

2022 BGS Auctions

24 January 2022

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 Suppliers for EY19 shall be provided by the non-exempt BGS Suppliers 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 2022 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 |
|----------------------------|-------|---------|----------|--------|
| 2023 (ending May 31, 2023) | 5.10% | 22.00% | 2.50% | 24.50% |
| 2024 | 4.90% | 27.00% | 2.50% | 29.50% |
| 2025 | 4.80% | 35.00% | 2.50% | 37.50% |

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 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 2022 BGS-RSCP Auction is responsible for:

- 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.
- In Energy Year 2024, its solar obligations according to the percentage applicable to non-exempt BGS contract.
- In Energy Year 2025, its solar obligations according to the percentage applicable to non-exempt BGS contract.

Furthermore, the Regulations 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) 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.

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Below is an illustrative example that follows 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.

New Jersey’s Division of Clean Energy provides retail sales figures and instructions for calculating RPS obligations of BGS Suppliers through Energy Year 2021 on their website:

<https://njcleanenergy.com/renewable-energy/program-updates/rps-compliance-reports>

EXAMPLE 2022 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 2022 BGS Auctions?

A: For illustrative purposes, suppose that:

- Supplier A serves 2,000,000 MWh of non-exempt electricity in EY23, EY24 and EY25 as a result of winning in the 2022 BGS-RSCP Auction and 500,000 MWh of non-exempt electricity in EY23 as a result of winning in the 2022 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) ¹ | 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 |
| 2024 | 33,000,000 | N/A | N/A | 33,000,000 |
| 2025 | 33,000,000 | N/A | N/A | 33,000,000 |

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

EY23

There are two components to Supplier A’s solar obligation in that Energy Year.

- Supplier A is responsible for 2,500,000 MWh of non-exempt electricity in EY23 for which the applicable percentage is 5.10%, resulting in a solar obligation of 127,500 MWh (2,500,000 MWh * 5.10%).

¹ The Total BGS Exempt Retail Electricity Sales (MWh) 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 a share of 7.58% ($2,500,000/33,000,000$) 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 6,178 MWh.

Supplier A's total solar obligation is the sum of the two components, namely 133,678 MWh (127,500 MWh + 6,178 MWh).

EY24

There is one component to Supplier A's solar obligation.

- Supplier A is responsible for 2,000,000 MWh of non-exempt electricity in EY24 for which the applicable percentage is 4.90% resulting in a solar obligation of 98,000 MWh ($2,000,000 \text{ MWh} * 4.90\%$).

EY25

There is one component to Supplier A's solar obligation.

- Supplier A is responsible for 2,000,000 MWh of non-exempt electricity in EY25 for which the applicable percentage is 4.80% resulting in a solar obligation of 96,000 MWh ($2,000,000 \text{ MWh} * 4.80\%$).

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. Furthermore, compliance with Offshore Wind Renewable Energy Certificate ("OREC") obligations, compliance with Transition Renewable Energy Certificate ("TREC") obligations, and compliance with Solar Successor Incentive Program ("SuSI") obligations are also a component of the Class I obligation for the hypothetical supplier A. Below, we calculate the Class I obligation for hypothetical supplier A net of solar RPS for non-exempt BGS contracts (but we do not account for compliance with OREC, TREC, or SuSI obligations). Additional information regarding TREC, SuSI, and OREC obligations is provided at the end of this illustrative example.

EY23

Supplier A is responsible for 2,500,000 MWh in total.

- The Class I obligation is 550,000 MWh ($2,500,000 \text{ MWh} * 22\%$).
- The Class I obligation is reduced by the solar obligations associated with the supplier's non-exempt electricity in EY23 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 EY21 of 6,178 MWh.

Supplier A's total Class I obligation is thus 416,322 MWh ($550,000 \text{ MWh} - 127,500 \text{ MWh} - 6,178 \text{ MWh}$).

EY24

Supplier A is responsible for 2,000,000 MWh in total.

