

# **BGS INFORMATION MATERIALS**

**bgs-auction.com**

NEW JERSEY STATEWIDE BASIC GENERATION SERVICE ELECTRICITY SUPPLY AUCTION



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## A. REGULATORY PROCEEDING

**Companion Document:** Sub-section C.2 of the [BGS Auction Process](#) Section of the October Bidder Information Packet is a **companion document** that provides a timeline and brief overview of the BGS regulatory process. This section updates the content of the companion document by describing the activities under the regulatory proceeding that have taken place as of the date of the webcast, November 27, 2017.

*This section is provided for bidder convenience only. Any statements herein describing 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 ("Board" or "BPU") or describing the Board Order in the proceeding qualified in their entirety by our reference and the links to the EDCs' proposal ([Front Part of Filing](#), [Appendix A](#), [Appendix B](#), [Appendix C](#), and [Appendix D](#)) and to the [Board Order](#). Bidders bear full responsibility for reviewing the EDCs' proposal and the subsequent Board Order.*

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 Decision

#### *BGS Proposals*

In response to a New Jersey Board of Public Utilities ("Board" or "BPU") [Procedural Order](#) issued April 21, 2017, the EDCs filed their "Proposal for Basic Generation Service Requirements to Be Procured Effective June 1, 2018" on June 30, 2017. 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 retail rates on the basis of final Auction prices.

### *Discovery*

In its Procedural Order, the Board invited interested parties to file with the Board's Secretary discovery requests on BGS proposals. The deadline for discovery requests was Monday, July 24, 2017. The New Jersey Division of Rate Counsel ("Rate Counsel") filed discovery requests to which the EDCs responded on Monday, August 7, 2017. The EDCs' responses were sent out to a BGS e-service list maintained by Board Staff. Parties wishing to be added to the BGS e-service list for future communications from the Board should email the Auction Manager at [BGS-Auction@nera.com](mailto:BGS-Auction@nera.com) to receive contact information for Board Staff.

### *Comment Process*

In its Procedural Order, the Board also invited interested parties to submit comments on BGS proposals. Comments could be submitted at three points in time. First, written initial comments could be submitted to the Board by September 6, 2017. Rate Counsel submitted initial comments for the Board's consideration. Second, interested parties could appear at a legislative-type hearing held on September 28, 2017 to provide an oral presentation to the Board. Rate Counsel, the Independent Energy Producers of New Jersey, and the EDCs appeared and made oral presentations to the Board at its legislative-type hearing. Lastly, written final comments could be submitted to the Board by October 13, 2017 to respond to issues raised during initial comments or at the legislative-type hearing. Rate Counsel and the EDCs submitted final comments.

## **A.2. Board Decision**

At its agenda meeting on November 21, 2017, the Board rendered its decision on the EDCs' proposal. 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, 2018 through May 31, 2021 for the BGS-RSCP Auction;
- A supply period of June 1, 2018 through May 31, 2019 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 also explicitly approved:

- The EDCs' plan for marketing efforts, including holding Bidder Information Sessions (via webcast this year), publicizing new developments through the BGS Auction website, and making announcement by direct emails to interested parties;
- The confidentiality provisions to protect information provided in the bidder application forms and information related to specific bidder activity during the Auctions; and
- Adjusting the decrements for PSE&G and JCP&L in the BGS-CIEP Auction to be step-wise functions.

However, the Board rejected the modifications to the Supplier Master Agreements requested by the EDCs that clarified the ambit of Section 15.9. The Board directed the EDCs to make a compliance filing that modifies the governing documents of the EDCs' proposal (the Supplier Master Agreements, the Auction Rules, and the Company Specific Addenda) to be consistent with the Board Order. The compliance filing is due to the Board by December 4, 2017.

Please consult the [Board Order](#) in Docket No. ER17040335 as posted to the BGS Auction website for full details regarding the Board's actions.

## B. ACTIVITIES PRIOR TO BOARD DECISION

**Companion Document:** Sub-section C.3 of the [BGS Auction Process](#) Section of the October Bidder Information Packet is a **companion document** that provides a timeline and brief overview of activities prior to the Board Decision. This section updates the content of the companion document by describing the activities prior to the Board Decision on November 21, 2017.

*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 (“Board Decision”) 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. The pre-auction letters of credit have changed from the final versions used last year. Specifically, in Paragraph 10, “Standard & Poor’s Ratings Services” has been replaced with “S&P Global Ratings”, the new name for the company. Thus, the form of the pre-auction letters of credit from prior years will not be acceptable for use in the 2018 BGS Auctions.

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. In the post-auction letter of credit also “Standard & Poor’s Ratings Services” has been replaced with “S&P Global Ratings”. 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. The standard form of guaranty is identical to what was used in the 2017 BGS Auctions.

### ***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 apply to use an alternate form of guaranty during the [Alternate Guaranty Process](#), which was held concurrently. The deadline to propose modifications to the standard form of the letters of credit and to submit an alternate form of guaranty was October 24, 2017.

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 submit 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.

