

# Basic Generation Service (BGS) Load

## Statewide Auction Process

October 7, 2022

**bgs-auction.com**

NEW JERSEY STATEWIDE BASIC GENERATION SERVICE ELECTRICITY SUPPLY AUCTION



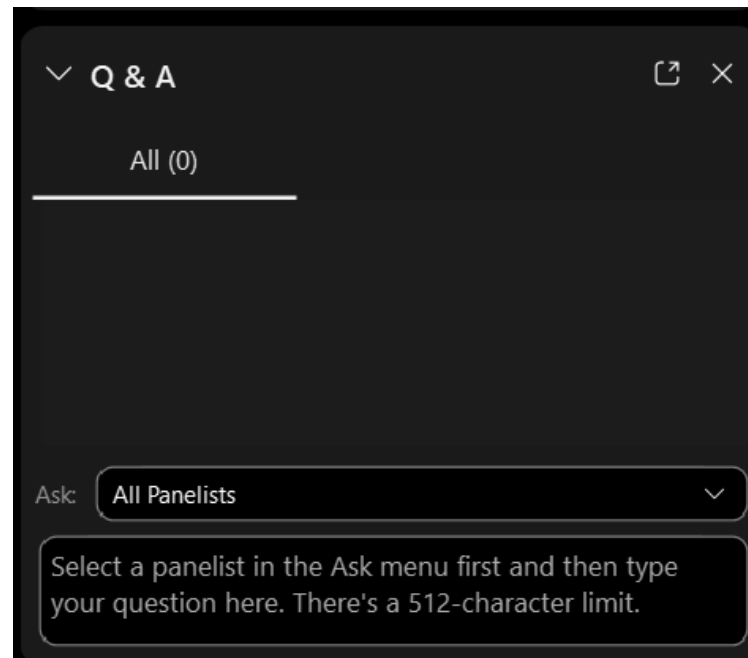
**Jersey Central**  
Power & Light  
A FirstEnergy Company

 **atlantic city  
electric**  
AN EXELON COMPANY

  
**Rockland Electric Company**

# HOW TO ASK A QUESTION

- **Questions are taken in writing through the WebEx interface:**
  - To submit text questions to the presenters, please locate the “Q&A” panel on the righthand side of your screen, type in your question, and hit Enter to submit your question



# DISCLAIMER

## ■ **Disclaimer.**

Any statements herein describing or referring to documents and agreements are summaries only, and are **qualified in their entirety** by our reference to the governing documents, which are all the documents included in the EDCs' July Filing dated July 01, 2022, posted to the *BGS Proceeding page* of the *Auction tab* on the *BGS Auction website*, [www.bgs-auction.com](http://www.bgs-auction.com) :

