

B. ELEMENTS OF THE EDCS' PROPOSAL

This chapter is provided for bidder convenience only. Any statements herein describing the EDCs' proposal are summaries only and are qualified in their entirety by the EDCs' "Proposal for Basic Generation Service Requirements to Be Procured Effective June 1, 2022" filed on July 1, 2021 with the New Jersey Board of Public Utilities as well as each EDC's Company Specific Addendum. These documents are available on the [BGS Proceeding](#) page of the Auction tab of the BGS Auction website. Bidders bear full responsibility for reviewing each EDC's Company Specific Addendum and accompanying attachments, as well as all documents filed as part of the EDCs' "Proposal for Basic Generation Service Requirements to Be Procured Effective June 1, 2022".

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. Key Components of the Proposal

In an Order dated April 7, 2021 initiating Docket No. ER 21030631, the New Jersey Board of Public Utilities ("Board" or "BPU") directed the EDCs to submit a proposal to procure BGS supply for the period beginning June 1, 2022. The EDCs' filing on July 1, 2021 was prepared in response to this Order. In this filing, the EDCs propose to conduct a statewide Auction that simultaneously seeks offers for all BGS Load in the state using the process, similar to the process that has been used successfully in past years. In particular, the EDCs propose to hold two Auctions concurrently (the BGS-RSCP Auction for residential and small commercial customers and the BGS-CIEP Auction for larger commercial and industrial customers). The EDCs' filing is available in its entirety on the [BGS Proceeding](#) page of the Auction tab of the BGS Auction website and includes:

- **Provisional Auction Rules** – The BGS-RSCP Auction Rules and the BGS-CIEP Auction Rules govern the conduct of the Auctions;
- **Supplier Master Agreements** – The BGS-RSCP Supplier Master Agreement and the BGS-CIEP Supplier Master Agreement are the standard contracts that describe the obligations of BGS Suppliers;
- **Company Specific Addenda** – The Company Specific Addenda are filed separately by each EDC and include information about each EDC's contingency plans, rate design, accounting and cost recovery, as well as draft tariffs; and
- **RSCP Pricing Factors** – The RSCP pricing factor spreadsheets are filed separately for each EDC and detail the development of BGS-RSCP retail rates.

B.2. EDC Responsibility for Unaccounted for Energy, Meter Corrections, and Inadvertent Energy

The EDCs are required to report to PJM the hourly load obligations for all suppliers serving load in their respective transmission zones including BGS Suppliers, third-party suppliers, and municipalities (if applicable). This monthly process involves, for each supplier, the development of estimated hourly load obligations (called the preliminary monthly energy allocation or “PMEA”) as well as the development of final hourly load obligations (called the final monthly energy allocation or “FMEA”). The EDCs derive the PMEAs and FMEAs by utilizing interval meter data (if available), or through the use of load profiles or load research data to estimate hourly loads (for PMEAs) or to derive hourly loads from billed monthly usage (for FMEAs). The EDCs currently include all actual losses consisting of both tariff losses and Unaccounted for Energy (“UFE”) in the derivation of the PMEAs and the FMEAs. UFE is the difference between an EDC’s system load (which is determined as the summation of all of the PJM-reported generation in the EDC’s transmission zone plus the net of the inflows and outflows over the transmission system for the zone) and the summation of all of the EDC’s customer loads (both shopping and non-shopping), grossed-up for tariff losses.

Related in concept to UFE, meter corrections involve adjustments and/or corrections to meter values used to derive an EDC’s system load, and inadvertent energy generally involves adjustments related to metered energy transferred between independent system operators (such as between PJM and NY ISO). Whereas UFE is incorporated in suppliers’ load obligations (MWh), meter corrections and inadvertent energy are settled financially with suppliers and are charged or credited to suppliers by PJM.

The EDCs propose to enhance the settlement process and reduce uncertainty to load obligations for suppliers by transferring the responsibility of UFE (in the FMEA) from suppliers to the EDCs. The EDCs further propose to transfer the responsibility for the costs and/or credits related to meter corrections and inadvertent energy from BGS Suppliers to the EDCs.

Modifications to the provisions of the BGS Supplier Master Agreements governing the parties’ responsibilities for UFE (in the FMEA), as well as meter corrections and inadvertent energy are being proposed to implement this change. The EDCs also propose that these same modifications be offered to BGS-RSCP Suppliers holding existing contracts expiring after June 1, 2022 on an optional basis through a UFE Amendment. The proposed changes are conditioned on all existing BGS-RSCP Suppliers executing the UFE Amendment.

Please see the [EDCs’ Joint Proposal](#) for more information.