Upon receiving any alternate form of guaranty, the Auction Manager sent the submissions to a team of EDC representatives for their review. Upon receiving the EDCs' review, the Auction Manager informed proposing parties of the EDC's decision and, if applicable, parties were given an opportunity to resubmit the forms with any required changes.

### *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 6, 2017.

## **B.2. Information Releases**

The Auction Manager released information and documents to potential bidders in the period between August and the Board decision on the EDCs' proposal. 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](mailto:BGS-Auction@nera.com). Questioners receive a response individually by email and then the question and answer are posted 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 15, 2017, a first set of FAQs was posted to the [FAQs](#) page of the BGS Auction website. FAQs will continue to be posted each Tuesday throughout the BGS 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 Friday, October 6, 2017 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 Manger 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.

A Bidder Information Packet that expanded upon the topics covered during the webcast was also at that time posted to the [info session materials](#) page of the BGS Auction website. This Bidder Information Packet includes the following sections:

- [Section A: Past BGS Auctions](#) – This section describes tranches available, final prices, and winners from the 2015, 2016, and 2017 BGS Auctions.
- [Section B: Elements of the EDC’s Proposal](#) – This sections describes elements of the EDCs’ “Proposal for Basic Generation Service Requirements to Be Procured Effective June 1, 2018” (“EDC Proposal”) filed with the Board on June 30, 2017. The section reviews key elements of the EDC’s proposal including the Joint proposal, SMAs, Auction Rules, and Company Specific Addenda.
- [Section C: BGS Auction Process](#) – This section generally describes the Auction Process and provides calendars for events that occur throughout the process. Section C is broken down into a number of sub-sections about which the Bidder Information Packet accompanying the November webcast provides additional information:
  - *Sub-section C.2. Regulatory Process* – This sub-section provides a description and timeline of events of the regulatory process that occurs as part of the BGS Auction Process. Sub-section C.2. is a companion document to Section A of the November Bidder Information Packet.
  - *Sub-section C.3. Activities Prior to the Board Decision* – This sub-section provides a description and timeline of events occurring prior to the issuance of the Board Decision. Sub-section C.3. is a companion document to Section B of the November Bidder Information Packet.
  - *Sub-section C.4. Application Process* – This sub-section provides a description and timeline of events for the BGS Application Process. Sub-section C.4. is a companion document to Section C of the November Bidder Information Packet.
  - *Sub-section C.5. Bidder Training and Additional Information Releases* – This sub-section provides a description and timeline of events for Bidder training as well as information releases scheduled for after the Board Decision. Sub-section C.5. is a companion document to Section D of the November Bidder Information Packet.
  - *Sub-section C.6. Conduct of the Auctions* – This sub-section provides a description of the descending clock auction format. Sub-section C.6. is a companion document to Section E of the November Bidder Information Packet.
  - *Sub-section C.7. Post-Auction Activities* – This sub-section provides a description and timeline of events occurring after the Auctions have taken

place. Sub-section C.7. is a companion document to Section F of the November Bidder Information Packet.

- [Section D: RSCP Supplier Payments and Customer Rates](#) – This section describes the flow of supplier payments and the method by which customer rates are determined for the BGS-RSCP Auction.
- [Section E: CIEP Supplier Payments and Customer Rates](#) – This section describes the flow of supplier payments and the method by which customer rates are determined for the BGS-CIEP Auction.

### *Auction Parameters*

On November 15, 2017, 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	1,903.79	25	19	4.00%	76.15
JCP&L	915.08	12		8.33%	76.26
ACE	318.70	4		25.00%	79.68
RECO	56.30	1		100.00%	56.30
<b>Total</b>	<b>3,193.87</b>	<b>42</b>	-	-	-

In the Part 2 Application, Qualified Bidders will 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 **\$425/MW-day** and the statewide maximum starting price is **\$550/MW-day**. In the first round of the BGS-CIEP Auction, prices for each

EDC will be set no lower than the minimum starting price and no higher than the maximum starting price.

On the same day, the Auction Manager announced the following auction parameters for the BGS-RSCP Auction:

- the statewide load caps;
- 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 **21 tranches** for the BGS-RSCP Auction. The tranche targets and the EDC specific load caps (the maximum number of tranches that a Bidder can bid in the Auction and serve for an individual EDC), as announced for the BGS-RSCP Auction, are provided in the table below.

**Table B-2. BGS-RSCP Auction Parameters**

EDC	RSCP Peak Load Share (MW)	2018 Auction RSCP Peak Load Share (MW)	Tranche Target	EDC Load Cap	Size of Tranche (%)	MW-Measure
<b>PSE&amp;G</b>	7,639.76	2,606.51	29	14	1.18%	89.88
<b>JCP&amp;L<sup>1</sup></b>	4,722.96	1,824.78	20	9	1.93%	91.24
<b>ACE</b>	2,017.40	641.90	7	3	4.55%	91.70
<b>RECO</b>	386.70	96.68	1	1	25.00%	96.68
<b>Total</b>	<b>14,766.82</b>	<b>5,173.72</b>	<b>57</b>	-	-	-

In the Part 2 Application, Qualified Bidders will submit indicative offers at the maximum starting price and at the minimum starting price. For the BGS-RSCP Auction, the statewide minimum starting price will be **11.5¢/kWh** and the statewide maximum starting price will be **17.0¢/kWh**. In the first round of the BGS-RSCP Auction, prices for each EDC will be set no lower than the minimum starting price and no higher than the maximum starting price.

