

## B. ACTIVITIES PRIOR TO BOARD ORDER

**Companion Document:** Section C.2 of the [BGS Auction Process](#) Chapter of the October Bidder Information Materials is a **companion document** that provides a timeline and brief overview of activities prior to the Board Decision. This chapter updates the content of the companion document by describing the activities prior to the Board Order.

*This chapter is provided for bidder convenience only. Any statements herein describing activities prior to the New Jersey Board of Public Utilities (“Board” or BPU”) decision on the BGS Auction Process are summaries only and are qualified in their entirety by the [Comment Process on the Letters of Credit](#), the [Alternate Guaranty Process](#) document, as well as announcements posted the BGS Auction website. Bidders bear full responsibility for reviewing in detail the original documents referred to or summarized in this chapter.*

The 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”).

### B.1. Processes on Credit Instruments

#### *Credit Instruments*

All credit instruments described in this section are available on the [contract and credit](#) page of the BGS Auction website.

A *Pre-Auction Letter of Credit* is due with the Part 2 Application for each auction for which a Qualified Bidder applies. The Pre-Auction Letter of Credit is used to support the Qualified Bidder’s indicative offer.

BGS Suppliers must provide financial guarantees under the terms of each BGS Supplier Master Agreement (“SMA”). Bidders may, for this purpose, use the *Post-Auction Letter of Credit*. The standard form of the Post-Auction Letter of Credit is included as Appendix B to the BGS-CIEP SMA and as Appendix C to the BGS-RSCP SMA. BGS Suppliers may also rely on the financial standing of a guarantor. A BGS Supplier may utilize the *standard form of guaranty* included as Appendix C to the BGS-CIEP SMA and as Appendix D to the BGS-RSCP SMA for that purpose.

#### *Comment Processes*

Potential bidders not wishing to use the standard form of guaranty could express interest in proposing an alternate form of guaranty for the EDCs’ consideration. Any alternate form was required to satisfy the minimum requirements outlined in the [Alternate Guaranty](#)

[Process](#) document posted to the [contract and credit](#) page of the BGS Auction website. The Auction Manager issues a schedule for this process upon receiving expressions of interest.

A [Comment Process on the Letters of Credit](#) was held for potential bidders to submit comments on and propose modifications to the Pre-Auction Letter of Credit and the Post-Auction Letters of Credit.

Potential bidders submitted comments on the letters of credit by providing a redline of the letters of credit in Microsoft Word to the Auction Manager. Potential bidders could include explanatory notes as part of their submissions. For each modification proposed to a letter of credit, the EDCs could:

- accept the modification and revise the standard form of the letter of credit; or
- approve the use of the modification on an optional basis; or
- reject the proposed modification.

The Auction Manager, on behalf of a review committee consisting of EDC representatives and representatives from the Auction Manager, responded individually to each potential bidder with the results of the review of the potential bidder's proposed modifications.

### ***Results of Comment Process on the Letters of Credit***

The EDCs accepted modifications to the letters of credit that bidders may adopt on an optional basis. No revisions were made to the standard forms of the letters of credit as a result of the comment process. The final letters of credit and the lists of acceptable modifications to the letters of credit were posted to the [contract and credit](#) page of the BGS Auction website on November 2, 2022.

## **B.2. Information Releases**

The Auction Manager released information and documents to potential bidders in the period between August and the Board Order. These information releases included posting the first set of FAQs, materials related to the first bidder information webcast, and announcement of auction parameters. These are described in more detail below.

### ***First FAQs***

Throughout the Auction Process, the Auction Manager answers questions that are submitted by potential bidders online via the [Ask A Question](#) form or by email to [BGS-Auction@nera.com](mailto:BGS-Auction@nera.com). Questioners receive a response individually by email and then the question and answer are posted as an FAQ to the BGS Auction website for the benefit of all potential bidders. FAQs are sorted by date and are available by topic.

On Thursday, August 11, 2022, a first set of FAQs was posted to the [FAQs](#) page of the BGS Auction website. FAQs continue to be posted on a rolling basis throughout the Auction Process until bidders are registered for bidding in the auctions (at which point FAQs are sent to these Registered Bidders only). Potential bidders are encouraged to check this page frequently in order to keep informed about the BGS Auctions.

### ***October Webcast Materials***

The first bidder information webcast was held on Friday, October 7, 2022 to review the EDCs' Joint Proposal and changes to the Auction Process proposed by the EDCs. Additional topics covered by the Auction Manager during the webcast included:

- a description of the auctions and bidding procedures;
- a description of the responsibilities for BGS Suppliers;
- an overview of past auctions; and
- an overview of the online application process.

The webcast presentation and corresponding audio file are posted to the [webcast materials](#) page of the BGS Auction website.

