

Aaron I. Karp
Associate Counsel - Regulatory

Law Department
PSEG Services Corporation
80 Park Plaza – T20
Newark, NJ 07102-4194
T: 973-430-8970
Email: aaron.karp@pseg.com



October 7, 2024

In the Matter of the Provision of Basic Generation Service
for the Period Beginning June 1, 2025
BPU Docket No. ER24030191

VIA ELECTRONIC MAIL FOR E-FILING

Sherri L. Golden, Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue, 1st Floor
P.O. Box 350
Trenton, New Jersey 08625-0350

Dear Secretary Golden:

Pursuant to the Decision and Order dated April 17, 2024, please find enclosed the Final Comments of Atlantic City Electric Company, Jersey Central Power & Light Company, Public Service Electric and Gas Company, and Rockland Electric Company with respect to *I/M/O the Provision of Basic Generation Service for the Period Beginning June 1, 2025*.

Consistent with the Order issued by the Board in connection with *In the Matter of the New Jersey Board of Public Utilities' Response to the COVID-19 Pandemic for a Temporary Waiver of Requirements for Certain Non-Essential Obligations*, BPU Docket No. EO20030254, Order dated March 19, 2020, this document is being electronically filed with the Secretary of the Board, the New Jersey Division of Rate Counsel, and the Service List. No paper copies will follow.

Thank you for your attention to this matter.

Very truly yours,

A handwritten signature in black ink that reads "Aaron I. Karp". The signature is written in a cursive, slightly slanted style.

Aaron I. Karp

Encl.

C Service List (Electronic)

**IN THE MATTER OF THE PROVISION OF
BASIC GENERATION SERVICE FOR THE
PERIOD BEGINNING JUNE 1, 2025**

**BPU Docket No.
ER24030191**

**ATLANTIC CITY ELECTRIC COMPANY,
JERSEY CENTRAL POWER & LIGHT COMPANY,
PUBLIC SERVICE ELECTRIC AND GAS COMPANY
AND
ROCKLAND ELECTRIC COMPANY**

JOINT FINAL COMMENTS

October 7, 2024

In accordance with the 2025 Basic Generation Service (“BGS”) Schedule,¹ Atlantic City Electric Company (“ACE”), Jersey Central Power & Light Company (“JCP&L”), Public Service Electric and Gas Company (“PSE&G”), and Rockland Electric Company (“RECO”) (collectively, the “EDCs”), submit these Joint Final Comments to the New Jersey Board of Public Utilities (the “Board” or “BPU”).

On July 1, 2024, the EDCs filed a joint proposal (“Joint Proposal”) for an auction process for the provision of BGS for the period beginning June 1, 2025. The New Jersey Division of Rate Counsel (“Rate Counsel”) and the Retail Energy Supply Association (“RESA”) each filed initial comments (collectively, “Initial Comments”); NRG Energy, Inc, on behalf of itself and its affiliates, filed a letter in support of the arguments and recommendations made by RESA. Rate Counsel, RESA, as well as the EDCs, made oral presentations to the Board at its legislative-type hearing held on September 20, 2024 (the “Hearing”).

In these Joint Final Comments, the EDCs address the Initial Comments and/or comments made at the Hearing by the other parties. The EDCs respectfully request that the Board approve the Joint Proposal, as well as approve the rate design, accounting, cost recovery, and contingency plan proposals set forth in each EDC’s Company Specific Addendum (“CSA”).

¹ *I/M/O the Provision of Basic Generation Service (BGS) for the Period Beginning June 1, 2025, BPU Docket No. ER24030191, Decision and Order (dated April 17, 2024).*

I. “Utilization” Data Requested by Rate Counsel is Already Supplied in the EDCs’ Semiannual Reports

In their Initial Comments, Rate Counsel stated that “[the] Board’s November 17, 2023 BGS Order required the EDCs to provide semiannual reports regarding their respective DCFC pilot programs. The semiannual reports are required to contain: the total energy consumed, capacity and transmission tags, measured demands, connected load, and the resulting load factor”, and also recommended that “the semiannual reports also contain information on station utilization” (Rate Counsel Initial Comments at page 6). Rate Counsel reasserted this recommendation at the Hearing. The EDCs note that the semiannual reporting requirements set forth in the referenced order is premised on information that is available to the EDCs. With respect to “station utilization”, the load factor information provided in the semiannual reports is the most applicable data the EDCs possess regarding “utilization” of the DCFC facilities. If Rate Counsel is contemplating more detailed station operational data for the DCFC stations in the EDCs’ service territories in order to evaluate the utilization of the same, such data would be best obtained from the DCFC station operators (as it is not available to the EDCs).

II. The Board Should Approve the EDCs’ Proposed Updates to the Application Process and to the Supplier Master Agreements Relating to PJM Membership

As explained in the EDCs’ Joint Proposal, historically, as part of the BGS Auctions application process, all interested parties that have no impediments to meeting the PJM Load Serving Entity (“LSE”) requirements can submit a Part 1 Application to apply to become a Qualified Bidder in the BGS-RSCP Auction and/or BGS-CIEP Auction. Parties who, at the time of submitting the Part 1 Application, do not meet PJM LSE requirements must certify that nothing impedes their ability to meet these PJM LSE requirements prior to the supply start date. Further, should such a party become a winning bidder in the BGS-RSCP and/or BGS-CIEP Auctions, it would need to take

