# REC Auction Manual

New Jersey Solar Programs



NERA

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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"). PSE&G may also sell Class I Renewable Energy Certificates ("Class I RECs") through these same Auctions. SRECs and Class I RECs are jointly referred to as "RECs".

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 and a portion be supplied from Class I generation energy sources. Suppliers to New Jersey customers must comply with solar obligations either by submitting SRECs or by paying a Solar Alternative Compliance Payment ("SACP"). Suppliers to New Jersey customers must comply with Class I obligations either by submitting Class I RECs or by paying an Alternative Compliance Payment ("ACP"). These requirements were most recently modified by Assembly Bill 3723.

I.1.3. An SREC is issued once 1 MWh of solar energy is generated through a solar photovoltaic system. A Class I REC is issued once 1 MWh of energy is generated through a Class I generation energy source. Basic Generation Service ("BGS") Suppliers and Third Party Suppliers ("TPSs") can use SRECs and Class I RECs for compliance with the RPS.

I.1.4. NERA Economic Consulting is serving as Auction Manager.

## I.2. Overview

I.2.1. An Energy Year ("EY") begins on June 1 of the preceding year and ends on May 31 of that year. All RECs created in GATS as generation during a given Energy Year are referred to as RECs of a given vintage. For example, all RECs created in GATS as generation from June 1, 2026 to May 31, 2027 are EY 2027 RECs or RECs of the 2027 vintage. A "Product" is a given vintage of SRECs or of Class I RECs.

I.2.2. Each Auction will have available RECs from the current Energy Year. In addition, an Auction may also have RECs (SRECs and/or Class I RECs) available from prior Energy Years. Bidders will have the ability to bid for SRECs from different vintages if available and may qualify also to bid for Class I RECs from different vintages if available.

I.2.3. The RECs for a Product are divided into "blocks" of equal size. The block size for an SREC Product is expected to be approximately 50 SRECs. The block size for a Class I REC Product is expected to be approximately 250 SRECs. Expected block sizes are subject to change upon notice by the Auction Manager to bidders prior to an Auction.

Bidders must bid in multiples of the block size for a Product and may not purchase portions of a block.

I.2.4. To participate in the Auction, a bidder must meet basic qualification standards, agree to a standard contract to be used with each EDC, and provide any required bid assurance collateral in cash. To bid on Class I REC Products when available, a bidder must additionally agree to a standard contract to be used with PSE&G for that purpose. When bid assurance collateral is required, a bidder cannot bid during the Auction to purchase a number of RECs greater than is guaranteed by its bid assurance collateral.

I.2.5. Approximately two (2) weeks prior to an Auction, the Auction Manager will issue an Addendum to this REC Auction Manual with the following information for the upcoming Auction:

- The vintage or vintages of RECs available;
- The months during which the RECs were created in GATS;
- A range of the number of RECs available of each vintage;
- The schedule for qualification for and participation in the Auction; and
- The tentative schedule for future Auctions (if available).

I.2.6. Approximately two (2) days prior to an Auction, the Auction Manager will issue an announcement with the following information for the upcoming Auction:

- The exact number of RECs available of each vintage;
- The number of blocks available of each Product and the size of each block; and
- The starting price for each Product (as defined in the next paragraph).

I.2.7. In the case of an Auction where there is a single Product in the Auction, the Auction proceeds in rounds as follows. In the first round, the Auction Manager proposes a price per REC, called the "starting price". Bidders bid by stating the number of blocks that they want to purchase at the starting price. If there are more blocks bid than there are available, the Auction goes to a second round. In the second round, the Auction Manager proposes a new, higher price per REC. Bidders again bid the number of blocks that they want to purchase at the price of the second round. If there are still more blocks bid than there are available to be sold, the Auction proceeds to the next round. The price in the next round will rise again, and bidders will continue to bid, until a price is reached at which the number of blocks of RECs bid is just equal to the number of blocks of RECs 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. In the case of an Auction where there are multiple Products in the Auction, the Auction proceeds in rounds as follows. In the first round, the Auction Manager proposes a price per REC for each Product, called the "starting price" for that Product. Bidders bid by stating for each Product the number of blocks that they want to purchase at the starting price for that Product. If there are more blocks bid for at least one Product