Bidder Information Materials that expanded upon the topics covered during the webcast were also posted to the [webcast materials](#) page of the BGS Auction website. These Bidder Information Materials include the following chapters:

- [Chapter A: Past BGS Auctions](#) – This chapter describes tranches available, final prices, and winners from the 2020, 2021, and 2022 BGS Auctions.
- [Chapter B: Elements of the EDCs' Proposal](#) – This chapter describes elements of the EDCs' "Proposal for Basic Generation Service Requirements to Be Procured Effective June 1, 2023" ("EDC Proposal") filed with the Board on July 1, 2022. The chapter reviews key elements of the EDCs' proposal including the Joint proposal, SMAs, Auction Rules, and Company Specific Addenda.
- [Chapter C: BGS Auction Process](#) – This chapter generally describes the Auction Process and provides calendars for events that occur throughout the Auction Process. Chapter C is broken down into several activities (each of which is further described in these Bidder Information Materials):
  - *Section C.1. Regulatory Proceeding* – This section provides a description and timeline of events of the regulatory process that occurs as part of the BGS Auction Process. Section C.1. is a companion document to Chapter A of these Bidder Information Materials.

- *Section C.2. Activities Prior to Board Decision* – This section provides a description and timeline of events occurring prior to the issuance of the Board Decision. Section C.2. is a companion document to Chapter B of these Bidder Information Materials.
- *Section C.3. Application Process* – This section provides a description and timeline of events for the BGS Application Process. Section C.3. is a companion document to Chapter C of these Bidder Information Materials.
- *Section C.4. Bidder Training and Additional Information Releases* – This section provides a description and timeline of events for bidder training as well as information releases scheduled for after the Board Decision. Section C.4. is a companion document to Chapter D of these Bidder Information Materials.
- *Section C.5. Conduct of the Auctions* – This section provides a description of the descending clock auction format. Section C.5. is a companion document to Section E of these Bidder Information Materials.
- *Section C.6. Post-Auction Activities* – This section provides a description and timeline of events occurring after the auctions have taken place. Section C.6. is a companion document to Section F of these Bidder Information Materials.
- [Chapter D: RSCP Supplier Payments and Customer Rates](#) – This chapter describes the flow of supplier payments and the method by which customer rates are determined for the BGS-RSCP Auction.
- [Chapter E: CIEP Supplier Payments and Customer Rates](#) – This chapter describes the flow of supplier payments and the method by which customer rates are determined for the BGS-CIEP Auction.

### ***Auction Parameters***

On November 11, 2022, the Auction Manager announced key auction parameters for the BGS-CIEP and BGS-RSCP Auctions. For the BGS-CIEP Auction, the Auction Manager announced:

- the statewide load cap;
- the tranche target for each EDC;
- the size and MW-measure for each tranche; and
- the minimum and maximum starting prices.

The statewide load cap, which is the maximum number of tranches that a bidder can bid in the BGS-CIEP Auction and serve statewide, is **17 tranches**. This statewide load cap and the tranche targets (the number of tranches needed at the beginning of the auction), as announced for the BGS-CIEP Auction, are provided in the table below.

**Table B-1. BGS-CIEP Auction Parameters**

EDC	CIEP Peak Load Share (MW)	Tranche Target	Statewide Load Cap	Size of Tranche (%)	MW-Measure
PSE&G	1,635.54	22	17	4.55%	74.34
JCP&L	736.80	10		10.00%	73.68
ACE	334.30	4		25.00%	83.58
RECO	50.80	1		100.00%	50.80
<b>Total</b>	<b>2,757.44</b>	<b>37</b>	-	-	-

In the Part 2 Application, Qualified Bidders submit indicative offers at the maximum starting price and at the minimum starting price. For the BGS-CIEP Auction, the statewide minimum starting price is **\$355/MW-day** and the statewide maximum starting price is **\$460/MW-day**. In the first round of the BGS-CIEP Auction, prices for each EDC are set no lower than the minimum starting price and no higher than the maximum starting price.

On November 11, 2022, the Auction Manager also announced the following auction parameters for the BGS-RSCP Auction:

- the statewide load cap;
- EDC-specific load caps;
- tranche targets for each EDC;
- the size and MW-measure for each tranche; and
- the minimum and maximum starting prices.

The statewide load cap is **20 tranches** for the BGS-RSCP Auction. The tranche targets and the EDC load caps (the maximum number of tranches that a bidder can bid in the BGS-RSCP Auction and serve for an individual EDC) are provided in the table below.

**Table B-2. BGS-RSCP Auction Parameters**

<b>EDC</b>	<b>RSCP Peak Load Share (MW)</b>	<b>Tranche Target</b>	<b>EDC Load Cap</b>	<b>Size of Tranche (%)</b>	<b>MW-Measure</b>
PSE&G	2,521.40	28	13	1.18%	90.05
JCP&L	1,244.70	15	7	1.82%	82.98
ACE	715.60	8	3	4.55%	89.45
RECO	164.60	2	2	25.00%	82.30
<b>Total</b>	<b>4,646.30</b>	<b>53</b>	-	-	-

In the Part 2 Application, Qualified Bidders submit indicative offers at the maximum starting price and at the minimum starting price. For the BGS-RSCP Auction, the statewide minimum starting price is **12.00¢/kWh** and the statewide maximum starting price is **15.00¢/kWh**. In the first round of the BGS-RSCP Auction, prices for each EDC are set no lower than the minimum starting price and no higher than the maximum starting price.