.40	1		100.00%	58.40
Total	3,093.61	41	-	-	-

In the Part 2 Application, Qualified Bidders submit indicative offers at the maximum starting price and at the minimum starting price. For the BGS-CIEP Auction, the statewide minimum starting price is **\$550/MW-day** and the statewide maximum starting price is **\$700/MW-day**. In the first round of the BGS-CIEP Auction, prices for each EDC are set no lower than the minimum starting price and no higher than the maximum starting price.

On November 13, 2019, the Auction Manager also announced the following auction parameters for the BGS-RSCP Auction:

- the statewide load cap;
- EDC-specific load caps;
- tranche targets for each EDC;
- the size and MW-measure for each tranche; and
- the minimum and maximum starting prices.

The statewide load cap is **20 tranches** for the BGS-RSCP Auction. The tranche targets and the EDC load caps (the maximum number of tranches that a bidder can bid in the BGS-RSCP Auction and serve for an individual EDC) are provided in the table below.

Table B-2. BGS-RSCP Auction Parameters

EDC	RSCP Peak Load Share (MW)	Tranche Target	EDC Load Cap	Size of Tranche (%)	MW-Measure
PSE&G	2,496.30	28	13	1.18%	89.15
JCP&L ¹	1,227.80	15	7	1.82%	81.85
ACE	688.33	8	3	4.55%	86.04
RECO	171.42	2	2	25.00%	85.71
Total	4,583.85	53	-	-	-

In the Part 2 Application, Qualified Bidders submit indicative offers at the maximum starting price and at the minimum starting price. For the BGS-RSCP Auction, the statewide minimum starting price is **12.5¢/kWh** and the statewide maximum starting price is **18.0¢/kWh**. In the first round of the BGS-RSCP Auction, prices for each EDC are set no lower than the minimum starting price and no higher than the maximum starting price.

¹ The Public Power Association of New Jersey (“PPANJ”) has petitioned the Board requesting authorization to receive the entire St. Lawrence allocation on behalf of PPANJ’s members. JCP&L will continue to serve the 10 MW of BGS-RSCP load associated with the St. Lawrence allocation pending a final determination by the Board. If the Board makes such a determination prior to the 2020 BGS auction, an update will be provided to BGS-RSCP bidders. The total RSCP Peak Load Share for JCP&L has been reduced by 10 MW.

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 Form and the Illustrative Part 2 Application Form posted to the [application process](#) page of the BGS Auction website. The Illustrative Part 1 and Part 2 Application Forms were update on December 2, 2019. 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.

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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 website is:

www.BGS-Application.com

You may use the following links to access the online application forms:

- Request login credentials [here](#).
- Use the login credentials to access the online application forms [here](#) once they become available.

Inserts (December 2, 2019) (1)
Application Requirements (December 2, 2019) (2)

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

What's New

ANNOUNCEMENT: EDCs' Filing is Available on the BGS Auction Website... [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.

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home get account

Get Account

Fields marked with a * are required

Name *

Company *

E-Mail *

Position/Title:

Phone Number *

Alternate Phone Number:

Submit

1. Complete the required information

2. Submit the registration form

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.

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home get account part 1 application **inserts** rb materials

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), complete the 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 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](#)

Click on the Inserts tab – these inserts are for the Part 1 Application

Applicants are instructed to download a particular zip file depending on the Auctions for which they are applying

Applicants scan any signed and completed Inserts, and upload the Inserts to the online forms.

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 17, 2019. Applicants are notified of their qualification status by December 20, 2019.

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. **Guarantor’s Information:** If an Applicant relies on the financial standing of a Guarantor, the Applicant provides contact information for the Guarantor, including contact information for a credit representative, and the Applicant provide financial information about itself (if available) as well as financial information about the Guarantor, including financial statements and credit ratings.
 7. **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.
 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 below¹:

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 9, 2020. Qualified Bidders are notified of their Part 2 Application results on January 16, 2020.

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

¹ 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.

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 \$550/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.² 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 the amount associated with its indicative offer at the maximum starting price. For

² 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).

- 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.

D. BIDDER TRAINING AND ADDITIONAL INFORMATION RELEASES

Companion Document: Section C.4 of the [BGS Auction Process](#) Chapter of the October Bidder Information Materials is a **companion document** that provides a timeline and brief overview of bidder training and future information releases. This chapter of the December Bidder Information Materials expands upon these materials.