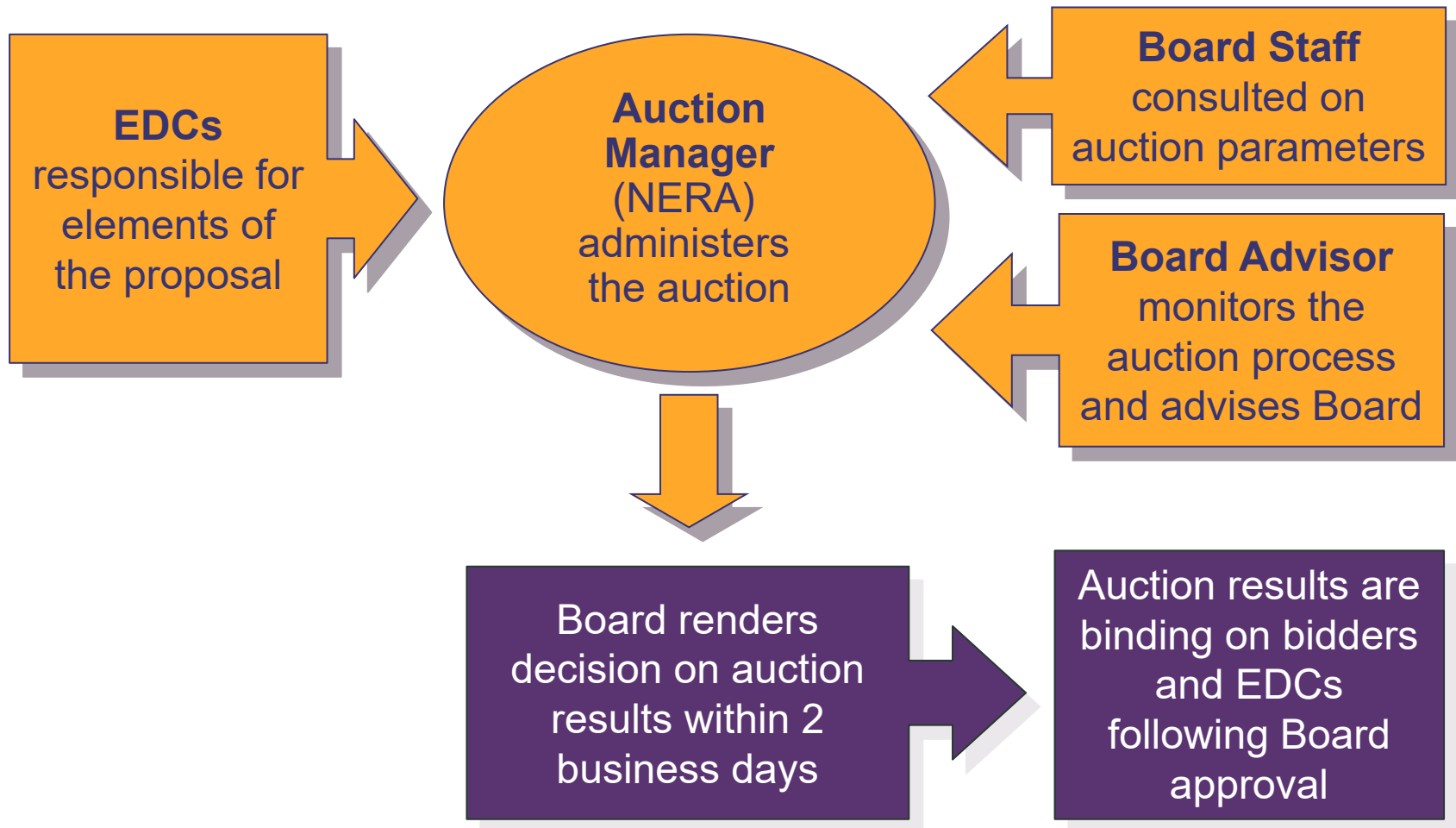
- **EDCs' Joint Proposal**
- **BGS-CIEP and BGS-RSCP Provisional Auction Rules**
- **BGS-CIEP and BGS-RSCP Supplier Master Agreements**
- **Each EDC's Company-Specific Addendum, including draft tariff sheets and pricing factors**

# THE PRESENTATION WILL COVER:

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- Roles
- Overview of the EDCs' Proposal (July Filing)
- Products and Rates
- Overview of Bidding in the Auctions
- Auction Process
- BGS Auction Website and Other Sources of Information

# ROLES



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# 1. OVERVIEW OF JULY FILING

# GOALS OF THE BGS AUCTION PROCESS

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## **Two essential goals of the BGS Auction Process:**

- To procure supply for Basic Generation Service (“BGS”) customers at a cost consistent with market conditions
- To enable the participation of a broad spectrum of entities, including energy trading and marketing companies, by aggregating a portfolio of wholesale products and providing price-risk management services

# TIMELINE THROUGH PART 1 APPLICATION (REGULATORY MILESTONES)

<b>July 01, 2022</b>	EDCs' Proposal filed
<b>September 02, 2022</b>	Deadline for initial comments
<b>September 15, 2022</b>	Legislative-type Board hearing
<b>October 11, 2022</b>	Deadline for final comments
<b>November 2022 (Expected)</b>	Board decision on BGS proposals
<b>December 13, 2022</b>	Deadline to submit the Part 1 Application



# EDCs PROPOSE TWO AUCTIONS

- **BGS-RSCP Auction:** Residential and smaller commercial customers on a stable price
  - Auction determines all-in price in ¢/kWh
  - Suppliers are paid this price for every kWh of load served
  - **3-year supply period: June 1, 2023 to May 31, 2026**
  - **Laddered contracts:** procure approximately 1/3 of supply each year
  - **4 products:** the BGS-RSCP load for each EDC
- **BGS-CIEP Auction:** Larger commercial and industrial customers on an hourly price plan
  - Auction determines a CIEP Price in \$/MW-day that suppliers are paid based on the capacity obligation
  - Suppliers are paid for energy at the real-time hourly spot price and are paid a pre-determined rate for ancillary services
  - Suppliers also paid the CIEP standby fee levied on all CIEP customers
  - **1-year supply period: June 1, 2023 to May 31, 2024**
  - **4 products:** the BGS-CIEP load for each EDC