<sup>1</sup> 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 load associated with the St. Lawrence allocation pending a final determination by the Board. The RSCP Peak Load Share for JCP&L in Table B-2 has been reduced by 10 MW.

## C. APPLICATION PROCESS

**Companion Document:** Sub-section C.4 of the [BGS Auction Process](#) Section of the October Bidder Information Packet is a **companion document** that provides a timeline and brief overview of the application process. This section expands upon the requirements of the application process.

*This section is provided for bidder convenience only. Any statements herein describing the application process are summaries only and are qualified in their entirety by the BGS-CIEP Auction Rules and the BGS-RSCP Auction Rules posted to the [auction rules](#) page as well as the Illustrative Part 1 Application and the Illustrative Part 2 Application posted to the [application process](#) page of the BGS Auction website. Bidders bear full responsibility for reviewing these governing 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 basic information 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 section provides information and/or instructions for:

- Accessing the 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 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 will be posted below.

The online BGS Application web site is:

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

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

- Request an account [here](#).
- You can use the login credentials for your account to access the online application forms [here](#) once they become available.
- To download the inserts that you are required to complete, sign, scan, and upload to the online application forms, please [click here](#) or see below.
- To get the credit documents required for the Part 2 Application, such as the Standard Pre-Auction Letter of Credit, Letter of Intent to Provide a Guaranty (for BGS-RSCP Bidders), and Sample Letters of Reference (for BGS-RSCP Bidders) please [click here](#) or see below.

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

### What's New

Comment Process for Letters of Credit: Posting of Further Documents... [GO >>](#)

POSTING: Bidder Information Session Materials... [GO >>](#)

The Application website home page will appear as shown below.

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

home get account part 1 application inserts

Welcome to BGS Auctions Application web site.

You will use this web site to apply to participate in the BGS Auctions.

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 web site here:  
<http://bgs-auction.com/>

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

If an Applicant has not already done so, an Applicant must get an account to participate in the Application Process for the BGS Auctions. 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. Detailed instructions for filling in the online forms are sent along with the login credentials.

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

home | **get account** | part 1 application | inserts

### 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 Part 1 or Part 2 Form, Applicants should download all required Inserts, which are provided on the Inserts tab. Inserts are separate forms in Microsoft Word format. Applicants complete all applicable Inserts and provide notarized signatures if required. Applicants scan any signed and completed Inserts, and upload the Inserts to the online forms.

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

home | get account | part 1 application | **inserts**

### inserts

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

The Inserts are numbered; the first Insert for the Part 1 Application is numbered #P1-1, the second 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

## C.3. Part 1 Application

### C.3.a. Requirements

Online submission of the Part 1 Form as well as all supporting documents is required by December 12, 2017. Applicants are notified of their Part 1 Application results on December 15, 2017.

In the online Part 1 Form, the Applicant provides:

- Basic information such as the Applicant’s legal name and place of incorporation;
- Name and contact information for the Applicant and its representatives (the Authorized Representative, any Nominees, a Credit Representative, and a Legal Representative in New Jersey); and
- Financial information, including financial statements and credit ratings.

The Applicant also makes a number of certifications by completing Inserts to the Part 1 Form. The instructions provided to Applicants that request an account to the Application website show how to access the Inserts to the online forms.

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

1. **Basic Application Information:** An Applicant must provide basic information regarding the Applicant, including the Applicant’s legal name and place of incorporation.
2. **Authorized Representative and Nominees:** An Applicant must name an Authorized Representative. This individual is authorized by an officer or director of the Applicant to represent the Applicant in the auctions and in the Application Process. The Authorized Representative is the only person authorized to designate a person other than himself or herself to submit bids in the BGS-RSCP Auction, or the BGS-CIEP Auction, or both. The Authorized Representative may authorize other individuals, called “Nominees”, to represent the Applicant. The Authorized Representative and any Nominees are collectively referred to as the “Bidder Team”. The Bidder Team receives all correspondence related to the Auctions, including: notifications from the Auction Manager; auction procedures manuals; and confidential information required to submit bids. The Auction Manager communicates only with individuals on the Bidder Team regarding the Applicant’s materials and Application status.
3. **Applicant’s Legal Representative in New Jersey:** An Applicant must name a Legal Representative in New Jersey, either legal counsel or a representative agent. The Legal Representative must have an address in New Jersey and must agree to

accept service of process on the Applicant's behalf. If the Legal Representative is a company, an individual must be identified.