B.3. BGS-RSCP Auction

Supply has already been procured for two-thirds of each EDC’s BGS-RSCP Load through previous auctions: one-third was procured in an auction held in February 2020 with a term ending May 31, 2023 and one-third was procured in an auction held in February 2021 with a term ending May 31, 2024. The EDCs propose that supply for the remaining one-third of each EDC’s BGS-RSCP Load be procured through a BGS-RSCP Auction held in February 2022 with a supply period from June 1, 2022 to May 31, 2025. Each EDC’s BGS-RSCP customers exclude customers in specific rate classes as well as customers with a peak load share of 500 kW or above as described in the table below.

Table B-1. Customers Excluded from BGS-RSCP and Included in BGS-CIEP

EDC	Rate Class	Customers
PSE&G	High Tension Service (high voltages)	All
	High Tension Service (subtransmission voltages)	All
	Large Power and Lighting, Primary Service	All
	Large Power and Lighting, Secondary Service	500 kW or greater
JCP&L	General Service Primary	All
	General Service Transmission	All
	General Service Secondary	500 kW or greater
	General Service Secondary Time-of-Day	500 kW or greater
ACE	Transmission General Service	All
	Annual General Service – Primary	500 kW or greater
	Annual General Service – Secondary	500 kW or greater
	Monthly General Service Primary	500 kW or greater
	Monthly General Service Secondary	500 kW or greater
RECO	Service Classification No. 7 – Primary TOU Service and Separately Metered Space Heating Service	All
	Service Classification No. 2 – General Service	500 kW or greater

“Tranches” for an EDC represent a fixed percentage of the EDC’s BGS-RSCP Load. Table B-2 below provides information about the tranches in the 2022 BGS-RSCP Auction.

Table B-2. Provisional Number of BGS-RSCP Tranches and MW-Measures

EDC	RSCP Peak Load Share (MW)	Tranche Targets	Size of Tranche (%)	MW-Measure
PSE&G	2,554.58	28	1.18%	91.24
JCP&L	1,622.60	18	1.89%	90.14
ACE	623.80	7	4.55%	89.11
RECO	91.07	1	25.00%	91.07

B.3.a. Capacity Price Uncertainty

During the 2020 and 2021 BGS proceedings the results for several Base Residual Auctions (“BRAs” or individually “BRA”) were not known prior to the start of the BGS-RSCP Auctions. The results for the BRAs had been postponed as the Federal Energy Regulatory Commission was considering PJM’s proposed changes to its capacity market. To alleviate this uncertainty, the EDCs proposed, and the Board approved, the use of a capacity proxy price for each EDC for those delivery years where the capacity price paid by BGS-RSCP Suppliers was not known prior to the BGS-RSCP Auction. BGS-RSCP Suppliers would be paid (or would pay) the difference between the price BGS-RSCP Suppliers were paying for capacity and the capacity proxy price during the delivery years for which capacity proxy prices were used. The details of this mechanism were set out in Supplements to the BGS-RSCP Supplier Master Agreement.

At this time, the BRA for the 2023/2024 delivery year and the BRA for the 2024/2025 delivery year have been postponed and it is not certain whether the capacity price for the 2023/2024 delivery year (the second year of the BGS-RSCP supply term) or the capacity price for the 2024/2025 delivery year (the third year of the BGS-RSCP supply term) will be known prior to this year’s 2022 BGS-RSCP Auction. The EDCs propose to address this uncertainty in the manner approved by the Board during the 2020 and 2021 BGS proceedings. The EDCs propose using the capacity proxy prices in the following table to the extent the BRA results for a delivery year are not known at least twenty (20) business days prior to the start of the BGS-RSCP Auction.

Table B-3. Capacity Proxy Prices

EDC	2023/2024 Delivery Year (\$/MW-day)	2024/2025 Delivery Year (\$/MW-day)
PSE&G	128.79	87.98
JCP&L	118.12	87.98
ACE	118.12	87.98
RECO	118.12	87.98

During the 2023/2024 delivery year, BGS-RSCP Suppliers would be paid (or would pay) the difference between the price BGS-RSCP Suppliers were paying for capacity and the applicable capacity proxy price for that delivery year. Similarly, during the 2024/2025 delivery year, BGS-RSCP Suppliers would be paid (or would pay) the difference between the price BGS-RSCP Suppliers were paying for capacity and the applicable capacity proxy price for that delivery year. The details of this mechanism are set out in Supplements A and B to the BGS-RSCP Supplier Master Agreement.

B.3.b. Auction Format

The EDCs propose to use a multiple round descending clock auction to procure BGS-RSCP supply. In a round of the auction, bidders state how many tranches they wish to supply of each product (a product is an EDC’s BGS-RSCP Load) at the prices in that round. The going price for an EDC decreases each round in which there is excess supply for that EDC. The BGS-RSCP Auction ends when the supply bid is equal to the amount the EDCs seek procure.