# PROPOSED AUCTION FORMAT IS A CLOCK AUCTION

- **Multi-product** design
  - Procure supply for all EDCs at once
- **Multi-round** design: bidding proceeds in rounds
  - Suppliers state how much they want to supply at prices suggested by the Auction Manager
  - Prices tick down if there is excess supply
  - Suppliers can switch their bids from one EDC to another in a given Auction
- **Auction ends** when the amount bid falls to the amount needed for each of the EDCs
- **Single price** determined through the Auction for each EDC

# BGS SUPPLIERS PROVIDE FULL REQUIREMENTS SERVICE

- BGS Suppliers will be physically and financially responsible for the hour-by-hour provision of electricity to BGS customers
- BGS Suppliers will be the **Load Serving Entities** (“LSEs”)
- BGS Suppliers provide energy, capacity, ancillary services, fulfill the obligations under the Renewable Portfolio Standards, and provide any other services as may be required by PJM
  - The EDCs assume the responsibility of transmission and transmission related costs

# SUPPLIER OBLIGATIONS SPECIFIED IN BGS SUPPLIER MASTER AGREEMENTS

- Contract is between BGS Supplier and EDC acting as agent for retail customers
- Final Agreements will be approved by Board prior to the Auction and will be **non-negotiable**
- Opportunities for comments during the regulatory proceeding

September 02, 2022	Deadline for initial comments
September 15, 2022	Legislative-type Board hearing
October 11, 2022	Deadline for final comments

# BGS-RSCP: SETTING OF CAPACITY PROXY PRICES

- The Board approved the use of a capacity proxy prices during the 2020, 2021, and 2022 BGS proceedings
- The BGS-RSCP Supplier is paid (or pays) the difference between the rate it pays for capacity and the capacity proxy price in that delivery year
- EDCs propose to set **capacity proxy prices** for the Delivery Years 2024/25 and 2025/26 and propose if the actual capacity price(s) are known **at least 5 business days** prior to the start of the Auction, the capacity proxy price(s) will be voided

**December 20, 2022**

2024/25 BRA results expected to be posted

**June 2023**

2025/26 BRA expected opening date

# CUSTOMER RATES BASED ON AUCTION PRICES

- The EDCs' rate design allows BGS rates to be market-based and reflect auction prices
  - **BGS-RSCP:** Auction price determines customer rates for an EDC; transmission is charged separately
  - **BGS-CIEP:** Auction determines a final CIEP price which customers pay based on their capacity obligation; customer charged for other components of supply separately
- The rate design is part of the EDCs' Proposal and would be approved in advance by the Board

# TIMELINE OF PRELIMINARY POSTINGS AND COMMENT PROCESS

<b>October 06, 2022</b>	Illustrative Part 1 and Draft Part 2 Application Forms posted
<b>October 25, 2022</b>	Deadline for Expression of Interest in Alternate Guaranty Process
<b>October 25, 2022</b>	Deadline to propose modifications to the standard form of the Pre-Auction and Post-Auction Letters of Credit
<b>November 02, 2022</b>	Auction Manager responds to parties proposing modifications to the Letters of Credit
<b>November 04, 2022</b>	Posting of modifications to the Letters of Credit that are acceptable on an optional basis
<b>November 11, 2022</b>	Statewide minimum and maximum starting prices announced
<b>November 2022 (Expected)</b>	Board decision on Auction proposal
<b>December 13, 2022</b>	Deadline to submit the Part 1 Application

