



ANNUAL FINAL REPORT  
ON THE  
2024 BGS RSCP AND CIEP AUCTIONS

Presented to:

THE NEW JERSEY BOARD OF PUBLIC UTILITIES

Prepared By

BATES WHITE, LLC

Frank Mossburg  
Karen Morgan  
Marjorie Romero

2001 K Street NW, Suite 500  
Washington, DC 20006  
Telephone: (202) 652-2194

May 20, 2024

**TABLE OF CONTENTS**

**I. INTRODUCTION AND SUMMARY ..... 1**

A. THE BGS RESIDENTIAL SMALL COMMERCIAL PRICING (RSCP)  
AUCTION ..... 2

B. THE BGS COMMERCIAL AND INDUSTRIAL ENERGY PRICING (CIEP)  
AUCTION ..... 12

C. LONG-TERM COMPETITIVENESS..... 15

D. RECOMMENDATIONS ..... 21

**II. THE NEW JERSEY 2024 BGS-RSCP AUCTION ..... 23**

A. POST-AUCTION CHECKLIST ..... 24

B. BATES WHITE SUPPLEMENTAL CHECKLIST ..... 30

**III. THE NEW JERSEY 2024 BGS-CIEP AUCTION..... 51**

A. POST-AUCTION CHECKLIST ..... 52

B. BATES WHITE SUPPLEMENTAL CHECKLIST ..... 58

## I. INTRODUCTION AND SUMMARY

Bates White, LLC (Bates White) served as the Advisor to the New Jersey Board of Public Utilities (Board or BPU) for the Basic Generation Service (BGS) Auctions held on February 2, February 5 and February 6, 2024. Bates White personnel have performed this function in each of the previous seventeen years.<sup>1</sup> We are pleased to provide this Annual Final Report as required under our contract. The Board defined the content of the Annual Final Report as follows:

The Contractor shall ensure that its draft annual report includes elements including, but not limited to, the following:

- a. A summary of the auction process and all recommendations in accordance with the contract schedule as approved by the SCM;
- b. Narrative detailing the administration of the auction for compliance with auction rules and agreed upon procedures;
- c. Certification of the auction process and results to ascertain whether the auction was competitive and transparent and is consistent with market conditions; and
- d. All recommendations on how to improve future BGS procurements.<sup>2</sup>

As the Board Advisor, we recommended that the Board certify the results of both the Residential Small Commercial Pricing (RSCP) and Commercial and Industrial Energy Pricing (CIEP) Auctions. Each Auction (a) was open, fair, and transparent, (b) was sufficiently competitive, and (c) saw winning prices in line with market conditions. The Board certified the results of both Auctions on February 8, 2024. The most explicit evidence for the Board's certification decisions were the Post-Auction Checklists that we provided to the Board on February 7, 2024. These checklists, which are included in this report, contain a factual record of Auction results and answers to the questions about the conduct and results of each Auction.

Because of the important role that the checklists play, Bates White also provided supplemental checklists which explained in detail our reasons for the yes/no answers to the 26 questions in the official RSCP and CIEP checklists. These Supplemental Checklists are included in this report as well. We believe that the Post-Auction and Supplemental Checklists demonstrate the extensive scope of the analyses that underlie our work and support the Board's certification decisions.

---

<sup>1</sup> Bates White personnel have extensive hands-on experience monitoring many of the major full requirements solicitations throughout the country, including solicitations for the District of Columbia, Illinois, Maryland, New Jersey, Ohio, Delaware, and part of Pennsylvania.

<sup>2</sup> The State of New Jersey Board of Public Utilities, "Request for Quotation Consulting and Monitoring Services related to the Basic Generation Services (BGS) Auction." April 12, 2023, p. 10.

## A. THE BGS RESIDENTIAL SMALL COMMERCIAL PRICING (RSCP) AUCTION

The BGS RSCP product is a 3-year, fixed price, load-following product that supplies the majority of New Jersey’s residential and small commercial customers who decide not to choose a competitive third-party electric supplier. RSCP suppliers provide what is called a “full-requirements” product, which means that the product includes nearly all of the components (energy, capacity, ancillary services, etc.) necessary for the New Jersey electric distribution companies (EDCs), to provide service to their ratepayers. Each RSCP supplier provides a fixed percentage of an EDC’s residential and small commercial BGS load, whatever that amount turns out to be, as load varies over the course of the contract. This year, as in past years, the EDCs bid out roughly one-third of their RSCP supply needs for the period of June 1, 2024, to May 31, 2027. The remaining two-thirds of RSCP load for the upcoming June 2024 to May 2025 period will be served under contracts procured in the 2022 and 2023 BGS Auctions.

Bates White attended the BPU Board meeting, conducted via Zoom on February 8, 2024, two days after the close of the RSCP Auction, and recommended that the Board certify the results. Before getting into detail on our reasons for making this recommendation, it is constructive to step back and provide an overview of the Auction results.

### RSCP Auction Results

Table 1 shows the winning prices in this year’s RSCP Auction, as well as the winning prices from the last three years’ Auctions. Compared to last year, the winning prices for all products showed significant decreases anywhere from 11.3% to 13.1%.

**Table 1: 2024 Winning RSCP Prices Compared to Previous Prices**

EDC	2024 Winning Price ¢/kWh	2023 Winning Price ¢/kWh	% Change 2024 vs. 2023	2022 Winning Price ¢/kWh	% Change 2023 vs. 2022	2021 Winning Price ¢/kWh	% Change 2022 vs. 2021	% Change 2024 vs. 2021
Atlantic City Electric	8.142	9.217	-11.7%	7.557	22.0%	6.420	17.7%	26.8%
Jersey Central Power & Light	8.295	9.428	-12.0%	7.750	21.7%	6.477	19.7%	28.1%
Public Service Electric & Gas	8.088	9.311	-13.1%	7.630	22.0%	6.480	17.7%	24.8%
Rockland Electric Company	8.555	9.648	-11.3%	8.206	17.6%	6.692	22.6%	27.8%
<b>Tranche Weighted Average</b>	<b>8.175</b>	<b>9.343</b>	<b>-12.5%</b>	<b>7.671</b>	<b>21.8%</b>	<b>6.475</b>	<b>18.5%</b>	<b>26.3%</b>

Price decreases were relatively consistent across the four companies. The largest decrease compared to last year was the 13.1 percent decrease for Public Service Electric and Gas Company (PSE&G), while the smallest was the 11.3 percent decrease for Rockland Electric Company (RECO). Atlantic City Electric Company (ACE) saw prices decrease 11.7 percent and

the winning price for Jersey Central Power & Light Company (JCP&L) decreased by 12.0 percent.

In contrast, in both the 2022 and 2023 procurements, prices for all products increased significantly relative to the prior year. While the 2022 procurement occurred prior to the significant run-up in energy prices that began in April 2022, prices were still up over 18% relative to 2021. Subsequent to that procurement, energy prices increased dramatically driven by many factors, including global competition, supply chain issues, the Russian invasion of Ukraine (which occurred approximately three weeks after the 2022 Auction) and flat production. In addition, market volatility increased the risk of providing a fixed-price service and the cost of meeting New Jersey's Renewable Portfolio Standard (RPS) also increased. As a result, in 2023 the average price increase was over 21% vs. 2022. Since the February 2023 procurement, energy prices have moderated, and price volatility (a key driver of risk premiums) has declined, leading to a decrease in prices across all products. However, prices remain elevated anywhere from 24.8% to 28.1% relative to 2021.

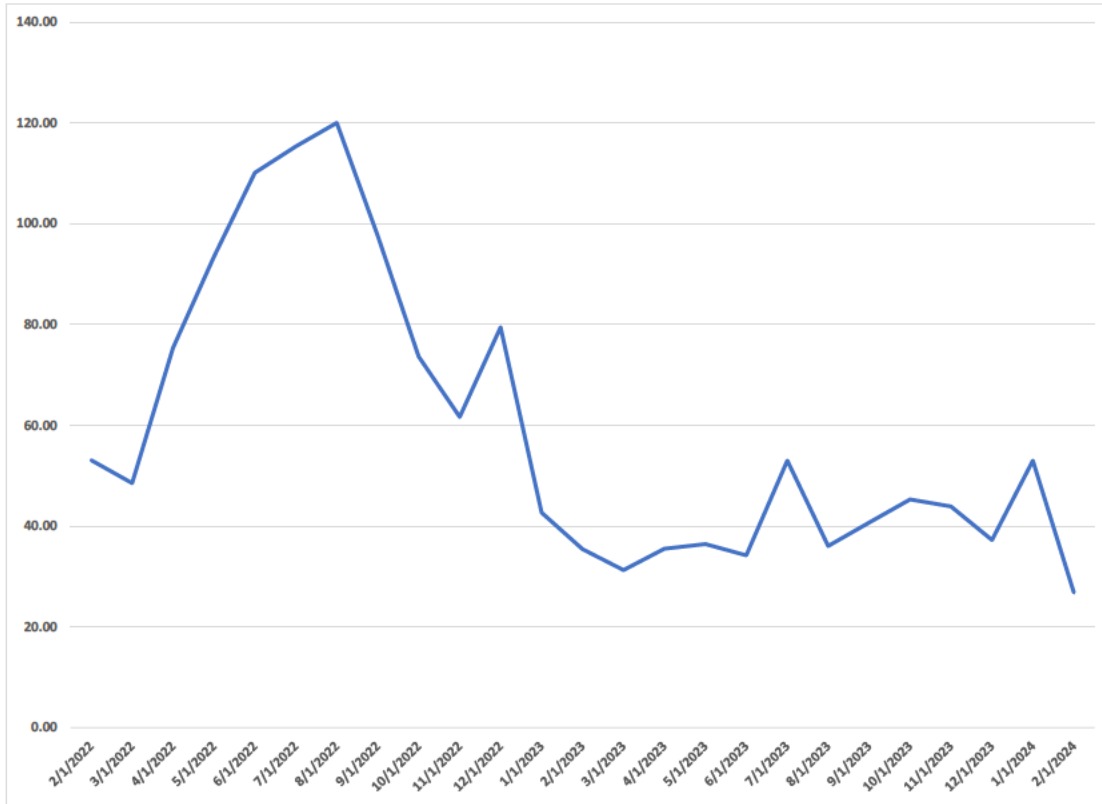
Price changes were driven in part by changes in energy costs. During the 2021 Auction the average cost for monthly futures for peak delivery at the PJM Western hub for the upcoming three-year delivery period was about \$33/MWh. During the 2022 Auction the average cost was about \$51.33/MWh and rose to \$55.32/MWh in the 2023 Auction.<sup>3</sup> Entering the 2024 procurement, the average price had fallen to \$48.05/MWh.

Another key driver of auction results is the volatility of market prices. This volatility increases the risk to bidders of offering a fixed-price product. Price volatility increased dramatically in 2022 and has moderated in recent months. This is demonstrated in the Figure below, which shows the average peak day-ahead price at the Western Hub since 2022. This Figure shows the dramatic increase in prices in early 2022 and the relative stabilizing of prices within the past year.

---

<sup>3</sup> For example, at the time of the 2022 BGS Auctions in February 2022, the average Western Hub Peak Futures price for the June 2022-May 2023 delivery period was approximately \$58.39/MWh. By mid-April 2022, the price for the same period was approximately \$113.30/MWh, a 96% increase in just a few months

**Figure 1: On-peak PJM Western Hub Day Ahead Monthly Prices, February 2022 through February 2024**



**Bill Impact**

The starting point for assessing any rate impact is a comparison between winning prices in this Auction and the contracts that are being replaced. Table 2 compares the prices of the new contracts to the prices of the expiring contracts procured three years ago, in this case the 2021 contracts.<sup>4</sup>

---

<sup>4</sup> Beginning with the 2021 BGS Auction, the responsibility of transmission costs was transferred from the BGS suppliers to the EDCs. Ratepayers still pay for this service, but it is now provided by the EDCs directly. In comparing current prices to those of expiring contracts, we no longer need to adjust prices to exclude the cost of transmission in order for comparisons to be drawn.