This chapter is provided for bidder convenience only. Bidders bear full responsibility for reviewing all information releases from the Auction Manager, regardless of whether such information releases are mentioned in this chapter. Bidders should participate in bidder training and review all materials released by the Auction Manager for this purpose. Bidders should not rely on the summary provided in this chapter.

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”).

D.1. Bidder Training and Training Materials

Applicants that successfully complete the requirements of the Part 1 Application and the Part 2 Application become Registered Bidders. The Auction Manager releases training materials and holds training events for the benefit of Bidders that have registered to participate in the BGS Auctions. Specifically, the Auction Manager:

- Releases to Registered Bidders further Bidder Information Materials in January, which include a guide to the auction rules as well as a manual for use of the Auction Software for purposes of submitting bids online;
- Holds a webcast that provides announcements and discusses the bidding procedures in detail; and
- Conducts trial auctions so that Registered Bidders may practice all aspects of the bidding procedures.

The bidding procedures include submission of bids online through the Auction Software as well as a backup bidding procedure via phone in case of technical difficulties. The terms and conditions of access to the Auction Software are provided as an appendix to these Bidder Information Materials. These bidding procedures are further explained in Chapter E of these Bidder Information Materials.

Bidder Information Materials

The Bidder Information Materials to be released in January are prepared specifically for Registered Bidders. The Bidder Information Materials are posted on a page of the BGS Application website that is only accessible to Registered Bidders. The January Bidder Information Materials will include:

- Expected schedules for the first day of the BGS-CIEP Auction and the first day of the BGS-RSCP Auction;
- System requirements for use of the Auction Software;
- A guide for technical preparedness;
- A presentation of the login credentials and other information required to log in to the Auction Software; and
- A Software Manual, including sample bid sequences and presentation of other functionality of the Auction Software.

The January Bidder Information Materials are available in hardcopy so that they can be used as a reference for Registered Bidders during the course of the BGS Auctions.

Webcast for Registered Bidders

The Auction Manager holds an information webcast for Registered Bidders, scheduled for Tuesday, January 21, 2020. Information covered by the webcast includes:

- Announcement of the amount of the tranches fees;
- Announcement of the transmission rates;
- Release of Mark-to-Market information;
- Detailed bid sequences to submit bids using the Auction Software;
- The backup bidding procedure and the manner in which Registered Bidders are authenticated if they submit a backup bid by phone; and
- Purpose of the Trial Auctions and how Registered Bidders can use the Trial Auctions to prepare for the auctions.

Time is reserved so that Registered Bidders have the opportunity to ask the Auction Manager questions.

Trial Auctions for Registered Bidders

The Trial Auctions for Registered Bidders provide Registered Bidders the opportunity to familiarize themselves with the Auction Software and to practice all aspects of the bid

submission procedures over several rounds. The Auction Manager encourages Registered Bidders to:

- Update their user profile after logging in to the Auction Software;
- Attempt several different bid sequences using the Auction Software, including: (i) withdrawing by reducing the total number of tranches bid across EDCs and entering exit prices; (ii) switching by reducing the number of tranches bid on one or more EDC while increasing the number of tranches bid on different EDCs by the same amount, entering switching priorities as necessary; and (iii) withdrawing and switching simultaneously;
- Submit backup bids by phoning the Auction Manager team and reaching a Technical Assistant who can also answer questions about the backup bidding procedures; and
- Request an extension. Bidders are granted two 15-minute extensions during an auction and bidders can use the Trial Auctions to practice extending the bidding phase of a round.

The Trial Auctions for Registered Bidders are scheduled to take place on Thursday, January 23, 2020. An invitation and schedule for the trial auctions are sent to a Registered Bidder once the Registered Bidder has returned the certifications required. These certifications are provided as part of the Notification of Registration.

D.2. Information Releases

The Auction Manager continues to respond to bidder questions after Bidders are registered to participate in the BGS Auctions; however, the questions and answers are sent directly to Registered Bidders rather than being posted to the BGS Auction website. Similarly, announcements or reminders of certain events, like the start of the Trial Auctions, are provided only to Registered Bidders. Registered Bidders are advised of any update to data series in the BGS Data Room that may be made available by the EDCs before the BGS Auctions.

A number of additional information releases occur in January before the BGS Auctions start. On the day after the webcast, any updates to decrement formulas and to the ranges of total excess supply are released. On the day of the Trial Auctions, the Auction Manager posts the final rate spreadsheets and announces the final seasonal factors.