To ensure supplier diversity in each EDC territory, the EDCs propose an EDC load cap, which is a maximum number of tranches that a bidder can bid and win for a particular EDC. There would also be a statewide load cap that limits the amount of BGS-RSCP Load served by a supplier statewide.

Please see the proposed [BGS-RSCP Auction Rules](#) for further information.

B.3.c. Product and Contract

The auction produces a single clearing price for each EDC. This clearing price would apply to all tranches procured for that EDC in this year’s BGS-RSCP Auction. Payments to BGS-RSCP Suppliers from June through September would be shaped by the use of a multiplicative summer factor on the auction price while payments for the remaining months

would be shaped by the use of a multiplicative winter factor on the auction price. The multiplicative summer and winter factors are expected to be one (1).

The product is a “full requirements” product. BGS-RSCP Suppliers will be physically and financially responsible for the hour-by-hour provision of electricity to BGS-RSCP customers. Each BGS-RSCP Supplier will be required to assume PJM Load Serving Entity (“LSE”) responsibility for the portion of BGS-RSCP Load served by that BGS-RSCP Supplier. BGS-RSCP Suppliers will provide capacity, energy, and ancillary services; BGS-RSCP Suppliers are responsible for meeting the requirements of the Renewable Portfolio Standards (“RPS”) and for providing any other services as may be required by PJM. BGS-RSCP Suppliers are responsible for managing the uncertainty associated with providing full requirements service, including the possibility that customers come and go from BGS.

The EDCs are responsible for transmission-related costs and BGS-RSCP Suppliers would receive an additional payment or be responsible for an additional charge to true up capacity payments to the capacity proxy price. Additionally, the EDCs would assume all responsibility for UFE in the FMEA as well as all charges and credits related to meter corrections and inadvertent energy from BGS-RSCP Suppliers. Please see the proposed [BGS-RSCP Supplier Master Agreement](#) posted to the BGS Auction website for further information.

B.3.d. Rates

Customers are free to come and go from BGS-RSCP, provided that they give timely notice before their next scheduled meter reading date, with timely notice generally being thirteen (13) days. The EDCs propose a rate design methodology that accounts for supply procured in prior Auctions that will be used to translate final Auction prices into BGS-RSCP customer rates for one year beginning June 1, 2022. In respect to BGS-RSCP customer rates for the second and third year of the BGS-RSCP supply period, the EDCs include a worksheet for purposes of calculating the adjustment to the Auction price necessary to recover (or reimburse) BGS-RSCP customers for the estimated additional payments made to (or from) BGS-RSCP Suppliers for capacity. Each EDC’s methodology is posted to the [BGS Additional Data](#) page of the BGS Data Room. BGS-RSCP rates are expected to vary by season and in some cases by time of day. This spreadsheet will be updated to account for the Board’s decision in the BGS proceeding, and to update specific inputs prior to the Auction.

The EDCs propose that each EDC will collect from its BGS-RSCP customers the amounts required to meet its transmission payment obligations to PJM through a specific transmission charge.

Please see the [Company Specific Addenda](#) filed separately by each EDC for more information.

B.4. BGS-CIEP Auction

The EDCs propose that supply for their BGS-CIEP customers be procured through a BGS-CIEP Auction held in February 2022. Table B-1 describes BGS-CIEP customers – those customers who, if they take BGS, must do so on a CIEP tariff or rate.

“Tranches” for an EDC represent a fixed percentage of that EDC’s total BGS-CIEP Load. The table below provides preliminary information about the tranches in the 2022 BGS-CIEP Auction.

Table B-4. Provisional Number of BGS-CIEP Tranches and MW-Measures

EDC	CIEP Peak Load Share (MW)	Number of Tranches	Size of Tranche (%)	MW-Measure
PSE&G	1,676.98	22	4.55%	76.23
JCP&L	737.31	10	10.00%	73.73
ACE	319.60	4	25.00%	79.90
RECO	54.72	1	100.00%	54.72

B.4.a. Auction Format

The EDCs propose to use a multiple round descending clock auction to procure BGS-CIEP Supply. In a round, bidders state how many tranches they wish to supply of each product (a product is an EDC’s BGS-CIEP Load) at the prices in that round. The going price for an EDC decreases each round in which there is excess supply for that EDC. The BGS-CIEP Auction ends when the supply bid is equal to the amount the EDCs seek to procure.

The EDCs propose to use a statewide load cap to limit the amount of BGS-CIEP Load served by a supplier statewide. The statewide load cap will be set at 45% of the volume at the Auction, consistent with previously approved Auction Processes. Please see the proposed [BGS-CIEP Auction Rules](#) for further information.

B.4.b. Product and Contract

The auction produces a single clearing price for each EDC that would apply to all tranches procured for that EDC. BGS-CIEP Suppliers for an EDC receive that EDC's auction clearing price applied to the capacity obligation, the real-time hourly spot price applied hourly to energy obligations, and a pre-specified ancillary service rate. The EDCs propose an ancillary service component of \$6/MWh.

