

SREC Auction Manual

New Jersey Solar Programs



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ARTICLE I. Introduction

I.1. Background

- I.1.1. The four New Jersey Electric Distribution Companies (“EDCs”) are Atlantic City Electric Company (“ACE”), Jersey Central Power & Light Company (“JCP&L”), Public Service Electric and Gas Company (“PSE&G”), and Rockland Electric Company (“RECO”). The EDCs will be holding Auctions to sell Solar Renewable Energy Certificates (“SRECs”).
- I.1.2. The New Jersey Board of Public Utilities (“BPU” or “Board”) adopted Renewable Portfolio Standards (“RPS”), N.J.A.C. 14:8-2.1 et seq., which require that a portion of the electricity delivered to New Jersey customers be supplied from solar electric generation systems. The Solar Energy Advancement and Fair Competition Act (“Solar Act”), signed into law on January 18, 2010, requires a fixed quantity of electricity delivered to New Jersey customers be supplied from solar electric generation systems. Suppliers to New Jersey customers must comply with these obligations either by submitting SRECs or by paying a Solar Alternative Compliance Payment (“SACP”).
- I.1.3. An SREC is issued once 1 MWh of solar energy is generated through a solar photovoltaic system.
- I.1.4. To help meet New Jersey’s solar electric generation goals, the EDCs have initiated, and the Board has approved, various solar programs.
- I.1.5. On April 8, 2008, the Board approved PSE&G’s loan program, which made loans available to developers and to all customer segments for the development of up to 30 MW of solar projects. On November 11, 2009, the Board approved the extension of this loan program to finance the installation of an additional 51 MW of solar projects. Borrowers repay the loans by providing PSE&G with the SRECs generated by their solar projects. On July 29, 2009, the Board approved an additional solar program through which PSE&G directly invests in up to 80 MW of solar projects.
- I.1.6. On March 13, 2009, ACE, JCP&L, BPU Staff, Rate Counsel, and The Solar Alliance entered into a Stipulation by which JCP&L and ACE agreed to coordinate to the extent possible and to use essentially the same SREC-based financing program. This Stipulation outlines the elements of the ACE and JCP&L SREC-based financing program. The Board approved this Stipulation in its Order dated March 27, 2009, and also stated that ACE and JCP&L would coordinate their sale of purchased SRECs with the Public Service Electric and Gas Company auction of SRECs. On December 9, 2010, these same parties entered into a Stipulation amending the ACE and JCP&L SREC-based financing program by increasing the size limit from 500 kW to 2 MW and increasing the flexibility with respect to the developer cap. The Board approved this new Stipulation in its Order dated January 3, 2011.
- I.1.7. On July 24, 2009, RECO, BPU Staff, Rate Counsel, and The Solar Alliance entered into a Stipulation by which RECO agreed to coordinate to the extent possible and to use a program similar to the SREC-based financing program approved for ACE and JCP&L.

This Stipulation outlines the elements of RECO's SREC-based financing program. The Board approved this Stipulation in its Order dated July 31, 2009, and also stated that RECO would coordinate its sale of purchased SRECs with the Public Service Electric and Gas Company auction of SRECs. On December 9, 2010, these same parties entered into a Stipulation amending the RECO SREC-based financing program by increasing the size limit from 500 kW to 2 MW. The Board approved this new Stipulation in its Order dated January 3, 2011.

- I.1.8. On November 7, 2008, the Board approved the use of auctions to dispose of SRECs held by PSE&G. These SRECs include those generated by solar projects in which PSE&G directly invests and SRECs transferred to PSE&G's account by borrowers under its loan programs. The Board also approved the use of these Auctions for SRECs held by ACE, JCP&L, and RECO. Auctions will be held quarterly. The SREC Auctions will be open to all SREC market participants, including SREC traders and aggregators, as well as Basic Generation Service ("BGS") Suppliers and Third Party Suppliers ("TPSs") that have an obligation to acquire SRECs for the purposes of satisfying their obligations under the RPS and the Solar Act.
- I.1.9. NERA Economic Consulting is serving as Auction Manager.

