

## 2020 BGS Auctions

28 January 2020

### PREAMBLE

A: The Clean Energy Act (“CEA”) provides that BGS contracts executed prior to May 23, 2018 are exempt from the *increase* in the solar Renewable Portfolio Standards (“RPS”) requirements. Further, the CEA provides that the incremental solar obligations will be “distributed over” non-exempt BGS contracts (see N.J.S.A. 48:87(d)(3)(c)).

In its Decision and Order dated December 18, 2018 in Docket No. ER18040356, including the correction issued on December 28, 2018 (“Decision and Order”), the New Jersey Board of Public Utilities (“Board” or “BPU”) confirmed that third party suppliers are not responsible for the incremental solar obligations created by exempt BGS contracts and clarified that “the solar RPS obligation of the exempt BGS providers for EY19 shall be provided by the non-exempt BGS providers in EY20 and EY21. The exempt BGS solar RPS obligation for EY20 will be distributed over EY21 and EY22, while the exempt obligation for EY21 will be distributed over EY22 and EY23.” “EY” means Energy Year.

At its agenda meeting of August 7, 2019, the Board adopted the amendments to N.J.A.C. 14:8-2.3 to conform the current RPS rules to provisions of the CEA. These sections of the New Jersey Administrative Code, which we call the “Regulations” in this document, were published on September 15, 2019. Table A of the Regulations provide the RPS percentage obligations that apply to exempt BGS contracts as well as to provide the RPS percentage obligations that apply to non-exempt BGS contracts during the BGS-RSCP supply period for the upcoming 2020 BGS-RSCP Auction.

Table A provides the RPS percentage obligations that apply to exempt BGS contracts to be the following:

Time Period	Solar	Class I	Class II	Total
June 1, 2018 - May 31, 2019	3.29%	14.175%	2.50%	19.965%
June 1, 2019 - Dec. 31, 2019	3.38%	16.029%	2.50%	21.909%
January 1, 2020 - May 31, 2020	3.38%	21.0%	2.50%	26.88%
June 1, 2020 - May 31, 2021	3.47%	21.0%	2.50%	26.97%

The totals in the above table reflect that the solar percentage obligation is incremental and not included in the Class I percentage obligation. For exempt BGS contracts, the solar obligation for a particular BGS-RSCP Supplier in a time period is calculated by multiplying the percentage obligation from the table above by the BGS-RSCP Supplier’s quantity supplied under the exempt contract for that time period.

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Table A provides the RPS percentage obligations that apply to non-exempt BGS contracts to be the following:

Energy Year	Solar	Class I	Class II	Total
2021 (ending May 31, 2021)	5.10%	21.00%	2.50%	23.5%
2022	5.10%	21.00%	2.50%	23.50%
2023	5.10%	22.00%	2.50%	24.50%

The totals in the above table reflect that, starting in Energy Year 2020, the solar percentage obligation is a component of the Class I percentage obligation. For non-exempt BGS contracts, in a particular Energy Year, in addition to calculating the solar obligation by multiplying the percentage obligation from the table above by the BGS Supplier's quantity supplied under for that Energy Year, a BGS Supplier (both BGS-RSCP and BGS-CIEP) will also be responsible for its share of the solar requirements avoided by exempt BGS-RSCP contracts. Specifically:

- The solar obligation of exempt BGS contracts for Energy Year 2019 are the responsibility of non-exempt BGS contracts in Energy Year 2020 and in Energy Year 2021 equally;
- The solar obligation of exempt BGS contracts for Energy Year 2020 are the responsibility of non-exempt BGS contracts in Energy Year 2021 and in Energy Year 2022 equally; and
- The solar obligation of exempt BGS contracts for Energy Year 2021 are the responsibility of non-exempt BGS contracts in Energy Year 2022 and in Energy Year 2023 equally.

