

## 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***

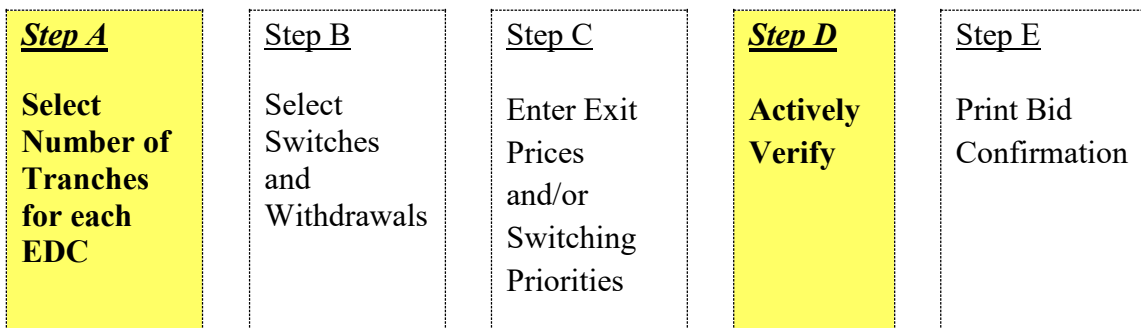
Bidding for the two auctions is separate. The BGS-CIEP Auction starts on Friday, January 31, 2020, one business day earlier than the BGS-RSCP Auction, which starts on Monday, February 3, 2020. The BGS Auction Manager will provide sample schedules with the Bidder Information Materials released to accompany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