

## Mark-to-Market for BGS-RSCP Contracts

### MtM Exposure Amount Calculation Information Update:

Table 1 contains the illustrative marks<sup>1</sup> for each month of the BGS-RSCP auction period. Monthly marks are provided for June 2017 through May 2020. These marks, as updated, will apply to the BGS-RSCP product. For the months where market quotes are available, individual month, two-month blocks<sup>2</sup> or quarterly blocks<sup>2</sup> market quotes will be used to update the marks for those months. For all the remaining months, the EDCs will use a proprietary method that reflects forward market conditions to update the marks.

The method described above will be employed from January 23, 2017 through February 1, 2017. From February 2, 2017 through the day of the close of the BGS-RSCP Auction, only the months for which a monthly, a two-month block or a quarterly block quote is available will be updated. The mark for each Billing Month is the mark that was calculated on the date that the BGS-RSCP Auction closes and will not change over the life of the contract. After the close of the BGS-RSCP Auction, Forward Market Prices will change. In addition, the on-peak and off-peak loads used to calculate the MtM Exposure Amount will be adjusted monthly to reflect the most current information.

Forward Market Prices for the months, two-month blocks or quarterly blocks where at least two market quotes are available will be equal to the market quotes. In case quotes for a component of a block and for the block are both available, the EDCs reserve the right not to use both the component of a block and the block if they are inconsistent with each other. However, when this inconsistency occurs the EDC must use either the component or the block. Forward Market Prices for the months, two-month blocks or quarterly blocks where market quotes are unavailable will be equal to the last available market quotes or in case they have not been quoted since the BGS-RSCP Auction closed, they will be equal to the marks set at the close of the BGS-RSCP Auction.

Over the course of the contract, the Forward Market Prices will be compared to the marks set on the day that the auction closes to determine the Mark-to-Market exposure. The marks set on the day that the Auction closes will be used as shown in Appendix B to the BGS-RSCP Supplier Master Agreement (available to be downloaded at <http://www.bgs-auction.com/bgs.bidinfo.cc.asp>). An illustration for what the initial marks would have been if the auction had ended on January 11, 2017 can be seen in Table 1.

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<sup>1</sup> Illustrative marks represent PJM Western Hub on-peak prices.

<sup>2</sup> For two-month and quarterly blocks for which the average for the block and a component of the block are both quoted, the component will be equal to its quoted price and the other months in the block will be constructed so that the weighted average (weighted by on-peak hours in each month) of the block equals the quote for the block; e.g., Q4 2017 = \$50 and Oct 2017 = \$40; therefore, Oct 2017 = \$40 and Nov-Dec 2017 =  $\$55.37 (\$50 \cdot (352 + 336 + 320) + \$40 \cdot 352) / (336 + 320)$ . If only the block is quoted, that price will be used for all relevant months; e.g., Jan/Feb 2018 = \$35, then Jan 2018 = \$35 and Feb 2018 = \$35.

As indicated in Appendix B, on the day the auction closes parameters will also be set for:

- The monthly on-peak load per tranche for each EDC (see Table 2)
- The monthly off-peak load per tranche for each EDC (see Table 2)
- The ratio between historical off-peak and on-peak energy prices (see Table 3)

The values posted in Table 2 and Table 3 are those that the EDCs intend to use for Appendix B when signing the contract. The EDCs do not anticipate any changes to Table 2 or Table 3 between now and the day of the Auction close.

2017 Auction

**Illustrative Marks for January 11, 2017**

<b>TABLE 1</b>	
Illustrative Initial Marks (\$/MWh)	
Jun 2017	37.39
Jul 2017	45.08
Aug 2017	42.36
Sep 2017	35.29
Oct 2017	34.00
Nov 2017	33.96
Dec 2017	38.41
Jan 2018	52.35
Feb 2018	51.19
Mar 2018	39.32
Apr 2018	34.67
May 2018	33.79
Jun 2018	34.56
Jul 2018	42.66
Aug 2018	41.28
Sep 2018	32.52
Oct 2018	31.67
Nov 2018	31.78
Dec 2018	33.04
Jan 2019	49.47
Feb 2019	48.49
Mar 2019	36.36
Apr 2019	32.68
May 2019	31.69
Jun 2019	32.61
Jul 2019	40.53
Aug 2019	39.24
Sep 2019	30.64
Oct 2019	29.85
Nov 2019	30.00
Dec 2019	31.23
Jan 2020	48.97
Feb 2020	47.99
Mar 2020	36.32
Apr 2020	32.52
May 2020	31.61

## Monthly Loads per Tranche

The monthly on-peak and off-peak loads per tranche are used when calculating the MtM. These loads are based on historical numbers and are subject to change by the EDCs.