**Table 2: Winning 2024 RSCP Prices Compared to Expiring Contracts from the 2021 RSCP Auction**

EDC	2024 Winning Price ¢/kWh	2021 Winning Price ¢/kWh	% Change
Atlantic City Electric	8.142	6.420	26.8%
Jersey Central Power & Light	8.295	6.477	28.1%
Public Service Electric & Gas	8.088	6.480	24.8%
Rockland Electric Company	8.555	6.692	27.8%
<b>Tranche Weighted Average</b>	8.175	6.475	26.3%

The winning prices for all four EDCs are significantly higher than the winning prices from the 2021 Auction with increases ranging from 24.8 to 28.1 percent.<sup>5</sup> This is primarily due to the fact that energy prices remain elevated as compared to three years ago. Because transmission costs were excluded beginning in 2021, the tranche weighted prices are directly comparable.

This would generally lead us to expect a significant increase in the average bill. However, this auction only represents a portion of the total bill, so the total rate impact should be far less than the difference between new and expiring contracts. In addition, the winning contracts for the 2022 and 2023 BGS Auctions included proxy capacity prices for the upcoming June 2024 to May 2025 time frame. In February 2023, the results of PJM's Base Residual Auction for the 2024-2025 delivery year (the first year of the 2024 BGS-RSCP Auction supply term) were made available. The proxy capacity prices incorporated in bids in 2022 and 2023 were generally \$12 to \$33/MW-day higher than the actual price of capacity for that period, meaning that winning suppliers will refund the excess, or pay a true-up, to ratepayers. This true up ultimately helps to mitigate the increase in the average bills.

Table 3 shows the estimated monthly bill impacts of the 2024 BGS-RSCP Auction as forecasted by the EDCs for a residential customer with an annual monthly average usage of 650 kWh.<sup>6</sup>

<sup>5</sup> While significant, these increases are substantially less than the increases in 2023. In 2023, the 2020 contracts being replaced ranged from 38.9 percent to 45.0 percent lower. The underlying futures prices in 2023 were approximately 80 percent higher than the underlying futures prices at the time of the auction in 2020.

<sup>6</sup> The calculation reflects the impact on a customer using 574 kWh in the winter for 8 months and 802 kWh in the summer for 4 months.

**Table 3: Forecast Residential Monthly Bill Impacts from 2024 BGS-RSCP Auction**

EDC	% Change in Monthly Bill
Atlantic City Electric	4.8%
Jersey Central Power & Light	8.6%
Public Service Electric & Gas	6.2%
Rockland Electric Company	3.6%

As a result of this year's Auction, residential ratepayers at each of the four EDCs are forecast to see an increase in their estimated monthly bill for the June 2024 to May 2025 period. Specifically, PSE&G forecasts a bill increase of 6.2%; ACE forecasts a bill increase of 4.8%; JCP&L forecasts a bill increase of 8.6%; and RECO forecasts a bill increase of 3.6%.

### **Recommendation**

Bates White recommended that the Board certify the results of the BGS-RSCP Auction for three primary reasons: (a) the Auction was open, fair, and transparent; (b) the Auction was sufficiently competitive; and (c) the winning prices were consistent with broader market conditions. Below, we discuss each reason in detail.

### **Openness, Fairness and Transparency**

Our first reason for recommending acceptance of the results of the 2024 RSCP Auction was that the Auction was open, fair, and transparent. All the non-price terms and conditions were standardized; therefore, all suppliers, including any EDC affiliates, signed the same supply agreement and provided the same product. This allowed bid evaluation to be based solely on price. A price-only bid evaluation provides maximum transparency. In addition, all rules of participation and conduct were fully explained and fairly applied by the Auction Manager, NERA Economic Consulting (NERA).

As has been the case for the last three BGS Auctions, the capacity price for some years under the supply term contract was unavailable. The results of PJM's base residual auction for the 2024/2025 delivery year (the first year of the 2024 BGS-RSCP Auction supply term) were made available in February 2023. The results of PJM's base residual auctions for the 2025/2026 delivery year and 2026/2027 delivery year were expected to be made available in June 2023 and December 2023, respectively. However, on April 11, 2023, PJM made a filing at the Federal Energy Regulatory Commission (FERC) to revise the schedule for its capacity auctions for the 2025/2026 through the 2028/2029 delivery years. Specifically, PJM's proposed schedule revisions for the base residual auctions (BRAs) for the 2025/2026 and 2026/2027 delivery years



delaying them to June 2024 and December 2024, respectively. On June 9, 2023, FERC issued an Order accepting PJM's proposed revisions to the BRA schedules.<sup>7</sup>

As a result, at the time of the 2024 BGS Auction, the BRA for the 2025/2026 and the 2026/2027 delivery years had not yet taken place and neither capacity price was known. The EDCs proposed to address this uncertainty in the same manner approved by the Board the last three years, by using capacity proxy prices for both delivery years. Under an addendum to the Supplier Master Agreement winning bidders in the RSCP Auction would be paid (or would pay) any difference between the final capacity price and these proxy prices.

After reviewing all comments from the EDCs and other interested parties, the Board approved the Joint EDC Proposal for the 2024 BGS Auction.

Bates White monitored the Auction, and trial auctions, at NERA's offices in Washington DC where the Auction Manager had its personnel. Prior to bid day, NERA provided opportunities for bidders to practice using the bidding software. On bid day, Bates White staff monitored and evaluated bids submitted by Registered Bidders. We received bid reports from NERA's software, formulated reports, and checked price decrements using our own bid evaluation software. NERA sent us round by round bidding data via secure file transfer.

Fairness and transparency were also enhanced by the Auction Manager's pro-active facilitation of full access to the process and results for the Board Advisor and BPU Staff. As the Board Advisor, we, along with BPU Staff, were actively involved in the full range of pre-auction tasks including, but not limited to, (a) the monitoring of bid information sessions, (b) the calculation of starting prices, and (c) the evaluation of Part 1 and Part 2 Applications. During the Auction itself, we were given complete access to the full range of auction data. This allowed us to independently verify round-by-round bid offers, price decrements, winning suppliers, winning prices, and to monitor bidding behavior. We also monitored incoming and outgoing communications with bidders.

In addition, Bates White reviewed all the EDCs' RSCP Pricing spreadsheets and average bill calculation models and conducted testing with the models to ensure accuracy. Once winning prices were determined, we reviewed each EDC's calculation of the new projected rates and impact on average residential bills to ensure they were correct.

---

<sup>7</sup> Order Accepting Tariff Revisions, Subject to Condition, and Granting Waiver Request, 183 FERC ¶ 61,172, Docket No. ER23-1609-000, June 9, 2023.

## Competitiveness

Our second reason for recommending certification of the RSCP Auction results was that the Auction was sufficiently competitive. We assessed five indicators of competitiveness. First, we looked at the total number of bidders in the Auction. A large number of bidders is helpful because it increases the total supply bid in the Auction, pushing prices down. It also makes it harder for bidders to carry out any collusive schemes. This year there were 14 registered bidders

[REDACTED]

Slightly lower energy prices and reductions in price volatility have decreased risks for wholesale suppliers [REDACTED]

[REDACTED]

Second, we looked at the ratio of tranches offered to tranches needed at several points in the process. A tranche represents the obligation to serve a fixed percentage of an EDC's full requirements load, whatever that load turns out to be, in any hour.<sup>8</sup> Having excess tranches offered is important because the excess drives prices down as the Auction proceeds; the price for a given product "ticks down" (is decremented) only if there are excess tranches offered for that product. For that reason, we like to see bidders come in and stay in with the maximum number of tranches offered through many rounds of bidding.

---

<sup>8</sup> Each tranche was sized to be roughly 100 MW of the peak load of each EDC. Because each EDC has a different peak load, tranches for each EDC equate to a different percentage of each EDC's load.

[REDACTED]  
this Auction was competitive.

Third, we looked at the number of winners. We like to see a large number of winners because it means that the auction was competitive, with multiple parties pushing down the price at the end. Having a large number of winners also signals to other participants that no one party is dominating the auction and that anyone can win, increasing the likelihood that winning bidders will return in future years. This year there were 13 winners, five more than last year.

Fourth, we analyzed the results using the Herfindahl-Hirschman Index, or HHI. HHI is based on the market shares of each participant (technically it is the sum of the squares of the market shares). The U.S. Department of Justice (DOJ) primarily uses a three-part standard for HHIs when judging the competitive effect of mergers and acquisitions. An HHI below 1,000 is a safe harbor of sorts because the market is said to be un-concentrated. If, after a merger or acquisition, the HHI is below 1,000, it is generally thought that there is no competitive harm from the merger or acquisition; that is, the merger or acquisition does not make the exercise of market power more likely. An HHI between 1,000 and 1,800 is said to indicate moderate concentration. An HHI over 1,800 is said to indicate a highly concentrated market.<sup>9</sup> For market-based rate authority, FERC uses a threshold of 2,500 for the HHI in one of its standards.

Calculated with the market shares of just the winning suppliers for this year, the HHI was 1,363. This puts the HHI for the RSCP Auction within DOJ's moderately concentrated range.

However, to include only winning bidders may be too narrow a focus for this exercise. A more appropriate focus would be to expand the calculation of the HHI to include all 14 suppliers who will serve consumers from June 2024 to May 2025. This includes in the analysis the market shares of all winners in the 2022 and 2023 Auctions, as well as in this 2024 Auction. The HHI calculated in this manner is 1,245. The table below shows that as a result of an expanded supplier pool this year, the result is slightly less concentrated than it was last year, is consistent with the levels of concentration seen since 2019, and much less concentrated than earlier years.

---

<sup>9</sup> In December of 2023 these were lowered from past standards. Previously, an HHI of 1,500 or lower was unconcentrated and an HHI of above 2,500 indicated a highly concentrated market.

**Table 4: HHI in Recent RSCP Auctions**

RSCP Auction Year	HHI for Winning Bidders	HHI for All Parties Serving Load
2012	1757	1773
2013	1838	1573
2014	1912	1533
2015	1739	1683
2016	1722	1620
2017	1463	1515
2018	1505	1307
2019	1598	1263
2020	1299	1292
2021	1444	1156
2022	1475	1113
2023	1570	1279
2024	1363	1245

Fifth, we also employed a method used by FERC in antitrust evaluations, which examines the HHI of a market when the price is within 5 percent of the final market price. This so-called “Delivered Price Test” gives a sense of what suppliers could have offered supply at a price level roughly consistent with market prices. [REDACTED]

In addition, we looked for signs of collusive or coordinated bidding behavior by closely examining all bids by all bidders on a round by round basis. Bidding behavior was also reviewed by our Auction Theory Expert, Professor Ken Hendricks of the University of Wisconsin, subsequent to the close of the Auction and before the results were certified. We found no evidence of any collusive or anti-competitive actions.<sup>10</sup>

### **Prices Consistent with Market Conditions**

The third reason for recommending certification of the BGS-RSCP Auction results was that winning prices were consistent with broader market conditions. Our primary test of prices

<sup>10</sup> Had we detected any collusive behavior in the Auction, we did have the power to call a recess and discuss the issue with the Auction Manager and Staff.

involved comparing the winning prices with the predicted ranges from our Benchmark Pricing Model. [REDACTED]

[REDACTED] The output of the model is a range of prices that we consider reasonable. We created separate benchmark ranges for each EDC. The benchmark model utilized the proposed proxy capacity prices for the June 2025-May 2026 and the June 2026-May 2027 periods just as bidders were instructed to do.

Table 5 below shows our projections as compared to actual results.

**Table 5: Winning RSCP Prices compared to Expectations**

2024 BGS Auction					
Product	Tranches Filled	Final Price (cents/kWh)	Price Expectation Range (cents/kWh) <sup>1</sup>		
			Average	Low	High
PSE&G	29	8.088	[REDACTED]	[REDACTED]	[REDACTED]
JCP&L	20	8.295	[REDACTED]	[REDACTED]	[REDACTED]
ACE	7	8.142	[REDACTED]	[REDACTED]	[REDACTED]
RECO	1	8.555	[REDACTED]	[REDACTED]	[REDACTED]
<b>Total</b>	<b>57</b>	<b>8.175</b>	[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED] This helps support our conclusion that the results here are in line with current market conditions.