# OPPORTUNITY TO COMMENT ON LETTERS OF CREDIT

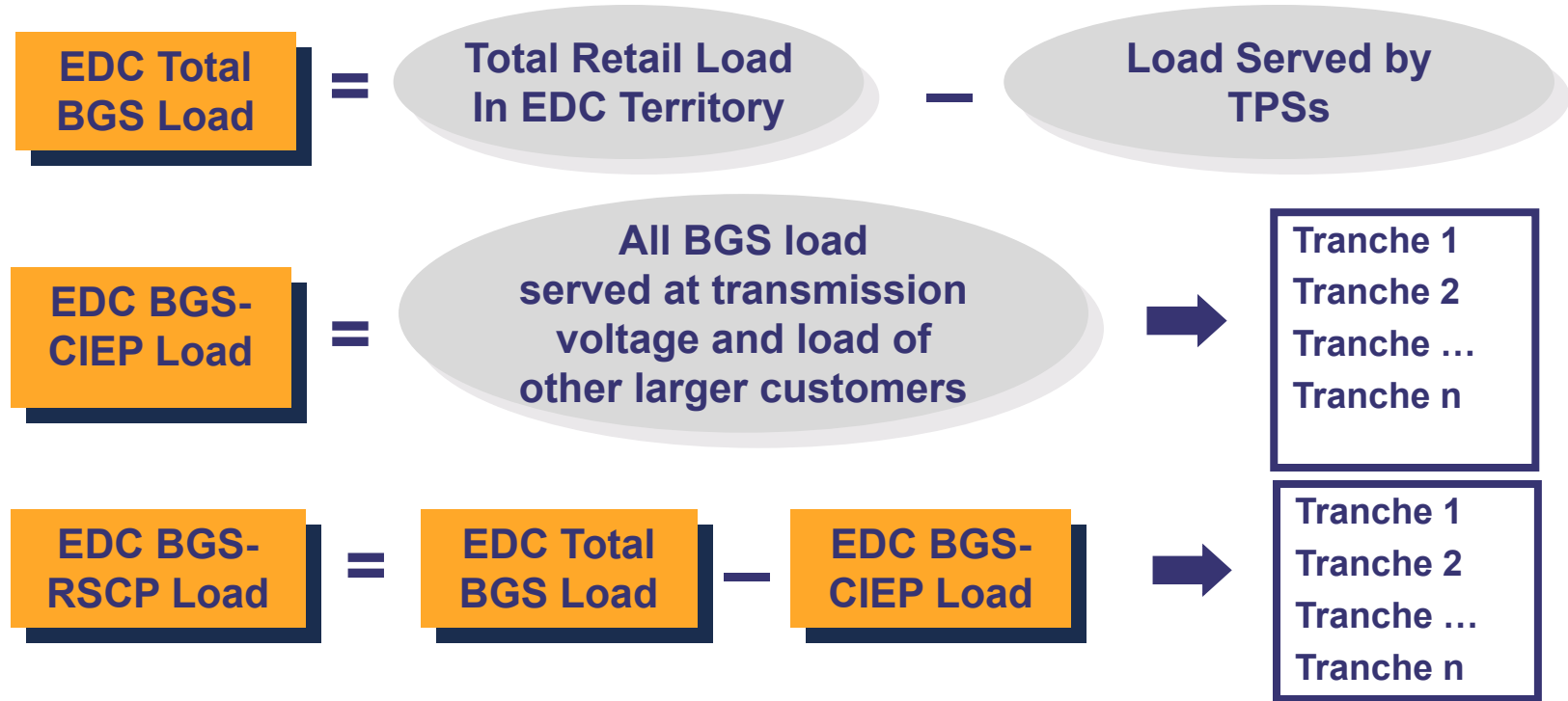
- Bidders may comment on a draft **electronic** Pre-Auction Letter of Credit that will be available on the Contract and Credit page on October 06, 2022: <https://bgs-auction.com/bgs.bidinfo.cc.asp>
  - A hardcopy Pre-Auction Letter of Credit will not be used during the 2023 Auctions
- Draft Post-Auction Letter of Credit is also available for comment
- Bidders propose modifications by submitting a redline of these documents in Microsoft Word by the deadline of **Tuesday, October 25, 2022**



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## 2. PRODUCTS AND RATES

# LOAD DIVIDED INTO TRANCHES



- BGS customers are **free to come and go from BGS** with appropriate **notice to the EDC (13 days before** next scheduled meter reading date)
- BGS Suppliers are **Load Serving Entities** for a percentage of an EDC's load

# THE BGS-RSCP PRODUCTS

- The RSCP load is expected to be about 4,655 MW on an eligible basis
- A **tranche** is a fixed percentage of BGS-RSCP Load for an EDC that represents about 100 MW on an eligible basis
- The EDCs propose a statewide load cap as well as EDC-specific load caps

Tranche Targets and Sizes				
EDC	RSCP Peak Load Share (MW)	Tranche Target	Tranche Size (%)	MW-Measure (MW)
PSE&G	2,513.28	28	1.18	89.76
JCP&L	1,254.60	15	1.82	83.64
ACE	724.40	8	4.55	90.55
RECO	164.42	2	25.00	82.21