4. **Applicant's Credit Representative:** An Applicant must name an individual who can answer questions or provide information about the Applicant's response to the credit requirements of the Part 1 Application.
5. **General Requirements to Participate in the Auction(s):** By the time service begins, each BGS Supplier must be a PJM Interconnection, L.L.C. ("PJM") Load Serving Entity ("LSE"). An Applicant must show that it is a PJM LSE or certify that there exist no impediments for the Applicant to become a PJM LSE by the start of the supply period.
6. **Financial Information for the Applicant:** An Applicant provides, if available, financial information about itself, including financial statements and credit ratings. This information must be provided when available even if the Applicant is relying on the financial standing of a Guarantor.
7. **Information for the Guarantor:** If an Applicant relies on the financial standing of a Guarantor, the Applicant provides contact information and financial information for the Guarantor, including contact information for a credit representative, financial statements, and credit ratings.
8. **Foreign Entities:** If an Applicant (or its Guarantor) has not been incorporated or otherwise formed under the laws of a state of the United States or of the District of Columbia, the Applicant must acknowledge that additional documents are required upon execution of a BGS Supplier Master Agreement. These additional documents are detailed in Article 6 of the BGS Supplier Master Agreements posted to the [contract and credit](#) page of the BGS Auction website. Applicants may also submit drafts of the required documents by upload to the Part 1 Form.
9. **Auction Participation:** An Applicant must indicate whether it plans to participate in the BGS-CIEP Auction, in the BGS-RSCP Auction, or in both BGS Auctions.
10. **Requirements Specific to the Auction Participation of the Applicant:** An Applicant must make a number of certifications related to the auction or auctions in which it plans to participate.
11. **Justification of Omissions:** An Applicant may provide 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.

The BGS Auction Rules posted to the [auction rules](#) page explain some of these requirements and the Illustrative Part 1 Form posted to the [application process](#) page of the BGS Auction website provides the details of the requirements.

### C.3.b. Creditworthiness Evaluation

A committee of representatives from the EDCs will determine 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 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 for the entity. On the basis of the credit rating and the TNW for the entity, the committee determines the unsecured credit line for which the entity is eligible under the terms of the BGS Supplier Master Agreements, on the basis of the following table<sup>1</sup>:

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

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

The amount of the unsecured credit line 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 an unsecured credit line, the *available* unsecured credit line is also provided

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

to the Applicant in the Part 1 Notification. The *available* unsecured credit line is the amount of the unsecured credit line less a measure of the unsecured credit line already used for purposes of the Applicant's current BGS-RSCP obligations. The measure of the current BGS-RSCP obligations is determined using the Independent Credit Requirement ("ICR")<sup>2</sup> in the following manner:

- For each EDC, the ICR is determined for each BGS-RSCP Supplier Master Agreement between the Applicant and the EDC.
- For each EDC, the ICRs are summed over all BGS-RSCP Supplier Master Agreements between the Applicant and the EDC to arrive at an aggregate ICR.
- The measure of the unsecured credit line already in use is the maximum aggregate ICR across all EDCs.

## **C.4. Part 2 Application**

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

Online submission of the Part 2 Form as well as all supporting documents are required by January 10, 2018. Qualified Bidders are notified of their Part 2 Application results on January 18, 2018.

Through the online Part 2 Form, Qualified Bidders:

- Update contact information as necessary;
- Provide information required by the Part 2 Application;
- Provide an indicative offer, consisting of a number of tranches that the Qualified Bidder is willing to bid at each of the minimum starting price and maximum starting price; and
- Upload any supporting documents and required Inserts.

The Inserts to the online Part 2 Form include the certifications required of Qualified Bidders for compliance with the Association and Confidential Information Rules. The instructions provided to Applicants that request an account to the Application website show how to access the Inserts to the online forms.

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

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<sup>2</sup> The ICR is an amount required as security under Section 6.3 of the BGS-RSCP Supplier Agreement. The amount of the ICR is \$2.4M per tranche at the beginning of the supply period and this amount declines over the course of the BGS-RSCP Supplier Master Agreement.

1. **Auction Participation:** This section is pre-populated with information submitted with the 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 11.5¢/kWh and the maximum starting price is 17.0¢/kWh. The Qualified Bidder is required to tender 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 will never be 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 \$425/MW-day and the maximum starting price is \$550/MW-day. The Qualified Bidder is required to tender 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 will never be 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 Bidders may justify any omissions from its Part 2 Application.

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

The BGS Auction Rules posted to the [auction rules](#) page explain some of these requirements and the Illustrative Part 2 Application posted to the [application process](#) page of the BGS Auction website provides the details of the requirements.

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

All Qualified Bidders submit an indicative offer with their Part 2 Applications, which includes the number of tranches that the Qualified Bidder is willing to serve statewide at the maximum starting price. A 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 credit 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 necessary 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 unsecured credit line is not sufficient to cover the amount associated with its indicative offer at the maximum starting price. The amount associated with its indicative offer is defined as the number of tranches in the indicative offer at the maximum starting price times

\$1.9M<sup>3</sup>. In that case, the Qualified Bidder will be required to submit a Letter of Reference for the difference between its available unsecured credit line and the amount associated with its indicative offer at the maximum starting price. As a special case, if a Qualified Bidder is not eligible for an unsecured credit line, the Qualified Bidder will be required to provide a Letter of Reference for \$1.9M times the number of tranches in the indicative offer at the maximum starting price. Any Letter of Reference required should be a Letter of Reference for the Qualified Bidder from a financial institution with which it has regular business dealings. [Samples for the Letter of Reference](#) are available on the BGS Auction website. Alternatively, the Qualified Bidder has the option to increase its pre-auction letter of credit from \$0.5M to \$2.4M per tranche of its indicative offer at the maximum starting price.