These information releases are posted to the BGS Auction website and bidders are advised of that fact through an announcement. Announcements are typically posted to the [news](#) page of the BGS Auction website.

The Mark-to-Market information and the release of the rate spreadsheets and seasonal factors are relevant only to participation in the BGS-RSCP Auction. Further details about these additional information releases are provided below.

Transmission Rates

BGS suppliers are responsible for providing full-requirements service, including transmission. The Auction Manager expects to announce the rates for Firm Transmission Service for each EDC for purposes of the 2020 Supplier Master Agreements (“SMAs”) on January 23, 2020. In the BGS-CIEP SMA, these rates correspond to the Transmission Charge for each EDC. In the BGS-RSCP SMA, these rates correspond to the baseline Firm Transmission Rate against which changes are calculated. These rates reflect the Open Access Transmission Tariff (“OATT”) rates in effect on January 1, 2020 and may reflect Reliability Must Run (“RMR”) and Transmission Enhancement Charges (“TECs”).

PSE&G and ACE have formula-based rates. PSE&G’s annual updates are filed on or about October 15 of each year and become effective on January 1 of the following year. ACE’s annual updates are posted on or about May 15 of each year on the PJM website and become effective on June 1 of that year. The EDCs’ transmission enhancement charge filings and other relevant transmission filings can be found on the [transmission docs](#) tab of the BGS Auction website.

For informational purposes only, Table D-1 below provides the transmission rates for each EDC for the past three BGS Auctions.

Table D-1. Transmission Rates for Each EDC for Past BGS Auctions (\$/MW-day)

EDC	2019 Auction	2018 Auction	2017 Auction
PSE&G	286.87	277.25	249.93
JCP&L	66.02	68.69	41.40
ACE	147.33	139.62	100.85
RECO	116.57	122.74	87.98

Decrement Formulas and Ranges of Total Excess Supply

During the calculating phase of a round in the auction, the Auction Manager calculates the number of tranches bid for an EDC. If the number of tranches bid exceeds the number of tranches needed for an EDC, the price for the EDC falls by a decrement in the next round. The decrement varies in each round based on the excess supply on an EDC measured against a measure of maximum possible excess supply on that EDC. Decrement formulas

are provided on a provisional basis in an Appendix to the BGS-RSCP and BGS-CIEP Auction Rules posted to the [auction rules](#) page of the BGS Auction website. This year for the first time, step-functions are used for all EDCs in the BGS-RSCP Auction.

The decrement formulas depend on the number of Registered Bidders. The final decrement formulas are released after Bidders are registered. The final decrement formulas are expected to be posted to the [auction rules](#) page of the BGS Auction website on Tuesday, January 21, 2020.

The Auction Manager may, at the same time, adjust the ranges of total excess supply that are reported to bidders during the reporting phase of each round. Such adjustment, which is possible but not expected, would be provided along with the final decrement formulas.

Mark-to-Market Information Release

During the three years of the BGS-RSCP supply period, a Mark-to-Market (“MtM”) exposure amount is calculated daily for each BGS-RSCP supplier reflecting the total MtM credit exposure to an EDC due to fluctuations in market prices for energy minus amounts due to the BGS-RSCP supplier. The method to develop the marks and to calculate the exposure amount for each BGS-RSCP supplier is discussed in a MtM information release that is expected to be posted on Tuesday, January 21, 2020. Generally, the mark for each billing month is determined on the day the BGS-RSCP Auction closes. At that time, the MtM credit exposure for each BGS-RSCP supplier is equal to zero. Subsequently, the differences between the available forward market prices and the mark prices for the corresponding billing months are used to calculate the daily credit exposure for each BGS-RSCP Supplier.

Final Rate Spreadsheets and Rate Spreadsheet Tool

Each EDC’s methodology to set BGS-RSCP retail rates as a function of the final auction prices which was included in each EDC’s Company Specific Addendum, was approved by the Board. For an EDC, retail rates are set on the basis of the weighted average, seasonally adjusted final auction prices for that EDC’s tranches from the 2020 BGS-RSCP Auction, the 2019 BGS-RSCP Auction, and the 2018 BGS-RSCP Auction. For RECO, costs resulting from bilateral contracts from RECO’s 2019 RFP for the New York ISO load also affect RECO retail rates. This methodology is set out in detail in each EDC’s Company Specific Addendum as well as in the rate spreadsheets.