I.2. Overview

- I.2.1. A first Auction was held on April 19, 2011 and a second Auction will be held on July 12, 2011. Additional Auctions will be held quarterly thereafter, until the fourth quarter of 2012, except that no Auction will be held if there are fewer than 5,000 SRECs available. After the fourth quarter of 2012, the Auction process is subject to review by the Board. Auctions are expected to be held in January, April, July, and October.
- I.2.2. The SRECs available in a given month's Auction are those generated by the last calendar day of the second month prior to the month of the Auction. For example, the SRECs available in an Auction held in April are those generated by the last calendar day of February. A month during which an Auction is held is called an "auction month" and the second month prior is called the "generation month". In this July 2011 Auction, there are two vintages of SRECs available: (i) SRECs that were generated on or after June 1, 2009 and on or before May 31, 2010; and (ii) SRECs that were generated on or after June 1, 2010 and on or before May 31, 2011, the last calendar day of the generation month preceding the month of the Auction. BGS Suppliers and TPSs can use these SRECs for compliance with the RPS.
- I.2.3. SRECs of a particular vintage are referred to as a "product". In this July 2011 Auction, SRECs that were generated on or after June 1, 2009 and on or before May 31, 2010 are a product, and SRECs that were generated on or after June 1, 2010 and on or before May 31, 2011 are a product.
- I.2.4. The Auction Manager announces to prospective bidders whether an Auction will be held as scheduled and announces a range or ranges of the number of SRECs available

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for that Auction no later than five (5) days¹ after the end of the generation month that precedes the month of the Auction or as soon as practicable. No later than on the fifth day of an Auction month, the Auction Manager announces the precise number of SRECs that will be available for the Auction held in that month.

- I.2.5. To participate in the Auction, a prospective bidder must meet basic qualification standards, agree to a standard contract to be used with each EDC, and provide bid assurance collateral in cash. A bidder cannot bid during the Auction to purchase a number of SRECs greater than is guaranteed by its bid assurance collateral.
- I.2.6. In this Auction, bidders bid on blocks of 50 SRECs. Bidders must bid in multiples of 50 SRECs and may not purchase portions of a block. The block size may be revised prior to each Auction.
- I.2.7. The Auction proceeds in rounds. In the first round, the Auction Manager proposes a price per SREC, called the “starting price”. Bidders bid by stating the number of blocks of each product that they want to purchase at the starting price. If there are more blocks bid for at least one product than there are available, the Auction goes to a second round. In the second round, the Auction Manager proposes a new, higher price per SREC for any product for which the number of blocks bid in the previous round was higher than the number available. Bidders again bid the number of blocks of each product that they want to purchase at the prices of the second round. If there are still more blocks bid than there are available to be sold for at least one product, the Auction proceeds to the next round. The prices in the next round will rise again for products for which there were more blocks bid than there are available, and bidders will continue to bid until a price is reached for each product at which the number of blocks of SRECs bid is just equal to the number of blocks of SRECs to be sold. A bidder wins by having a bid on one or more of the available blocks in the last round of the Auction.
- I.2.8. The Auction Manager and the EDCs establish the starting price for the Auction using market data as well as parameters of the EDCs’ solar programs. The Auction Manager informs bidders of the starting price no later than on the fifth day of the Auction month.
- I.2.9. The number of blocks that a bidder can bid during the Auction cannot increase. In round 1 of the Auction, the maximum number of blocks of SRECs that a bidder can bid across all products is the bidder’s indicative bid or initial eligibility. In round 2 of the Auction, the maximum number of blocks that a bidder can bid on a product is the number of blocks bid on that product in round 1. In general, in a round, the maximum number of blocks that a bidder can bid on a product is the number of blocks bid on that product in the previous round.
- I.2.10. The Auction establishes a single transaction price for all SRECs of a given vintage sold through the Auction. A winning bidder purchases the SRECs won through the execution of a Transaction Confirmation Letter (“Confirmation”) under one or more

¹ Unless specified otherwise, a “day” means a business day.