Stated another way, a supplier with a non-exempt BGS contract entered into as a result of winning in the 2020 BGS-RSCP Auction is responsible for:

- In Energy Year 2021: (i) its solar obligations according to the percentage applicable to non-exempt BGS contract; (ii) its share of half of deferred solar obligations from exempt BGS contracts in Energy Year 2019; and (iii) its share of half of deferred solar obligations from exempt BGS contracts in Energy Year 2020.
- In Energy Year 2022: (i) its solar obligations according to the percentage applicable to non-exempt BGS contract; (ii) its share of half of deferred solar obligations from exempt BGS contracts in Energy Year 2020; and (iii) its share of half of deferred solar obligations from exempt BGS contracts in Energy Year 2021.
- In Energy Year 2023: (i) its solar obligations according to the percentage applicable to non-exempt BGS contract; and (ii) its share of half of deferred solar obligations from exempt BGS contracts in Energy Year 2021.

Furthermore, the Regulations have established new eligibility requirements for RECs and SRECs as follows:

1. SRECs may be used to meet the solar requirement or the Class I requirement;
2. Class I RECs may be used only to meet the Class I requirement (but cannot be used to meet solar requirements or Class II requirement); and
3. Class II RECs can only used only to meet Class II requirements.

## DISCLAIMER

**This document is provided for bidder convenience only. It is a summary only and is qualified in its entirety by our reference to governing Order and Decision by the Board (Docket No. ER18040356)**

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as well as the application Regulations (N.J.A.C. 14:8-2.3). If you have any questions concerning application of the Regulations, you should consult with counsel qualified to interpret such Regulations. It is not the role of the EDCs or the BGS Auction Manager to interpret Regulations for bidders.

Below are illustrative examples that follow the BGS Auction Manager's understanding of the Regulations. The calculations are provided solely for the convenience of bidders. The data is illustrative and does not correspond to actual data or to forecast values.

### EXAMPLE 2020 BGS AUCTIONS WINNER

Q: Can you please provide an example of the calculation of the solar and Class I obligations under the Clean Energy Act for a BGS Supplier winning in the 2020 BGS Auctions?

A: For illustrative purposes, suppose that:

- Supplier A serves 1,000,000 MWh of exempt electricity in EY21 as a result of winning in the 2018 BGS-RSCP Auction.
- Supplier A serves 2,000,000 MWh of non-exempt electricity in EY21, EY22 and EY23 as a result of winning in the 2020 BGS-RSCP Auction and 500,000 MWh of non-exempt electricity in EY21 as a result of winning in the 2020 BGS-CIEP Auction.

Suppose that the deferred solar obligations for the exempt electricity and the total BGS non-exempt retail electricity sales as posted on NJCEP website are as follows:

Energy Year	Total BGS Retail Electricity Sales (MWh)	Total BGS Exempt Retail Electricity Sales (MWh) <sup>1</sup>	Deferred Solar Obligation for the Exempt Electricity (MWh)	Total BGS Non-Exempt Retail Electricity Sales (MWh)
2019	33,000,000	33,000,000	N/A	0
2020	33,000,000	20,000,000	16,500,000	13,000,000
2021	33,000,000	10,000,000	16,500,000 + 10,000,000	23,000,000
2022	33,000,000	N/A	10,000,000 + 5,000,000	33,000,000
2023	33,000,000	N/A	5,000,000	33,000,000

Then the solar obligations of Supplier A can be calculated as follows:

#### EY21

There are four components to Supplier A's solar obligation in that Energy Year.

- Supplier A is responsible for 1,000,000 MWh of exempt electricity in EY21 for which the applicable percentage is 3.47%, resulting in a solar obligation of 34,700 MWh (1,000,000 MWh \* 3.47%).

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<sup>1</sup> The Total BGS Exempt Retail Electricity Sales (MWh) will depend on the sales by BGS suppliers that won in the 2016 BGS-RSCP Auction, 2017 BGS-RSCP Auction, 2018 BGS-RSCP Auction, and 2018 BGS-CIEP Auction.