than there are blocks available, the Auction goes to a second round. In the second round, the Auction Manager proposes a new, higher price per REC for any Product for which the number of blocks bid in the previous round was higher than the number of blocks available. For each Product for which the price has increased, bidders bid the number of blocks that they want to purchase of that Product at the price 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 blocks available, and bidders will continue to bid, until a price is reached for each Product at which the number of blocks of RECs bid is just equal to the number of blocks of RECs 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.2.9. The Auction establishes a single transaction price for all Products sold through the Auction. For SRECs, there is a standard statewide contract, the Master Solar Renewable Energy Certificates Agreements ("Master SREC Agreement"), which a winning bidder may execute with one or more EDCs. For Class I RECs, there is an entirely analogous standard statewide contract, the Master Class I Renewable Energy Certificates Agreement ("Class I Master Agreement"), which a winning bidder may execute with PSE&G. A winning bidder purchases the SRECs won through the execution of a Transaction Confirmation Letter ("Confirmation") under one or more Master SREC Agreements. A winning bidder purchases the Class I RECs won through the execution of a Transaction Confirmation Letter ("Class I Confirmation") under the Class I Master Agreement. Each of the Master SREC Agreement and the Class I Master Agreement are referred to as a "Master Agreement".

I.2.10. Under the Master Agreement, winning bidders have five (5) days from the date of completion of the Auction to pre-pay for the RECs. Failure by a winning bidder to execute the necessary Confirmations and/or Class I Confirmations or to provide pre-payment of the full amount will result in sanctions or penalties, including exclusion from participation in future Auctions.

I.2.11. The Auction Manager will process the return of any submitted bid assurance collateral to a bidder within twenty-four hours of the completion of the Auction or within twenty-four hours of receiving return wire transfer instructions as well as a completed W-9 form, whichever occurs later. If the return of bid assurance collateral is due to be processed on a day that is not a business day, the processing will begin on the next business day.

## I.3. Information Provided to Bidders

I.3.1. The Auction Manager has established a website that is the main source of information for the Auctions. Bidders and other stakeholders can visit this website to obtain information and documents related to the Auction. The website address is www.SolarREC-Auction.com.

I.3.2. The website 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;
- A "Calendar" page 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, a web form for participants to register to receive information needed to access the online qualification form, 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; and
- A "Qualification Form" page where bidders can access the online qualification form and may log in to submit their qualification materials through the online qualification form.

I.3.3. Information from prior Auctions, including documents and results, are available in the "Archives" section of the "Background" page of the website.

I.3.4. This document is called the "REC Auction Manual" or the "Auction Manual". The Master SREC Agreement is appended to the REC Auction Manual as Appendix 1a and the Class I Master Agreement is appended to the REC Auction Manual as Appendix 1b.

# ARTICLE II. Qualification Standards

## II.1. Requirements

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

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

II.1.3. Each 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; and (v) email address. The contact information may also include a 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 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 bidder must provide contact information for the individual expected to sign the Confirmation (or Class I Confirmation, if applicable) should the bidder be a winning bidder in the Auction. This contact information must include: (i) name; (ii) title; (iii) phone number; and (iv) email address. The contact information may also include a fax number. This individual may, but is not required to, provide a cell phone number.

II.1.5. Each bidder must provide its exact Account Name with PJM Environmental Information Services ("PJM-EIS") Generation Attribute Tracking System ("GATS").

II.1.6. The Representative of the bidder must certify that the submission of any bid in any round of the Auction is a binding and irrevocable offer to purchase RECs of the Product(s) at the price of the round for the Product(s).

II.1.7. The Representative of the bidder must certify that the bidder, if it is a winner at the Auction, will partially execute all necessary Confirmations or Class I Confirmations within three (3) business days of the close of the Auction and will pre-pay the full amount to purchase the RECs 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 Class I Confirmations or to provide pre-payment of the full amount to purchase the RECs won at the final Auction price(s) within the specified timeframe will result in sanctions or penalties, including exclusion from participation in future Auctions.

II.1.8. The Representative of the bidder must certify that the Representative understands and agrees to the rules of the Auction as provided in this REC Auction Manual.