the steps required to meet these PJM LSE requirements prior to June 1 so that it can serve BGS load at the start of the supply period (Joint Proposal at pages 22-23). A winning bidder is unable to transact within PJM and is thus unable to serve BGS load if it does not meet PJM LSE requirements. PJM outlines on its website² the steps a supplier must take to become a PJM member and, subsequently, meet PJM LSE requirements (a supplier must become a PJM member to also meet PJM LSE requirements). PJM also explains that it may take up to 90 days to review and process a supplier's application to becoming a PJM member and, subsequently, meet PJM LSE requirements, and that this "90-day clock" only begins once "all required documents have been received and reviewed for completeness and accuracy" (*see* PJM's Membership Application Checklist³). The EDCs cannot control the PJM membership and PJM LSE requirements or the PJM application review process and timeline. As the PJM application review process can take up to 90 days, and potentially longer if an applicant submits an incomplete document or if PJM requires additional information from the PJM member applicant, it is presently possible that a winning bidder that is not a PJM member at the time of the BGS-RSCP and/or BGS-CIEP auctions can fail to become a PJM member and fail to meet PJM LSE requirements by June 1st. Under past approved forms of the BGS Supplier Master Agreements ("SMAs" or "SMA" individually), the issue of failing to meet PJM LSE requirements ahead of the start of the supply period would trigger an event of default under the BGS SMAs. As a result, it is important that a non-PJM member or party that does not meet PJM LSE requirements begins the process to be able to meet PJM LSE requirements early enough to be able to serve BGS load if that bidder wins in the BGS-RSCP or the BGS-CIEP Auctions. Therefore, in their Joint Proposal the EDCs proposed to require parties applying to

² See <https://pjm.com/about-pjm/member-services/membership-enrollment>.

³ See PJM's Membership Application Checklist: <https://pjm.com/-/media/about-pjm/member-services/membership-application-checklist.ashx>.

participate in the BGS Auctions who do not yet meet PJM LSE requirements to provide, at the time of the submission of their Part 2 Application, evidence that the party has provided the documents required by PJM's membership enrollment application and to provide evidence that the PJM 90-day review process has begun. This proposed requirement to provide evidence that PJM's 90-day review process has begun offers an improvement to the current BGS application process as it brings the BGS application process more in line with the timelines established by PJM in its member enrollment application review. Further, it would help to ensure that a winning bidder in the BGS Auctions would be able to begin serving BGS load at the start of the supply period and reduce the risk of a winning bidder defaulting under the applicable SMA by not being able to serve BGS load due to the supplier not meeting PJM LSE requirements on-time.

With the intention of further ensuring that a winning bidder in the BGS Auctions will be able to begin serving BGS load at the start of the supply period and reduce the risk of a winning bidder defaulting under the applicable SMA by not being able to serve BGS load due to the supplier not meeting PJM LSE requirements on-time, and as explained in their Joint Proposal, the EDCs also proposed edits to the BGS-RSCP SMA and the BGS-CIEP SMA. The EDCs proposed edits to the BGS-RSCP SMA and the BGS-CIEP SMA to make clear that the failure of a winning bidder to meet PJM LSE requirements, or the failure of a winning bidder to communicate their PJM short name to the applicable EDC(s) for which they have been awarded tranches in the BGS-RSCP and/or BGS-CIEP Auctions, on or before May 1, 2025, are events of default under the applicable SMA (that the EDCs may act on at their discretion) (Joint Proposal at page 24). Just as a winning bidder is unable to transact within PJM and is unable to serve BGS load without first meeting PJM LSE requirements, a winning bidder may not serve BGS load without first securing a PJM short name and providing it to the applicable EDC. The PJM short name is a unique identifier that is established

in PJM's system that, among other things, enables the EDC load settlement processes with PJM. The EDCs require the BGS supplier's PJM short name in order to properly allocate the appropriate PJM billing line items listed in the applicable BGS SMA between the EDC and BGS supplier. Additionally, each EDC uses a BGS supplier's PJM short name to assign the correct share of BGS load to the BGS supplier prior to the BGS supplier serving load on June 1 of the applicable year. These administrative-type actions must be taken before the BGS supplier begins serving load. Requiring a BGS supplier to provide its PJM short name to the EDC by May 1, 2025, would allow enough time for an EDC to complete these administrative-type actions prior to the start of the supply period. Additionally, requiring a BGS supplier to both meet PJM LSE requirements and provide its PJM short name to the applicable EDC by May 1, 2025, would allow sufficient time for an EDC to implement its contingency plans, which could include serving the load if a BGS supplier cannot. Currently, a winning bidder who has not met PJM LSE requirements would not be in default of its obligation under the BGS SMA until June 1, when the new supply period has already begun. This time frame does not provide the EDCs with the ability to take action prior to the commencement of the supply period.

In its discovery requests⁴ submitted in this proceeding, Rate Counsel seemed to seek clarity on the EDCs' proposal to modify the Part 2 Application requirements and the BGS SMAs as described above. In its initial comments, Rate Counsel acknowledged this aspect of the EDCs' Proposal, listing that the EDCs were "adding PJM's short name for suppliers for both [BGS-CIEP] and BGS-RSCP" (Rate Counsel Initial Comments at page 2). Again, it is already the case that a winning BGS bidder is unable to transact within PJM and is unable to serve BGS load if it does not

⁴ See Division of Rate Counsel Discovery Requests RCR-BGS-0014, RCR-BGS-0015, RCR-BGS-0016, and RCR-BGS-0017 submitted on July 22, 2024 in BPU Docket No. ER24030191.

meet PJM LSE requirements, and it is already the case that a BGS supplier may not serve load without securing a PJM short name and providing it to the applicable EDC. The EDCs' filing proposes only adding a May 1st deadline for the BGS supplier to do so.

For the reasons mentioned in the above paragraphs, the EDCs request that the Board approve the proposed updates to the application process pertaining to PJM LSE requirements, as well as approve the proposed edits to the BGS-CIEP SMA and the BGS-RSCP SMA to require a winning BGS supplier to meet PJM LSE requirements and provide its PJM short name to the applicable EDC by May 1, 2025.