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- Supplier A is responsible for 2,500,000 MWh of non-exempt electricity in EY21 for which the applicable percentage is 5.10%, resulting in a solar obligation of 127,500 MWh (2,500,000 MWh \* 5.10%).
- Supplier A is responsible for a share of 10.87% (2,500,000/23,000,000) of the deferred solar obligations from exempt BGS contracts in EY19 of 16,500,000 MWh for which the applicable percentage is 1.01% (4.30% – 3.29%), resulting in a solar obligation of 18,115 MWh.
- Supplier A is responsible for a share of 10.87% (2,500,000/23,000,000) of the deferred solar obligations from exempt BGS contracts in EY20 of 10,000,000 MWh for which the applicable percentage is 1.52% (4.90% – 3.38%), resulting in a solar obligation of 16,522 MWh.

Supplier A's total solar obligation is the sum of the four components, namely 196,837 MWh (34,700 MWh + 127,500 MWh + 18,115 MWh + 16,522 MWh).

### EY22

There are three components to Supplier A's solar obligation. The components are different from those in EY21 because Supplier A is no longer responsible for exempt electricity.

- Supplier A is responsible for 2,000,000 MWh of non-exempt electricity in EY22 for which the applicable percentage is 5.10% resulting in a solar obligation of 102,000 MWh (2,000,000 MWh \* 5.10%).
- Supplier A is responsible for a share of 6.06% (2,000,000/33,000,000) of the deferred solar obligations from exempt BGS contracts in EY20 of 10,000,000 MWh for which the applicable percentage is 1.52% (4.90% – 3.38%), resulting in a solar obligation of 9,211 MWh.
- Supplier A is responsible for a share of 6.06% (2,000,000/33,000,000) of the deferred solar obligations from exempt BGS contracts in EY21 of 5,000,000 MWh for which the applicable percentage is 1.63% (5.10% – 3.47%), resulting in a solar obligation of 4,939 MWh.

Supplier A's total solar obligation is the sum of the three components, namely 116,150 MWh (102,000 MWh + 9,211 MWh + 4,939 MWh).

### EY23

There are two components to Supplier A's solar obligation.

- Supplier A is responsible for 2,000,000 MWh of non-exempt electricity in EY23 for which the applicable percentage is 5.10% resulting in a solar obligation of 102,000 MWh (2,000,000 MWh \* 5.10%).
- Supplier A is responsible for a share of 6.06% (2,000,000/33,000,000) of the deferred solar obligations from exempt BGS contracts in EY21 of 5,000,000 MWh for which the applicable percentage is 1.63% (5.10% – 3.47%), resulting in a solar obligation of 4,939 MWh.

Supplier A's total solar obligation is the sum of the two components, namely 106,939 MWh (102,000 MWh + 4,939 MWh).

From EY20 forward, the solar RPS for non-exempt BGS contracts (and for non-exempt BGS contracts only) is a component of the Class I obligation for the hypothetical supplier A. Thus the Class I obligation for hypothetical supplier A is as follows:

### EY21

Supplier A is responsible for 3,500,000 MWh in total.

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- The Class I obligation is 735,000 MWh (3,500,000 MWh \* 21%).
- The Class I obligation is reduced by the solar obligations associated with the supplier's non-exempt electricity in EY21 of 127,500 MWh.
- The Class I obligation is reduced by the solar obligation associated with the supplier's share of the deferred solar obligations from exempt BGS contracts in EY19 of 18,115 MWh.
- The Class I obligation is reduced by the solar obligation associated with the supplier's share of the deferred solar obligations from exempt BGS contracts in EY20 of 16,522 MWh.

Supplier A's total Class I obligation is thus 572,863 MWh (735,000 MWh – 127,500 MWh – 18,115 MWh – 16,522 MWh).

### EY22

Supplier A is responsible for 2,000,000 MWh in total (all non-exempt electricity).