As noted above, winning prices in this year’s auction were anywhere from 11.3 percent to 13.1 percent below last year’s winning prices depending on the product. This is due mainly to the decrease in energy prices. In particular, while futures prices in Western PJM are about the same as last year, New Jersey specific energy prices have declined. In addition, risk premiums are down from last year based on lower price volatility. Countering against this is an increase in the cost of meeting New Jersey’s state RPS requirements.

## **B. THE BGS COMMERCIAL AND INDUSTRIAL ENERGY PRICING (CIEP) AUCTION**

The BGS CIEP product is a one-year, load following, full requirements product for larger commercial and industrial customers. Each CIEP supplier provides a fixed percentage of an EDC's commercial and industrial load, whatever that amount turns out to be, as load varies over the contract period. The CIEP contract period runs from June 1, 2024, through May 31, 2025. Each year the EDCs bid out 100 percent of their CIEP supply needs.

Bates White recommended that the Board certify the results of the CIEP Auction. We used the same three criteria as in our recommendation for the RSCP Auction.

### **Fairness and Transparency**

We believe the CIEP Auction was open, fair, and transparent for the same reasons stated above for the RSCP Auction. Since the CIEP product did not cover the 2025-2026 and 2026-2027 PJM service years there was no need to utilize a proxy price for capacity in this auction. As with the RSCP Auction, the CIEP Auction was monitored from NERA's Washington DC offices.

### **Competitiveness**

We used the same five indicators of competitiveness as we did for the RSCP Auction. Note that the CIEP Auction, while still competitive, is somewhat less competitive than the RSCP Auction. This is to be expected given the smaller amount of supply bid out.

- First, there were seven registered bidders, [REDACTED]
- Second, the excess quantity offered was sufficient. [REDACTED]

[REDACTED]

- Third, five [REDACTED] bidders were winners in the Auction. This is one more than the number of winners last year with four of the five winners in this Auction also having won last year [REDACTED]
- Fourth, the HHI using the market shares of the winning bidders was 2,46 [REDACTED]  
[REDACTED]
- Fifth, we, along with our Auction Theory Expert, reviewed the round-by-round results and found no evidence of collusion or anti-competitive behavior.

**Prices Consistent with Market Conditions**

Before discussing price, we note that the CIEP price is not like the RSCP price. Winning bidders in the CIEP Auction provide a similar full requirements product but are paid the PJM spot market price (\$/MWh) for providing energy, plus \$6/MWh for providing ancillary services, and a standby fee of \$0.15/MWh. The Auction price primarily reflects a fixed price for the capacity portion of that service, and the cost of meeting the State RPS.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



### C. LONG-TERM COMPETITIVENESS

In an effort to provide the Board with a longer-term look at the competitiveness of the RSCP Auction, we provide a review of Auction participation over the last several years. Our findings are in the tables below.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]  
To assess this phenomenon, we looked at data from auctions over the period  
beginning in 2014 [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Turning to the winners of the Auction,

[REDACTED]



[redacted] we can make several observations. [redacted]

[redacted] These metrics indicate a very competitive process. Second, the Auction continues to have new winners [redacted] This is a good indicator of the transparency of the Auction process. [redacted]

In terms of who is supplying the BGS-RSCP product, we looked at trends in RSCP winners. Figure One displays how much load each supplier served for each energy year (i.e.,

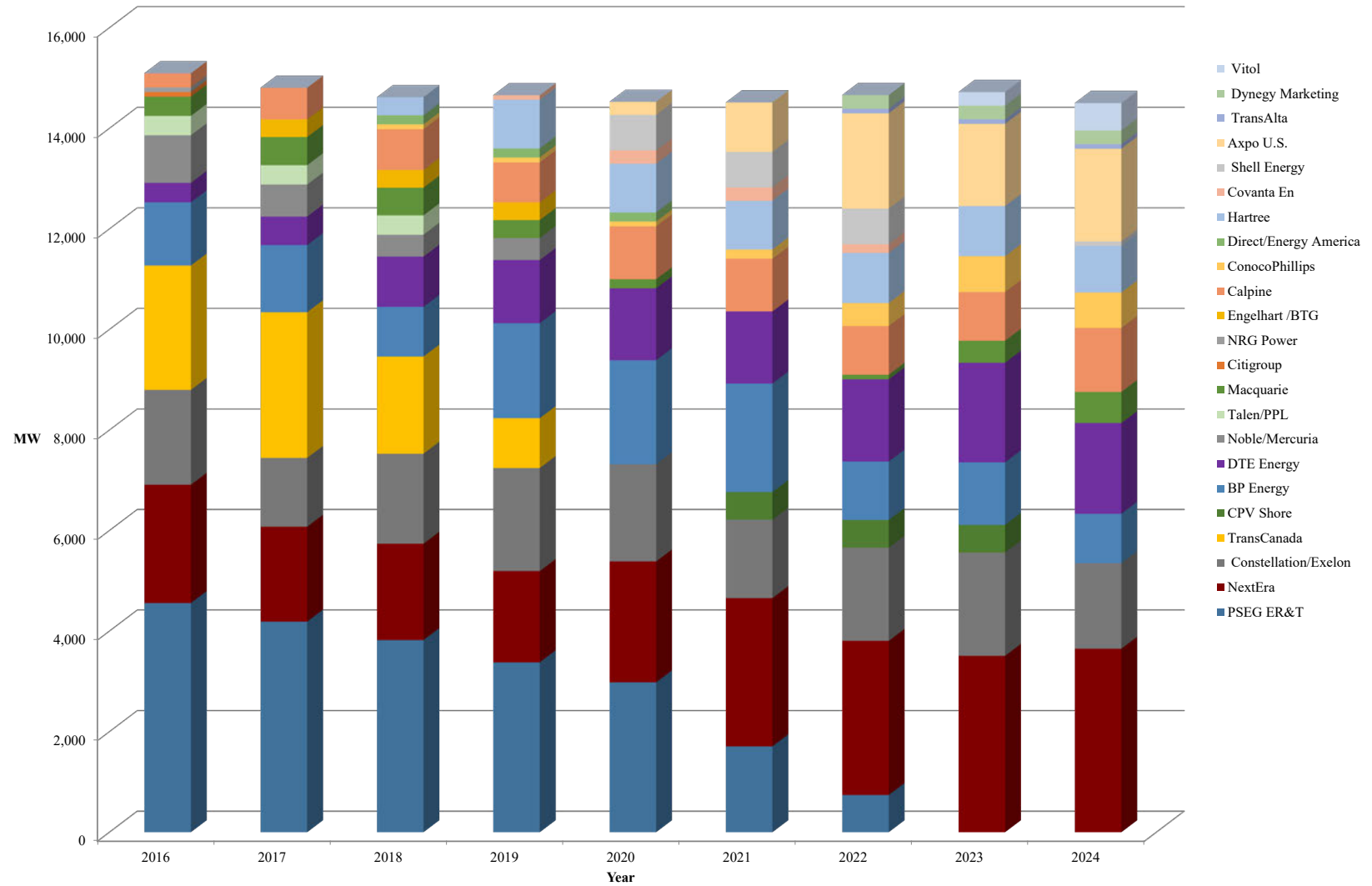
June-May period) from 2016-2017 to 2024-2025.<sup>11</sup> The columns then map out the growth or decline in load share through the energy years.

From this figure we see that 24 different suppliers have provided (or will provide) supply to RSCP ratepayers over the period 2016-2017 to 2024-2025. For the 2024-2025 year, 14 suppliers will provide RSCP service. NextEra will be the largest supplier and will serve approximately 38% of the RSCP load in the upcoming year. [REDACTED] was a first time participant and a winner in the RSCP product this year. Other bidders have made significant inroads over the last few years, notably Axpo, BP Energy, and DTE Energy Trading.

---

<sup>11</sup> Our calculations here are based solely on the winning bidders from each Auction and do not account for mergers, such as the Exelon-Constellation merger, or any contracts that were subsequently assigned or sold to other parties.

Figure 2: Estimated MW of RSCP Energy Served, by Supplier



## D. RECOMMENDATIONS

In this section we present recommendations that we believe will assist the BPU going forward as well as observations regarding the market that the BPU should continue to monitor.

[REDACTED]  
[REDACTED] Reductions in price volatility, stable interest rates, and lower energy prices than in the past [REDACTED]

In our 2023 report, we proposed one potential avenue [REDACTED] [REDACTED] would be to implement changes to the credit provisions. These could include modifications to the total pre- or post-bid credit required from bidders, changes to the length of time for which pre-bid credit must be posted, or changes to the amount of unsecured credit offered to bidders.

We are aware that such changes might increase the risk that a bidder default would result in excess costs to the EDCs (and ratepayers), so the requirements are in that sense a balancing act. Nonetheless, we continue to encourage the EDCs to examine the credit provisions as currently set up and see if there are areas that could be relaxed [REDACTED] [REDACTED] without exposing current ratepayers to undue risk. At a minimum, we would caution against more restrictive credit measures going forward.

In addition, a continuing concern relevant to our monitoring of these auctions has been the failure of PJM to establish a capacity price for periods beyond June 2025. As has been the case for the last three BGS Auctions, the capacity price for some years under the supply term contract was unavailable. The results of PJM's base residual auction for the 2024/2025 delivery year (the first year of the 2024 BGS-RSCP Auction supply term) were made available in February 2023. Base residual auctions for the 2025/2026 and 2026/2027 delivery years are planned for June 2024 and December 2024, respectively.<sup>12</sup>

Given the expected delays in the PJM capacity market auctions, it is likely that the 2025 BGS Auction will still need a proxy capacity price for the RSCP product for one or more years. That product will cover the three-year period from June 2025 to May

---

<sup>12</sup> Order Accepting Tariff Revisions, Subject to Condition, and Grating Waiver Request, 183 FERC ¶ 61,172, Docket No. ER23-1609-000, June 9, 2023.

2028. We 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.



**II. THE NEW JERSEY 2024 BGS-RSCP AUCTION**

A. POST-AUCTION CHECKLIST

**ATTACHMENT B  
DOCKET NO. ER23030124**

**POST-AUCTION CHECKLIST  
FOR THE NEW JERSEY 2024 BGS-RSCP AUCTION**

---

Prepared by: Bates White, LLC

Auction began with the opening of Round 1 at 8:25 am on Monday, Feb. 5, 2024  
 Auction finished with the close of Round 29 at 12:45pm on Tuesday, Feb. 6, 2024

	Start of Round 1	Start of Round 2 * (after volume reduction in Round 1, if applicable)	Start of Round n * (after post-Round 1 volume reduction, if applicable)
# Bidders	<u>█</u>	<u>NA</u>	<u>NA</u>
Tranche target	<u>57</u>	<u>NA</u>	<u>NA</u>
Eligibility ratio	<u>█</u>	<u>NA</u>	<u>NA</u>
PSE&G load cap	<u>14</u>	<u>NA</u>	<u>NA</u>
JCP&L load cap	<u>9</u>	<u>NA</u>	<u>NA</u>
ACE load cap	<u>3</u>	<u>NA</u>	<u>NA</u>
RECO load cap	<u>1</u>	<u>NA</u>	<u>NA</u>
Statewide load cap	<u>21</u>	<u>NA</u>	<u>NA</u>

\* Note: No volume adjustment was made during the RSCP auction, so the pre-auction tranche target and the statewide load cap were unchanged for the auction.

**ATTACHMENT B**  
**DOCKET NO. ER23030124**

**Post-Auction Checklist for the New Jersey 2024 BGS-RSCP Auction**

Table 1 below shows pertinent indicators and measures for the auction.

