

## 2023 BGS Auctions

01 February 2023

### DISCLAIMER

**This document is provided for bidder convenience only. 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.**

### 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)).

***BGS Suppliers winning tranches at the 2023 BGS Auctions are no longer subject to the incremental solar obligations arising from the CEA.***

BGS Suppliers are responsible for meeting New Jersey’s RPS requirements for solar electric generation, Class I renewable energy, and Class II renewable energy. The RPS requirements for June 1, 2023 through May 31, 2026 are as follows:

Energy Year	Solar	Class I	Class II
2024 (ending May 31, 2024)	4.90%	27.00%	2.50%
2025	4.80%	35.00%	2.50%
2026	4.50%	38.00%	2.50%

The New Jersey Electric Distribution Companies (“EDCs”)<sup>1</sup> apply the RPS percentages specified by the Board of Public Utilities (“BPU”) to energy supplied by the BGS Supplier and hence, apply the RPS percentages to energy that includes distribution and transmission losses and is de-rated by the marginal loss factor. To determine the energy that a Load Serving Energy must supply, PJM uses loss-loaded schedules and de-rates these schedules by marginal losses to arrive at energy settlement values. The factors used in de-rating are determined for each hour for each EDC by PJM and are available in the BGS Data Room. When calculating the BGS Supplier’s obligations under the RPS, each EDC applies the RPS percentages to the values from the PJM settlement, which are also the values for settlement under the BGS Supplier Master Agreement, and which are equal to the energy that a BGS Supplier must provide.

Compliance with Offshore Wind Renewable Energy Certificate (“OREC”) obligations, compliance with Transition Renewable Energy Certificate (“TREC”) obligations, and compliance with SREC-II obligations arising from New Jersey’s Solar Successor Incentive Program (“SuSI”) are also a component of the Class I obligation for BGS Suppliers.

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<sup>1</sup> The four (4) New Jersey 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”).

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The TREC and SREC-II Program Administrator, InClimate Inc, will purchase TRECs and SREC-IIs on a monthly basis from eligible system owners with accounts on PJM-EIS GATS. TRECs and SREC-IIs will be retired to the EDCs' joint GATS account and BPU Staff will allocate them to BGS Suppliers annually based on the BGS Supplier's market share of electricity supplied during an energy year.<sup>2</sup> Allocation of the statewide TREC obligation and the statewide SREC-II obligation to suppliers will follow the method set forth in N.J.A.C. 14:8-2.3 (r) and (t).

The eligibility requirements established by the Regulations for RECs and SRECs are as follows:

1. SRECs may be used to meet the solar requirement or the Class I requirement;
2. Retired TRECs and SREC-IIs will serve as a carve-out of the Class I requirement;
3. Retired ORECs will serve as a carve-out of the Class I requirement;
4. 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
5. Class II RECs can only be used to meet Class II requirements.

**Below is an illustrative example that follows the BGS Auction Manager's understanding of the Regulations relating to a BGS Supplier's Class I obligation. 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 for electricity sales, to TREC retirements, or to SREC-II retirements. As of February 1, 2023, the awarded qualified offshore wind projects are not yet online and OREC retirements have been excluded from the numerical example below. Information regarding New Jersey's Offshore Wind Program including estimated COD dates for awarded projects is available at <https://njoffshorewind.com/>. ORECs that are transferred to BGS Suppliers would also reduce a BGS Supplier's Class I obligation as explained after the example.**

New Jersey's Division of Clean Energy provides retail sales figures and instructions for calculating RPS obligations of BGS Suppliers through Energy Year ("EY") 2022 on their website: <https://njcleanenergy.com/renewable-energy/program-updates/rps-compliance-reports>

### EXAMPLE 2023 BGS AUCTIONS WINNER

Q: Can you please provide an example calculation of the Class I obligations for a BGS Supplier winning in the 2023 BGS Auctions taking into consideration solar, TREC, and SREC-II obligations? Can you confirm that retired ORECs transferred to a BGS Supplier would also reduce a BGS Supplier's Class I obligations?