II.1.9. The Representative of the 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.1.10. Each bidder must submit each of the signature pages of the four (4) Master SREC Agreements signed by an officer of the bidder or other individual empowered to bind the bidder. If a bidder's signatory to the Master SREC Agreement remains valid, the bidder is not required to submit the signature pages of the Master SREC Agreement again.

II.1.11. To be eligible to bid on Class I RECs, a bidder must also submit the signature page of the Class I Master Agreement signed by an officer of the bidder or other individual empowered to bind the bidder. If a bidder's signatory to the Class I Master Agreement remains valid, the bidder is not required to submit the signature page of the Class I Master Agreement again.

II.1.12. A bidder's "initial eligibility"[1] for a Product in the Auction is the maximum number of blocks that the bidder can bid in round 1 of the Auction. In all circumstances, if a bidder has not satisfactorily submitted the signature page of the Class I Master Agreement, such bidder's initial eligibility for each Class I Product in the Auction is equal to zero. In an Auction for which the Auction Manager announces in the Addendum to the REC Auction Manual that no bid assurance collateral is required, each bidder's initial eligibility for a Product in the Auction is equal to the number of blocks available for that Product. In an Auction for which the Auction Manager announces in the Addendum to the REC Auction Manual that some or all bidders are required to provide bid assurance collateral, such bidders provide bid assurance collateral of $1/REC up to a specified maximum amount. The Auction Manager specifies the maximum amount in the Addendum to the REC Auction Manual. A bidder that submits bid assurance collateral of the maximum amount will receive initial eligibility sufficient to bid on all available RECs in the Auction. For bidders that submit less than the maximum amount in bid assurance collateral, the bidder's initial eligibility for a Product is equal to the amount of bid assurance collateral divided by the block size in dollars (rounded up) or to the number of blocks available, whichever is lower.

II.1.13. In the Auction, a bidder will never be able to bid on a number of blocks for a Product greater than the bidder's initial eligibility for that Product. In the Auction, a bidder will never be able to bid on a number of blocks for a Product greater than the number of blocks available for that Product. In round 1 of the Auction, a bidder may bid on fewer blocks for a Product than the bidder's initial eligibility for that Product (including bidding zero blocks).

[1] A bidder's initial eligibility is also referred to as the bidder's "indicative offer".

## II.2. Submission of Qualification Materials and Processing

II.2.1. Each bidder must provide the information required in Section II.1 exclusively by using the online qualification form accessible through the SREC Auction website.

II.2.2. Prior to each Auction, the Auction Manager will send to each previously qualified bidder login credentials for the online qualification form. An entity that has not previously qualified may request an account to access the online qualification form. The Auction Manager will respond within one (1) business day and will provide login credentials to such an entity. The Auction Manager sends instructions for the submission of bid assurance collateral only as necessary.

II.2.3. Each bidder must submit each of the signature pages of the four (4) Master SREC Agreements. If a bidder has submitted these documents in a previous Auction, and if the signatory remains valid, the bidder is not required to submit the signature pages of the Master SREC Agreement again. A bidder uses the signature pages found on the Bidder Information page of the SREC Auction website and follows the instructions provided in the online qualification form. A bidder uploads the four (4) scanned, signed, and completed signature pages to the online qualification form. This is the only acceptable method for submission of the signature pages of the Master SREC Agreement at this time. If submitting signature pages, such pages must be received no later than 12 PM (noon) EPT on the Qualification Deadline. The Auction Manager may issue additional instructions if there is an alternate method for completing the signature pages of the Master SREC Agreement that is also acceptable.

II.2.4. A bidder may elect to submit the signature page of the Class I Master Agreement. If a bidder has submitted this document in a previous Auction, and if the signatory remains valid, the bidder is not required to submit the signature page of the Class I Master Agreement again. A bidder uses the signature page found on the Bidder Information page of the SREC Auction website and follows the instructions provided in the online qualification form. A bidder uploads the one (1) scanned, signed, and completed signature page to the online qualification form. This is the only acceptable method for submission of the signature page of the Class I Master Agreement at this time. If submitting the signature page, such page must be received no later than 12 PM (noon) EPT on the Qualification Deadline. The Auction Manager may issue additional instructions if there is an alternate method for completing the signature page of the Class I Master Agreement that is also acceptable.