**Table 10. Summary of BGS-RSCP Auction**

	PSE&G	JCP&L	ACE	RECO	Total
BGS-RSCP peak load share (MW)	2,674.09	1,829.40	732.20	82.68	5,318.37
Total tranches needed	29	20	7	1	57
Starting tranche target in auction	29	20	7	1	57
Final tranche target in auction	29	20	7	1	57
Tranche size (%)	1.18	1.93	4.55	25.00	
Tranche size (approximate MW)	92.21	91.47	104.60	82.68	
Starting EDC load caps (# tranches)	14	9	3	1	--
Starting statewide load cap (#tranches)	--	--	--	--	21
Final EDC load caps (# tranches)	14	9	3	1	--
Final statewide load cap (#tranches)	--	--	--	--	21
Quantity procured (# tranches)	29	20	7	1	57
Quantity procured (% BGS-RSCP load)	100%	100%	100%	100%	100%
# Winning bidders	8	12	5	1	13
Maximum # of tranches procured from any one bidder	13	3	2	1	15
Minimum and maximum starting prices prior to indicative bids (cents/kWh)					12.0 16.0
Starting price at start of auction (cents/kWh) *	■	■	■	■	■
Final auction price (cents/kWh) **	8.088	8.295	8.142	8.555	8.175

\* Price shown in “Total” column is an average across the EDCs weighted by each EDC’s “Starting tranche target in auction.”.

\*\*Price shown in “Total” column is an average across the EDCs weighted by each EDC’s “Final tranche target in auction”.

**ATTACHMENT B**  
**DOCKET NO. ER23030124**

**Post-Auction Checklist for the New Jersey 2024 BGS-RSCP Auction**

**Table 11. Overview of Findings on BGS-RSCP Auction**

	Question	Comments
1	<b>BW’s recommendation as to whether the Board should certify the RSCP auction results?</b>	<b>Yes, certify</b>
2	Did bidders have sufficient information to prepare for the RSCP auction?	Yes
3	Was the information generally provided to bidders in accordance with the published timetable? Was the timetable updated appropriately as needed?	Yes
4	Were there any issues and questions left unresolved prior to the RSCP auction that created material uncertainty for bidders?	No
5	From what BW could observe, were there any procedural problems or errors with the RSCP auction, including the electronic bidding process, the back-up bidding process, and communications between bidders and the Auction Manager?	No
6	From what BW could observe, were protocols for communication between bidders and the Auction Manager adhered to?	Yes
7	From what BW could observe, were there any hardware or software problems or errors, either with the RSCP auction system or with its associated communications systems?	No
8	Were there any unanticipated delays during the RSCP auction?	No
9	Did unanticipated delays appear to adversely affect bidding in the RSCP auction? What adverse effects did BW directly observe and how did they relate to the unanticipated delays?	No

Question		Comments
10	Were appropriate data back-up procedures planned and carried out?	Yes
11	Were any security breaches observed with the RSCP auction process?	No
12	From what BW could observe, were protocols followed for communications among the EDCs, NERA, BPU staff, the Board (if necessary), and BW during the RSCP auction?	Yes
13	From what BW could observe, were the protocols followed for decisions regarding changes in RSCP auction parameters (e.g., volume, load caps, bid decrements)?	Yes
14	Were the calculations (e.g., for bid decrements or bidder eligibility) produced by the RSCP auction software double-checked or reproduced off-line by the Auction Manager?	Yes
15	Was there evidence of confusion or misunderstanding on the part of bidders that delayed or impaired the auction?	No
16	From what BW could observe, were the communications between the Auction Manager and bidders timely and effective?	Yes
17	Was there evidence that bidders felt unduly rushed during the process? Should the auction have been conducted more expeditiously?	No
18	Were there any complaints from bidders about the process that BW believed were legitimate?	No
19	Was the RSCP auction carried out in an acceptably fair and transparent manner?	Yes
20	Was there evidence of non-productive “gaming” on the part of bidders?	No
21	Was there any evidence of collusion or improper coordination among bidders?	No
22	Was there any evidence of a breakdown in competition in the RSCP auction?	No
23	Was information made public appropriately? From what BW could observe, was sensitive information treated appropriately?	Yes

Question		Comments
24	Does the RSCP auction appear to have generated a result that is consistent with competitive bidding, market-determined prices, and efficient allocation of the BGS-RSCP load?	Yes
25	Were there factors exogenous to the RSCP auction (e.g., changes in market environment) that materially affected the RSCP auction in unanticipated ways?	No
26	Are there any concerns with the RSCP auction's outcome with regard to any specific EDC(s)?	No

B. BATES WHITE SUPPLEMENTAL CHECKLIST



**BATES WHITE SUPPLEMENT TO NEW JERSEY BGS AUCTION  
CHECKLIST: RSCP AUCTION**

**QUESTION 1:**

**Bates White's recommendation as to whether the Board should certify the RSCP Auction results?**

**ANSWER 1:** Yes, certify.

**CRITERIA:**

**a. Were all checklist questions satisfactorily answered?**

Yes.

**QUESTION 2:**

**Did bidders have sufficient information to prepare for the RSCP Auction?**

**ANSWER 2:** Yes.

**PRE-AUCTION CRITERIA**

**a. Were there Pre-Bid sessions and were they informative?**

Yes, there were Pre-Bid Information Sessions and they informed bidders about Auction procedures and developments.

There were three Pre-Bid Information Sessions: the first was held on October 13, 2023, the second on November 27, 2023, and the third was held January 24, 2024. All sessions were conducted as webcasts. As a result, bidder confidentiality was maintained.

The first two information sessions were open to any entities interested in participating in the Auction. The third information session was held after the application process was complete and was restricted to Registered Bidders only. Because the session was conducted as a webcast NERA was able to conduct just one session for both RSCP and CIEP bidders.

Ten companies attended the first information session, eight companies attended the second information session, and eight companies attended the third information session. Between the three sessions, 15 unique companies attended. The slide decks and audio from the first two sessions were posted on the BGS Auction website. All questions asked at the information sessions were adequately answered by NERA.

**b. Were frequently asked questions (FAQs) posted on the BGS website and were all questions answered?**

Yes, the FAQs were posted and all questions asked in a timely manner were answered.

All questions asked by bidders and their answers were posted on the FAQ section of the BGS website pursuant to NERA's FAQ Protocols. These protocols called for a specific process for answering bidder questions to ensure that all bidders had access to the same information at the same time.

As of February 1, 2024, 105 questions had been asked by bidders since August 10, 2023, the first day FAQs were posted. All of these questions were answered in a timely fashion by NERA. The topics of questions included: (a) Applications, (b) Association and Confidential Information Rules, (c) Auction Rules, (d) BGS Supplier Master Agreement, (e) Pre-Auction Security and Credit, (f) Rates and (g) Data. NERA provided responses to all of these questions, which seemed to satisfy bidders.

Answers to FAQs were posted publicly on the BGS website through mid-January. Starting on January 18, 2024, the Auction Manager sent answers to questions received only to Registered Bidders via email. Bates White reviewed these FAQs as well.

**c. Was required information and data provided on the website?**

Yes, the BGS Auction website provided required data for bidders to prepare for the Auction.

The Auction information listed below was provided according to the schedule posted by NERA. This information included: (a) Application forms, (b) minimum/maximum starting prices, (c) tranche targets, (d) load caps, (e) finalized rules, (f) final Supplier Master Agreements, and (g) finalized decrement formulas.

NERA also maintained a "data room" on their website, which contained data that was updated monthly and additional data that was updated less frequently. NERA provided descriptions of both types of data. This data room helped bidders prepare their bids. Examples of the data posted here included (a) load data, which was updated monthly for each EDC and covered the period up to October 2023 or later, and (b) switching statistics that showed the percentage of load and number of customers that have switched to third party suppliers. Any revisions made to the data were marked on the website.

NERA also posted models which translated potential winning prices for each EDC into customer rates. We reviewed each rate model provided to us and

worked with the utility to correct any errors identified. On auction day we again reviewed the EDCs' calculations of rate and average bill impacts resulting from the actual Auction. In most cases we were able to match the bill impact immediately. Due to several last-minute revisions correcting information and links to outside forecasts that were not subject to our review the RECO bill impact took longer to verify. After considerable discussion and review, a correct version of the RECO model was provided and rate impacts confirmed.

**d. Did Bidders receive Auction logistics information (i.e., Confidential Bidder Information packet) on time?**

Yes, before the Trial Auction



**e. Did bidders communicate any material concerns to NERA?**

Please see answer to 2b.

**f. Were bidders given an opportunity to provide proposals and comments concerning the 2024 Auction Process?**

Yes. In its Procedural Order, the Board invited all interested parties to file procurement proposals by June 30, 2023. Interested parties were also invited to file initial comments and final comments by September 5, 2023 and October 6, 2023, respectively. The Board also held a legislative-type hearing on September 18, 2023.

As it has been the case for the last three BGS Auctions, the capacity price for some years under the supply term contract was unavailable. The results of PJM's base residual auction for the 2024/2025 delivery year (the first year of the 2024 BGS-RSCP Auction supply term) were made available in February 2023. The results of PJM's base residual auctions for the 2025/2026 delivery year and 2026/2027 delivery year were expected to be made available in June 2023 and December 2023, respectively. However, on April 11, 2023, PJM made a filing at FERC to revise the schedule for its capacity auctions for the 2025/2026 through the 2028/2029 delivery years. Specifically, PJM's proposed schedule revisions for the base residual auctions for the 2025/2026 and 2026/2027 delivery years delaying them to June 2024 and December 2024, respectively. On June 9, 2023, FERC issued an Order accepting PJM's proposed revisions to the BRA schedules for the 2025/2026 through the 2028/2029 delivery years, to allow for Commission consideration of anticipated capacity market enhancements.<sup>13</sup>

---

<sup>13</sup> Order Accepting Tariff Revisions, Subject to Condition, and Grating Waiver Request, 183 FERC ¶ 61,172, Docket No. ER23-1609-000, June 9, 2023.

As a result, at the time of the 2024 BGS Auction, the BRA for the 2025/2026 and the 2026/2027 delivery years had not yet taken place and neither capacity price was known. The EDCs proposed to address this uncertainty in the same manner approved by the Board the last three years, by using capacity proxy prices for both delivery years. Under an addendum to the Supplier Master Agreement winning bidders in the RSCP Auction would be paid (or would pay) any difference between the final capacity price and these proxy prices.

After reviewing all comments from the EDCs and other interested parties, the Board approved the Joint EDC Proposal for the 2024 BGS Auction.

**QUESTION 3:**

**Was the information generally provided to bidders in accordance with the published timetable? Was the timetable updated appropriately as needed?**

**ANSWER 3: Yes.**

**PRE-AUCTION CRITERIA**

**a. Was the timeline followed?**

Yes.

**b. Were there updates to the timeline?**

No.

**QUESTION 4:**

**Were there any issues and questions left unresolved prior to the RSCP Auction that created material uncertainty for bidders?**

**ANSWER 4: No.**

**PRE-AUCTION CRITERIA**

**a. Were all questions answered in the FAQs?**

Yes, please see answer to 2b.

**b. Were bidder questions asked after January 18, 2024 directly responded to by NERA?**

Yes, questions continued to be asked by Registered Bidders after January 18, 2024, and NERA provided answers to these questions directly to bidders via

email. These answers were distributed regularly beginning on January 18, 2024. Bidders did not indicate any concerns with the answers provided by NERA. Also, please see answer to 2b.

**c. Did other events or issues produce any material uncertainty for bidders?**

In recent years, bidders have expressed concern over the implementation of the 2018 Clean Energy Act and, more generally, the responsibilities of winning suppliers in the BGS Auction with regard to meeting the State Renewable Portfolio Standard. As it did in the past, the Auction Manager posted an example calculation showing RPS requirements on the BGS website on December 5, 2023.

Based on the levels of participation and prices received it appears that bidders were able to understand and implement the requirements and there were no unnecessary premiums included in bid prices due to bidder confusion.

Please also see the answer to 2f regarding use of a capacity proxy price.

Bates White also monitored various industry news sources and did not discover any other events that would produce material uncertainty for bidders.

**d. Did bidders communicate any material concerns to NERA?**

Please see answer to 2e.

**e. Was information equitably provided to bidders?**

Yes, information was provided to bidders equally. This was done through Pre-Bid Information Sessions, FAQs posted on the BGS Auction website and emailed to all bidders, and email announcements of upcoming important events and milestones. Also, please see answers to 2a-2d.

**f. Was information provided to maximize the number of bidders for the Auction?**

Yes, before bidders were registered, NERA conducted extensive marketing efforts in order to maximize bidder participation. Maximum bidder participation is important since the supply offered in excess of need is what drives Auction prices to “tick down” (i.e., decrease) from round to round.