III. The Board Should Approve the EDCs' Proposed Use of, and Updates to, the Capacity Proxy Prices

Since the 2020 BGS proceeding⁵, the results for several PJM Base Residual Auctions ("BRAs" or, individually, a "BRA") were not known prior to the start of the respective BGS-RSCP Auctions. This was because the BRAs were postponed while the Federal Energy Regulatory Commission ("FERC") was considering PJM's proposed changes to its capacity market. In each BGS proceeding since the 2020 BGS proceeding, the EDCs proposed, and the Board approved, the use of a capacity proxy price ("Capacity Proxy Price") for each EDC to be treated as the capacity price for the delivery year(s) for which the actual capacity price was not expected to be known prior to the respective BGS-RSCP Auction.⁶ More recently, on April 11, 2023, PJM filed to revise its schedule for its capacity auctions for the 2025/2026 through the 2028/2029 delivery years, and the FERC issued an Order accepting PJM's proposed revisions on June 9, 2023.

⁵ *I/M/O the Provision of Basic Generation Service (BGS) for the Period Beginning June 1, 2020*, BPU Docket No. ER19040428.

⁶ The Board Approved the use of Capacity Proxy Prices for the 2022/2023 delivery year during the 2020 BGS proceeding, the 2022/2023 and 2023/2024 delivery years during the 2021 BGS proceeding, the 2023/2024 and 2024/2025 delivery years during the 2022 BGS proceeding, the 2024/2025 and 2025/2026 delivery years during the 2023 BGS proceeding, and the 2025/2026 and 2026/2027 delivery years during the 2024 BGS proceeding.

Additionally, the FERC required PJM to submit a compliance filing in response to the FERC's June 9, 2023 Order, and such compliance filing was to include an illustrative auction schedule for the 2025/2026 through the 2028/2029 delivery years. On February 12, 2024, PJM filed to delay the commencement of its BRA for the 2025/2026 delivery year, and the FERC issued an Order accepting PJM's request to delay on February 26, 2024. These BRA schedule revisions delayed PJM releasing the results for its BRA for the 2025/2026 delivery year (the first year of the supply term for winning bidders in the 2025 BGS-RSCP Auction and the only year of the supply term for winning bidders in the 2025 BGS-CIEP Auction) until after the EDCs filed their Joint Proposal on July 1, 2024, and delayed the running and release of results of the BRAs for the 2026/2027 and 2027/2028 delivery years (the second and third years of the supply term for winning bidders in the 2025 BGS-RSCP Auction) until December 2024 and June 2025, respectively.

On July 30, 2024, and notably after the EDCs filed their Joint Proposal, PJM made available the results of the BRA for the 2025/2026 delivery year. According to PJM's auction schedule, and assuming no additional delays, the results of the BRA for the 2026/2027 delivery year should be available prior to the 2025 BGS-RSCP Auction. However, the BRA for the 2027/2028 delivery year is scheduled to be held in June 2025, and as such, the capacity price for the 2027/2028 delivery year will not be known prior to the 2025 BGS-RSCP Auction.

In their Joint Proposal, the EDCs proposed a method for calculating the Capacity Proxy Prices for each of the 2025/2026, 2026/2027, and the 2027/2028 delivery years to be used in the BGS-RSCP Auction and proposed a method for calculating the Capacity Proxy Prices for the 2025/2026 delivery year to be used in the BGS-CIEP Auction. The EDCs also proposed to use a true-up method relating to payments surrounding the Capacity Proxy Prices consistent with the method approved by the Board since the 2020 BGS proceeding. The EDCs proposed that in the

2025/2026 delivery year, both BGS-RSCP Suppliers and BGS-CIEP Suppliers will be paid (or will pay) the difference between the rate paid by BGS suppliers for capacity in PJM and the Capacity Proxy Price for that delivery year. In the 2026/2027 delivery year and the 2027/2028 delivery year, BGS-RSCP Suppliers will be paid (or will pay) the difference between the rate paid by BGS-RSCP Suppliers for capacity in PJM and the Capacity Proxy Price for that delivery year. Consistent with the process approved by the Board since the 2020 BGS proceeding, these charges or credits (either an increase or decrease to the total payment due) will only occur in the 2025/2026 delivery year, in the 2026/2027, or in the 2027/2028 delivery year, even if the value of the capacity price for that delivery year is known prior to the start of that delivery year. Additionally, the EDCs proposed that if the results of the BRA for the 2025/2026 delivery year, the 2026/2027 delivery year, or the 2027/2028 delivery year are known at least five business days prior to the start of the BGS-RSCP Auction, and that if the results of the BRA for the 2025/2026 delivery year are known at least five business days prior to the start of the BGS-CIEP Auction, then the Capacity Proxy Price for the applicable delivery year and for the applicable BGS auction will no longer be needed and will be voided. The EDCs have proposed, and the Board has approved, a similar approach each year since the 2020 BGS proceeding, proposing that a Capacity Proxy Price not be used if the results of the applicable BRA were available a set number of days prior to the start of the applicable BGS-RSCP Auction. As discussed above, the results of the BRA for the 2025/2026 delivery year were made available on July 30, 2024, and thus, the Capacity Proxy Prices for the first year of the supply period for both the BGS-CIEP Auction and the BGS-RSCP Auction are null and void under the EDCs' proposal. As such, the remainder of the EDCs' Joint Final Comments relating to the use of Capacity Proxy Prices will focus on the EDCs' Joint Proposal as it pertains to the use of Capacity Proxy Prices for the 2026/2027 delivery year and the 2027/2028

delivery year for the BGS-RSCP Auction.