II.2.5. Each bidder must submit any required bid assurance collateral in cash through a wire transfer. The Auction Manager provides instructions for the wire transfer with the login credentials for the online qualification form as necessary. The funds must be available and the wire transfer completed by 12 PM (noon) EPT on the Qualification Deadline.

II.2.6. A bidder submits to the qualification requirements of the previous section by completing the online qualification form and uploading any required documents to the online qualification form. In particular:

- All contact information for the bidder and its representatives is provided exclusively through completion of the online qualification form. The online

qualification form for a previously qualified bidder is populated with the last information provided to the Auction Manager in a prior Auction. A previously qualified bidder must review the information, provide any updates, and affirm that the information is up to date and accurate;

- Scans of the executed signature pages to the Master SREC Agreement are uploaded to the online form;
- A scan of the executed signature page to the Class I Master Agreement may be uploaded to the online form;
- The Representative of the bidder makes all certifications required by completing the representation form found on the Bidder Information page of the SREC Auction website. The bidder then scans the duly completed, dated, and signed representation form and uploads this document to the online qualification form; and
- A bidder must press the "SUBMIT" button any time the bidder transmits information to the Auction Manager via the online qualification form.

The Auction Manager may issue additional instructions if there is an alternate method for completing the signature pages of the Master SREC Agreement and Class I Master Agreement that is also acceptable or if there is an alternate method for completing the representation form that is also acceptable.

II.2.7. If required to submit bid assurance collateral, a bidder is encouraged, but is not required, to provide as early as convenient through the online qualification form: (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 process the return bid assurance collateral. The Auction Manager will process the return of bid assurance collateral for a bidder within twenty-four hours of the completion of the Auction or within twenty-four hours of receiving return wire transfer instructions as well as a completed W-9 form from the bidder, whichever occurs later. If the return of bid assurance collateral is due to be processed on a day that is not a business day, the processing will begin on the next business day.

II.2.8. When a bidder submits materials to the Auction Manager for purposes of the qualification procedure, the Auction Manager sends a notice by email to the Representative 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 II.1. This assessment states either that the materials are complete or the assessment lists items that are deficient or require clarification. In this latter case, the bidder has until 6 PM on the Cure Deficiency Deadline to amend or supplement the materials to remedy any deficiencies.

II.2.9. The Auction Manager notifies each bidder of whether it has qualified for the Auction no later than 6 PM on the Notification of Qualification date. If a bidder's materials are complete and consistent with the requirements of Section II.1, the Auction Manager sends to the bidder a Notification of Qualification and the bidder may participate in the Auction. The Auction Manager advises each bidder of its qualification status and the Products for which it has qualified to bid by email.

II.2.10. If a bidder fails to qualify for a given Auction and is not provided with a Notification of Qualification, the bidder may not submit bids in that Auction.

# ARTICLE III. Bidding Rules for a One-Product Auction

## III.1. Schedule

III.1.1. Each round of the Auction is divided into three phases: a bidding phase, a calculating phase, and a reporting phase.

III.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 RECs at the price of the round and a valid bid cannot be rescinded.

III.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 price 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.

III.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 price 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.

III.1.5. The Auction Manager advises the bidders of the times of the start and end of each phase of the rounds with their Notification of Qualification. 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.

## III.2. Round 1 of the Auction

III.2.1. The going price in a round is the price at which the Auction Manager solicits bids. The starting price is the going price in the bidding phase of round 1. Bidders submit bids during the bidding phase.

III.2.2. A bid consists of a number of blocks that the bidder wants to purchase at the round 1 price. In round 1, a bidder cannot bid more blocks than its initial eligibility as determined in accordance with Paragraph II.1.12. In round 1, a bidder cannot bid more blocks than the number of blocks available. In round 1, a bidder may bid on fewer blocks than the bidder's initial eligibility (including bidding zero blocks).

III.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.

III.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.

III.2.5. If it is the case that the number of blocks bid by all bidders exceeds the number of blocks available, the Auction proceeds to round 2. During the reporting phase of round 1, the Auction Manager informs all bidders of the going price for round 2. The going price for round 2 is higher than the going price for round 1. During the reporting phase of 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. During the reporting phase of round 1, the Auction Manager informs each bidder individually of its eligibility for round 2. The eligibility of a bidder for round 2 is the number of blocks the bidder bid in round 1.