A: For illustrative purposes, suppose that Supplier A serves 2,000,000 MWh of electricity in EY24, EY25 and EY26 as a result of winning in the 2023 BGS-RSCP Auction and 500,000 MWh of electricity in EY24 as a result of winning in the 2023 BGS-CIEP Auction. In total Supplier A is serving 2,500,000 MWh of electricity in EY24 and 2,000,000 MWh of electricity in EY25 and EY26. Supplier A's market share of electricity supplied during EY24 is 5% (2,500,000 MWh ÷ 50,000,000 MWh) and during EY25 and EY26 is 4% (2,000,000 MWh ÷ 50,000,000 MWh).

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<sup>2</sup> TREC and SREC-II obligations are not known until the conclusion of each energy year when the volume of retail sales subject to the RPS has been determined.

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Suppose that the total BGS retail electricity sales and total electricity retail sales are as follows:

Energy Year	Total BGS Retail Electricity Sales (MWh)	Total Retail Electricity Sales (MWh)
2024	33,000,000	50,000,000
2025	33,000,000	50,000,000
2026	33,000,000	50,000,000

Suppose also that the total TREC and SREC-II retirements are as follows:

Energy Year	Total TREC Retirements	Total SREC-II Retirements
2024	450,000	100,000
2025	450,000	100,000
2026	450,000	100,000

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

### EY24

Supplier A is responsible for the total Class I obligation. Supplier A is serving 2,500,000 MWh of electricity in EY24 for which the applicable percentage is 27.00% resulting in a total Class I obligation requirement of 675,000 MWh ( $2,500,000 * 27.00\%$ ).

- The Class I obligation is reduced by the solar obligations associated with the supplier's electricity in EY24 of 122,500 MWh ( $2,500,000 * 4.90\%$ ).
- The Class I obligation is reduced by 22,500 MWh which is the supplier's share of TRECs retired by the Program Administrator for EY24 ( $450,000 * 5.00\%$ ).
- The Class I obligation is reduced by 5,000 MWh which is the supplier's share of SREC-IIs retired by the Program Administrator for EY24 ( $100,000 * 5.00\%$ ).

Supplier A's Class I obligation for EY24 is thus 525,000 MWh ( $675,000 \text{ MWh} - 122,500 \text{ MWh} - 22,500 \text{ MWh} - 5,000 \text{ MWh}$ ).

### EY25

Supplier A is responsible for the total Class I obligation. Supplier A is serving 2,000,000 MWh of electricity in EY25 for which the applicable percentage is 35.00% resulting in a total Class I obligation requirement of 700,000 MWh ( $2,000,000 * 35.00\%$ ).

- The Class I obligation is reduced by the solar obligations associated with the supplier's electricity in EY25 of 96,000 MWh ( $2,000,000 * 4.80\%$ ).
- The Class I obligation is reduced by 18,000 MWh which is the supplier's share of TRECs retired by the Program Administrator for EY25 ( $450,000 * 4.00\%$ ).
- The Class I obligation is reduced by 4,000 MWh which is the supplier's share of SREC-IIs retired by the Program Administrator for EY25 ( $100,000 * 4.00\%$ ).

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Supplier A's Class I obligation for EY25 is thus 582,000 MWh (700,000 MWh – 96,000 MWh – 18,000 MWh – 4,000 MWh).

### EY26

Supplier A is responsible for the total Class I obligation. Supplier A is serving 2,000,000 MWh of electricity in EY26 for which the applicable percentage is 38.00% resulting in a total Class I obligation requirement of 760,000 MWh (2,000,000 \* 38.00%).

- The Class I obligation is reduced by the solar obligations associated with the supplier's electricity in EY26 of 90,000 MWh (2,000,000 \* 4.50%).
- The Class I obligation is reduced by 18,000 MWh which is the supplier's share of TRECs retired by the Program Administrator for EY26 (450,000 \* 4.00%).
- The Class I obligation is reduced by 4,000 MWh which is the supplier's share of SREC-IIs retired by the Program Administrator for EY26 (100,000 \* 4.00%).

Supplier A's Class I obligation for EY26 is thus 648,000 MWh (760,000 MWh – 90,000 MWh – 18,000 MWh – 4,000 MWh).

### Additional Information Regarding OREC Obligations:

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.