As the results of the BRA for the 2025/2026 delivery year were not available prior to the filing of the EDCs' Joint Proposal, the Capacity Proxy Prices proposed for the 2026/2027 delivery year listed in Table 1 of the EDCs' Joint Proposal were calculated by applying a factor of 0.9 to the most recent incremental auction (or "IA") results for the 2024/2025 delivery year (Joint Proposal at page 10). This method is consistent with the method used to calculate the Capacity Proxy Prices each year since the 2020 BGS proceeding. The most recent results from the PJM capacity auctions for the two delivery years prior to the year for which the Capacity Proxy Price is calculated are used (if available)⁷ and a factor of 0.9 is used to recognize the potential for lower prices in any pending PJM capacity auctions. At the time the EDCs filed their Joint Proposal, the EDCs were unable to utilize this exact methodology that had been employed in past BGS Auctions to establish the Capacity Proxy Prices for the 2027/2028 delivery year (i.e., utilizing the results of a PJM capacity auction for one or more of the delivery years that coincide with the delivery years to be served by winners in the BGS-RSCP auction to establish the Capacity Proxy Prices), as PJM had not yet held the BRAs for the 2025/2026 or the 2026/2027 delivery years. As such, the Capacity Proxy Prices proposed for the 2027/2028 delivery year listed in Table 1 of the EDCs' Joint Proposal were calculated by applying a factor of 0.9 to the most recent incremental auction results the 2024/2025 delivery year, such that the proposed Capacity Proxy Prices for the 2027/2028 delivery year were set equal to the Capacity Proxy Prices proposed for the 2026/2027 delivery year (Joint Proposal at pages 10). In this way, the proposed Capacity Proxy Prices for the

⁷ The Capacity Proxy Price for the 2026/2027 delivery year was calculated using the Zonal Net Load Price (\$/MW-day) from the results of PJM's Third Incremental Auction for the 2024-2025 delivery year. At the time the EDCs submitted their Joint Proposal, PJM had not released the results of the BRA for the 2025/2026 delivery year, so these results could not be used to calculate the Capacity Proxy Prices for the 2026/2027 delivery included in the EDCs' Joint Proposal.

2027/2028 delivery year reflected the most recent results from the PJM capacity auctions that were available at the time the EDCs submitted their Joint Proposal and still incorporated a factor of 0.9.

The methodology described above is consistent with the methodology used and approved in past BGS Auction proceedings to calculate the values of Capacity Proxy Prices. When first proposing this methodology in their Supplemental Filing⁸ submitted in the 2020 BGS proceeding, the EDCs looked to set a value for the Capacity Proxy Price for each EDC that would offer a “reasonable estimate” of the unknown capacity prices using current market data (Supplemental Filing at page 4). In choosing this methodology, the EDCs concluded that setting a Capacity Proxy Price that, to the extent possible, is set close to the actual price of capacity for that delivery year helps to minimize rate impacts for BGS customers resulting from any true-up payments to or from BGS suppliers in the delivery year for which a Capacity Proxy Price was used. Generally, the greater the difference between the Capacity Proxy Price and the actual price for capacity for a given delivery year, the greater the true-up payment to or from BGS suppliers in that delivery year, and thus the greater the rate impact in that delivery year for BGS customers. In the 2020 BGS proceeding, the EDCs proposed Capacity Proxy Prices for the 2022/2023 delivery year using current market data (averaging the most recent capacity auction results at that time for the 2020/2021 and 2021/2022 delivery years) and applying a factor of 0.9. The EDCs proposed to apply a factor of 0.9 to recognize the potential for lower prices in any pending PJM capacity auctions, given that at that time the capacity price for the 2019/2020 delivery period was lower than the capacity prices in the two subsequent delivery years.

⁸ *Supplemental Proposal for Basic Generation Service Requirement to be Procured Effective June 1, 2020*, BPU Docket No. ER19040428.

As stated in the EDCs’ Joint Proposal, the EDCs have monitored the prices in PJM’s capacity auctions. The table below provides the Final Zonal Net Load Prices reached in PJM’s capacity auctions beginning with the 2019/2020 delivery year.

Table 1. Final Zonal Net Load Prices

EDC	2019/2020 Final Zonal Net Load Price (\$/MW-day)	2020/2021 Final Zonal Net Load Price (\$/MW-day)	2021/2022 Final Zonal Net Load Price (\$/MW-day)	2022/2023 Final Zonal Net Load Price (\$/MW-day)	2023/2024 Final Zonal Net Load Price (\$/MW-day)	2024/2025 Final Zonal Net Load Price (\$/MW-day)
PSE&G	115.83	174.32	188.46	97.93	50.96	56.56
JCP&L	115.58	174.32	164.73	97.93	50.96	56.56
ACE	115.58	174.32	164.73	97.93	50.96	56.56
RECO	115.58	174.32	164.73	97.93	50.96	56.56

As described above, in the 2020 BGS proceeding, the EDCs proposed Capacity Proxy Prices for the 2022/2023 delivery year by averaging the most recent capacity auction results at that time for the 2020/2021 and 2021/2022 delivery years and applying a factor of 0.9 to this average to recognize the potential for lower prices in any pending PJM capacity auctions given that at that time, the capacity price for the 2019/2020 delivery period was lower than the capacity prices in the two subsequent delivery years. Since the 2021/2022 delivery year, capacity prices in PJM’s auctions have fallen, but most recently, the results of PJM’s third incremental auction for the 2024/2025 delivery year yielded a final price in each of the EDC’s zones (\$56.56/MW-day), higher than the final price in each of the EDC’s zones for the previous delivery year (\$50.96/MW-day).