- The Class I obligation is 420,000 MWh (2,000,000 MWh \* 21%).
- The Class I obligation is reduced by the solar obligations associated with the supplier's non-exempt electricity in EY22 of 102,000 MWh.
- The Class I obligation is reduced by the solar obligation associated with the supplier's share of the deferred solar obligations from exempt BGS contracts in EY20 of 9,211 MWh.
- The Class I obligation is reduced by the solar obligation associated with the supplier's share of the deferred solar obligations from exempt BGS contracts in EY21 of 4,939 MWh.

Supplier A's total Class I obligation is thus 303,850 MWh (420,000 MWh – 102,000 MWh – 9,211 MWh – 4,939 MWh).

### EY23

Supplier A is responsible for 2,000,000 MWh in total (all non-exempt electricity).

- The Class I obligation is 440,000 MWh (2,000,000 MWh \* 22%).
- The Class I obligation is reduced by the solar obligations associated with the supplier's non-exempt electricity in EY23 of 102,000 MWh.
- The Class I obligation is reduced by the solar obligation associated with the supplier's share of the deferred solar obligations from exempt BGS contracts in EY21 of 4,939 MWh.

Supplier A's total Class I obligation is thus 333,061 MWh (440,000 MWh – 102,000 MWh – 4,939 MWh).

Supplier A's total solar and Class I obligations are summarized in the tables on the following page.

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Table 1. Supplier A Supply Assumptions

Energy Year	Exempt Electricity (MWh)	Non-Exempt Electricity (MWh)	Non-Exempt Market Share
2021	1,000,000.00	2,500,000.00	10.87%
2022	-	2,000,000.00	6.06%
2023	-	2,000,000.00	6.06%

Table 2. Supplier A Solar Obligation by Energy Year (MWh)

Energy Year	Exempt Obligation	Non-Exempt Obligation	Deferred Obligation from EY19	Deferred Obligation from EY20	Deferred Obligation from EY21	Total Solar Obligation
2021	34,700	127,500	18,115	16,522	-	196,837
2022	-	102,000	-	9,211	4,939	116,150
2023	-	102,000	-	-	4,939	106,939

Table 3. Supplier A Class I Obligation by Energy Year (MWh)

Energy Year	Class I Obligation	Reduction for Non-exempt Solar Obligation	Reduction for Deferred Solar Obligation from EY 19	Reduction for Deferred Solar Obligation from EY20	Reduction for Deferred Solar Obligation from EY21	Total Class I Obligation
2021	735,000	127,500	18,115	16,522	-	572,863
2022	420,000	102,000	-	9,211	4,939	303,850
2023	440,000	102,000	-	-	4,939	333,061

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### EXAMPLE 2019 BGS AUCTIONS WINNER

Q: Can you please provide an example of the calculation of the solar and Class I obligations under the Clean Energy Act for Energy Years 2020, 2021, and 2022?

Suppose that:

- Supplier A serves 1,000,000 MWh of exempt electricity in EY20 as a result of winning in the 2017 BGS-RSCP Auction.
- Supplier A serves 2,000,000 MWh of non-exempt electricity in EY20, EY21 and EY22 as a result of winning in the 2019 BGS-RSCP Auction and 500,000 MWh of non-exempt electricity in EY20 as a result of winning in the 2019 BGS-CIEP Auction.

Suppose that the deferred solar obligations for the exempt electricity and the total BGS non-exempt retail electricity sales as posted on NJCEP website are as follows:

Energy Year	Total BGS Retail Electricity Sales (MWh)	Total BGS Exempt Retail Electricity Sales (MWh) <sup>2</sup>	Deferred Solar Obligation for the Exempt Electricity (MWh)	Total BGS Non-Exempt Retail Electricity Sales (MWh)
2019	33,000,000	33,000,000	N/A	0
2020	33,000,000	20,000,000	16,500,000	13,000,000
2021	33,000,000	10,000,000	16,500,000 + 10,000,000	23,000,000
2022	33,000,000	N/A	10,000,000 + 5,000,000	33,000,000
2023	33,000,000	N/A	5,000,000	33,000,000

Then the solar obligations of Supplier A can be calculated as follows:

#### EY20

There are three components to Supplier A's solar obligation in that Energy Year.