Master Solar Renewable Energy Certificates Agreements (“Master SREC Agreements”). There is a standard statewide contract, the Master SREC Agreement, which a winning bidder may execute with one or more EDCs.

- I.2.11. Under the Master SREC Agreement, winning bidders have five (5) days from the date of completion of the Auction to pre-pay for the SRECs. Any amounts provided as bid assurance collateral will be deducted from amounts due for purchased SRECs. Failure by a winning bidder to execute the necessary Confirmations or to provide pre-payment of the full amount will result in forfeiture of the bid assurance collateral and may result in other sanctions or penalties.
- I.2.12. The Auction Manager will return the amount of bid assurance collateral to losing bidders (or to winning bidders whose bid assurance collateral exceeds the amount owed for SRECs won) within ten (10) days of: (i) the date of completion of the Auction, or (ii) receiving return wire transfer instructions as well as a completed W-9 form, whichever occurs later.

I.3. Information Provided to Bidders

- I.3.1. The Auction Manager has established a web site that is the main source of information for the Auctions. Prospective bidders and other stakeholders can visit this web site to obtain information and documents related to the Auction. The web site address is www.SolarREC-auction.com.
- I.3.2. The web site consists of the following sections:
 - A “home” page that provides announcements of interest.
 - A “background” page with links to the Board decisions, results from previous Auctions, and an “Archives” section that contains bidder information from previous Auctions.
 - A “bidder information” page that includes all documents and forms needed to participate in the Auction, frequently asked questions, and data. The EDCs will provide data to allow prospective bidders to evaluate the potential number of SRECs that could be available in future Auctions.
 - A calendar that provides the timeline for the main events in the Auction.
 - A “contact us” page with the Auction Manager’s contact information, a web form for participants to register for email updates, and a web form to ask a question to the Auction Manager. The Auction Manager answers each questioner individually via email. The question and answer are then posted to the FAQ portion of the bidder information page.
- I.3.3. The schedule for this Auction is as follows:

Event	Date
Last generation day for SRECs	Tuesday, May 31, 2011
Documents posted (Master SREC Agreement, SREC Bidder Manual, Qualification Form)	Friday, June 17, 2011
Announcement of range of number of SRECs	Wednesday, June 15, 2011
Qualification Form due	Friday, June 24, 2011
Deadline to cure deficiencies in the Qualification Form	Monday, June 27, 2011
Notification of Qualification to Proceed	Tuesday, June 28, 2011
Starting price announced	Tuesday, June 28, 2011
Final number of SRECs announced	Tuesday, July 05, 2011
Signed Master SREC Agreement and bid assurance collateral due	Wednesday, July 06, 2011
Trial Auction	Thursday, July 07, 2011
Deadline to cure deficiencies in Master SREC Agreement and bid assurance collateral due	Thursday, July 07, 2011
Notification of Qualification to Bid	Friday, July 08, 2011
Auction starts	Tuesday, July 12, 2011

I.3.4. Times for various events are provided further below in this manual.

I.3.5. This manual consists of a total of three (3) documents. This main document is called the “SREC Auction Manual”. The following documents are appended to the SREC Auction Manual:

- Appendix 1: Master Solar Renewable Energy Certificates Agreement (“Master SREC Agreement”)
- Appendix 2: Qualification Form

The SREC Auction Manual and the Qualification Form will be updated for each Auction and will reflect the schedule for that Auction.

ARTICLE II. Qualification Standards

II.1. Requirements

II.1.1. Each prospective bidder must fulfill the basic qualification standards of this Article to participate in the Auction.