The EDCs update the inputs to the rate spreadsheets at the time of the compliance filing and again in January. In an information release expected to occur on January 23, 2020 the Auction Manager makes available:

- The rate spreadsheet for each EDC incorporating the input updates;
- The final seasonal factors calculated on the basis of the rate spreadsheet for each EDC; and
- A BGS-RSCP pricing spreadsheet tool.

The BGS-RSCP pricing spreadsheet tool is intended to provide bidders with an easy-to-use device that translates final auction prices for each EDC into BGS-RSCP retail rates. The spreadsheet tool along with a guide are currently available on the [additional data](#) page of the BGS Auction website. The BGS-RSCP pricing spreadsheet tool currently reflects the methodology that the EDCs proposed to set BGS-RSCP retail rates in the July 1, 2019 filing with the inputs available at that time. The BGS-RSCP pricing spreadsheet tool is updated prior to the BGS-RSCP Auction to reflect updates to the inputs.

E. CONDUCT OF THE AUCTIONS

Companion Document: Section C.5 [BGS Auction Process](#) Chapter of the October Bidder Information Materials is a **companion document** that provides a timeline and brief overview of the conduct of the BGS Auctions. This chapter of the December Bidder Information Materials expands upon these materials.

This chapter is provided for bidder convenience only. Any statements herein describing the conduct of the auctions are summaries only and are qualified in their entirety by the BGS-RSCP Auction Rules, the BGS-CIEP Auction Rules, as well as materials that will be distributed to Registered Bidders by the Auction Manager. The BGS-RSCP and BGS-CIEP Auction Rules are available on the [auction rules](#) page of the BGS Auction website. The materials provided to Registered Bidders will include the webcast presentation, Bidder Information Materials, as well as all other communications regarding the schedule and conduct of the BGS Auctions. Bidders bear full responsibility for reviewing the entirety of these materials.

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”).

E.1. Auction Format

Both the BGS-RSCP and BGS-CIEP Auctions are conducted using a multiple round descending clock format. The auction format is called a *clock auction* because prices *tick down* throughout the auction, starting high and being reduced gradually until the supply bid for each EDC is just sufficient to fill the tranche target.

A clock auction proceeds in a series of rounds. This means that, for each auction, the Auction Manager announces a price for each EDC in each round, and each bidder provides a number of tranches it is willing to bid at these prices. If an EDC has more tranches bid at the announced price than are needed, the Auction Manager reduces the price for that EDC in the following round according to the process described more fully in the Auction Rules. Otherwise, the price is not reduced. The following example illustrates this concept for rounds 1 and 2 of the auction.

Example 1.

There are 11 bidders in the BGS-CIEP Auction. The statewide load cap is 19 tranches. Consider the following sample round.

ROUND 1

<i>EDC</i>	<i>Price (\$/MW-day)</i>	<i># Tranches bid</i>	<i># Tranches needed</i>	<i>Excess supply</i>	<i>Oversupply ratio</i>
PSE&G	550.00	52	24	28	0.700
JCP&L	550.00	12	12	0	0.000
ACE	550.00	6	4	2	0.050
RECO	550.00	3	1	2	0.200

In round 1, all bidders combined bid 52 tranches of PSE&G at a price of \$550.00/MW-day. The number of tranches bid (52) exceeds the number of tranches needed (24) by 28 tranches. The price for PSE&G ticks down. Similarly, the price for RECO also ticks down because bidders bid 3 tranches of RECO at a price of \$550.00/MW-day, which exceeds the tranche target (1) by 2 tranches.

The amount by which the prices tick down is determined by a statistic called the “oversupply ratio”. This statistic is the proportion of the maximum excess supply that is actually bid on an EDC. For example, for PSE&G, the oversupply ratio is 0.700 so that 70% of the maximum possible excess supply is bid on PSE&G. The higher the oversupply ratio is for an EDC, indicating a larger excess supply, the more the price ticks down.

The Auction Manager lowers the price in round 2 for PSE&G, ACE, and RECO since for these EDCs the number of tranches bid exceeds the number of tranches needed. In round 2 below, the price for PSE&G, which had the largest excess supply in round 1, falls the most. Bidders submit new bids at these prices.