In its Order approving the 2020 BGS Auction Process⁹ (“2020 Order”), the Board recognized the difficulty in setting Capacity Proxy Prices as PJM’s capacity auctions have “traditionally produced volatile results” (2020 Order at page 22). In the 2020 BGS proceeding, the Board approved the Capacity Proxy Prices proposed by the EDCs deducing that “[since] the Board

⁹ *Decision and Order; I/M/O the Provision of Basic Generation Service (BGS) for the Period Beginning June 1, 2020*, BPU Docket No. ER19040428.

cannot know the upcoming capacity auction price, and since the EDCs' numbers more clearly reflect recent prices, the Board approves the EDCs' proposed numbers as the capacity proxy price" (2020 Order at page 22).

The EDCs still hold that setting the Capacity Proxy Prices at a reasonable estimate of the unknown capacity price for a given delivery year is the best approach for BGS customers. In their Joint Proposal, the EDCs did not propose a change to the methodology used to calculate the Capacity Proxy Prices listed in Table 1 of the Joint Proposal (Joint Proposal at page 10). However, the expected increase in energy demand in PJM, coupled with the anticipated generator retirements, suggested that capacity prices may increase relative to capacity prices observed prior to the 2024/2025 delivery year. As such, the EDCs proposed that if the results of the BRA for the 2025/2026 delivery year became available, and if the results saw significant increases in capacity prices, it would be appropriate to adjust the calculation of the Capacity Proxy Prices for the 2026/2027 and 2027/2028 delivery years to achieve Capacity Proxy Prices that are more reflective of current capacity prices. On July 30, 2024, PJM made available the results of the BRA for the 2025/2026 delivery year, and it was indeed the case that the results of the BRA for the 2025/2026 delivery exceeded the Final Zonal Net Load Price for the 2024/2025 delivery year. The results of the BRA for the 2025/2026 delivery year were \$270.35/MW-day for each of the four EDC's zones, up from \$56.56/MW-day, the Final Zonal Net Load Price for each of the four EDC's zones for the 2024/2025 delivery year.

As explained above, the greater the difference between the Capacity Proxy Price and the actual price for capacity for a given delivery year, the greater the true-up payment to or from the BGS suppliers in that delivery year, and the greater the rate impact in that delivery year for BGS customers. As such, the EDCs proposed that if the results of the BRA for the 2025/2026 delivery

year were 50% (or more) higher than the Final Zonal Net Load Price for the 2024/2025 delivery year, the EDCs would adjust the proposed Capacity Proxy Prices for the 2026/2027 and 2027/2028 delivery years to no longer employ a factor of 0.9 in the calculation and would set the Capacity Proxy Prices for those two delivery years at the actual BRA price realized for the 2025/2026 delivery year. The Capacity Proxy Price for the 2026/2027 delivery year would thus not be set equal to the average of the most recent incremental auction results for the 2024/2025 delivery year and the BRA results for the 2025/2026 delivery year, but instead would be set equal to the BRA results for the 2025/2026 delivery year. Similarly, the Capacity Proxy Price for the 2027/2028 delivery year would also be set equal to the BRA for the 2025/2026 delivery year. Neither calculation would employ a factor of 0.9.

The EDCs also proposed that if the results of the BRA for the 2026/2027 delivery year are 50% (or more) higher than the results of the BRA for the 2025/2026 delivery year, and if the results of the BRA for the 2026/2027 delivery year are known at least five business days prior to the BGS-RSCP Auction, then the EDCs would further update the Capacity Proxy Prices for the 2027/2028 delivery year to be set equal to the BRA results for the 2026/2027 delivery year. Again, a factor of 0.9 would not be applied. However, if the results of the BRA for the 2026/2027 delivery year are not 50% (or more) higher than the results of the BRA for the 2025/2026 delivery year, and if the results of the BRA for the 2026/2027 delivery year are known at least five business days prior to the BGS-RSCP Auction, the EDCs proposed to calculate the Capacity Proxy Prices for the 2027/2028 delivery year as the average of the BRA results for the 2025/2026 and 2026/2027 delivery years, with the 0.9 factor applied. The table below, also included within the Joint Proposal, provides a summary of the EDCs' proposed Capacity Proxy Prices and the proposed methodologies

for modifications to the same based on 2025/2026 and 2026/2027 BRA results (Joint Proposal at page 15).

Table 2. Proposed Calculation Method Modifications to Capacity Proxy Prices Based on 2025/2026 and 2026/2027 BRA Results

Proposed Modification Determinant	2025/2026 Capacity Proxy Price (\$/MW-day)	2026/2027 Capacity Proxy Price (\$/MW-day)	2027/2028 Capacity Proxy Price (\$/MW-day)
As Proposed in July 1, 2024 Joint Proposal	Average of 2023/2024 3 rd IA & 2024/2025 3 rd IA	[2024/2025 3 rd IA] x 0.9	
If 2025/2026 BRA <50% re: 2024/2025 3 rd IA	N/A	[Average of 2024/2025 3 rd IA & 2025/2026 BRA] x 0.9	[2025/2026 BRA] x 0.9
If 2025/2026 BRA ≥50% re: 2024/2025 3 rd IA	N/A	2025/2026 BRA	
If 2026/2027 BRA <50% re: 2025/2026 BRA	N/A	N/A	[Average of 2025/2026 BRA & 2026/2027 BRA] x 0.9
If 2026/2027 BRA ≥50% re: 2025/2026 BRA	N/A	N/A	2026/2027 BRA