II.1.2. Each prospective bidder must provide contact information, namely the prospective bidder’s legal name and address.

II.1.3. Each prospective bidder must provide contact information for a Representative that will be the main point of contact for the Auction Manager. This contact information must include: (i) name; (ii) title; (iii) address; (iv) phone number; (v) email address; and (vi)

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fax number. The Representative may, but is not required to, provide a cell phone number. All materials associated with the Auction, including confidential information necessary to submit bids, will be sent to the Representative. A prospective bidder may, but is not required to, name an Alternate and provide contact information for the Alternate in case the Representative is unavailable.

- II.1.4. Each prospective bidder must provide its exact Account Name with PJM Environmental Information Services ("PJM-EIS") Generation Attribute Tracking System ("GATS").
- II.1.5. The Representative of the prospective bidder must certify that the submission of any bid in any round of the Auction is a binding and irrevocable offer to purchase SRECs at the price(s) of the round.
- II.1.6. The Representative of the prospective bidder must certify that the prospective bidder, if it is a winner at the Auction, will partially execute all necessary Confirmations within three (3) business days of the close of the Auction and will pre-pay the full amount to purchase the SRECs won at the final Auction price(s) within five (5) business days of the close of the Auction. The Representative must agree that failure to execute the necessary Confirmations or to provide pre-payment of the full amount to purchase the SRECs won at the final Auction price(s) within the specified timeframe will result in forfeiture of any posted bid assurance collateral and may result in other sanctions or penalties.
- II.1.7. The Representative of the prospective bidder must certify that it understands and agrees to the rules of the Auction as provided in this SREC Auction Manual.
- II.1.8. The Representative of the prospective bidder must certify that it is bidding independently and that it is not part of a bidding agreement, a joint venture for purposes of participating in the Auction, a bidding consortium, or any other type of bidding arrangement related to bidding in the Auction.

II.2. Submission and Processing

- II.2.1. Each prospective bidder must submit the information required by Section II.1 exclusively by using the Qualification Form, which is attached as Appendix 2. Each prospective bidder must submit two (2) original Qualification Forms with original signatures.
- II.2.2. Each prospective bidder submits its Qualification Forms by hand delivery or overnight delivery service to the Auction Manager no later than 12PM noon Eastern Prevailing Time ("EPT") on June 24, 2011 at the following address: NERA – SREC Auction Manager, One Gateway Center, Suite 720, Newark, NJ 07102. Photocopies and facsimiles of the Qualification Form will not be considered.
- II.2.3. Upon receipt of the Qualification Forms, the Auction Manager sends a notice (by fax or by email at the prospective bidder's option) to the Representative that includes: (i) the date on which the Qualification Forms were received; and (ii) an assessment of the Qualification Forms. This assessment states either that the Qualification Forms are

complete or the assessment lists items that are deficient or require clarification. In this latter case, the prospective bidder has until 6PM on June 27, 2011 to cure any deficiencies.

- II.2.4. The Auction Manager notifies each prospective bidder of whether it has qualified to proceed further in this Auction no later than 6PM on June 28, 2011. This notification of qualification to proceed is made by email or fax, at the prospective bidder's option. If a prospective bidder has qualified to proceed, the notification includes: (i) a confirmation that the prospective bidder has qualified to proceed in this Auction; (ii) the number of SRECs that will be available in this Auction; (iii) the starting price of this Auction; (iv) details of a training session where bidders can practice the submission of bids; and (v) wire transfer information for posting of bid assurance collateral.
- II.2.5. If a prospective bidder fails to qualify to proceed in a given Auction, the Auction Manager returns one (1) original of the Qualification Form by overnight delivery service. The Auction Manager will not consider the bid assurance collateral or Master SREC Agreements from a prospective bidder that fails to qualify to proceed in a given Auction. Such a prospective bidder may not submit bids in that Auction.