ROUND 2

<i>EDC</i>	<i>Price (\$/MW-day)</i>	<i># Tranches bid</i>	<i># Tranches needed</i>	<i>Excess supply</i>	<i>Oversupply ratio</i>
PSE&G	522.50	33	24	9	0.300
JCP&L	550.00	19	12	7	0.233
ACE	540.38	12	4	8	0.267
RECO	533.50	2	1	1	0.100

Each EDC has more tranches bid than tranches needed. The Auction Manager calculates the price reduction for each EDC from that EDC’s oversupply ratio and lowers the price for each EDC accordingly.

The auction continues in this manner until the total excess supply in the auction is zero.

E.2. Schedule of Rounds and Phases

Three Phases

Each round has three phases: a bidding phase, a calculating phase, and a reporting phase. During the bidding phase, bidders provide the number of tranches for each EDC that they are willing to bid at the announced prices. Bidders can revise their bid as many times as they wish while the bidding phase is still open. A bidder may request an extension to extend the bidding phase by fifteen minutes. The bidding phase of the first round is extended automatically for the convenience of bidders and bidders cannot further extend the bidding phase of round 1. A bidder is allowed two extensions during the course of the auction. If a bidder has not already used its two extensions, that bidder is automatically deemed to have requested an extension when the bidder has not submitted a bid by the scheduled end of the bidding phase. A bidder that does not submit a bid during the bidding phase or its extension is assigned a default bid. It is the responsibility of the bidder to ensure that bids are submitted on time. A bidder can lose the ability to bid in all future rounds by failing to bid during the bidding phase of a round or during its extension.

The calculating phase of the round begins after the bidding phase ends. In this phase, the Auction Manager determines the going prices for the next round. The price for an EDC ticks down if the total number of tranches bid for the EDC is greater than the number of tranches needed. During the calculating phase, bidders cannot submit bids and they do not yet have access to the current round results.

The reporting phase begins when the Auction Manager publishes the results. 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 Auction Manager reports privately to each bidder the results of its previous bid. Results for any given round remain available during subsequent rounds and can be viewed at any point during the auction.

Separate Bidding

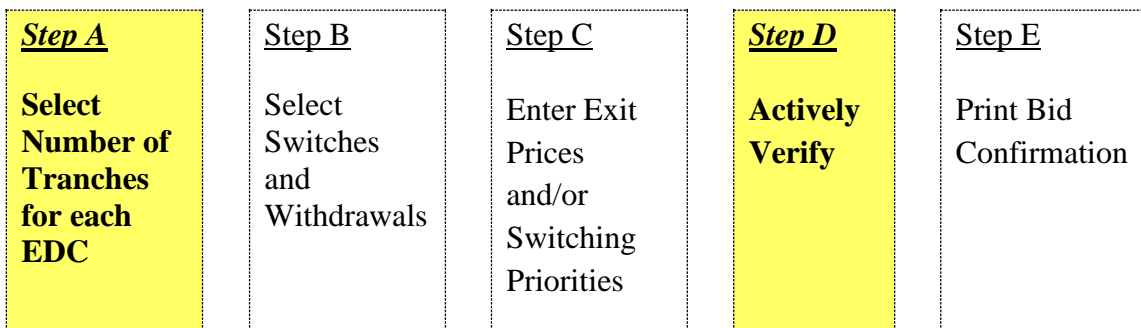
Bidding for the two auctions is separate. The BGS-CIEP Auction starts on Friday, January 31, 2020, one business day earlier than the BGS-RSCP Auction, which starts on Monday, February 3, 2020. The BGS Auction Manager will provide sample schedules with the Bidder Information Materials released to accompany the January webcast.

E.3. Bidding in the Auction

Entering Bids

Bidding in the auctions is done online. The Auction Software allows the bidder to submit bids, view auction results, and exchange secure messages with the Auction Manager. Each bidder receives a Login ID and password to access the auction(s) in which it is registered to participate.

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 enter a bid, bidders are required to go through a series of steps:



The steps are described in more detail below:

Step A. The bidder specifies the number of tranches it wants to bid on each EDC.

Step B. The bidder is asked to select switches and withdrawals. This occurs after round 1 and in the following situations: (1) the bidder reduces the total number of tranches bid; and (2) the bidder reduces the number of tranches bid on two or more EDCs; and (3) the bidder increases the number of tranches bid on at least one EDC. The bidder in this situation is asked whether a reduction of the tranches bid on a particular EDC is a withdrawal (i.e., tranches taken out of the auction) or whether it is a switch (a reduction for an EDC used to increase the number of tranches bid on another EDC).