NERA conducted direct marketing with potential bidding companies through an email distribution list and phone calls. The list of contacts was developed from existing contact lists and from participants that registered for information on the BGS Auction website. This outreach effort began prior to the first information

session. NERA also advertised the bidding opportunity by running four ads in Platts publications, two in *Megawatt Daily* on November 6, 2023, and November 30, 2023, and two in *Energy Trader* on November 8, 2023, and November 28, 2023.

The Auction Manager consulted with Bates White during each of the application processing periods. [REDACTED]

- g. From Bates White's observation, were there any pre-qualification requirements which directly prevented bidder participation?**

[REDACTED]

**QUESTION 5:**

**From what Bates White could observe, were there any procedural problems or errors with the RSCP Auction, including the electronic bidding process, the back-up bidding process, and communications between bidders and the Auction Manager?**

**ANSWER 5: No.**

**AUCTION WEEK CRITERIA**

- a. Was protocol followed for the RSCP Auction?**

Yes, to our knowledge, the Auction was conducted according to the Auction Rules as approved by the Board and NERA's internal protocols.

- b. Were there problems with the electronic bidding process?**

No, there were no major problems with the Auction software during testing or trials.

Bates White had full opportunity to test NERA's bidding software, backup bidding process, and bid recording systems during three Trial Auctions.

For the first Trial Auction on January 19, 2024, Bates White assumed the role of a bidder and verified that bidders' accounts had access to the correct information. We tested the Auction software by submitting problematic bids to determine if the software operated according to the rules and provided proper information to

bidders. We also tested NERA's phone-based backup bidding systems by submitting backup bids and creating situations to test NERA's bidder notification protocols. [REDACTED]

For the second Trial Auction held on January 25, 2024, Bates White moved to the site of the Auction at NERA's offices in Washington DC to test the actual process that would be used during the Auction. For the third Trial Auction held on January 30, 2024, Bates White monitored the auction remotely. In both instances, we monitored and evaluated bids submitted by Registered Bidders. We received and tested bid reports from NERA's software and formulated reports and checked price decrements using our own bid evaluation software.

**c. Was the back-up bidding process followed?**

Yes. [REDACTED] Further, Registered Bidders also had the opportunity to practice the back-up bid procedure during the Trial Auctions for Registered Bidders on January 25, 2024 and January 30, 2024.

**d. Did communications between bidders and the Auction Manager follow procedure?**

Yes, communications between bidders and the Auction Manager followed procedure.

Bidders were given three ways of communicating with the Auction Manager during the Auction. Bidders had a telephone number for technical assistance, an email address, and they could also send text messages and electronic messages through the online platform. All forms of communication were logged. All telephone conversations were taped and all texts, electronic messages, and the answers given by the Auction Manager were saved. Bates White reviewed all telephone conversations, texts and electronic messages.

**e. Were Auction schedule protocols followed with regard to extensions and recesses?**

Ye [REDACTED] In addition, bidders were given an automatic extension after round one.

**f. Did bidders communicate any material concerns to NERA?**

No.

**QUESTION 6:**

**From what Bates White could observe, were protocols for communication between bidders and the Auction Manager adhered to?**

**ANSWER 6:** Yes.

**PRE-AUCTION CRITERIA**

**a. Was confidential information properly provided to bidders?**

Yes. Bates White did not observe any release of confidential information or inappropriate communication that could impair the integrity of the Auction.

**b. Before the Part 2 Application deadline, were questions placed on the Auction website?**

Yes. The first FAQ was posted on the BGS website on August 10, 2023. The Part 2 Application deadline was on January 10, 2024, by which time there were a total of 81 questions posted and answered. Additional questions asked by bidders were also answered by NERA following the Part 2 Application deadline. See also the answer to 2b.

**c. Were the communication protocols followed?**

Yes. [REDACTED]

**AUCTION WEEK CRITERIA**

**d. Was confidential information properly provided to bidders?**

Yes, the Auction software was built to ensure that all participants had controlled access to Auction information. [REDACTED]

**e. Did communications between bidders and the Auction Manager follow procedure?**

Yes, please see the answer to 5d.



**QUESTION 7:**

**From what Bates White could observe, were there any hardware or software problems or errors, either with the RSCP Auction system or with its associated communications systems?**

**ANSWER 7: No.**

**AUCTION WEEK CRITERIA**

- a. What problems, if any, were there with the Auction or communications system on NERA's end?**

Bates White is unaware of any material issues with NERA's communication systems based on our presence in the Auction site and our review of electronic and voice communications.

- b. Did bidders experience any computer or communications problems that appeared to be the fault of NERA?**

No, all bids were successfully received by NERA.

- c. Was NERA aware of any material technical issues?**

No, NERA did not indicate any material technical issues.

- d. Did bidders communicate any material concerns to NERA?**

Bidders did not communicate any material technical concerns to NERA.

**QUESTION 8:**

**Were there any unanticipated delays during the RSCP Auction?**

**ANSWER 8: No.**

**QUESTION 9:**

**Did unanticipated delays appear to adversely affect bidding in the RSCP Auction? What adverse effects did Bates White directly observe and how did they relate to the unanticipated delays?**

**ANSWER 9: No.**

**QUESTION 10:**

**Were appropriate data back-up procedures planned and carried out?**

**ANSWER 10: Yes.**

**AUCTION WEEK CRITERIA**

**a. Was Auction data backed-up during the Auction?**

[REDACTED] NERA ensured that no Auction information would be lost if there was a problem with the Auction software during the Auction. [REDACTED]

**QUESTION 11:**

**Were any security breaches observed with the RSCP Auction process?**

**ANSWER 11: No.**

To our knowledge, there were no security breaches.

During the Auction, many security measures were in place. The Auction software used on bid day was built to ensure that all participants had controlled access to Auction data. [REDACTED]

Bates White reviewed communications between NERA and bidders. [REDACTED]

**QUESTION 12:**

**From what Bates White could observe, were protocols followed for communications among the EDCs, NERA, BPU staff, the Board (if necessary), and Bates White during the RSCP Auction?**

**ANSWER 12: Yes.**

**AUCTION WEEK CRITERIA**

**a. Were protocols followed as described by NERA?**

Yes. As far as Bates White is aware, the Communication Protocols were followed during the Auction. Also, please see answer to 5d.

**b. Did BPU Staff and Bates White get all the information that we required?**

Yes, Bates White and BPU Staff received all data requested from NERA in a timely and professional fashion during the Auction.

**QUESTION 13:**

**From what Bates White could observe, were the protocols followed for decisions regarding changes in RSCP Auction parameters (e.g., volume, load caps, bid decrements)?**

**ANSWER 13:** Yes.

**PRE-AUCTION CRITERIA**

**a. Were notable changes made to the decrement formulas?**

NERA made changes to some of the decrement parameters to help ensure that the Auction moved at a reasonable pace [REDACTED]

**AUCTION WEEK CRITERIA**

**b. During the Auction, did the Auction Manager impose any changes on the RSCP Auction parameters?**

[REDACTED]

**QUESTION 14:**

**Were the calculations (e.g., for bid decrements or bidder eligibility) produced by the RSCP Auction software double-checked or reproduced off-line by the Auction Manager?**

**ANSWER 14:** Yes.

[REDACTED]

**QUESTION 15:**

**Was there evidence of confusion or misunderstanding on the part of bidders that delayed or impaired the Auction?**

**ANSWER 15: No.**

There was no evidence of confusion or misunderstanding that caused delays; as noted, Bates White reviewed all electronic and voice communications.

**QUESTION 16:**

**From what Bates White could observe, were the communications between the Auction Manager and bidders timely and effective?**

**ANSWER 16: Yes.**

**AUCTION WEEK CRITERIA**

All answers to questions Bates White was able to review seemed relevant and clear. Again, Bates White reviewed all FAQs and electronic messages. In addition, Bates White also reviewed the phone conversations between bidders and the Auction Manager.

Bates White believes answers to bidders' questions were provided in a timely fashion, and NERA made all possible efforts to ensure bids were placed on time.

**QUESTION 17:**

**Was there evidence that bidders felt unduly rushed during the process? Should the Auction have been conducted more expeditiously?**

**ANSWER 17: No.**

The Auction proceeded relatively smoothly. The 2024 RSCP Auction ended after 29 rounds, which compares to 21 rounds last year and 18 rounds the year before.

Each bidder is permitted 1 recess request and 2 extension requests during the Auction. The Auction includes an automatic extension after Round 1. [REDACTED]

[REDACTED]  
[REDACTED] there was no indication from bidders that they felt unduly rushed. [REDACTED]

Note that bidders were able to test the Auction software during the Trial Auctions for Registered Bidders, and therefore were comfortable with it during the actual Auction.

**QUESTION 18:**

**Were there any complaints from bidders about the process that Bates White believed were legitimate?**

**ANSWER 18: No.**

Bates White believes there were no legitimate complaints about the Auction. That is, we are not aware of any questions raised by bidders that were not resolved.

**QUESTION 19:**

**Was the RSCP Auction carried out in an acceptably fair and transparent manner?**

**ANSWER 19: Yes.**

Speaking broadly, the New Jersey Auction is structured to be fair and transparent. The two key features in this regard are (a) the precisely defined product being solicited and (b) the price-only evaluation. These ensure that all bidders are supplying the same product and no bidder can gain an advantage over another except by offering a lower price. Because the product and evaluation method are clearly spelled out, any bidder that meets the qualification requirements may participate. In addition, as approved by the Board, the BGS Auction had several mechanisms in place to ensure a fair and transparent process.

All interested parties were given ample opportunity to comment on the 2024 BGS process. In its Procedural Order, the Board invited all interested parties to file procurement proposals by June 30, 2023. Furthermore, interested parties were also invited to file initial comments and final comments by September 5, 2023 and October 6, 2023, respectively. The Board also held a legislative-type hearing on September 18, 2023.

Before the Auction began, the rules and contracts were approved and made public. Auction rules were approved by the Board. Contracts and Supplier Master Agreements were standardized, approved, and made public before the Auction. Any optional changes in the language of these agreements were standardized, approved, and made public before the Auction as well. Finally, application and credit requirements to become a bidder in the BGS Auction were also standardized, approved, and made public before the Auction.

Bidder information sessions were held by the Auction Manager to educate potential bidders on the Auction process. They provided an opportunity for questions to be asked in a public forum. Any questions asked pertaining to the Auction were posted on the BGS Auction website as FAQs. This FAQ section ensured that all bidders had equal access to information provided to any one bidder.

The Auction Manager consulted with Bates White and BPU Staff concerning Part 1 and 2 Applications. [REDACTED]

An additional factor boosting the competitiveness of the Auction is that this is the 23<sup>rd</sup> year it has been held and its results have been consistently certified by the Board. This stability helps attract more bidders and better offers.

Finally, the Auction was also carried out in a fair and transparent manner in the sense that the Auction adhered to the Auction rules. The Auction rules and the Auction software were designed to produce a fair and transparent Auction. The rules were made public and approved by the Board. The Auction software ensured that bidders received the correct information.

**QUESTION 20:**

**Was there evidence of non-productive “gaming” on the part of bidders?**

**QUESTION 21:**

**Was there any evidence of collusion or improper coordination among bidders?**

**QUESTION 22:**

**Was there any evidence of a breakdown in competition in the RSCP Auction?**

**ANSWER 20: No.**

**ANSWER 21: No.**

**ANSWER 22: No.**

Developing the information to answer these three questions and, more broadly, assessing the competitiveness of the BGS Auction was a central focus of our monitoring efforts. We assessed both structural and behavioral indicators of competitiveness in each round of bidding in the RSCP Auction (which solicits supply for residential customers as well as some small commercial customers). Although we go into some detail here, these indicators are just that, indications of competitiveness; they are not hard and fast numerical standards.

Both structural and behavioral indicators give support for the specific answers provided to all three of these questions as well as support to the broader finding that the BGS Auction was competitive. Among the structural indicators were the number of bidders, the number of winners, the market shares of winners, and a

widely-used measure of competitiveness related to market shares called the Herfindahl-Hirschman Index (HHI).