# BGS-RSCP CUSTOMER RATES BASED ON AUCTION PRICES

- **Auction prices determine an average cost** for each EDC
  - **Seasonally-adjusted:** average of winter and summer costs
  - **Tranche-weighted:** average of prices from three auctions
- A ratio translates average cost into rate for a particular class:
  - All classes have seasonal rates
  - Some classes also have time-of-day rates
- Customers will also pay an **EDC-specific transmission charge**

# BGS-RSCP SUPPLIER ROLE AND RISKS

- Under the EDCs' Proposal, BGS-RSCP Suppliers will provide a **full requirements product** which includes energy, capacity, ancillary services, fulfillment of the obligations under the RPS, and any other services as may be required by PJM
- BGS-RSCP Suppliers for an EDC are **paid the final auction price** for that EDC for each kWh of load served
- BGS-RSCP Suppliers assume the **risks** of providing the full requirements product

## Role

- Aggregate supply portfolio from wholesale sources
- Assess and price load variability, market price volatility, and migration risk
- Provide price-risk management services

## Risks

- Migration risk
- Load and weather risks
- Longer-term changes to RSCP class composition
- Change to rate design
- Change to RPS

# EDCs' PROPOSAL TO SET CAPACITY PROXY PRICES

EDC	2024/25 Capacity Proxy Price (\$/MW-day)	2025/26 Capacity Proxy Price (\$/MW-day)
PSE&G	66.38	44.63
JCP&L	66.38	44.63
ACE	66.38	44.63
RECO	66.38	44.63

- In addition to the auction price, winning BGS-RSCP suppliers may be paid (or may pay) the **difference between the rate paid** by BGS-RSCP suppliers for capacity **and the Capacity Proxy Price** for the 2024/2025 and/or the 2025/2026 delivery years
- These additional payments occur only during the applicable delivery year
- These provisions are provided in **Supplements A and B** to the BGS-RSCP SMA
  - Supplements take effect only if results for a BRA for a delivery year are not known at least five (5) business days prior to the BGS-RSCP Auction

# THE BGS-CIEP PRODUCTS

- The CIEP load is expected to be about 2,720 MW on an eligible basis
- A **tranche** is a fixed percentage of BGS-CIEP Load for an EDC that represents approximately 75 MW on an eligible basis

Tranche Targets and Sizes (provisional)				
EDC	CIEP Peak Load Share (MW)	Number of Tranches	Tranche Size (%)	MW-Measure (MW)
PSE&G	1,630.00	22	4.55	74.09
JCP&L	744.10	10	10.00	74.41
ACE	297.50	4	25.00	74.38
RECO	51.18	1	100.00	51.18

# BGS-CIEP CUSTOMER RATES BASED ON AUCTION PRICES

- Auction determines a final CIEP price which **customers pay** based on their capacity obligation
- **BGS-CIEP Customers also pay:**
  - The real-time **hourly spot price** for energy
  - A pre-determined EDC-specific **ancillary services rate**
  - An **EDC-specific transmission charge**
- All CIEP customers pay the **CIEP standby fee**



# BGS-CIEP SUPPLIER REWARDS AND RISKS

- **Supplier** provides full requirements service with energy priced at the real-time market
- **Supplier is paid the auction-determined CIEP price** for the BGS-CIEP customers' capacity obligation, the **CIEP standby fee** levied on all CIEP customers at retail meter, the real-time hourly spot **price for energy** at the EDC zone, and **pre-determined EDC-specific rates** for ancillary services

## Rewards

- Stable revenue on entire CIEP customer base via CIEP Standby Fee
- Ability to arbitrage day-ahead and real-time markets

## Risks

- Migration risks
- Ancillary services cost risk
- Change to RPS

# BGS-RSCP AND BGS-CIEP

## COMPLIANCE WITH RPS

- BGS Suppliers are responsible for fulfilling RPS during the supply period
  - Compliance with Class I and II requirements and solar must be demonstrated using **RECs** issued by PJM-EIS GATS
  - Suppliers must **register into GATS** and open a Retail LSE Account to be able to transfer RECs and SRECs to the EDCs
- TRECs are retired into the Administrator's GATS account and **reduce Class I requirements** on a 1-to-1 basis
  - TRECs do not count toward SREC requirements
  - The EDCs expect SREC-IIs to be administered in the same way as TRECs