The results of the BRA for the 2025/2026 delivery year were more than 50% greater than the results of the third IA for the 2024/2025 delivery year, and thus, in line with the EDCs' Joint Proposal, the EDCs would set Capacity Proxy Prices for the 2026/2027 and 2027/2028 delivery years equal to the results of the BRA for 2025/2026 delivery year (as reflected in the third row in the above table). Further, as described above, according to the most recent capacity auction schedule published by PJM, the BRA for the 2026/2027 and 2027/2028 delivery years are set to be held in December 2024 and June 2025, respectively, and the EDCs proposed to further update the values of the Capacity Proxy Prices for the 2027/2028 delivery year depending on the results of the upcoming BRA for the 2026/2027 delivery year. In the event the results of the BRA for the 2026/2027 delivery year are known at least five business days prior to the start of the BGS-RSCP Auction, but the results of the BRA for the 2027/2028 delivery are still not known five business days prior to the BGS-RSCP Auction, the EDCs proposed to update the Capacity Proxy Price for the 2027/2028 delivery year. If the results of the BRA for the 2026/2027 delivery year are not 50% (or more) higher than the results of the BRA for the 2025/2026 delivery year, then the updated Capacity Price for the 2027/2028 delivery year would be set to the average of the most recent results of PJM's capacity auction for the 2025/2026 delivery year and the most recent results for the 2026/2027 delivery year (multiplied by 0.9). If the results of the BRA for the 2026/2027 delivery year are 50% (or more) higher than the results of the BRA for the 2025/2026 delivery year, then the updated Capacity Price for the 2027/2028 delivery year would be set equal to the most recent capacity auction results for the 2026/2027 delivery year (and not multiplied by 0.9).

The EDCs reiterate that the Capacity Proxy Price and subsequent true-up construct provides certainty to BGS-RSCP Suppliers that they will be fully compensated for the actual rates for capacity that they pay in the 2026/2027 delivery year and in the 2027/2028 delivery year. If

Capacity Proxy Prices were not used and no other mechanism was in place at the time of the BGS-RSCP Auction to address the fact that capacity prices for the 2026/2027 delivery year may not be known, and capacity prices for the 2027/2028 delivery year will not be known, bidders will likely include risk premiums in their bids and some potential bidders may choose not to participate in the BGS-RSCP Auction altogether. This could result in higher closing prices in the BGS-RSCP Auction than would otherwise be the case, to the detriment of BGS customers.

Rate Counsel did not object to the EDCs' proposal regarding the implementation of Capacity Proxy Prices for the 2026/2027 delivery year and the 2027/2028 delivery year. In its Initial Comments, Rate Counsel stated that it "does not object to the extension of the capacity proxy price for the 2027/2028 delivery year given the mismatch between the BGS auction and the 2027/2028 capacity auction" (Rate Counsel Initial Comments at page 8). Rate Counsel echoed these sentiments in its statements made at the Hearing (Hearing Transcript at page 19, lines 21-25, and at page 20, lines 1-3). Further, Rate Counsel stated in reference to the use of Capacity Proxy Prices for the 2026/2027 delivery year that it "believes that absent additional significant delays, the five business days advance notice of the BRA is sufficient for bidders seeking to participate in the 2025 BGS auction. Therefore, Rate Counsel supports the [EDCs'] five day trigger for canceling the capacity proxy price for the 2026/2027 delivery year" (Hearing Transcript at page 20, lines 4-10). The Board's Advisor, Bates White, LLC ("Bates White") supports the continued use of Capacity Proxy Prices, stating in its Annual Final Report on the 2024 BGS RSCP and CIEP Auctions that "[Bates White] would recommend that the BPU continue to employ a proxy capacity price for any period where the capacity price is unknown at the time bidders provide their offers as this method has proven to be an effective way to incent bidder participation" (Bates White's Annual Final Report on the 2024 BGS RSCP and CIEP Auctions at page 22).

For the reasons provided above, the EDCs request that the Board approve the proposed method for calculating, and potentially updating, the Capacity Proxy Prices for each EDC for both the 2026/2027 and 2027/2028 delivery years in the event actual capacity prices for these delivery years are not known at least five business days prior to the start of the 2025 BGS-RSCP Auction. Specifically, the EDCs request that the Board approve the EDCs' proposal to set the values of the Capacity Proxy Prices for the 2026/2027 and 2027/2028 delivery years equal to the results of the BRA for the 2025/2026 delivery year, and the EDCs request that the Board approve the EDCs' proposal to update the values of the Capacity Proxy Prices for the 2027/2028 delivery year following the release of the results of the BRA for the 2026/2027 delivery year as long as the results of the BRA for the 2026/2027 delivery year are known at least five business days prior to the 2025 BGS-RSCP Auction.

IV. The EDCs' Proposal Relating to Conducting the BGS Auctions

As context, the EDCs note that, prior to the 2021 BGS Auction Process, the Auctions had been managed from a physical BGS Auction office established for this purpose. Personnel from the Auction Manager¹⁰ staffed the office to receive application materials, train bidders, test systems in preparation for bidding, and conduct the actual Auctions. During the Auctions, Auction Manager personnel, Board Staff, and Board Advisor¹¹ personnel were in close physical proximity, allowing for consultation among the parties and discussion regarding setting various auction parameters. Physical records of the auction activities were kept in the physical BGS Auction office, as well as in other remote locations for redundancy. The series of procedures associated with the physical BGS Auction office were reviewed annually by the Board Advisor and confidentially filed with

¹⁰ The EDCs retained NERA as the Auction Manager.

¹¹ Board Staff retained Bates White as the Board Advisor.

the Board. The costs associated with these procedures included the rent and utilities associated with the physical BGS Auction office, maintenance of computer equipment and networks, travel costs throughout the Auction Process, and other office related costs.