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 an unsecured credit line (i.e., its unsecured credit line is zero according to Table C-1). In that case, the Qualified Bidder is treated as if it had no Guarantor and as if the Qualified Bidder is not eligible for an unsecured credit line. The Qualified Bidder will be required to provide a Letter of Reference for \$1.9M times the number of tranches in the indicative offer at the maximum starting price. Any Letter of Reference required should be a Letter of Reference for the Qualified Bidder from a financial institution with which it has regular business dealings. [Samples for the Letter of Reference](#) are available on the BGS Auction website. Alternatively, the Qualified Bidder has the option to increase its pre-auction letter of credit from \$0.5M to \$2.4M per tranche of its indicative offer at the maximum starting price.
  - The Guarantor is eligible for an unsecured credit line. 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 available unsecured credit line is not sufficient to cover the amount associated with the Qualified Bidder's indicative offer at the maximum starting price, the Qualified Bidder will be required to submit a

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<sup>3</sup> The amount of \$1.9M per tranche is the ICR at the start of the BGS-RSCP Supplier Master Agreement (\$2.4M per tranche) less the amount already tendered through the pre-auction letter of credit (\$0.5 million per tranche).

Letter of Reference in addition to the Letter of Intent to Provide a Guaranty. In this special case, the amount of the Letter of Intent to Provide a Guaranty would be at most the amount of the available unsecured credit line for the Guarantor and the amount of the Letter of Reference would be the difference between the amount associated with the Qualified Bidder's indicative offer at the maximum starting price and the amount of the Letter of Intent to Provide a Guaranty. [Samples for the Letter of Reference](#) are available on the BGS Auction website. Instead of providing a Letter of Intent to Provide a Guaranty and/or a Letter of Reference, the Qualified Bidder has the option to increase its pre-auction letter of credit from \$0.5M to \$2.4M per tranche.

### **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 will be 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 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 extra business day for deficiencies related to the pre-auction security required with the Part 2 Application.

If an Applicant completes the Part 1 Application successfully, the Auction Manager sends a Notification of Qualification to the Bidder Team. The Notification of Qualification will include instructions that detail the pre-auction security required with the Part 2 Application. An Applicant that qualifies for both Auctions receives a separate Notification of Qualification for each Auction.

If a Qualified Bidder completes the Part 2 Application successfully, the Auction Manager sends a Notification of Registration to the Bidder Team. A Qualified Bidder that registers in both Auctions receives a separate Notification of Registration for each Auction.

## D. BIDDER TRAINING AND ADDITIONAL INFORMATION RELEASES

**Companion Document:** Sub-section C.5 of the [BGS Auction Process](#) Section of the October Bidder Information Packet is a **companion document** that provides a timeline and brief overview of bidder training and future information releases. This section of the November Bidder Information Packet expands upon these materials.

*This section 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 Section. 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 Section.*

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 a third Bidder Information Packet in January, which includes 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. These bidding procedures are further explained in Section E of this November Bidder Information Packet.

***Bidder Information Packet***

The third and final Bidder Information Packet is prepared specifically for Registered Bidders. The Bidder Information Packet will be posted on a password-protected portion of the BGS Auction website that is only accessible to Registered Bidders. This January Bidder Information Packet 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;
- Guide for technical preparedness;
- Presentation of the login credentials and other information required to log in to the Auction Software; and
- Software Manual, including sample bid sequences and presentation of other functionality of the Auction Software.

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

***Webcast for Registered Bidders***

The Auction Manager holds a third and final information webcast for Registered Bidders, scheduled for Tuesday, January 23, 2018. Information covered by the webcast includes:

- Announcement of the amount of the tranches fees;
- 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 an 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 25, 2017. An invitation and schedule for the trial auctions will be sent to a Registered Bidder once the Registered Bidder has returned the certifications required and 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.

The Auction Manager has planned a number of additional information releases to occur in January before the BGS Auctions start, including:

- Transmission rates;
- Updates to decrement formulas and ranges of total excess supply;
- Mark-to-market information; and
- Final rate spreadsheets and 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 plans to announce the rates for Firm Transmission Service for each EDC for purposes of the 2018 Supplier Master Agreements (“SMAs”) on January 5, 2018. 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 will be calculated. These rates reflect the Open Access Transmission Tariff (or “OATT”) rates in effect on January 1, 2018 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. On October 28, 2016, JCP&L filed a request with FERC to establish a formula-based rate. On January 26, 2017, RECO filed with FERC to increase its non-formula-based transmission rate. Decisions are pending for both JCP&L’s request and RECO’s filing. The EDCs’ filings to change the transmission-related charges under Section 15.9 of the BGS SMAs, the EDCs’ transmission enhancement charge filings, and other relevant transmission filings can be found on the [auction 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 (3) BGS Auctions.