### 3. OVERVIEW: BIDDING IN THE AUCTIONS

# PROPOSED AUCTION FORMAT IS A CLOCK AUCTION

- **Multi-product** design
  - Tranches for all EDCs are procured at once
- **Multi-round** design: bidding proceeds in rounds
  - Suppliers state how many tranches they want to supply at prices suggested by the Auction Manager
  - Prices tick down if there is excess supply
  - Suppliers can switch their bids from one EDC to another

## BGS-RSCP

“Price” is a ¢/kWh all-in price

## BGS-CIEP

“Price” is a \$/MW-day CIEP Price

# RSCP EXAMPLE: PRICES TICK DOWN WHEN THERE IS EXCESS SUPPLY

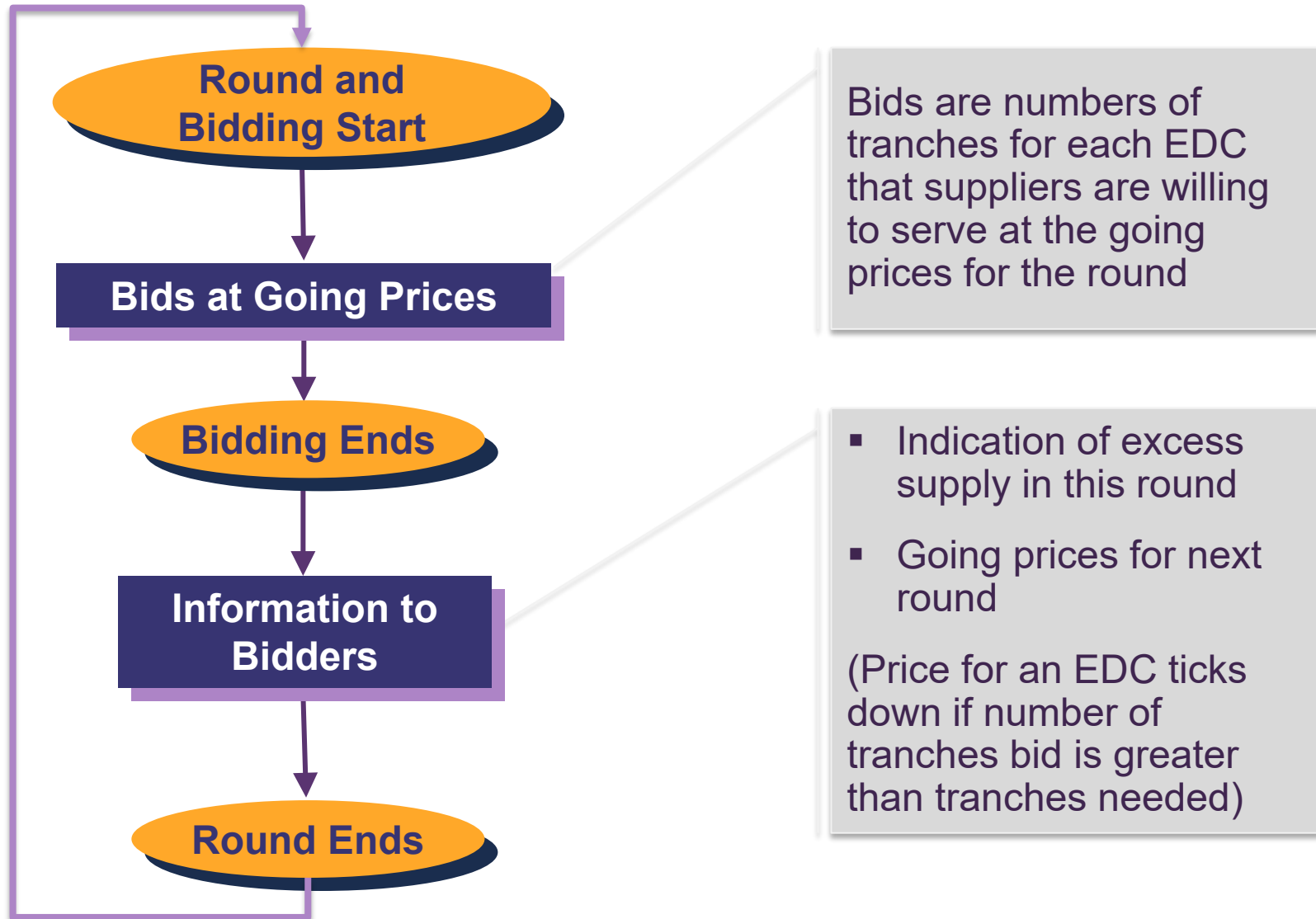
Round 1					
EDC	Price (¢/kWh)	#bid	#to buy	Excess Supply	Oversupply Ratio
PSE&G	11.500	78	28	50	0.714
JCP&L	11.500	32	15	17	0.243
ACE	11.500	10	8	2	0.036
RECO	11.500	2	2	0	0.000