ARTICLE III. Collateral and Master SREC Agreement

III.1. Requirements

- III.1.1. Only prospective bidders that have successfully qualified to proceed further in the Auction process (called "bidders") may continue and provide the materials required in this Article.
- III.1.2. To bid in the Auction, bidders must submit to the additional requirements of this Article.
- III.1.3. Each bidder must provide, in cash, bid assurance collateral of \$50 per block of 50 SRECs (or \$1/SREC) that the bidder intends to bid in round 1 of the Auction across all products. The amount of the bid assurance collateral divided by \$50 is the bidder's indicative bid or "initial eligibility". If a bidder's indicative bid does not correspond to an integer number of blocks, the Auction Manager will round the indicative bid down to the next integer number of blocks.
- III.1.4. In the Auction, a bidder will never be able to bid on a number of blocks greater than the bidder's initial eligibility. In round 1 of the Auction, a bidder may bid on fewer blocks than the bidder's initial eligibility (including bidding zero blocks).
- III.1.5. Each bidder must submit two (2) originals of each of four (4) Master SREC Agreements, one for each EDC as the Seller, signed by an officer of the bidder or other individual empowered to bind the bidder. If a bidder has submitted these documents in a previous Auction occurring April 2011 or later, and if the signatory remains valid, the bidder does not need to submit the Master SREC Agreements again.

III.2. Submission and Processing

- III.2.1. Each bidder must submit its bid assurance collateral in cash through a wire transfer. The Auction Manager provides instructions for the wire transfer with the notification of qualification to proceed. The funds must be available and the wire transfer completed by 12PM (noon EPT) on July 6, 2011.
- III.2.2. Each bidder that has not submitted Master SREC Agreements in a previous Auction occurring April 2011 or later must submit two (2) originals of each of four (4) Master SREC Agreements by hand delivery or overnight delivery service to the Auction Manager no later than 12PM (noon EPT) on July 6, 2011 at the following address: NERA – SREC Auction Manager, One Gateway Center, Suite 720, Newark, NJ 07102.
- III.2.3. Each bidder is encouraged, but not required, to provide as early as convenient:
 - (i) return wire transfer instructions for its bid assurance collateral; and
 - (ii) a completed W-9 form. These documents are required for the Auction Manager to return bid assurance collateral to losing bidders (or to winning bidders whose bid assurance collateral exceeds the amount owed for SRECs won). The Auction Manager will effect the return of bid assurance collateral no later than ten (10) days after the close of the

Auction, or after the receipt of these documents, whichever comes later. A bidder that has submitted these documents in a previous Auction must either: confirm that these documents remain accurate and up-to-date; or: submit new documents.

- III.2.4. Upon receipt of the bid assurance collateral or the Master SREC Agreements, the Auction Manager sends a notice (by fax or email at the bidder's option) to the bidder that includes: (i) the date on which the materials were received; and (ii) an assessment of whether the materials are complete and consistent with the requirements of Section III.1. If the materials are incomplete or do not fulfill the requirements of Section III.1, the bidder will be given one (1) day, until 6PM on July 7, 2011, to cure any deficiencies.
- III.2.5. The Auction Manager notifies each bidder of whether it has qualified to submit bids in the Auction no later than 6PM on July 8, 2011. If a bidder's materials are complete and consistent with the requirements of Section III.1, the Auction Manager sends to the bidder a notification of qualification to bid in the Auction and the bidder may participate in the Auction; otherwise, the bidder will be unable to participate in the Auction. The Auction Manager advises each bidder of its qualification status by fax or email, at the bidder's option.