[REDACTED] list includes well-known participants in the U.S. electricity business. [REDACTED]

[REDACTED] This excess of offers is important because it is the excess that results in the price decreasing round-by-round, to the benefit of New Jersey ratepayers. [REDACTED]

[REDACTED] thirteen actually won the right to serve some portion of the New Jersey RSCP load. [REDACTED] Thirteen winners is five more than the number of winners last year. [REDACTED] is another example of transparency in the process.

With respect to market share of each winner, some background on standards is useful. Having a minimum of three suppliers is sometimes set as a standard of competitiveness. The BGS Auction rules help ensure at least three winners by limiting to approximately one-third (21 tranches) the portion of statewide consumer need that can be won by any single supplier. In addition, bidders are limited in the amount of supply they can win in each EDC's service territory (RECO excepted) such that there will always be at least three winners per EDC.

[REDACTED]

Another standard for judging market share comes from a FERC standard for granting the right for a supplier to sell at market-based prices (as opposed to regulated cost-based rates). In one of two FERC threshold tests for granting the right to sell at market-based prices, FERC asks that the supplier have no more than a 20% share of the market. If the market share is 20% or less, it is presumed the supplier cannot exercise market power. If the market share exceeds 20%, the supplier can conduct an additional test or point to mitigation for market power, such as the mitigation measures and monitoring of the PJM Interconnection or the Midwest ISO – that is, the 20% is not a hard and fast limit to market-based rate authority.

Among the thirteen winners in the RSCP Auction, only one bidder, NextEra Energy Marketing, LLC, has a market share over 20% (at 26.3%). Including winners from the 2022 and 2023 RSCP Auctions, each of whom will provide BGS-RSCP supply over the June 2024 to May 2025 period, NextEra Energy Marketing, LLC remains the only supplier with a market share over 20% (at 24.4%).

The Herfindahl-Hirschman Index (HHI) is a measure of competitiveness closely related to market shares. Again, some background on the HHI standard is useful. The U.S. Department of Justice primarily uses a three-part standard for HHIs when judging the competitive effect of mergers and acquisitions. An HHI below 1,000 is a safe harbor of sorts because the market is said to be un-concentrated. If, after a merger or acquisition, the HHI is below 1,000, it is generally thought that there is no competitive harm from the merger or acquisition; that is, the merger or acquisition does not make the exercise of market power more likely. An HHI between 1,000 and 1,800 is said to indicate moderate concentration. An HHI over 1,800 is said to indicate a highly concentrated market.<sup>15</sup> For market-based rate authority, FERC uses a threshold of 2,500 for the HHI in one of its standards.

For the RSCP Auction, using the winning shares as market shares, the HHI is 1,363. This puts the HHI for the RSCP Auction within DOJ's moderately concentrated range. However, to include only winning bidders is a narrow focus for calculating an HHI. For example, a more appropriate focus would be the 14 suppliers who will serve consumers in 2024-2025; these are the winners in 2022 and 2023, as well as in this 2024 Auction. The HHI in this case would be 1,245.

A final method that is also employed by FERC in antitrust evaluations examines the HHI of a market when the price is within 5% of the final market price. This so-called "Delivered Price Test" gives a sense of what suppliers would have participated at a price level roughly consistent with market prices. [REDACTED]

---

<sup>15</sup> In December of 2023 these were lowered from past standards. Previously, an HHI of 1,500 or lower was unconcentrated and an HHI of above 2,500 indicated a highly concentrated market.



[REDACTED]

[REDACTED]

With respect to behavioral indicators, the core of this effort was to detect any sign of collusion among bidders. No evidence of collusion was found in the RSCP Auction. Bates White and its Auction expert, Professor Ken Hendricks, [REDACTED] [REDACTED] we detected no evidence of explicit coordination of bidding.

**QUESTION 23:**

**Was information made public appropriately? From what Bates White could observe, was sensitive information treated appropriately?**

**ANSWER 23: Yes.**

Yes, Pre-Auction information was treated appropriately pursuant to the communication protocols. Please see answers 6a-6c.

To our knowledge, no confidential information was leaked while the Auction was conducted. All suppliers, NERA, EDCs, and Bates White signed confidentiality agreements. [REDACTED]

In addition, Bates White reviewed communication between all Auction personnel and bidders; we had access to communications sent to all bidders through the online platform and recordings of calls between NERA and bidders. Moreover, the Auction is held in a secure, separate suite of offices.

**QUESTION 24:**

**Does the RSCP Auction appear to have generated a result that is consistent with competitive bidding, market-determined prices, and efficient allocation of the BGS-RSCP load?**

**ANSWER 24: Yes.**

Although the acceptance or rejection of Auction results is not based on any assessment of price levels, Bates White attempted to develop an expectation of the final Auction prices

[REDACTED]

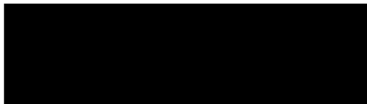
[REDACTED]

[REDACTED]

[REDACTED]



2024 BGS Auction					
Product	Tranches Filled	Final Price (cents/kWh)	Price Expectation Range (cents/kWh) <sup>1</sup>		
			Average	Low	High
PSE&G	29	8.088			
JCP&L	20	8.295			
ACE	7	8.142			
RECO	1	8.555			
<b>Total</b>	57				
<b>Average<sup>2</sup></b>					



Comparing this year’s prices to last year’s prices shows decreases, anywhere from 11.3% to 13.1% depending on the product. This is due mainly to the decrease in energy prices. In particular, while futures prices in Western PJM are about the same as last year New Jersey specific energy prices have declined. In addition, risk premiums are down from last year based on lower price volatility.

From a rate impact standpoint, as a starting point, we generally compare the winning prices in this Auction to the contracts that are being replaced. In this case that would be contracts from the 2021 BGS Auction. Prices in this auction are roughly 26.3% higher, on a weighted average basis. This is primarily due to the fact that energy prices remain elevated as compared to three years ago.

This would generally lead us to expect an increase in the average bill. For all utilities except for RECO we are only replacing about one-third of the supply portfolio. Moreover, this auction only represents a portion of the total bill, so the total rate impact should be far less than the 26.3% or more difference between new and expiring contracts. In addition, as noted above, the winning contracts for the 2022 and 2023 BGS Auctions included proxy capacity prices for the

upcoming June 2024 to May 2025 time frame. The proxy prices were generally \$12 to \$33/MW-day higher than the actual price of capacity for that time period, meaning that winning suppliers will pay a true-up to ratepayers. This true up ultimately helps to mitigate the increase in the average bills.

In sum, all EDCs forecast a rate increase in the average residential bill for the upcoming June to May period. Specifically, PSE&G forecasts a bill increase of 6.2%; ACE forecasts a bill increase of 4.8%; JCP&L forecasts a bill increase of 8.6%; and RECO forecasts a bill increase of 3.6%.

**QUESTION 25:**

**Were there factors exogenous to the RSCP Auction (e.g., changes in market environment) that materially affected the RSCP Auction in unanticipated ways?**

**ANSWER 25: No.**

No, please see the answer to 24.

**QUESTION 26:**

**Are there any concerns with the RSCP Auction's outcome with regard to any specific EDC(s)?**

**ANSWER 26: No.**

**III. THE NEW JERSEY 2024 BGS-CIEP AUCTION**

A. POST-AUCTION CHECKLIST

**ATTACHMENT B  
DOCKET NO. ER23030124**

**POST-AUCTION CHECKLIST FOR THE NEW JERSEY  
2024 BGS-CIEP AUCTION**

---

Prepared by: Bates White, LLC

Auction began with the opening of Round 1 at 8:25 am on Friday, February 2, 2024  
 Auction finished with the close of Round 25 at 6:00 pm on Friday, February 2, 2024

	Start of Round 1	Start of Round 2 * (after volume reduction in Round 1, if applicable)	Start of Round n * (after post-Round 1 volume reduction, if applicable)
# Bidders	<u>█</u>	<u>NA</u>	<u>NA</u>
Tranche target	<u>38</u>	<u>NA</u>	<u>NA</u>
Eligibility ratio	<u>█</u>	<u>NA</u>	<u>NA</u>
Statewide load cap	<u>18</u>	<u>NA</u>	<u>NA</u>

\* Note: No volume adjustment was made during the CIEP auction, so the pre-auction tranche target and the statewide load cap were unchanged for the auction.

**ATTACHMENT B**  
**DOCKET NO. ER23030124**

**Post-Auction Checklist for the New Jersey 2024 BGS-CIEP Auction**

Table 1 below shows pertinent indicators and measures for the auction.

**Table 1. Summary of BGS-CIEP Auction**

	<b>PSE&amp;G</b>	<b>JCP&amp;L</b>	<b>ACE</b>	<b>RECO</b>	<b>Total</b>
BGS-CIEP peak load share (MW)	1,561.08	876.70	326.00	49.30	2,813.08
Total tranches needed	21	12	4	1	38
Starting tranche target in auction	21	12	4	1	38
Final tranche target in auction	21	12	4	1	38
Tranche size (%)	4.76	8.33	25.00	100.00	
Tranche size (approximate MW)	74.34	73.06	81.50	49.30	
Starting load cap (# tranches)	--	--	--	--	18
Final load cap (# tranches)	--	--	--	--	18
Quantity procured (# tranches)	21	12	4	1	38
Quantity procured (% BGS-CIEP load)	100%	100%	100%	100%	100%
# Winning bidders	5	4	2	1	5
Maximum # of tranches procured from any one bidder	9	4	2	1	13
Minimum and maximum starting prices prior to indicative bids (\$/MW-day)					450 600
Starting price at start of auction (\$/MW-day)*	■	■	■	■	■
Final auction price (\$/MW-day)**	378.21	357.14	370.86	300.84	368.75

\* Price shown in “Total” column is an average across the EDCs weighted by each EDC’s “Starting tranche target in auction”.

\*\* Price shown in “Total” column is an average across the EDCs weighted by each EDC’s “Final tranche target in auction”.



**ATTACHMENT B**  
**DOCKET NO. ER23030124**

**Post-Auction Checklist for the New Jersey 2024 BGS-CIEP Auction**

**Table 2. Overview of Findings on BGS-CIEP Auction**

Question		Comments
1	<b>BW's recommendation as to whether the Board should certify the CIEP auction results?</b>	Yes, certify
2	Did bidders have sufficient information to prepare for the CIEP auction?	Yes
3	Was the information generally provided to bidders in accordance with the published timetable? Was the timetable updated appropriately as needed?	Yes
4	Were there any issues and questions left unresolved prior to the CIEP auction that created material uncertainty for bidders?	No
5	From what BW could observe, were there any procedural problems or errors with the CIEP auction, including the electronic bidding process, the back-up bidding process, and communications between bidders and the Auction Manager?	No
6	From what BW could observe, were protocols for communication between bidders and the Auction Manager adhered to?	Yes
7	From what BW could observe, were there any hardware or software problems or errors, either with the CIEP auction system or with its associated communications systems?	No
8	Were there any unanticipated delays during the CIEP auction?	No
9	Did unanticipated delays appear to adversely affect bidding in the CIEP auction? What adverse effects did BW directly observe and how did they relate to the unanticipated delay?	No
10	Were appropriate data back-up procedures planned and carried out?	Yes
11	Were any security breaches observed with the CIEP auction process?	No

	Question	Comments
12	From what BW could observe, were protocols followed for communications among the EDCs, NERA, BPU staff, the Board (if necessary), and BW during the CIEP auction?	Yes
13	From what BW could observe, were the protocols followed for decisions regarding changes in CIEP auction parameters (e.g., volume, load cap, bid decrements)?	Yes
14	Were the calculations (e.g., for bid decrements or bidder eligibility) produced by the CIEP auction software double-checked or reproduced off-line by the Auction Manager?	Yes
15	Was there evidence of confusion or misunderstanding on the part of bidders that delayed or impaired the auction?	No
16	From what BW could observe, were the communications between the Auction Manager and bidders timely and effective?	Yes
17	Was there evidence that bidders felt unduly rushed during the process? Should the auction have been conducted more expeditiously?	No
18	Were there any complaints from bidders about the process that BW believed were legitimate?	No
19	Was the CIEP auction carried out in an acceptably fair and transparent manner?	Yes
20	Was there evidence of non-productive “gaming” on the part of bidders?	No
21	Was there any evidence of collusion or improper coordination among bidders?	No
22	Was there any evidence of a breakdown in competition in the CIEP auction?	No
23	Was information made public appropriately? From what BW could observe, was sensitive information treated appropriately?	Yes
24	Does the CIEP auction appear to have generated a result that is consistent with competitive bidding, market-determined prices, and efficient allocation of the BGS-CIEP load?	Yes

Question		Comments
25	Were there factors exogenous to the CIEP auction (e.g., changes in market environment) that materially affected the CIEP auction in unanticipated ways?	No
26	Are there any concerns with the CIEP auction's outcome with regard to any specific EDC(s)?	No

B. BATES WHITE SUPPLEMENTAL CHECKLIST

**BATES WHITE SUPPLEMENT TO NEW JERSEY BGS AUCTION  
CHECKLIST: CIEP AUCTION**

**QUESTION 1:**

**Bates White's recommendation as to whether the Board should certify the CIEP Auction results?**

**ANSWER 1:** Yes, certify.

**CRITERIA:**

**a. Were all checklist questions satisfactorily answered?**

Yes.