Step C. The bidder is asked to enter exit prices and/or switching priorities. The bidder is required to enter a last and best price for tranches that are withdrawn from an EDC when the bidder reduces the total number of tranches bid. This last and best price is called an “**exit price**”. The exit price must be above the going price and less than or equal to the previous going price. The bidder is required to enter a priority for each EDC for which the bidder increases the number of tranches bid when the bidder

increases the number of tranches bid on more than one EDC in Step A. This priority is called a “**switching priority**”.

Step D. After the bidder submits its bid, the bidder views a page that displays the bid as it was entered. The bidder reviews the bid. The bidder must either actively verify that the bid appears as intended by pressing the *Verify Bids* button, or choose to modify the bid.

Step E. Once the bidder verifies its bid, the bid is processed by the Auction Software and a confirmation page is displayed. The bidder can still opt to change the bid during the bidding phase as time permits. A bidder can change its bid as often as it wishes while the bidding phase is still open. The confirmation page includes a timestamp indicating the time at which the bid was processed. Bidders are encouraged to print this confirmation page for their records.

To place a bid, bidders must always complete Step A and Step D, which are highlighted in the diagram above. All bidders are encouraged to systematically complete Step E to have a record of their bid. In specific situations, bidders also need to complete one or both of Steps B and C. For example, if a bidder reduces the number of tranches bid on one EDC, the bidder must complete Step A, Step C (to enter an exit price), and Step D. The bid entry steps also depend on the round of bidding.

The Auction Software 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. The Auction Software precludes the bidder from submitting a bid that would exceed the bidder’s eligibility in any given round.

End of Auction

After a bidder can no longer win any tranches in an auction, its Login ID and password are disabled and the bidder no longer has access to results for that auction.

The BGS-RSCP and BGS-CIEP Auctions may end at different times. An auction ends when total excess supply is zero and no further bidding is possible on any EDC. At the final auction prices, the tranche target for each EDC is just filled. All bidders that win tranches for an EDC receive the same price for their tranches.

F. POST-AUCTION ACTIVITIES

Companion Document: Section C.6. 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 post-auction activities. This chapter of these Bidder Materials expands upon these materials.

This chapter is provided for bidder convenience only. Any statements herein describing the conduct of the auctions are summaries only and are qualified in their entirety by the BGS-RSCP Auction Rules and the BGS-CIEP Auction Rules available on the [auction rules](#) page of the BGS Auction website; the BGS-RSCP Supplier Master Agreement and the BGS-CIEP Supplier Master Agreement, posted to the [contract and credit](#) page of the BGS Auction website; as well as materials that will be distributed to Registered Bidders by the Auction Manager. The materials provided to Registered Bidders will include the webcast presentation, Bidder Information Materials, as well as all other communications regarding the post-auction activities of the BGS Auctions. Bidders bear full responsibility for reviewing the entirety of these materials.

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”).

F.1. Overview

The BGS-CIEP Auction begins on Friday, January 31, 2020 and the BGS-RSCP Auction begins on Monday, February 3, 2020. There is no set length for the BGS Auctions as each auction closes when prices have reached levels where there is no longer excess supply. Thus, the post-auction activities do not occur on a fixed schedule. Instead, these activities are triggered by the conclusion of the BGS-CIEP Auction and/or the conclusion of the BGS-RSCP Auction. These activities are described in the following sections.

F.2. Board Decision and Release of Results

Attachment B to the Board Order approving the Auction Process posted to the [bgs orders](#) page of the BGS Auction website contains a list of questions as Attachment B. The Auction Manager and Board Advisor separately prepare responses to these questions for submission to the Board shortly after the conclusion of the auctions. Furthermore, both the Auction Manager and the Board Advisor prepare full factual reports for the BGS-CIEP Auction and the BGS-RSCP Auction. The Auction Manager files these reports with the Board prior to the Board meeting held to consider the auction results. The Board Advisor submits a report at a later time and includes any recommendations for improvements. Redacted versions of

reports submitted to the Board by the Board Advisor are available on the BGS Auction website.

Within two (2) business days of the close of the BGS-CIEP Auction or the BGS-RSCP Auction, whichever comes later, the Board decides separately either to accept or to reject the results of each of the auctions. The Board takes into consideration the full factual reports prepared by the Auction Manager and the checklist provided by the Board Advisor. At the meeting planned for consideration of the results, the Auction Manager and the Board Advisor are present to answer any questions that the Board may have.