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

<b>EDC</b>	<b>2017 Auction</b>	<b>2016 Auction</b>	<b>2015 Auction</b>
PSE&G	249.93	225.45	199.15
JCP&L	41.40	41.40	41.40
ACE	100.85	111.29	87.81
RECO	87.98	87.98	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.

The decrement formulas depend on the statewide load cap and number of Registered Bidders. The final decrement formulas are released to Registered Bidders after all these parameters are known. The final decrement formulas are expected to be posted to the [auction rules](#) page of the BGS Auction website on January 23, 2018.

The Auction Manager may, at the same time, adjust the ranges of total excess supply that will be 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 (3) 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 23, 2018. Generally, the mark for each billing month will be 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 will be used to calculate the daily credit exposure for each BGS-RSCP Supplier.

Interested parties can review the MtM information release from last year’s BGS-RSCP Auction, which is posted on the [contract and credit](#) page of the BGS Auction website under the heading “Last Auction - 2017 Mark-to-Market Information Release (January 24, 2017)”.

### *Final Rate Spreadsheets and Rate Spreadsheet Tool*

The EDCs methodology to set BGS-RSCP retail rates as a function of the Auction prices included in the EDCs' proposal was approved by the Board. For an EDC, retail rates will be set on the basis of the weighted average, seasonally adjusted final Auction prices for that EDC's tranches from the 2018 BGS-RSCP Auction, the 2017 BGS-RSCP Auction, and the 2016 BGS-RSCP Auction. For RECO, costs resulting from bilateral contracts from RECO's 2015 RFP for the New York ISO load will also affect RECO retail rates. This methodology is set out in detail in each EDC's Company Specific Addendum as well as rate spreadsheet.

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 17, 2018 (and which must occur no later than six (6) days prior to the BGS-RSCP Auction), 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 spreadsheet tool currently reflects the methodology that the EDCs have proposed to set BGS-RSCP retail rates in the June 30, 2017 filing and will be updated prior to the Auctions.

## E. CONDUCT OF THE AUCTIONS

**Companion Document:** Sub-section C.6 of the [BGS Auction Process](#) Section of the October Bidder Information Packet is a **companion document** that provides a timeline and brief overview of the conduct of the BGS Auctions. This section of the November Bidder Information Packet expands upon these materials.

*This section 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 Auction website. The materials provided to Registered Bidders will include the webcast presentation, third Bidder Information Packet, 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 will be 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 will announce a price for each EDC in each round, and each Bidder will provide 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 will reduce 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	475.00	53	25	28	0.700
JCP&L	475.00	12	12	0	0.000
ACE	475.00	6	4	2	0.050
RECO	475.00	3	1	2	0.200

In round 1, all Bidders combined bid 53 tranches of PSE&G at a price of \$475.00/MW-day. The number of tranches bid (53) exceeds the number of tranches needed (25) by 28 tranches. The price for PSE&G will tick down. Similarly, the price for RECO will also tick down because Bidders bid 3 tranches of RECO at a price of \$475.00/MW-day, which exceeds the tranche target (1) by 2 tranches.

The amount by which the prices will 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 will lower 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, fell 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	451.25	34	25	9	0.300
JCP&L	475.00	19	12	7	0.233
ACE	460.75	12	4	8	0.267
RECO	460.75	2	1	1	0.100

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

The auction would continue 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 will be 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 will tick 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 a given round remain available during subsequent rounds and can be viewed at any point during the Auction.

### *Sample Schedule*

Bidding for the two Auctions is separate. The BGS-CIEP Auction starts on Friday, February 2, 2018, one business day earlier than the BGS-RSCP Auction, which starts on Monday, February 5, 2018. The following is a sample schedule for February 5, 2018, which will be the first bidding day of the BGS-RSCP Auction and the second bidding day of the BGS-CIEP Auction. In the January Bidder Information Packet, the Auction Manager will confirm the schedule for the first day of the BGS-CIEP Auction as well as the first day of the BGS-RSCP Auction.