**QUESTION 2:**

**Did bidders have sufficient information to prepare for the CIEP Auction?**

**ANSWER 2:** Yes.

**PRE-AUCTION CRITERIA**

**a. Were there Pre-Bid sessions and were they informative?**

Yes, there were Pre-Bid Information Sessions and they informed bidders about Auction procedures and developments.

There were three Pre-Bid Information Sessions: the first was held on October 13, 2023, the second on November 27, 2023, and the third was held January 24, 2024. All sessions were conducted as webcasts. As a result, bidder confidentiality was maintained.

The first two information sessions were open to any entities interested in participating in the Auction. The third information session was held after the application process was complete and was restricted to Registered Bidders only. Since the session was conducted via webcast, NERA was able to conduct just one session for both RSCP and CIEP bidders.

Ten companies attended the first information session, eight companies attended the second information session, and eight companies attended the third information session. Between the three sessions, fifteen unique companies attended. The slide decks and audio from the first two sessions were posted on the BGS Auction website. All questions asked at the information sessions were adequately answered by NERA.

**b. Were frequently asked questions (FAQs) posted on the BGS website and were all questions answered?**

Yes, the FAQs were posted and all questions asked in a timely manner were answered.

All questions asked by bidders and their answers were posted on the FAQ section of the BGS website pursuant to NERA's FAQ Protocols. These protocols called for a specific process for answering bidder questions to ensure that all bidders had access to the same information at the same time.

As of February 1, 2024, 105 questions had been asked by bidders since August 10, 2023, the first day FAQs were posted. All of these questions were answered in a timely fashion by NERA. The topics of questions included: (a) Applications, (b) Association and Confidential Information Rules, (c) Auction Rules, (d) BGS Supplier Master Agreement, (e) Pre-Auction Security and Credit, (f) Rates and (g) Data. NERA provided responses to all of these questions, which seemed to satisfy bidders.

Answers to FAQs were posted publicly through mid-January. Starting on January 18, 2024, the Auction Manager sent answers to questions received regularly to Registered Bidders via email. Bates White reviewed these FAQs as well.

**c. Was required information and data provided on the website?**

Yes, the BGS Auction website provided required data for bidders to prepare for the Auction.

The Auction information listed below was provided according to the schedule posted by NERA. This information included: (a) Application forms, (b) minimum/maximum starting prices, (c) tranche targets, (d) load caps, (e) finalized rules, (f) final Supplier Master Agreements, and (g) finalized decrement formulas.

NERA also maintained a "data room" on their website, which contained data that was updated monthly and additional data that was updated less frequently. NERA provided descriptions of both types of data. This data room helped bidders prepare their bids. Examples of the data posted here included (a) load data, which was updated monthly for each EDC and covered up to at least October 2023, and (b) switching statistics that showed the percentage of load and number of customers that have switched to third party suppliers. Any revisions made to the data were marked on the website.

**d. Did Bidders receive Auction logistics information (i.e., Confidential Bidder Information packet) on time?**

Yes, before the Trial Auction [REDACTED]

**e. Did bidders communicate any material concerns to NERA?**

No.

**f. Were bidders given an opportunity to provide proposals and comments concerning the 2024 Auction Process?**

Yes. In its Procedural Order, the Board invited all interested parties to file procurement proposals by June 30, 2023. Interested parties were also invited to file initial comments and final comments by September 5, 2023 and October 6, 2023, respectively. The Board also held a legislative-type hearing on September 18, 2023.

Although CIEP is also a full requirements product, the Auction price primarily reflects a fixed price for the capacity portion of that service, and the cost of meeting the State RPS. Bidders are paid the PJM spot energy price to cover the energy portion of the service. As noted in discussion of the RSCP Auction above, for the 2024 BGS Auction, the BRA for the 2025/2026 and the 2026/2027 delivery years was postponed and neither capacity price was known prior to this year's BGS Auction. This issue did not impact the CIEP Auction since the product only covered the June 2024 through May 2025 period.

Please see answer to 24.

**QUESTION 3:**

**Was the information generally provided to bidders in accordance with the published timetable? Was the timetable updated appropriately as needed?**

**ANSWER 3: Yes.**

**PRE-AUCTION CRITERIA**

**a. Was the timeline followed?**

Yes.

**b. Were there updates to the timeline?**

No, there were no adjustments to this schedule.

**QUESTION 4:**

**Were there any issues and questions left unresolved prior to the CIEP Auction that created material uncertainty for bidders?**

**ANSWER 4: No.**

**PRE-AUCTION CRITERIA**

**a. Were all questions answered in the FAQs?**

Yes, please see answer to 2b.

**b. Were bidder questions asked starting on or about January 18, 2024 directly responded to by NERA?**

Yes, questions continued to be asked by Registered Bidders after January 18, 2024, and NERA provided answers to these questions directly to bidders via email. These answers were distributed regularly beginning on January 18, 2024. Bidders did not indicate any concerns with the answers provided by NERA. Also, please see answer to 2b.

**c. Did other events or issues produce any material uncertainty for bidders?**

In recent years, bidders have expressed concern over the implementation of the 2018 Clean Energy Act and, more generally, the responsibilities of winning suppliers in the BGS Auction with regard to meeting the State Renewable Portfolio Standard. As it did in the past, the Auction Manager posted an example calculation showing RPS requirements on the BGS website on December 5, 2023.

Based on the levels of participation and prices received it appears that bidders were able to understand and implement the requirements and there were no unnecessary premiums included in bid prices due to bidder confusion.

Bates White also monitored various industry news sources and did not discover any other events that would produce material uncertainty for bidders. The failure of PJM to establish a capacity price for the June 2025-May 2026 and June 2026-2027 periods, while important for the RSCP Auction, was not a factor in this Auction due to the time period covered by the CIEP product.

**d. Did bidders communicate any material concerns to NERA?**

Please see answer to 2e.

**e. Was information equitably provided to bidders?**

Yes, information was provided to bidders equally. This was done through Pre-Bid Information Sessions, FAQs posted on the BGS Auction website and emailed



to all bidders, and email announcements of upcoming important events and milestones. Also, please see answers to 2a-2d.

**f. Was information provided to maximize the number of bidders for the Auction?**

Yes, before bidders were registered, NERA conducted extensive marketing efforts in order to maximize bidder participation. Maximum bidder participation is important since the Auction operates such that the greater the excess supply, the further prices can decrease. Supply offered in excess of need directly drives the Auction price to “tick down” (decrease).

NERA conducted direct marketing with potential bidding companies through an email distribution list and phone calls. The list of contacts was developed from existing contact lists and from participants that registered for information on the BGS Auction website. NERA also advertised the bidding opportunity by running four ads in Platts publications, two in *Megawatt Daily* on November 6, 2023, and November 30, 2023, and two in *Energy Trader* on November 8, 2023 and November 28, 2023.

The Auction Manager consulted with Bates White during each of the Application processing periods. [REDACTED]

**g. From Bates White’s observation, were there any pre-qualification requirements which directly prevented bidder participation?**

[REDACTED]

**QUESTION 5:**

**From what Bates White could observe, were there any procedural problems or errors with the CIEP Auction, including the electronic bidding process, the back-up bidding process, and communications between bidders and the Auction Manager?**

**ANSWER 5: No.**

**AUCTION WEEK CRITERIA**

**a. Was protocol followed for the CIEP Auction?**

Yes, to our knowledge, the Auction was conducted according to the Auction Rules as approved by the Board.

**b. Were there problems with the electronic bidding process?**

No, there were no major problems with the Auction software during testing or trials.

Bates White had full opportunity to test NERA's bidding software, backup bidding process, and bid recording systems during three Trial Auctions.

For the first Trial Auction on January 19, 2024, Bates White assumed the role of a bidder and verified that bidders' accounts had access to the correct information. We tested the Auction software by submitting problematic bids to determine if the software operated according to the rules and provided proper information to bidders. We also tested NERA's phone-based backup bidding systems by submitting backup bids and creating situations to test NERA's bidder notification protocols. [REDACTED]

For the second Trial Auction held on January 25, 2024, Bates White moved to the site of the Auction at NERA's offices in Washington DC to test the actual process that would be used during the Auction. For the third Trial Auction held on January 30, 2024 Bates White monitored the auction remotely. In both instances, we monitored and evaluated bids submitted by Registered Bidders. We received and tested bid reports from NERA's software and formulated reports and checked price decrements using our own bid evaluation software.

During the actual CIEP Auction, Bates White did not observe any software problems.

**c. Was the back-up bidding process followed?**

Yes [REDACTED] Further, Registered Bidders also had the opportunity to practice the back-up bid procedure during the Trial Auctions for Registered Bidders on January 25, 2024 and January 30, 2024.

**d. Did communications between bidders and the Auction Manager follow procedure?**

Yes, communications between bidders and the Auction Manager followed procedure.

Bidders were given three ways of communicating with the Auction Manager during the Auction. Bidders had a telephone number for technical assistance, an

email address, and they could also send text messages and electronic messages through the online platform. All forms of communication were logged. All telephone conversations were taped and all texts, electronic messages, and the answers given by the Auction Manager were saved. Bates White reviewed all telephone conversations, texts and electronic messages.

- e. **Were Auction schedule protocols followed with regard to extensions and recesses?**

Yes

[REDACTED]  
[REDACTED] In addition, bidders were given an automatic extension after round one.

- f. **Did bidders communicate any material concerns to NERA?**

No.

**QUESTION 6:**

**From what Bates White could observe, were protocols for communication between bidders and the Auction Manager adhered to?**

**ANSWER 6:** Yes.

**PRE-AUCTION CRITERIA**

- a. **Was confidential information properly provided to bidders?**

Yes. Bates White did not observe any release of confidential information or inappropriate communication that could impair the integrity of the Auction.

- b. **Before the Part 2 Application deadline, were questions placed on the Auction website?**

Yes. The first FAQ was posted on the BGS website August 10, 2023. The Part 2 Application deadline was on January 10, 2024, by which time there were a total of 81 questions posted and answered. Additional questions asked by bidders were also answered by NERA following the Part 2 Application deadline. See also the answer to 2b.

- c. **Were the communication protocols followed?**

Yes.

[REDACTED]  
[REDACTED]

[REDACTED]

**AUCTION WEEK CRITERIA**

**d. Was confidential information properly provided to bidders?**

Yes, the Auction software was built to ensure that all participants had controlled access to Auction information.

[REDACTED]

**e. Did communications between bidders and the Auction Manager follow procedure?**

Yes, please see the answer to 5d.

**QUESTION 7:**

**From what Bates White could observe, were there any hardware or software problems or errors, either with the CIEP Auction system or with its associated communications systems?**

**ANSWER 7: No.**

**AUCTION WEEK CRITERIA**

**a. What problems, if any, were there with the Auction or communications system on NERA's end?**

Bates White is unaware of any material issues with NERA's communication systems based on our presence in the Auction site, and our review of electronic and voice communications.

**b. Did bidders experience any computer or communications problems that appeared to be the fault of NERA?**

No, all bids were successfully received by NERA.

**c. Was NERA aware of any material technical issues?**

No, NERA did not indicate any material technical issues.