For the 2021 BGS Auctions and 2022 BGS Auctions, this approach to conducting the Auctions became infeasible in the face of government mandates and restrictions established in the wake of the COVID-19 Pandemic. The health of personnel managing the Auctions, including the Auction Manager, Board Staff, and Board Advisor, would be exposed to risks both because of the necessity for travel and because the physical BGS Auction office was not designed to allow for social distancing. It became clear beginning with the 2021 BGS Auctions that it was necessary for protocols and procedures to be established to conduct the Auctions remotely with the Auction Manager, Board Staff, the Board Advisor, in a work from home environment. Through a collaborative effort, the EDCs, the Auction Manager, Board Staff, and the Board Advisor revised the protocols for this new environment that allowed for the remote administration of the Auctions without compromising their security or integrity. For example, as part of its duties, the Auction Manager double checks and reproduces the auction results offline. When conducting the Auctions from the physical BGS Auction office, the Auction Manager relied on comparing hard copy printouts of the auction results and the output of a program designed to reproduce such results to verify that it could reproduce the Auction results offline. When the 2021 BGS Auctions and 2022 BGS Auctions were conducted from a remote setting, members of the Auction Manager team would digitally share a single screen to review the Auction results and compare to the output of the checking program. Far from impeding the Auctions, this new method of checking the Auction results proved more immediate and efficient, completing this task in a fraction of the time relative to printing and reviewing hard copy documents. The efficiency gained by the digital review of

Auction results allowed the Auction Manager to provide results to Board Staff and the Board Advisor more promptly, which in turn allowed for reduced round lengths during the Auction. As another example, when conducting the Auctions from the physical BGS Auction office, the Auction Manager would have an individual dedicated to answering calls from bidders and to route these calls to a Technical Assistant. When the 2021 BGS Auctions and 2022 BGS Auctions were conducted from a remote setting, bidders had a choice of methods to reach the Auction Manager Team for help and a Technical Assistant answered such calls promptly by calling the bidder at its preferred number. This new method meant that an operator was no longer required and that requests for Technical Assistants could be answered as promptly, if not more promptly, than in prior Auctions.

The protocol changes first established in response to the COVID-19 Pandemic that ultimately allowed for the successful remote conduct of the 2021 BGS Auctions made the process of administering the 2021 BGS Auctions and the 2022 BGS Auctions not only safer, but also more efficient. It also made the process at least as secure, and possibly, more so. When conducting the Auctions from the physical BGS Auction office, the Auction Manager had cameras and personnel dedicated to preventing the entry of uninvited parties into the physical BGS Auction office as the office had the hard copy Auction records. Using the internet for digital review and using digital storage of the round results not only increased efficiency but arguably increased security as well. The Auction Manager had absolute control over who had access to the digital rooms and the servers on which Auction results were stored, which had layers of security. There was minimal risk that an uninvited and/or unwanted party could view the digital room where round results were reviewed or access the Auction records.

The Board found that these changes in procedures led to the successful implementation of

the 2021 BGS Auctions and the 2022 BGS Auctions. In its Order approving the results of the 2021 BGS Auctions¹² and its Order approving the results of the 2022 BGS Auctions,¹³ the Board stated that “the adjustments to typical practices and protocols in administering and monitoring the BGS Auctions that were in place to accommodate State and Federal COVID-19 restrictions did not materially affect the Auctions in unanticipated ways” (Order Approving the 2021 BGS Auctions at page 4 and Order Approving the 2022 BGS Auctions at page 4). The Board Advisor also cited the success of the remote conduct of the Auctions in its Annual Final Report on the 2022 BGS-RSCP and BGS-CIEP Auctions, stating that conducting the Auctions remotely “did not affect the outcome of the auction” (Bates White’s Annual Final Report on the 2022 BGS RSCP and CIEP Auctions at page 47 and at page 73).

In their Proposal for Basic Generation Service Requirements to be Procured Effective June 1, 2022 (“2022 Joint Proposal”), the EDCs proposed to continue to conduct a statewide descending clock auction to procure power for BGS customers consistent with the way the 2021 BGS Auctions were conducted. It was the EDCs’ view that it remained necessary for the 2022 BGS Auctions to be conducted remotely and for protocols established to allow for the remote conduct of the 2021 BGS Auctions be used for this purpose. As the remote administration of the 2021 BGS Auctions did not materially affect the results of the Auctions, the EDCs further requested in their 2022 Joint Proposal that the Board approve that the EDCs take the steps necessary to close and/or sublet (as possible) the physical BGS Auction office. In addition to increasing efficiency, doing away with the physical BGS Auction office allowed for the abatement of costs associated with maintaining the physical BGS Auction office without impacting the ability to conduct the BGS Auctions, and

¹² See Order, *I/M/O the Provision of Basic Generation Service (BGS) for the Period Beginning June 1, 2021*, BPU Docket No. ER20030190, (February 11, 2021) (“2021 BGS Order”) (p. 4).

¹³ See Order, *I/M/O the Provision of Basic Generation Service (BGS) for the Period Beginning June 1, 2022*, BPU Docket No. ER 21030631, (February 9, 2022) (“2022 BGS Order”) (p. 4).

for the Board to monitor them. In its Order approving the 2022 BGS Auction Process¹⁴ (“2022 Order”), the Board found that “the EDCs’ request to close and/or sublet the physical BGS Auction office [is] appropriate” (2022 Order at page 11). The EDCs immediately initiated efforts to close the physical BGS Auction office in December 2021.

The EDCs and the Auction Manager continue to commit to working with Board Staff and the Board Advisor so that their ability to monitor the Auction Process is maintained in a cost-effective manner. This was the case during the 2023 BGS Auctions and the 2024 BGS Auctions when, at the request of the Board Advisor, members of the Auction Manager Team and members of the Board Advisor team were co-located in NERA’s office in Washington D.C. Protocols were put in place to build upon the process improvements first introduced with the 2021 BGS Auctions and maintained for the 2022 BGS Auctions. Specifically, members of the Auction Manager Team continued to digitally share a single screen to review the Auction results and compare to the output of the checking program and hard copy verification was not employed. This method of checking the Auction results continued to prove more immediate and efficient than printing and reviewing hard copy documents. The efficiency gained during the 2021 BGS Auctions and the 2022 BGS Auctions by the digital review of Auction results was maintained and allowed the Auction Manager to provide results to Board Staff and the Board Advisor more promptly than hard copy verification. Further, a member of the Auction Manager Team was available to address, in-person, any needs of the Board Advisor, also in-person, during the 2023 BGS Auctions and the 2024 BGS Auctions as requested by the Board Advisor.