Round 2					
EDC	Price (¢/kWh)	#bid	#to buy	Excess Supply	Oversupply Ratio
PSE&G	10.925	60	28	32	0.533
JCP&L	11.155	35	15	20	0.333
ACE	11.328	10	8	2	0.036
RECO	11.500	6	2	4	0.100

# FOUR MAIN AUCTION FEATURES

- **Offers are binding:** If the price on an EDC is not reduced in a round, a bidder cannot reduce the number of tranches bid on that EDC
- **Total number of tranches bid cannot increase:** Bidders can maintain or reduce their total number of tranches bid, but bidders cannot increase the total number of tranches bid from one round to the next
- **Auction closes on all EDCs at once:** Winners are determined for all EDCs at once within each auction
- **Uniform price:** All winners on an EDC receive the same price

# TYPICAL ROUND



# ROUND 1 BID AND POSSIBLE VOLUME REDUCTION

- In round 1, **a bid** is a number of tranches for each EDC
- Volume is reduced if it is necessary to do so to ensure competitiveness of bidding environment
  - Whether an adjustment is necessary is decided on the basis of interest in the first round of bidding
- If volume must be reduced, it is reduced to:  
**$$[\# \text{ tranches bid}] / [\text{target eligibility ratio}]$$**
- Ensures sufficient tranches bid for each tranche to be procured



# BIDDING IN SUBSEQUENT ROUNDS

- **In response to reduced prices**, bidders
  - Leave bids unchanged
  - Or if price for an EDC has ticked down, reduce the number of tranches they wish to provide for that EDC by
    - Withdrawing tranches from Auction
    - Bidding those tranches on one other or several other EDCs (switching)
- Bidders cannot increase the total number of tranches on which they bid

# SAMPLE ROUND REPORT FOR BGS-CIEP

- Each bidder also gets an individual report about the bidder's own bids
- A bidder has no information about bids or eligibilities of other bidders

Round Report: Round 5	
Total Excess Supply: 76-80	
EDC	Round 6 Price \$/MW-day
PSE&G	470.45
JCP&L	470.45
ACE	454.13
RECO	454.13

# AUCTION CLOSES

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- Auction closes on **all EDCs at once**
  - Bidding must have stopped on all EDCs
  - Total excess supply is zero
- **Same final price** for all winners of a given EDC

# POST-AUCTION

- **Board renders a decision** on auction results within two business days of close of last Auction
  - The Board has the option of rendering a decision on the results of each Auction at different times
- **If Board accepts results: SMAs executed within three business days of Board decision**
  - If any security is required under the creditworthiness standards of the Agreement, it is posted upon execution of the Agreement
  - Pre-auction security “expires” upon execution of the Agreement
- Power flows on **June 1, 2023**

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## 4. AUCTION PROCESS

# BOARD ORDER IS FINAL WORD ON PROCESS

**Approved Rules, Agreements, process and terms may be different than presented here**

- Board will decide on all aspects of the EDCs' Proposal
- Board Order will determine if EDCs' Proposal is approved or how it may be amended
- **Bidder is responsible** for reading all final documents which will be provided on the BGS Auction website

# AUCTION PROCESS: TENTATIVE CALENDAR

<b>Nov 2022 (Expected)</b>	Board Decision on EDCs' Proposal
<b>Nov 11, 2022</b>	Auction Manager announces minimum and maximum starting prices, tranche sizes, and load caps
<b>Nov 29, 2022</b>	Part 1 Application made available to Applicants
<b>Dec 13, 2022 By NOON</b>	Part 1 Application deadline (to become a Qualified Bidder)
<b>Jan 11, 2023 by NOON</b>	Part 2 Application deadline (to become a Registered Bidder)
<b>Jan 31, 2023</b>	Auction Manager informs Bidders registered in BGS-CIEP Auction of starting prices
<b>Feb 01, 2023</b>	Auction Manager informs Bidders registered in BGS-RSCP Auction of starting prices
<b>Feb 03, 2023</b>	BGS-CIEP Auction starts
<b>Feb 06, 2023</b>	BGS-RSCP Auction starts