III.2.6. If it is not the case that the number of blocks bid by all bidders exceeds the number of blocks available, the Auction ends in the reporting phase of round 1. Round 1 is the final round. The Auction Manager informs the bidders of that fact.

## III.3. Round 2 and Subsequent Rounds

III.3.1. The going price in a round is the price announced in the reporting phase of the previous round. Bidders submit bids during the bidding phase.

III.3.2. A bid must specify the number of blocks of RECs that the bidder wants to purchase at the going price. A bidder cannot bid more blocks in a round than its eligibility for that round. A bidder can either select the same number of blocks as it bid in the previous round, or it can select to bid fewer blocks. A bidder cannot increase the number of blocks bid from the previous round.

III.3.3. If a bidder selects to bid fewer blocks 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 in the previous round and must be less than the going price 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.

III.3.4. A bidder with positive eligibility must submit a bid in every round (even when the bidder's bid does not change). If a bidder with positive eligibility 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. The default bid withdraws all blocks at an exit price equal to the going price in the previous round.

III.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.

III.3.6. If it is the case that there are more blocks bid than are available, the Auction proceeds to the next round. In the reporting phase of the current round, the Auction Manager informs all bidders of the going price for the next round. During the reporting phase, the Auction Manager informs all bidders of a range of excess demand. The Auction Manager informs each bidder individually of its eligibility for the next round. The eligibility of a bidder for the next round is the bidder's eligibility for the current round less the number of blocks withdrawn in the current round.

III.3.7. If it is not the case that the number of blocks bid by all bidders exceeds the number of blocks available, the Auction ends in the reporting phase of the round. The Auction Manager informs all bidders of the final Auction price. The Auction Manager informs each bidder of the number of blocks it has won at the final Auction price.

## III.4. End of Auction

III.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. This is the final round.

III.4.2. If the number of blocks bid by all bidders in the final round exactly equals the number of blocks that are available, the final Auction price is the going price in the final round.

III.4.3. If the number of blocks bid by all bidders in round 1 does not exceed the number of blocks available, the final Auction price is the starting price. Each bidder that bid in round 1 purchases the amount it bid at the starting price.

III.4.4. If the number of blocks bid by all bidders in the final round falls short of the number of blocks available, and if the number of blocks bid by all bidders in the round immediately preceding the final round exceeded the number of blocks available, the Auction Manager first accepts all bids at the going price. The Auction Manager then ranks the withdrawn blocks 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 is the exit price associated with the last awarded block.

III.4.5. If the Auction Manager must award some but not all of the blocks from two (2) or more bidders that named the same exit price, 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 at the exit price divided by the total number of blocks withdrawn 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 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.

III.4.6. 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. If the Auction Manager must award withdrawn blocks that are the result of default bids and two (2) 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 III.4.5.

## III.5. Calculation of next round prices

III.5.1. A price in a round is calculated so that the price increase is positively related to the level of excess demand.

III.5.2. The percentage increase of the going price from one round to the next is called an increment.

III.5.3. The Auction Manager will define a relationship whereby the increment will be within a specified range for a given reported range of excess demand. The possible values for the increment will be provided to bidders no later than one (1) day prior to the Auction.

III.5.4. Prices will be rounded off to the nearest cent.

## III.6. Miscellaneous Provisions

III.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.

III.6.2. A bidder with zero eligibility will lose its ability to view the Auction results within three (3) rounds.

## III.7. Bidding Procedures

III.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.

III.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 contacts the Auction Manager and a technical assistant enters the bidder's bid on the bidder's behalf.

III.7.3. It is the bidder's sole and entire responsibility to submit a bid on time whether using the primary or secondary bidding method.

# ARTICLE IV. Bidding Rules for a Multi-Product Auction

## 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 RECs of each Product at the price of the round for that Product and a valid bid 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 for each Product 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 with their Notification of Qualification. 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. Bidders submit bids during the bidding phase.

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 for each Product than its initial eligibility as determined in accordance with Paragraph II.1.12. In round 1, a bidder cannot bid more blocks for each Product than the number of blocks available for that Product. In round 1, for each Product for which the bidder has strictly positive initial eligibility, a bidder may bid on fewer blocks of a Product than the bidder's initial eligibility (including bidding zero blocks on one, several, 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 each Product.