**d. Did bidders communicate any material concerns to NERA?**

No, please see 5f.

**QUESTION 8:**

**Were there any unanticipated delays during the CIEP Auction?**

**ANSWER 8: No.**

**QUESTION 9:**

**Did unanticipated delays appear to adversely affect bidding in the CIEP Auction? What adverse effects did Bates White directly observe and how did they relate to the unanticipated delays?**

**ANSWER 9: No.**

**QUESTION 10:**

**Were appropriate data back-up procedures planned and carried out?**

**ANSWER 10: Yes.**

**AUCTION WEEK CRITERIA**

**a. Was Auction data backed-up during the Auction?**

[REDACTED] NERA ensured that no Auction information would be lost if there was a problem with the Auction software during the Auction. [REDACTED]

**QUESTION 11:**

**Were any security breaches observed with the CIEP Auction process?**

**ANSWER 11: No.**

To our knowledge, there were no security breaches.

During the Auction, many security measures were in place. The Auction software used on bid day was built to ensure that all participants had controlled access to Auction data. [REDACTED]

[REDACTED]

Bates White reviewed communications between NERA and bidders. [REDACTED]

[REDACTED]

**QUESTION 12:**

**From what Bates White could observe, were protocols followed for communications among the EDCs, NERA, BPU staff, the Board (if necessary), and Bates White during the CIEP Auction?**

**ANSWER 12: Yes.**

**AUCTION WEEK CRITERIA**

**a. Were protocols followed as described by NERA?**

Yes. As far as Bates White is aware, the Communication Protocols were followed during the Auction. Also, please see answer to 5d.

**b. Did BPU Staff and Bates White get all the information that we required?**

Yes, Bates White and BPU Staff received all data requested from NERA in a timely and professional fashion during the Auction.

**QUESTION 13:**

**From what Bates White could observe, were the protocols followed for decisions regarding changes in CIEP Auction parameters (e.g., volume, load caps, bid decrements)?**

**ANSWER 13: Yes.**

**PRE-AUCTION CRITERIA**

**a. Were notable changes made to the decrement formulas?**

No. NERA did not make any changes to the decrement formulas.

**AUCTION WEEK CRITERIA**

**b. During the Auction, did the Auction Manager impose any changes on the CIEP Auction parameters?**



**QUESTION 14:**

**Were the calculations (e.g., for bid decrements or bidder eligibility) produced by the CIEP Auction software double-checked or reproduced off-line by the Auction Manager?**

**ANSWER 14: Yes.**



Bates White and NERA found no errors in the Auction software calculations.

**QUESTION 15:**

**Was there evidence of confusion or misunderstanding on the part of bidders that delayed or impaired the Auction?**

**ANSWER 15: No.**

There was no evidence of confusion or misunderstanding that caused delays; as noted, Bates White reviewed all electronic and voice communications.

**QUESTION 16:**

**From what Bates White could observe, were the communications between the Auction Manager and bidders timely and effective?**

**ANSWER 16: Yes.**

**AUCTION WEEK CRITERIA**

All answers to questions reviewed by Bates White seemed relevant and clear. Again, Bates White reviewed all electronic messages. In addition, Bates White also reviewed the phone conversations between bidders and the Auction Manager.

Bates White believes answers to bidders' questions were provided in a timely fashion, and NERA made all possible efforts to ensure bids were placed on time.

**QUESTION 17:**

**Was there evidence that bidders felt unduly rushed during the process? Should the Auction have been conducted more expeditiously?**



**ANSWER 17: No.**

In general, NERA's decrement formulas made this year's CIEP Auction proceed smoothly [REDACTED]

The 2024 CIEP Auction ended after 25 rounds, which compares to 15 rounds last year. [REDACTED]

Each bidder is permitted 1 recess request and 2 extension requests during the Auction. The Auction design also features an automatic extension after Round 1. [REDACTED]

[REDACTED] there were also no indications from bidders that they felt unduly rushed. [REDACTED]

Note that bidders were able to test the Auction software during the Trial Auctions for Registered Bidders, and therefore were comfortable with it during the actual Auction.

**QUESTION 18:**

**Were there any complaints from bidders about the process that Bates White believed were legitimate?**

**ANSWER 18: No.**

Bates White believes there were no legitimate complaints about the Auction. That is, we are not aware of any questions raised by bidders that were not resolved.

**QUESTION 19:**

**Was the CIEP Auction carried out in an acceptably fair and transparent manner?**

**ANSWER 19: Yes.**

Speaking broadly, the New Jersey Auction is structured to be fair and transparent. The two key features in this regard are (a) the precisely defined product being solicited and (b) the price-only evaluation. These ensure that all bidders are supplying the same product and no bidder can gain an advantage over another except by offering a lower price. Because the product and evaluation method are clearly spelled out, any bidder that meets the qualification requirements may participate.



In addition, as approved by the Board, the BGS Auction had several mechanisms in place to ensure a fair and transparent process.

All interested parties were given ample opportunity to comment on the 2024 BGS process. In its Procedural Order, the Board invited all interested parties to file procurement proposals by June 30, 2023. Furthermore, interested parties were also invited to file initial comments and final comments by September 5, 2023 and October 6, 2023, respectively. The Board also held a legislative-type hearing on September 18, 2023.

Before the Auction began, the procedures were approved and made public. For instance, Auction rules were approved by the Board. Contracts and master agreements were standardized, approved, and made public before the Auction. Any optional changes in the language of these agreements were standardized, approved, and made public before the Auction as well. Finally, application and credit requirements to become a bidder in the BGS Auction were also standardized, approved, and made public before the Auction.

Bidder information sessions were held by the Auction Manager to educate potential bidders on the Auction process. They provided an opportunity for questions to be asked in a public forum. Any questions asked pertaining to the Auction were posted on the BGS Auction website as FAQs. These FAQs ensured that all bidders had equal access to information provided to any one bidder.

The Auction Manager consulted with Bates White and BPU Staff concerning Part 1 and 2 Applications. [REDACTED]

An additional factor boosting the competitiveness of the Auction is that this is the 23<sup>rd</sup> year that it has been held and its results have been consistently certified by the Board. This stability helps attract more bidders and better offers.

Finally, the Auction was also carried out in a fair and transparent manner in the sense that the Auction adhered to the Auction Rules. The Auction rules and the Auction software were designed to produce a fair and transparent Auction. The rules were made public and approved by the Board. The Auction software ensured that bidders received the correct information.

**QUESTION 20:**

**Was there evidence of non-productive “gaming” on the part of bidders?**

**QUESTION 21:**

**Was there any evidence of collusion or improper coordination among bidders?**

**QUESTION 22:**

**Was there any evidence of a breakdown in competition in the CIEP Auction?**

**ANSWER 20: No.**

**ANSWER 21: No.**

**ANSWER 22: No.**

Developing the information to answer these three questions and, more broadly, assessing the competitiveness of the BGS Auction was a central focus of our monitoring efforts. We assessed both structural and behavioral indicators of competitiveness in each round of bidding in the CIEP Auction (which targets larger commercial and industrial customers). Although we go into some detail here, these indicators are just that, indications of competitiveness; they are not hard and fast numerical standards.

Both structural and behavioral indicators give support for the specific answers provided to all three of these questions as well as support to the broader finding that the BGS Auction was competitive. Among the structural indicators were the number of bidders, the number of winners, the market share of winners, and a widely-used measure of competitiveness related to market shares called the Herfindahl-Hirschman Index (HHI).

[REDACTED]

This is a good number of bidders for an auction this size.

[REDACTED]

Five [REDACTED] bidders won the right to serve at least some portion of the New Jersey CIEP consumer need. The biggest winner was DTE Energy Trading, who won 13 tranches (nine for PSE&G, and four for JCP&L). Last year's process saw

four winners with the largest supplier (again, DTE Energy Trading) also winning 12 tranches.

Another standard for judging market share comes from a FERC standard for granting the right for a supplier to sell at market-based prices (as opposed to regulated cost-based rates). In one of two FERC threshold tests for granting the right to sell at market-based prices, FERC asks that the supplier have no more than a 20% share of the market. If the market share is 20% or less, it is presumed the supplier cannot exercise market power. If the market share exceeds 20%, the supplier can conduct an additional test or point to mitigation for market power, such as the mitigation measures and monitoring of the PJM Interconnection or the Midwest ISO – that is, the 20% is not a hard and fast limit to market-based rate authority.

Among the five winners in the CIEP Auction, three had a market share over 20% (ConocoPhillips Company, Constellation Energy Generation LLC, and DTE Energy Trading, Inc. won 23.7%, 23.7% and 32.4%, respectively). This concentration is to be expected in a smaller auction of this type.

The Herfindahl-Hirschman Index (HHI) is a measure of competitiveness closely related to market shares. Again, some background on the HHI standard is useful. The U.S. Department of Justice has a three-part standard for HHIs when judging the competitive effect of mergers and acquisitions. An HHI below 1,000 is a safe harbor of sorts because the market is said to be un-concentrated. If, after a merger or acquisition, the HHI is below 1,000, it is generally thought that there is no competitive harm from the merger or acquisition; that is, the merger or acquisition does not make the exercise of market power more likely. An HHI between 1,000 and 1,800 is said to indicate moderate concentration. An HHI over 1,800 is said to indicate a highly concentrated market.<sup>16</sup> For market-based rate authority, FERC uses a threshold of 2,500 for the HHI in one of its standards.

For the CIEP Auction, using the winning shares as market shares, the HHI is 2,465. This puts the HHI for the CIEP Auction into the highly concentrated range of the DOJ's HHI brackets, again not too surprising for a smaller auction.

However, to include only winning bidders is a narrow focus for calculating an HHI. A broader method that is also employed by FERC in antitrust evaluations examines the HHI of a market when the price is within 5% of the final market price. This so-called "Delivered Price Test" gives a sense of what suppliers would have participated at a price level roughly consistent with market prices.

---

<sup>16</sup> In December 2023 these were lowered from past standards. Previously, an HHI of 1,500 or lower was unconcentrated and an HHI of above 2,500 indicated a highly concentrated market.

[REDACTED]

With respect to behavioral indicators, the core of this effort was to detect any sign of collusion among bidders. No evidence of collusion was found in the CIEP Auction. Bates White and its auction expert, Professor Ken Hendricks of the University of Wisconsin, [REDACTED] we detected no evidence of explicit coordination of bidding.

**QUESTION 23:**

**Was information made public appropriately? From what Bates White could observe, was sensitive information treated appropriately?**

**ANSWER 23: Yes.**

Yes, Pre-Auction information was treated appropriately pursuant to the communication protocols. Please see answers 6a-6c.

To our knowledge, no confidential information was leaked while the Auction was conducted. All suppliers, NERA, EDCs, and Bates White signed confidentiality agreements. [REDACTED]

In addition, Bates White reviewed communication between all Auction personnel and bidders; we had access to communications sent to all bidders through the online platform and recordings of calls between NERA and bidders.

**QUESTION 24:**

**Does the CIEP Auction appear to have generated a result that is consistent with competitive bidding, market-determined prices, and efficient allocation of the BGS-CIEP load?**

**ANSWER 24: Yes.**

Although the acceptance or rejection of Auction results is not based on any assessment of price levels, Bates White attempted to develop an expectation of the final Auction prices [REDACTED]

Bidders who win the right to serve CIEP load must provide a full requirements product (i.e. energy, capacity, ancillary services, RPS requirements, etc.) to CIEP customers. Winning bidders are paid their winning bid price, plus the spot energy price per MWh delivered, plus \$6/MWh for ancillary services, plus the standby fee of \$0.15 per MWh.

Although CIEP is also a full requirements product, the Auction price primarily reflects a fixed price for the capacity portion of that service, and the cost of meeting the State RPS. Bidders are paid the PJM spot energy price to cover the energy portion of the service. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



**QUESTION 25:**

**Were there factors exogenous to the CIEP Auction (e.g., changes in market environment) that materially affected the CIEP Auction in unanticipated ways?**

**ANSWER 25: No.**

**QUESTION 26:**

**Are there any concerns with the CIEP Auction's outcome with regard to any specific EDC(s)?**

**ANSWER 26: No.**