# PART 1 AND PART 2 APPLICATIONS

- **Part 1 and Part 2 Applications** will be submitted via two separate online forms
- Returning bidders will receive an email with instructions on how to activate their account, but **NEW** bidders must request an account
- **General Requirements of Applications**
  - Provide information
  - Upload supporting documents, including “Inserts” (separate forms in Microsoft Word that Applicants complete and upload to the online form)
  - Make certifications regarding the Auction Rules and SMAs (Final versions of Auction Rules and SMAs are filed to be in compliance with the Board decision on the BGS Proposals)

<https://www.BGS-Application.com>



# PART 1 AND PART 2 APPLICATIONS

## Part 1 Application

- **Contact Information** for Applicant
- Authorized Representative and Nominees (“**Bidder Team**”)
- Name a **Legal Representative**
- Name a **Credit Representative**
- No state licensing required but BGS Supplier must be **LSE in PJM** by start of supply period
- **Financial Information** for Applicant and Guarantor (if applicable)

## Part 2 Application

- **Indicative Offer** (number of tranches at the Minimum and Maximum Starting Prices)
- Provide **Pre-Auction Security** proportional to indicative offer at maximum starting price
- **BGS-CIEP: \$375,000 per tranche**
- **BGS-RSCP: \$500,000 per tranche** (Some Qualified Bidders provide additional security: Letter of Reference or Letter of Intent to Provide a Guaranty)

<https://www.BGS-Application.com>

# LETTERS OF CREDIT COMMENT PROCESS TIMELINE

- Potential bidders are invited to **propose modifications**
- Comments (clearly **redlined** in Microsoft Word) must be submitted by email to the BGS Auction Manager at the following address:  
[BGS-Auction@nera.com](mailto:BGS-Auction@nera.com)
- For **each proposed modification**, the EDCs will
  - Revise the standard form; or
  - Approve the use of the modification on an optional basis; or
  - Reject the proposed modification

<b>October 25, 2022</b>	Deadline to provide comments
<b>November 02, 2022</b>	Potential bidders will receive individual responses to their comments
<b>November 04, 2022</b>	BGS Auction Manager will post all modifications that are acceptable on an optional basis

# ALTERNATE GUARANTY PROCESS

- For potential bidders that may have corporate policies that prevent them from using the standard form of guaranty appended to the SMA
- Potential bidders planning to participate in the alternate guaranty process must provide an expression of interest to the Auction Manager by Tuesday, **October 25, 2022**
  - Additional deadlines and requirements will be made available to parties that express interest
- There is a specified **list of minimum requirements** that any alternate form of guaranty must satisfy (<https://www.bgs-auction.com/bgs.bidinfo.cc.asp>)
- In particular, the alternate form of guaranty must be for unlimited liability (while the standard guaranty has a liability limit)

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5. BGS AUCTION WEBSITE  
AND OTHER SOURCES OF  
INFORMATION

# BGS AUCTION WEBSITE FEATURES

- **BGS Auction website:** [www.bgs-auction.com](http://www.bgs-auction.com)
- **Announcements** (upcoming deadlines and events)
- **Frequently Asked Questions**
- **Auction documents**
  - Auction Rules
  - Supplier Master Agreements
- **BGS Data Room**
  - Eligible Hourly Load & Eligible Peak Load Allocation
  - BGS Hourly Load & BGS Peak Load Allocations
  - Switching Statistics (data on customer migration when customers switch from taking BGS to taking service from a Third Party Supplier)

# BIDDER QUESTIONS

- Questions may be submitted to the Auction Manager
  - Via web form at:  
<https://www.bgs-auction.com/bgs.contactus.question.asp>
  - By email: [BGS-Auction@nera.com](mailto:BGS-Auction@nera.com)
- When needed, the Auction Manager will direct questions to appropriate EDC representatives (e.g., data questions)
- Answers will be routed back through the Auction Manager
- Questions and answers are posted to BGS Auction website **on a rolling basis**

# PJM WEBSITE IMPORTANT SOURCE OF INFORMATION

- Home page:  
<https://pjm.com/>
- Reliability Pricing Model  
<https://pjm.com/markets-and-operations/rpm>
- PJM OASIS  
<https://pjm.com/markets-and-operations/etools/oasis>
- PJM-EIS GATS  
<https://pjm-eis.com/>

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