- Supplier A is responsible for 1,000,000 MWh of exempt electricity in EY20 for which the applicable percentage is 3.38%, resulting in a solar obligation of 33,800 MWhs (1,000,000 MWh \* 3.38%).
- Supplier A is responsible for 2,500,000 MWh of non-exempt electricity in EY20 for which the applicable percentage is 4.90%, resulting in a solar obligation of 122,500 MWhs (2,500,000 MWh \* 4.90%).
- Supplier A is responsible for a share of 19.23% (2,500,000/13,000,000) of the deferred solar obligations from exempt BGS contracts in EY19 of 16,500,000 MWhs for which the applicable percentage is 1.01% (4.30% – 3.29%), resulting in a solar obligation of 32,047 MWhs.

<sup>2</sup> The Total BGS Exempt Retail Electricity Sales (MWh) will depend on the sales by BGS suppliers that won in the 2016 BGS-RSCP Auction, 2017 BGS-RSCP Auction, 2018 BGS-RSCP Auction, and 2018 BGS-CIEP Auction.

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Supplier A's total solar obligation is the sum of the three components, namely 188,347 MWhs (33,800 MWhs + 122,500 MWhs + 32,047 MWhs).

### EY21

There are again three components to Supplier A's solar obligation in that Energy Year, but the components are different from those in EY20 because Supplier A is no longer responsible for exempt electricity.

- Supplier A is responsible for 2,000,000 MWh of non-exempt electricity in EY21 for which the applicable percentage is 5.10% resulting in a solar obligation of 102,000 MWhs (2,000,000 MWh \* 5.10%).
- Supplier A is responsible for a share of 8.70% (2,000,000/23,000,000) of the deferred solar obligations from exempt BGS contracts in EY19 of 16,500,000 MWhs for which the applicable percentage is 1.01% (4.30% – 3.29%), resulting in a solar obligation of 14,499 MWhs.
- Supplier A is responsible for a share of 8.70% (2,000,000/23,000,000) of the deferred solar obligations from exempt BGS contracts in EY20 of 10,000,000 MWhs for which the applicable percentage is 1.52% (4.90% – 3.38%), resulting in a solar obligation of 13,224 MWhs.

Supplier A's total solar obligation is the sum of the three components, namely 129,723 MWhs (102,000 MWhs + 14,499 MWhs + 13,224 MWhs).

### EY22

There are again three components to Supplier A's solar obligation.

- Supplier A is responsible for 2,000,000 MWh of non-exempt electricity in EY22 for which the applicable percentage is 5.10% resulting in a solar obligation of 102,000 MWhs (2,000,000 MWh \* 5.10%).
- Supplier A is responsible for a share of 6.06% (2,000,000/33,000,000) of the deferred solar obligations from exempt BGS contracts in EY20 of 10,000,000 MWhs for which the applicable percentage is 1.52% (4.90% – 3.38%), resulting in a solar obligation of 9,211 MWhs.
- Supplier A is responsible for a share of 6.06% (2,000,000/33,000,000) of the deferred solar obligations from exempt BGS contracts in EY21 of 5,000,000 MWhs for which the applicable percentage is 1.63% (5.10% – 3.47%), resulting in a solar obligation of 4,939 MWhs.

Supplier A's total solar obligation is the sum of the three components, namely 116,150 MWhs (102,000 MWhs + 9,211 MWhs + 4,939 MWhs).

From EY20 forward, the solar RPS for non-exempt BGS contracts (and for non-exempt BGS contracts only) is a component of the Class I obligation for the hypothetical supplier A. Thus the Class I obligation for hypothetical supplier A is as follows:

### EY20

Supplier A is responsible for 3,500,000 MWhs in total. Assume that 7/12 of this total is for the months of June 1 to December 31, 2019. There are four components to Supplier A's Class I obligation in that Energy Year.