ARTICLE IV. Bidding Rules

IV.1. Schedule

- IV.1.1. Each round of the Auction is divided into three phases: a bidding phase, a calculating phase, and a reporting phase.
- IV.1.2. In the bidding phase of the round, bidders place bids. A bidder can modify its bid as long as the bidding phase of the round is open. The valid bid is the last received bid that is submitted during the bidding phase and processed by the Auction software. A valid bid is a firm commitment to purchase SRECs at the prices of the round that cannot be rescinded.
- IV.1.3. The calculating phase immediately follows the bidding phase. In the calculating phase of the round, the Auction Manager tabulates the results of that round's bidding phase and calculates the prices for the next round. During this phase, bidders cannot submit bids and bidders do not yet have access to the results from that round's bidding phase.
- IV.1.4. The reporting phase immediately follows the calculating phase. In the reporting phase of the round, the Auction Manager informs the bidders of the results of that round's bidding phase. All bidders are informed of the going prices for the next round's bidding phase and are provided with a range of excess demand in the Auction. Each bidder privately receives the results of its own bid from that round.
- IV.1.5. The Auction Manager advises the bidders of the times of the start and end of each phase of the rounds on the day prior to the Auction. The schedule is subject to change at the Auction Manager's discretion and bidders will be advised of any changes in the schedule through the Auction software.

IV.2. Round 1 of the Auction

- IV.2.1. The going price for a product in a round is the price at which the Auction Manager solicits bids for that product. The starting price for a product is the going price in the bidding phase of round 1 for that product.
- IV.2.2. A bid consists of a number of blocks for each product that the bidder wants to purchase at the round 1 prices. In round 1, a bidder cannot bid more blocks across all products combined than its initial eligibility as determined by the amount of bid assurance collateral provided. In round 1, a bidder may bid on fewer blocks than the bidder's initial eligibility (including bidding zero blocks on one or all products).
- IV.2.3. If a bidder does not submit a bid during the bidding phase of round 1, the bidder is assigned a default bid. The default bid in round 1 is zero blocks on all products.
- IV.2.4. During the calculating phase, the Auction Manager reviews the results of bidding in round 1 and round 1 then moves to the reporting phase.

- IV.2.5. If it is the case that there are more blocks bid than there are available for at least one product, the Auction proceeds to round 2. The Auction Manager informs all bidders of the going prices for round 2 in the reporting phase. The going prices for round 2 are higher than or equal to the going prices for round 1. The Auction Manager informs all bidders of a range of excess demand. The possible ranges of excess demand will be provided to bidders no later than one (1) day prior to the Auction. The Auction Manager informs each bidder individually of its eligibility for each product in round 2. The eligibility of a bidder for a product in round 2 is the number of blocks bid in round 1 for that product.
- IV.2.6. If it is not the case that there are more blocks bid than there are available for at least one product, the Auction ends in the reporting phase of round 1. The bidders that bid at the starting prices each purchase the amount of their bids at the starting prices. The Auction Manager informs the bidders of that fact.

IV.3. Round 2 and Subsequent Rounds

- IV.3.1. The going price for a product in a round is the price announced in the reporting phase of the previous round.
- IV.3.2. A bid must specify the number of blocks of SRECs of each product that the bidder wants to purchase at the going prices. A bidder cannot bid more blocks in a round than its eligibility for that product in that round. A bidder can either select the same number of blocks for a product as it bid in the previous round, or it can select to bid fewer blocks for that product. A bidder cannot increase the number of blocks bid on a product or switch blocks between products.
- IV.3.3. If a bidder selects to bid fewer blocks for a product than in the previous round, the bidder withdraws blocks from the Auction. The bidder is required to specify an exit price for the blocks that the bidder is withdrawing. An exit price must be greater than or equal to the going price for that product in the previous round and must be less than the going price for that product in the current round. A bidder that withdraws blocks loses the eligibility associated with these blocks and forfeits the right to bid these blocks for the remainder of the Auction.
- IV.3.4. A bidder with positive eligibility for at least one product must submit a bid in every round (even when the bidder's bid does not change). If a bidder with positive eligibility for at least one product does not submit a bid during the bidding phase of a round, the bidder is assigned a default bid. The default bid is zero blocks for all products for which the price has increased from the previous round. The default bid withdraws all blocks that can be withdrawn at an exit price equal to the going price for that product of the previous round.
- IV.3.5. During the calculating phase, the Auction Manager reviews the results of bidding for the round and the round then moves to the reporting phase.
- IV.3.6. If it is the case that there are more blocks bid than are available for at least one product, the Auction proceeds to the next round. The Auction Manager informs all