	PSE&G		JCP&L		ACE		RECO	
	On-peak	Off-peak	On-peak	Off-peak	On-peak	Off-peak	On-peak	Off-peak
Jun 2017	11,880	9,582	8,710	7,147	11,659	9,111	11,194	8,390
Jul 2017	13,983	13,393	9,708	10,055	15,342	15,076	14,855	11,601
Aug 2017	15,473	12,615	11,002	7,857	16,741	14,066	14,886	11,303
Sep 2017	10,820	10,385	6,999	6,645	9,457	9,638	10,309	8,545
Oct 2017	8,886	7,797	6,329	5,513	7,201	7,047	7,656	6,532
Nov 2017	8,351	8,351	6,349	5,981	7,233	7,270	7,931	6,381
Dec 2017	8,783	9,222	6,920	7,651	7,619	8,687	8,266	7,534
Jan 2018	10,232	10,208	7,911	7,392	9,831	9,489	9,413	7,477
Feb 2018	8,842	9,105	7,056	6,490	8,124	8,230	7,538	6,444
Mar 2018	8,956	8,204	6,853	6,002	7,130	7,624	7,293	6,313
Apr 2018	8,309	7,640	5,853	5,468	6,401	6,818	6,803	6,031
May 2018	9,491	8,578	6,871	5,824	7,540	7,531	8,946	7,332
Jun 2018	11,340	9,999	8,207	7,506	10,363	9,507	10,685	8,755
Jul 2018	14,682	12,888	9,853	9,762	16,109	14,507	15,563	11,146
Aug 2018	15,473	12,615	10,876	7,829	16,741	14,066	14,886	11,303
Sep 2018	10,279	10,801	6,582	6,910	8,984	10,023	9,818	8,901
Oct 2018	9,290	7,479	6,506	5,166	7,528	6,759	8,004	6,265
Nov 2018	8,351	8,351	6,279	5,883	7,233	7,270	7,931	6,381
Dec 2018	8,783	9,222	6,858	7,569	7,619	8,687	8,266	7,534
Jan 2019	10,232	10,208	7,851	7,306	9,831	9,489	9,413	7,477
Feb 2019	8,842	9,105	6,971	6,434	8,124	8,230	7,538	6,444
Mar 2019	8,548	8,540	6,510	6,188	6,806	7,935	6,962	6,571
Apr 2019	8,705	7,321	6,021	5,146	6,706	6,534	7,127	5,780
May 2019	9,491	8,578	6,857	5,693	7,540	7,531	8,946	7,332
Jun 2019	10,800	10,416	7,663	7,922	9,869	9,903	10,176	9,120
Jul 2019	15,381	12,382	10,272	9,215	16,877	13,938	16,270	10,691
Aug 2019	14,800	13,151	10,382	8,184	16,013	14,664	14,239	11,784
Sep 2019	10,820	10,385	6,877	6,472	9,457	9,638	10,309	8,545
Oct 2019	9,694	7,638	6,415	5,094	7,528	6,759	8,004	6,265
Nov 2019	7,934	8,685	5,871	6,128	6,889	7,573	7,571	6,658
Dec 2019	9,222	8,874	7,113	7,181	8,000	8,359	8,660	7,239
Jan 2020	10,232	10,208	7,801	7,237	9,831	9,489	9,413	7,477
Feb 2020	8,842	9,699	6,692	6,587	8,124	8,791	7,538	6,884
Mar 2020	8,956	8,204	6,682	5,874	7,130	7,624	7,293	6,313
Apr 2020	8,705	7,321	6,098	4,933	6,706	6,534	7,127	5,780
May 2020	8,629	9,279	5,918	6,498	6,855	8,145	8,169	7,956

### Ratio of Off-Peak to On-Peak Prices

The monthly ratios of off-peak to on-peak prices in the PJM Western Hub are used in calculating the MtM.

<b>TABLE 3</b>	
PJM Western Hub Ratio of Off-Peak to On-Peak Prices	
January	0.5728
February	0.8342
March	0.7278
April	0.7532
May	0.5994
June	0.6315
July	0.6221
August	0.6578
September	0.7053
October	0.7111
November	0.7790
December	0.7529

2017 Auction