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- The Class I obligation for June 1 to December 31 2019 is 327,259 MWhs ( $7/12 * 3,500,000 \text{ MWhs} * 16.029\%$ ).
- The Class I obligation for January 1 to May 31 2020 is 306,250 MWhs ( $5/12 * 3,500,000 \text{ MWhs} * 21\%$ ).
- The Class I obligation is reduced by the solar obligations associated with the supplier's non-exempt electricity in EY20 of 122,500 MWhs.
- The Class I obligation is reduced by the solar obligation associated with the supplier's share of the deferred solar obligations from exempt BGS contracts in EY19 of 32,047 MWhs.

Supplier A's total Class I obligation is thus 478,962 MWhs ( $327,259 \text{ MWhs} + 306,250 \text{ MWhs} - 122,500 \text{ MWhs} - 32,047 \text{ MWhs}$ ).

### EY21

Supplier A is responsible for 2,000,000 MWhs in total (all non-exempt electricity).

- The Class I obligation is 420,000 MWhs ( $2,000,000 \text{ MWhs} * 21\%$ ).
- The Class I obligation is reduced by the solar obligations associated with the supplier's non-exempt electricity in EY21 of 102,000 MWhs.
- The Class I obligation is reduced by the solar obligation associated with the supplier's share of the deferred solar obligations from exempt BGS contracts in EY19 of 14,499 MWhs.
- The Class I obligation is reduced by the solar obligation associated with the supplier's share of the deferred solar obligations from exempt BGS contracts in EY20 of 13,224 MWhs.

Supplier A's total Class I obligation is thus 290,277 MWhs ( $420,000 \text{ MWhs} - 102,000 \text{ MWhs} - 14,499 \text{ MWhs} - 13,224 \text{ MWh}$ ).

### EY22

Supplier A is responsible for 2,000,000 MWhs in total (all non-exempt electricity).

- The Class I obligation is 420,000 MWhs ( $2,000,000 \text{ MWhs} * 21\%$ ).
- The Class I obligation is reduced by the solar obligations associated with the supplier's non-exempt electricity in EY22 of 102,000 MWhs.
- The Class I obligation is reduced by the solar obligation associated with the supplier's share of the deferred solar obligations from exempt BGS contracts in EY20 of 9,211 MWhs.
- The Class I obligation is reduced by the solar obligation associated with the supplier's share of the deferred solar obligations from exempt BGS contracts in EY21 of 4,939 MWhs.

Supplier A's total Class I obligation is thus 303,850 MWhs ( $420,000 \text{ MWhs} - 102,000 \text{ MWhs} - 9,211 \text{ MWhs} - 4,939 \text{ MWh}$ ).

Supplier A's total solar and Class I obligations are summarized in the tables on the following page.

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Table 4. Supplier A Supply Assumptions

Energy Year	Exempt Electricity (MWh)	Non-Exempt Electricity (MWh)	Non-Exempt Market Share
2020	1,000,000.00	2,500,000.00	19.23%
2021	-	2,000,000.00	8.70%
2022	-	2,000,000.00	6.06%

Table 5. Supplier A Solar Obligation by Energy Year (MWh)

Energy Year	Exempt Obligation	Non-Exempt Obligation	Deferred Obligation from EY19	Deferred Obligation from EY20	Deferred Obligation from EY21	Total Solar Obligation
2020	33,800	122,500	32,047	N/A	N/A	188,347
2021	-	102,000	14,499	13,224	N/A	129,723
2022	-	102,000	N/A	9,211	4,939	116,150

Table 6. Supplier A Class I Obligation by Energy Year (MWh)

Energy Year	Class I Obligation	Reduction for Non-exempt Solar Obligation	Reduction for Deferred Solar Obligation from EY 19	Reduction for Deferred Solar Obligation from EY20	Reduction for Deferred Solar Obligation from EY21	Total Class I Obligation
2020	633,509	122,500	32,047	N/A	N/A	478,962
2021	420,000	102,000	14,499	13,224	N/A	290,277
2022	420,000	102,000	N/A	9,211	4,939	303,850