

2024 BGS Auctions

December 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

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 2024 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, 2024 through May 31, 2027 are as follows:

Energy Year	Solar	Class I	Class II
2025 (ending May 31, 2025)	4.80%	35.00%	2.50%
2026	4.50%	38.00%	2.50%
2027	4.35%	41.00%	2.50%

The New Jersey Electric Distribution Companies (“EDCs”)¹ 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 derated by the marginal loss factor. To determine the energy that a Load Serving Entity must supply, PJM uses loss-loaded schedules and derates these schedules by marginal losses to arrive at energy settlement values. The factors used in deration 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 Transition Renewable Energy Certificate (“TREC”) obligations and compliance with SREC-II obligations arising from New Jersey’s Solar Successor Incentive Program (“SuSI”) are a component of the Class I obligation for BGS Suppliers. Compliance with offshore wind obligations is also a component of the Class I obligation for BGS Suppliers.

¹ 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.² 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. At this time, Offshore Renewable Energy Certificates ("ORECs") are excluded from this example because Ørsted AS, the developer of the winning projects from New Jersey's first two wind solicitations, is ceasing development of its Ocean Wind 1 and Ocean Wind 2 projects.³ 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") 2023 on their website: <https://njcleanenergy.com/renewable-energy/program-updates/rps-compliance-reports>

EXAMPLE 2024 BGS AUCTIONS WINNER

Q: Can you please provide an example calculation of the Class I obligations for a BGS Supplier winning in the 2024 BGS Auctions taking into consideration solar, TREC, and SREC-II obligations?

A: For illustrative purposes, suppose that Supplier A serves 3,000,000 MWh of electricity in EY25, EY26 and EY27 as a result of winning in the 2024 BGS-RSCP Auction and 500,000 MWh of electricity in EY25 as a result of winning in the 2024 BGS-CIEP Auction. In total Supplier A is serving 3,500,000 MWh of electricity in EY25 and 3,000,000 MWh of electricity in EY26 and EY27. Supplier A's market share of

² 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.

³ On October 31, 2023, Ørsted AS, the parent company of Ocean Wind LLC, issued a press release indicating that it would not be moving forward with the Ocean Wind 1 and Ocean Wind 2 projects. See: <https://us.orsted.com/news-archive/2023/10/orsted-ceases-development-of-ocean-wind-1-and-ocean-wind-2>.

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electricity supplied during EY25 is 5% (3,500,000 MWh ÷ 70,000,000 MWh) and during EY26 and EY27 is 4.29% (3,000,000 MWh ÷ 70,000,000 MWh).

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)
2025	45,000,000	70,000,000
2026	45,000,000	70,000,000
2027	45,000,000	70,000,000

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

Energy Year	Total TREC Retirements	Total SREC-II Retirements
2025	800,000	100,000
2026	800,000	100,000
2027	800,000	100,000

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

EY25

Supplier A is responsible for the total Class I obligation. Supplier A is serving 3,500,000 MWh of electricity in EY25 for which the applicable percentage is 35.00% resulting in a total Class I obligation requirement of 1,225,000 MWh (3,500,000 * 35.00%).

- The Class I obligation is reduced by the solar obligations associated with the supplier's electricity in EY25 of 168,000 MWh (3,500,000 * 4.80%).
- The Class I obligation is reduced by 40,000 MWh which is the supplier's share of TRECs retired by the Program Administrator for EY25 (800,000 * 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 EY25 (100,000 * 5.00%).

Supplier A's Class I obligation for EY25 is thus 1,012,000 MWh (1,225,000 MWh – 168,000 MWh – 40,000 MWh – 5,000 MWh).

EY26

Supplier A is responsible for the total Class I obligation. Supplier A is serving 3,000,000 MWh of electricity in EY26 for which the applicable percentage is 38.00% resulting in a total Class I obligation requirement of 1,140,000 MWh (3,000,000 * 38.00%).

- The Class I obligation is reduced by the solar obligations associated with the supplier's electricity in EY26 of 135,000 MWh (3,000,000 * 4.50%).
- The Class I obligation is reduced by 34,320 MWh which is the supplier's share of TRECs retired by the Program Administrator for EY26 (800,000 * 4.29%).

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- The Class I obligation is reduced by 4,290 MWh which is the supplier's share of SREC-IIs retired by the Program Administrator for EY26 ($100,000 * 4.29\%$).

Supplier A's Class I obligation for EY26 is thus 966,390 MWh ($1,140,000 \text{ MWh} - 135,000 \text{ MWh} - 34,320 \text{ MWh} - 4,290 \text{ MWh}$).

EY27

Supplier A is responsible for the total Class I obligation. Supplier A is serving 3,000,000 MWh of electricity in EY27 for which the applicable percentage is 41.00% resulting in a total Class I obligation requirement of 1,230,000 MWh ($3,000,000 * 41.00\%$).

- The Class I obligation is reduced by the solar obligations associated with the supplier's electricity in EY27 of 130,500 MWh ($3,000,000 * 4.35\%$).
- The Class I obligation is reduced by 34,320 MWh which is the supplier's share of TRECs retired by the Program Administrator for EY27 ($800,000 * 4.29\%$).
- The Class I obligation is reduced by 4,290 MWh which is the supplier's share of SREC-IIs retired by the Program Administrator for EY27 ($100,000 * 4.29\%$).

Supplier A's Class I obligation for EY27 is thus 1,060,890 MWh ($1,230,000 \text{ MWh} - 130,500 \text{ MWh} - 34,320 \text{ MWh} - 4,290 \text{ MWh}$).

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. As currently proposed, 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 offshore wind projects monthly. Upon receipt of payment, developers of offshore wind projects will transfer the ORECs to the suppliers' accounts so that the ORECs 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.