In its comments presented at the Hearing, Rate Counsel, in a manner similar to its statements and comments made during the 2022 BGS proceeding, the 2023 BGS proceeding, and

¹⁴*Decision and Order; I/M/O the Provision of Basic Generation Service (BGS) for the Period Beginning June 1, 2022, BPU Docket No. ER21030631.*

the 2024 BGS proceeding, supported reducing costs associated with the physical BGS Auction office while the Auctions are being conducted remotely. Further, Rate Counsel stated that it “does not object to the [EDCs’] continuation of the remote auction process proposal and declining to renew the sublease when it expires at the end of January 2025” (Hearing Transcript at page 20, lines 15-18). Rate Counsel, however, raised concerns at the Hearing stating that Board approval be conditioned on the integrity of the Auction Process being maintained. Specifically, Rate Counsel stated that it is “in favor of reducing administrative costs associated with the physical BGS auction office while the [Auctions] are being conducted remotely” (Hearing Transcript at page 20, lines 12-15) and that “while Rate Counsel appreciates the minor administrative efficiencies achieved by [a] remote auction, Rate Counsel believes that Board approval of a remote auction should be conditioned on [the Board] finding that the integrity of the auction process can be maintained” (Hearing Transcript at page 20, lines 20-25). Rate Counsel again incorrectly discounts the efficiencies that resulted from the changes made to procedures as “minor administrative efficiencies” (Hearing Transcript at page 20, line 21) and seems to believe any such benefit comes at the cost of lessened security. As explained above, the changes in procedures that led to the successful remote conduct of the 2021 BGS Auctions and the 2022 BGS Auctions, as well as the co-location of a subset of team members from the Auction Manager Team and the Board Advisor in conducting the 2023 BGS Auctions and in conducting the 2024 BGS Auctions, made the process of administering the Auctions both more efficient and at least, if not more, secure. Rate Counsel’s security concern is inconsistent with the Board’s findings in its review of the results of the 2021 BGS Auctions, the results of the 2022 BGS Auctions, the results of the 2023 BGS Auctions, and the results of the 2024 BGS Auctions that “appropriate data back-up procedures were planned and carried out [and] no security breaches were observed during the Auction

process” (Order Approving the 2021 BGS Auctions at page 4, Order Approving the 2022 BGS Auctions at page 4, Order Approving the 2023 BGS Auctions at page 4¹⁵, and Order Approving the 2024 BGS Auctions at page 4¹⁶). Additionally, the EDCs note that all parties have been using the internet to bid in the Auctions since the Auctions’ inception. Further, the applications completed by bidders to apply to participate in the BGS Auctions have been submitted online since the 2015 BGS Auctions. The EDCs’ proposal does not change these facts. Using the internet for digital review and confirmation of the round results during the 2021, 2022, 2023, and 2024 BGS Auctions not only sped up those tasks, but also arguably made them more secure. The EDCs do not believe that storing the Auction results in hard copy in a physical BGS Auction office under lock and key is more secure than storing those results on offsite and protected servers. These servers are secure, and technology and protocols are in place to protect the integrity of the Auctions. The servers are continually monitored for intrusions and sit behind firewalls which control who can access them. The EDCs and the Auction Manager have held, and continue to hold, the integrity of the Auctions, as well as Auction security, as a top priority. The EDCs and the Auction Manager continually make investments and propose improvements to the Auction Process as changes to technology warrant. This includes making annual incremental updates to protocols for review by Board Staff and the Board Advisor. Establishing a set of protocols regarding the entirety of the Auction Process each year and abiding by these protocols ultimately maintains the integrity of the Auctions, and as stated above, the successful implementation of the 2021 BGS Auctions, the 2022 BGS Auctions, the 2023 BGS Auctions, and the 2024 BGS Auctions was due to the changes made to an appropriate set of procedures. Further, the Auction Manager continues

¹⁵ See Order, *I/M/O the Provision of Basic Generation Service (BGS) for the Period Beginning June 1, 2023*, BPU Docket No. ER22030127, (February 8, 2023) (“2023 BGS Order”) (p. 4).

¹⁶ See Order, *I/M/O the Provision of Basic Generation Service (BGS) for the Period Beginning June 1, 2024*, BPU Docket No. ER23030124, (February 8, 2024) (“2024 BGS Order”) (p. 4).

to commit to working with Board Staff and the Board Advisor so that their ability to monitor the Auction Process is maintained in a cost-effective manner.

The EDCs respectfully request that the Board approve conducting the 2025 BGS Auctions from a remote setting given the successful implementation for the 2021 BGS Auctions, the 2022 BGS Auctions, the 2023 BGS Auctions, and the 2024 BGS Auctions. The Auction Manager again commits to working with Board Staff and the Board Advisor should they wish to be located with a subset of personnel from the Auction Manager Team during the Auctions consistent with their co-location during the 2023 BGS Auctions and the 2024 BGS Auctions at NERA's office in Washington D.C. The EDCs' proposal allows the Auctions to be administered more efficiently in a way that does not compromise the Auctions' integrity or security.

V. Conclusion

In conclusion, the EDCs reiterate their request that the Board approve the Joint Proposal, as well as approve the rate design, accounting, cost recovery, and contingency plan proposals set forth in each EDC's CSA, as well as consider and approve the EDCs' proposed changes to the application process and SMAs described herein, as well as the EDCs' proposed method for calculating, and potentially updating, the Capacity Proxy Prices.