**Sample Schedule for Bidding Day 2:**

Times	BGS-CIEP	BGS-RSCP	Times
8:25	Round 25 Bidding	<b>Log in Time</b>	8:25
8:27			8:27
8:30			8:30
8:33			8:33
8:35			8:35
8:37			8:37
8:40			Round 25 Calculation and Report
8:43	8:43		
8:45	8:45		
8:48	8:48		
8:50	Round 26 Bidding		8:50
8:53			8:53
8:55			8:55
8:57			8:57
9:00	Round 26 Calculation and Report	9:00	
9:03		9:03	
9:05		9:05	
9:07		9:07	
9:10		9:10	
9:13		9:13	
9:15		9:15	
9:17	Automatic 15-Minute Extension	9:17	
9:20		9:20	
9:23		9:23	
9:25		9:25	
9:27	Round 1 Calculation and Report	9:27	
9:30		9:30	
9:33		9:33	
9:35	Round 27 Calculation and Report	9:35	
9:37		9:37	
9:40		Round 2 Bidding	9:40
9:43			9:43
9:45			9:45
9:47			9:47
9:50	Round 28 Bidding	9:50	
9:53		9:53	
9:55		9:55	
9:57		9:57	
10:00	Round 28 Calculation and Report	10:00	
10:03		10:03	
10:05		10:05	
10:07		10:07	
10:10	Round 29 Bidding	10:10	
10:13	Round 29 Calculation and Report	10:13	
10:15		10:15	
10:17		10:17	
10:20		10:20	
10:23		10:23	
10:25		10:25	
10:27		10:27	
10:30	Round 30 Bidding	10:30	
10:33		10:33	
10:35		10:35	
10:38		10:38	
10:40	Round 30 Calculation and Report	10:40	
10:43		10:43	
10:45		10:45	
10:48		10:48	
10:50		10:50	
10:50		Round 4 Bidding	10:50

Times	BGS-CIEP	BGS-RSCP	Times
10:53	Round 31 Bidding	Round 4 Calculation and Report	10:53
10:55			10:55
10:58			10:58
11:00			11:00
11:03	Round 31 Calculation and Report		11:03
11:05			11:05
11:08			11:08
11:10			11:10
11:13	Round 32 Bidding	11:13	
11:15	Round 32 Calculation and Report	Round 5 Bidding	11:15
11:17			11:17
11:20			11:20
11:23			11:23
11:25		11:25	
11:27	Round 33 Bidding	Round 5 Calculation and Report	11:27
11:30			11:30
11:33			11:33
11:35			11:35
11:37			11:37
11:40			11:40
11:43	Round 33 Calculation and Report	Round 6 Bidding	11:43
11:45			11:45
11:47			11:47
11:50			11:50
11:52	Round 34 Bidding	11:52	
11:55	Round 34 Calculation and Report	Round 6 Calculation and Report	11:55
11:57			11:57
12:00			12:00
12:03			12:03
12:05			12:05
12:07			12:07
12:10	Round 35 Bidding	12:10	
12:13		12:13	
12:15		12:15	
12:17		12:17	
12:20	Round 35 Calculation and Report	12:20	
12:23		12:23	
12:25		12:25	
12:28		12:28	
12:30	<b>Lunch</b>	<b>Lunch</b>	12:30
12:33			12:33
12:35			12:35
12:37			12:37
12:40			12:40
12:43			12:43
12:45			12:45
12:47			12:47
12:50	Round 36 Bidding	12:50	
12:53		12:53	
12:55		12:55	
12:57		12:57	
1:00	Round 36 Calculation and Report	Round 7 Bidding	1:00
1:03			1:03
1:05			1:05
1:07			1:07
1:10		1:10	
1:13		Round 37 Bidding	Round 7 Calculation and Report
1:15	1:15		
1:17	1:17		
1:20	1:20		
1:23	Round 37	1:23	
1:25	1:25		

Times	BGS-CIEP	BGS-RSCP	Times
1:27	Calculation and Report	Round 8 Bidding	1:27
1:30			1:30
1:33			1:33
1:35			1:35
1:38	Round 38 Bidding	Round 8 Calculation and Report	1:38
1:40			1:40
1:43			1:43
1:45	Round 38 Calculation and Report	Round 8 Calculation and Report	1:45
1:47			1:47
1:50			1:50
1:53			1:53
1:55			1:55
1:57	Round 39 Bidding	Round 9 Bidding	1:57
2:00			2:00
2:03	Round 39 Calculation and Report	Round 9 Bidding	2:03
2:05			2:05
2:07			2:07
2:10			2:10
2:13			2:13
2:15	Round 40 Bidding	Round 9 Calculation and Report	2:15
2:17			2:17
2:20			2:20
2:23	Round 40 Calculation and Report	Round 10 Bidding	2:23
2:25			2:25
2:27			2:27
2:30			2:30
2:33			2:33
2:35	Round 41 Bidding	Round 10 Calculation and Report	2:35
2:38			2:38
2:40	Round 41 Calculation and Report	Round 10 Calculation and Report	2:40
2:43			2:43
2:45			2:45
2:47			2:47
2:50			2:50
2:53	Break	Break	2:53
2:55			2:55
2:57	Round 42 Bidding	Round 11 Bidding	2:57
3:00			3:00
3:03			3:03
3:05			3:05
3:07			3:07
3:10	Round 42 Calculation and Report	Round 11 Calculation and Report	3:10
3:13			3:13
3:15			3:15
3:17	Round 43 Bidding	Round 11 Calculation and Report	3:17
3:20			3:20
3:23			3:23
3:25			3:25
3:27			3:27
3:30	Round 43 Calculation and Report	Round 12 Bidding	3:30
3:33			3:33
3:35	Round 43 Calculation and Report	Round 12 Bidding	3:35
3:37			3:37
3:40			3:40
3:43			3:43
3:45			3:45
3:47	Round 44	Round 12	3:47
3:50			3:50
3:53	Round 44	Round 12	3:53
3:55			3:55
3:58	Round 44	Round 12	3:58
4:00			4:00