BGS-CIEP Suppliers would also be paid the CIEP Standby Fee, which is a fee for the option to take BGS-CIEP and is paid by all CIEP customers (not just BGS-CIEP customers). The EDCs propose a CIEP Standby Fee of 0.015¢/kWh of the energy used by CIEP customers measured at the customer meter. CIEP customers include all customers who take BGS-CIEP as well as all customers served by third party suppliers that, were they to take BGS, would be required to do so on a CIEP tariff or rate.

The product is a “full requirements” product. BGS-CIEP Suppliers will be physically and financially responsible for the hour-by-hour provision of electricity to BGS-CIEP customers. Each BGS-CIEP Supplier will be required to assume PJM Load Serving Entity (“LSE”) responsibility for the portion of BGS-CIEP Load served by that BGS-CIEP Supplier. BGS-CIEP Suppliers will provide capacity, energy, and ancillary services; BGS-CIEP Suppliers are responsible for meeting the requirements of the Renewable Portfolio Standards (“RPS”) and for providing any other services as may be required by PJM. BGS-CIEP Suppliers are responsible for managing the uncertainty associated with providing full requirements service, including the possibility that customers come and go from BGS.

The EDC will continue to be responsible for transmission-related costs. Additionally, the EDCs would assume all responsibility for UFE in the FMEA as well as all charges and credits related to meter corrections and inadvertent energy from BGS-CIEP Suppliers. Please see the proposed [BGS-CIEP Supplier Master Agreement](#) posted to the BGS Auction website for further information.

B.4.c. Rates

Customers are free to come and go from BGS-CIEP, provided that they give timely notice before their next scheduled meter reading date, with timely notice generally being thirteen (13) days. The EDCs propose that BGS-CIEP customers pay a pre-specified per kWh rate for ancillary services and an energy charge on the basis of the hourly PJM real-time energy price. The BGS-CIEP Auction clearing price will be assessed as a specific capacity obligation charge, a demand charge, or as an energy charge. BGS-CIEP customers pay a

EDC-specific transmission charge. All CIEP customers (and not just BGS-CIEP customers) pay the CIEP Standby Fee.

Please see the [Company Specific Addenda](#) filed separately by each EDC for more information.

B.5. RECO Central and Western Divisions

RECO must purchase the physical electric supply needed to meet its full service obligations for its non-PJM areas (i.e., RECO's Central and Western Divisions), which are included in the New York Control Area that is administered by the New York Independent System Operator ("NYISO"). On January 26, 2021, RECO conducted its RFP for the period June 1, 2021 through May 31, 2024. RECO entered into a three-year Fixed for Floating Energy Swap contract. The Board approved the RFP result in its January 27, 2021 Order in Docket No. ER20030190. The RFP price is reflected in RECO's rate design.

Please see Section G of RECO's Company Specific Addendum posted to the [BGS Proceeding](#) page of the BGS Auction website.

B.6. Roles

The EDCs propose clearly defined roles for each of the Auction Manager, the EDCs, the Board, Board Staff, and the Board's Advisor in the management of the BGS procurement process. The Auction Manager serves as a single point of contact for bidder questions and concerns, maintains a website through which bidders are kept informed about the process, ensuring the fairness of the process by providing equal access to information for all bidders. Additionally, the Auction Manager manages the qualification procedure and the bid process. The EDCs file with the Board their BGS proposal each year, provide bidders with data and documents needed to prepare their bids, assess the creditworthiness of bidders, support the promotion of the auction opportunity, and manage the contracts with BGS Suppliers on behalf of their customers. The Board considers the procurement proposal as well as accounting, contingency plans, and cost recovery. Board Staff and the Board Advisor monitor the entire process and monitor the bids round by round.

Details of these roles are found in Section IV of the EDCs' Joint Proposal, posted to the [BGS Proceeding](#) page of the BGS Auction website.

B.7. Modifications Relative to the 2021 BGS Auctions

This is a summary of the modifications proposed by the EDCs. A full list of modifications proposed by the EDCs is available in the EDCs' Joint Proposal on the [BGS Proceeding](#) page of the Auction tab of the BGS Auction website. Modifications include:

- Transferring the responsibility of UFE in the FMEA from suppliers to the EDCs;
- Transferring the responsibility of meter corrections and inadvertent energy from BGS Suppliers to the EDCs;
- Using capacity proxy prices for the 2023/2024 and 2024/2025 delivery years;
- Changing the BGS-CIEP and BGS-RSCP Supplier Master Agreements to accommodate: the transfer of responsibility of UFE in the FMEA, as well as meter corrections, and inadvertent energy; and the use of capacity proxy prices; and
- Modifying the EDCs' rate design methodology to accommodate the use of capacity proxy prices.