bidders of the going prices for the next round, which will be higher than the current going price for all products for which there is excess demand. The Auction Manager informs all bidders of a range of excess demand for each product. The Auction Manager informs each bidder individually of its eligibility for each product in the next round. The eligibility of a bidder for a product in the next round is the bidder's eligibility for that product in the current round less the number of blocks withdrawn of that product in the current round.

- IV.3.7. If it is not the case that there are more blocks bid than are available for at least one product, the Auction ends in the reporting phase of the round. The Auction Manager informs all bidders of the final Auction price for each product. The Auction Manager informs each bidder of the number of blocks of each product it has won at the final Auction prices.

IV.4. End of Auction

- IV.4.1. The Auction ends in the reporting phase of the first round in which the number of blocks bid equals or falls short of the number of blocks available for each product.
- IV.4.2. If the number of blocks bid equals the number of blocks available for a product, the final Auction price for that product is the going price of that product in the last round.
- IV.4.3. If the number of blocks bid falls short of the number of blocks available for a product, the Auction Manager first accepts all bids for that product at the going price. The Auction Manager then ranks the withdrawn blocks from that product in descending order of their exit price. The Auction Manager accepts enough blocks to award all available blocks, in order, starting with the highest exit price. The final Auction price for the product is the exit price associated with the last awarded block.
- IV.4.4. If the Auction Manager must award some but not all of the blocks from two or more bidders that named the same exit price for a product, the Auction Manager chooses at random, for each block, the bidder that will be awarded the block. For the first block needed at the tied exit price, the probability that a bidder is chosen is the number of blocks that the bidder has withdrawn from that product at the exit price divided by the total number of blocks withdrawn from that product at the exit price. If a second block is awarded at the exit price, the Auction Manager again will choose at random the bidder whose block will be retained. The probability that any one bidder is chosen is the number of blocks that the bidder has withdrawn from that product at the exit price and that have not yet been awarded divided by the total number of blocks withdrawn at the exit price and that have not yet been awarded. The Auction Manager repeats this procedure until all blocks are awarded.
- IV.4.5. The Auction Manager selects withdrawn blocks that are a result of default bids only if all bids at the going price and all blocks withdrawn by bidders (and not by default) are not sufficient to meet the number of blocks available for that product. If the Auction Manager must award withdrawn blocks that are the result of default bids and two or more bidders have default bids, the Auction Manager chooses at random, for each

block, the bidder that will be awarded the block, in a procedure analogous to that described in Paragraph IV.4.4.

IV.5. Calculation of next round prices

- IV.5.1. A price for a product in a round will be calculated so that the price increase is positively related to the level of excess demand on that product.
- IV.5.2. The percentage increase of the going price for a product from one round to the next is called an increment.
- IV.5.3. The Auction Manager will define a relationship whereby the increment for a product will be within a specified range for a given reported range of excess demand for that product. The possible values for the increment for each product will be provided to bidders no later than one (1) day prior to the Auction.
- IV.5.4. Prices will be rounded off to the nearest cent.

IV.6. Miscellaneous Provisions

- IV.6.1. The Auction Manager can call a time-out to the Auction at any time during a round. It is intended that a time-out will suspend activity in the Auction for a period of no more than one hour; however, the Auction Manager retains the discretion to suspend activity for a longer period if necessary. Whenever a time-out is called, the Auction Manager reports to all bidders how long the time-out is expected to last.
- IV.6.2. A bidder with zero eligibility will lose its ability to view the Auction results within three (3) rounds.