If the Board approves the auction results, the Board releases publicly the final auction prices and the identity of the winners. However, the Board does not release information regarding the number of tranches won by each winner or the EDC's territory in which a particular supplier has won. The Auction Manager notifies each winner of the tranches it has won and the final auction prices via email on the day of Board decision. The Auction Manager also notifies each EDC of the following for its territory: the identity of the winners, the number of tranches won, and the final auction price.

The number of tranches won by each supplier for each EDC is released approximately thirty days before the supply period.

F.3. Setting of Initial Marks

Upon execution of the BGS-RSCP Supplier Master Agreement (“BGS-RSCP SMA”), the BGS-RSCP supplier will be responsible for meeting the creditworthiness requirements of the BGS-RSCP SMA, including a Total Exposure Amount (“TEA”). As defined in the BGS-RSCP SMA, the TEA is an amount calculated daily for each BGS-RSCP supplier reflecting the total credit exposure to an EDC and consisting of the sum of: (i) the Mark-to-Market (“MtM”) Exposure Amount arising under the current BGS-RSCP SMA; (ii) any amount(s) designated as the “MtM Exposure Amount” arising under any other BGS Supply agreements providing for “BGS-RSCP Supply” or similar BGS service; and (iii) the amount designated as the “credit exposure” under any other BGS Supply agreements providing for BGS-CIEP Supply. The initial “mark” to be used for each month for purposes of the MtM Exposure Amount provided in the BGS-RSCP SMA is set on the day the BGS-RSCP Auction closes and is based on the marks posted that day. The methodology for setting these marks is discussed in section 6.5 in the BGS-RSCP SMA and is the subject of the Mark-to-Market information release expected on January 21, 2020.

Following the close of the BGS-RSCP Auction, the Auction Manager announces the final initial marks to be used in the BGS-RSCP SMA to the winners in the BGS-RSCP Auction.

F.4. Execution of Supplier Contracts

Bidders are asked to provide all information required to prepare the SMAs. If a Registered Bidder is a winning bidder that has won tranches but has not provided this information, the winning bidder has until 12 PM (noon) on the next business day to provide this information to the Auction Manager.

In the period between the close of a BGS Auction and the decision by the Board on the results of that auction, the Auction Manager prepares the applicable SMA for each winning supplier and each EDC. The Auction Manager uses the information provided by the winning supplier during the Part 2 Application or at the conclusion of the auction. This advanced preparation expedites the process of contract execution should the Board approve the auction results.

If the Board approves the auction results, the EDCs will provide the SMAs, as prepared by the Auction Manager, via email for execution by the winning BGS suppliers. Winning BGS suppliers then have three (3) business days from the time at which the Board approves the results of the auctions to execute the SMAs, to send the executed documents back to the EDCs, and to demonstrate compliance with the creditworthiness requirements set forth in the applicable SMA.

Failure to complete the contract execution process in this timeframe can result in a draw on the pre-auction letter of credit provided by the BGS supplier with the Part 2 Application. The pre-auction letter of credit states that it may be drawn if the bidder has a winning bid in the auction and has failed to meet the creditworthiness requirements of the SMA within three (3) business days of the certification of the auction results by the Board.

Appendix to Bidder Information Materials

Terms and Conditions of Access to the Auction Software

The following auctions (“Auctions”) are being conducted under the auspices of the New Jersey Board of Public Utilities (as more fully described in Docket No. ER19040428; In the Matter of the Provision of Basic Generation Service for the Period Beginning June 1, 2020): (1) an auction by which all EDCs will secure supply to meet their Commercial and Industrial Energy Pricing Basic Generation Service (“BGS-CIEP”) load for a period of one year, and (2) an auction by which all of the EDCs will secure supply to meet their Residential Small Commercial Pricing Basic Generation Service (“BGS-RSCP”) load for a period of three years, in each case for a period beginning June 1, 2020. For the sake hereof the term “EDC” refers to the following electric distribution companies: Atlantic City Electric Company, (“ACE”), Jersey Central Power & Light Company (“JCP&L”), Public Service Electric and Gas Company (“PSE&G”) and Rockland Electric Company (“RECO”).

The Auctions are being conducted using the Optimal Auctions, Inc. (hereinafter referred to as “Optimal”) software and the documentation therefore, including any bidder or administrative manuals (the software and the documentation together, “Application”). Bidders in the auction shall have no right to access or use any administrative manual.

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