- The Class I obligation is 540,000 MWh ($2,000,000 \text{ MWh} * 27\%$).
- The Class I obligation is reduced by the solar obligations associated with the supplier's non-exempt electricity in EY24 of 98,000 MWh.

Supplier A's total Class I obligation is thus 442,000 MWh ($540,000 \text{ MWh} - 98,000 \text{ MWh}$).

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EY25

Supplier A is responsible for 2,000,000 MWh in total.

- The Class I obligation is 700,000 MWh (2,000,000 MWh * 35%).
- The Class I obligation is reduced by the solar obligations associated with the supplier's non-exempt electricity in EY25 of 96,000 MWh.

Supplier A's total Class I obligation is thus 604,000 MWh (700,000 MWh – 96,000 MWh).

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

Table 1. Supplier A Supply Assumptions

| Energy Year | Non-Exempt Electricity (MWh) | Non-Exempt Market Share |
|-------------|------------------------------|-------------------------|
| 2023 | 2,500,000.00 | 7.58% |
| 2024 | 2,000,000.00 | 6.06% |
| 2025 | 2,000,000.00 | 6.06% |

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

| Energy Year | Non-Exempt Obligation | Deferred Obligation from EY21 | Total Solar Obligation |
|-------------|-----------------------|-------------------------------|------------------------|
| 2023 | 127,500 | 6,178 | 133,678 |
| 2024 | 98,000 | - | 98,000 |
| 2025 | 96,000 | - | 96,000 |

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 EY21 | Total Class I Obligation |
|-------------|--------------------|---|---|--------------------------|
| 2023 | 550,000 | 127,500 | 6,178 | 416,322 |
| 2024 | 540,000 | 98,000 | - | 442,000 |
| 2025 | 700,000 | 96,000 | - | 604,000 |

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ADDITIONAL INFORMATION REGARDING TREC, SUSI, AND OREC OBLIGATIONS:

- The allocation of TRECs procured and retired Statewide among BGS Suppliers will follow the method set forth at N.J.A.C. 14:8-2.3 (r) and (t). Each megawatt-hour (MWh) of retail electricity supplied by a BGS Suppliers carries with it an accompanying TREC obligation. Such obligation is based upon the total number of TRECs procured and retired by the TREC Administrator (<https://trecsnj.com>) within the applicable energy year and the market share of retail electricity sold by the BGS Supplier within the energy year.² Retired TRECs will serve as a carve-out of Class I RPS obligations.
- As stated in the Board's Order under docket number QO20020184, under the SuSI program, the EDCs' SREC-II Administrator will "retire and allocate NJ SREC-IIs as a carve-out of the NJ Class I RPS obligation similar to the treatment afforded TRECs".³
- The OREC Funding Mechanism codified in N.J.A.C. 14:8-6.6 describes the mechanism for payment and retirement of ORECs to meet the offshore wind renewable portfolio standard requirement set by the Board. The EDCs will collect the charges for these ORECs, on behalf of suppliers, from ratepayers through a non-bypassable charge. The EDCs will pay the developers of off-shore wind projects on a monthly basis. Upon receipt of payment, developers of off-shore wind projects will transfer the ORECs to the suppliers' account so that they can be retired. Thus, while BGS suppliers have the responsibility to retire ORECs, BGS suppliers bear no cost to acquire the ORECs. OREC obligations constitute a component of Class I RPS requirements. Please see New Jersey Administrative Code 14:8-6, including the Funding Mechanism Rules, for further information.

² NJRPS EY2021 Retail Sales Adjustment and Final Retail Sales.

<https://njcleanenergy.com/files/file/rps/EY21/NJRPS%20EY2021%20Retail%20Sales%20Adjustment%20and%20Final%20Retail%20Sales.pdf>

³ In the Matter of a Solar Successor Incentive Program Pursuant to P.L. 2018, C.17. Docket No. QO20020184.

<https://www.njcleanenergy.com/files/file/TI%20Program/FY22/8A%20ORDER%20Successor%20Solar%20Incentive.pdf>