IV.7. Bidding Procedures

- IV.7.1. The primary bidding method for the Auction is the electronic submission of bids through the Auction software. The Auction Manager may hold a training session for bidders.
- IV.7.2. The secondary bidding method for the Auction is by phone. If a bidder is experiencing technical difficulty and cannot submit a bid using the Auction software, the bidder calls a technical assistant who enters the bidder's bid on the bidder's behalf.

ARTICLE V. Post-Auction Procedures

V.1. Losing Bidders

- V.1.1. The Auction Manager will return the amount of bid assurance collateral to losing bidders within ten (10) days of: (i) the date of completion of the Auction, or (ii) receiving return wire transfer instructions as well as a completed W-9 form, whichever occurs later.
- V.1.2. At the request of the bidder, the Auction Manager will return any signed Master SREC Agreements held by the Auction Manager. If no such request is made, the Auction Manager keeps the Master SREC Agreements for fulfillment of the requirements of participation by the bidder in a future SREC Auction.

V.2. Winning Bidders

- V.2.1. No later than one (1) business day after the close of the Auction, the Auction Manager will notify each winning bidder of the number of SRECs of each vintage that it will purchase, the EDCs from which it will purchase such SRECs and the number to be purchased from each EDC, and the final Auction price for SRECs of each vintage. The date that the Auction is completed is called the "Trade Date". This notification will also include a summary of the procedure for full execution of the Confirmation(s).
- V.2.2. The Auction Manager will determine the number of SRECs of each vintage that each winning bidder will purchase from each EDC in a manner that minimizes the total number of Confirmations executed, and to the extent practicable, equalizes the number of Confirmations executed by each EDC.
- V.2.3. No later than one (1) business day after the close of the Auction, The Auction Manager will notify each EDC of the names of its winning bidders, the number of SRECs of each vintage it will sell to each winning bidder, the PJM-GATS account number of each of its winning bidders, the amount of bid assurance collateral to be deducted from amounts due for purchased SRECs from each of its winning bidders, and the final Auction prices. The Auction Manager will send to each EDC the partially executed Master SREC Agreement for that EDC and for each of its winning bidders for execution, unless that EDC has already executed a Master SREC agreement with a particular bidder pursuant to a previous SREC Auction held in April 2011 or later.
- V.2.4. No later than two (2) business days after the close of the Auction, each EDC will execute two (2) originals of its Master SREC Agreement for each of its winning bidders that have not already executed a Master SREC agreement pursuant to a previous SREC Auction held in April 2011 or later and will send one (1) original Master SREC Agreement by overnight delivery service to each such winning bidder.
- V.2.5. Each EDC will prepare the Confirmation for each of its winning bidders. No later than two (2) business days after the close of the Auction, an EDC will partially execute each Confirmation and will send by fax one (1) copy to each of its winning bidders. Each

EDC will also send two (2) partially executed originals of the Confirmation to each of its winning bidders by overnight delivery service.

- V.2.6. By 2PM on the third business day after the close of the Auction, each winning bidder will execute the Confirmation received from one or more EDCs and will send a copy by fax to each such EDC. Each winning bidder will also send to each such EDC one (1) original Confirmation by overnight delivery service.
- V.2.7. Within five (5) business days after the close of the Auction, each of the winning bidders of an EDC will pre-pay that EDC for all SRECs purchased from that EDC at the final Auction price(s), net of any bid assurance collateral to be deducted. This date is called the "Payment Date".
- V.2.8. Within three (3) business days of the Payment Date, each EDC delivers the SRECs to each of its winning bidders' PJM-GATS accounts.
- V.2.9. The Auction Manager will return the amount of bid assurance collateral to winning bidders whose bid assurance collateral exceeds the amount owed for SRECs won within ten (10) days of: (i) the date of completion of the Auction, or (ii) receiving return wire transfer instructions as well as a completed W-9 form, whichever occurs later.

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