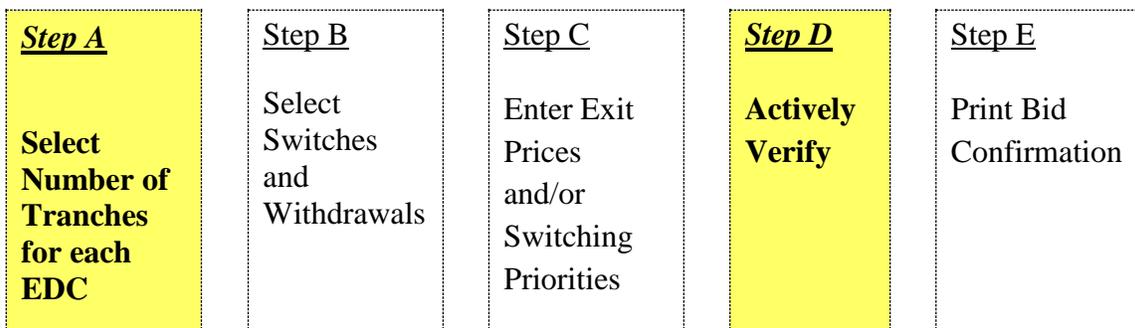
Times	BGS-CIEP	BGS-RSCP	Times
4:03	Bidding	Calculation and Report	4:03
4:05	Round 44 Calculation and Report		4:05
4:07			4:07
4:10			4:10
4:13	Round 45 Bidding	Round 13 Bidding	4:13
4:15			4:15
4:17	Round 45 Calculation and Report	Round 13 Calculation and Report	4:17
4:20			4:20
4:23			4:23
4:25			4:25
4:27			4:27
4:30	Round 46 Bidding	Round 13 Calculation and Report	4:30
4:33			4:33
4:35			4:35
4:37	Round 46 Calculation and Report	Round 14 Bidding	4:37
4:40			4:40
4:43			4:43
4:45			4:45
4:47			4:47
4:50	Round 47 Bidding	Round 14 Calculation and Report	4:50
4:53			4:53
4:55	Round 47 Calculation and Report	Round 15 Bidding	4:55
4:58			4:58
5:00			5:00
5:03			5:03
5:05			5:05
5:07	Round 48 Bidding	Round 15 Calculation and Report	5:07
5:10			5:10
5:13			5:13
5:15	Round 48 Calculation and Report	Round 15 Calculation and Report	5:15
5:17			5:17
5:20			5:20
5:23			5:23
5:25			5:25
5:27	Round 49 Bidding	Round 15 Calculation and Report	5:27
5:30			5:30
5:33	Round 49 Calculation and Report	Round 15 Calculation and Report	5:33
5:35			5:35
5:38			5:38
5:40			5:40
5:43			5:43
5:45	Round 49 Calculation and Report	Round 15 Calculation and Report	5:45
5:48			5:48
5:50	Round 49 Calculation and Report	Round 15 Calculation and Report	5:50
5:53			5:53
5:55			5:55
5:57	Round 49 Calculation and Report	Round 15 Calculation and Report	5:57
6:00			6:00
6:05			6:05
6:10			6:10
6:13	Round 49 Calculation and Report	Round 15 Calculation and Report	6:13

### 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 will receive 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, it is shown a page displaying 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 above. All Bidders are encouraged to systematically complete Step E to have a record of their bid. In specific situations, Bidders will 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 will preclude 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 will be disabled and the Bidder will no longer have 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:** Sub-section C.7 of the [BGS Auction Process](#) Section of the October Bidder Information Packet is a **companion document** that provides a timeline and brief overview of the post-auction activities. This section of the November Bidder Information Packet expands upon these materials.

*This section 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 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, January Bidder Information Packet, 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, February 2, 2018 and the BGS-RSCP Auction begins on Monday, February 5, 2018. There is no set length for the BGS Auctions as each 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 sub-sections.

### F.2. Board Decision and Release of Results

Attachment B to the Board Order approving the BGS Auction Process posted to the [bpu docs](#) 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 of 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 to consider the auction results. The Board

advisor submits a report at a later time and includes any recommendations for improvements. Redacted 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 reject the results of each of the BGS 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 auction 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 prices via email to the Bidder Team listed during the Application Process on the day of Board decision. A description of the Bidder Team can be found in Section C of these Bidder Materials. The Auction Manager will also notify each EDC of the following for its territory: the identity of the winners, the number of tranches won, and the final 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 of these marks is discussed in sub-section 6.5 in the BGS-

RSCP SMA and is the subject of the Mark-to-Market information release expected for January 23, 2018.

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 Supplier Master Agreements (“SMAs”). If a Registered Bidder is a winning Bidder that has won tranches but has not provided this information, the winning Bidder will have 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, prepared by the Auction Manager, via email to winning BGS Suppliers for execution. Winning BGS Suppliers will 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.

Failing 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.