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 the number of blocks bid by all bidders exceeds the number of blocks available for at least one Product, the Auction proceeds to round 2. During the reporting phase of round 1, the Auction Manager informs all bidders of the going prices for round 2. The going price for a Product in round 2 is higher than the going price for that Product in round 1 if there were more blocks bid for that Product in round 1 than there are available. The going price for a Product in round 2 is equal to the going price for that Product in round 1 if the number of blocks bid for that Product equals or falls short of the number of blocks available. During the reporting phase of round 1, the Auction Manager informs all bidders of a range of excess demand for each Product. The possible ranges of excess demand for each Product will be provided to bidders no later than one (1) day prior to the Auction. During the reporting phase of round 1, 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 the bidder bid for that Product in round 1.

IV.2.6. If it is not the case that the number of blocks bid by all bidders exceeds the number of blocks available for at least one Product, the Auction ends in the reporting phase of round 1. Round 1 is the final round. 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. Bidders submit bids during the bidding phase.

IV.3.2. A bid must specify the number of blocks of RECs of each Product that the bidder wants to purchase at the going price for that Product. A bidder cannot bid more blocks for a Product 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 from the previous round or switch blocks from one Product to another.

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 for each Product at an exit price equal to the going price for that Product in 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. In the reporting phase of the current round, the Auction Manager informs all bidders of the going prices for the next round. The going price for a Product in the next round is higher than the current going price for that Product if there were more blocks bid for that Product than there are available. The going price for a Product in the next round is equal to the current going price for that Product if the number of blocks bid for that Product equals or falls short of the number of blocks available. During the reporting phase, 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 the number of blocks bid by all bidders exceeds the number of blocks 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. This is the final round.

IV.4.2. The Auction will continue to another round as long as there is at least one Product for which there are more blocks bid than there are blocks available. It is possible that in a round, on a first Product there are more blocks bid than there are blocks available, while on a second Product the number of blocks bid equals or falls short of the number of blocks available. In that case, the Auction continues. Bidders will, in the next round, be able to maintain or decrease the number of blocks bid on the first Product. Bidders will, in the next round, be required to maintain the number of blocks bid on the second Product.

IV.4.3. If the number of blocks bid by all bidders for a Product in the final round exactly equals the number of blocks that are available for that Product, the final Auction price for that Product is the going price of that Product in the final round.

IV.4.4. If the number of blocks bid by all bidders for a Product in round 1 does not exceed the number of blocks available for that Product, the final Auction price for that Product is

the starting price. Each bidder that bid for that Product in round 1 purchases the amount it bid at the starting price.

IV.4.5. If the number of blocks bid by all bidders for a Product in the final round falls short of the number of blocks available for a Product, and if the number of blocks bid by all bidders for that Product in the round immediately preceding the final round exceeded the number of blocks available for that 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.4.6. If the Auction Manager must award some but not all of the blocks from two (2) 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.4.7. 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 (2) 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.4.6.

## IV.5. Calculation of next round prices

IV.5.1. A price for a Product in a round is 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 with their Notification of Qualification.

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. Bidder may have an opportunity, following the conclusion of an Auction, to bid for RECs from one or multiple vintages offered. Typically, there will be 500 or fewer RECs from any given vintage. Typically, all such RECs will be offered in a single Block, even if there are multiple vintages. If such an opportunity arises, details on the bid process and bid format will be provided to bidders in the REC Auction Manual Addendum for that Auction.

IV.6.3. For an Auction in which bidders do not have an opportunity to bid on an additional Block following the conclusion of the Auction, 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 contacts the Auction Manager and a technical assistant enters the bidder's bid on the bidder's behalf.

IV.7.3. It is the bidder's sole and entire responsibility to submit a bid on time whether using the primary or secondary bidding method.

# ARTICLE V. Post-Auction Procedures

## V.1. All Bidders

V.1.1. As necessary, the Auction Manager will process the return of any submitted bid assurance collateral to a bidder within twenty-four hours of the completion of the Auction or within twenty-four hours of receiving return wire transfer instructions as well as a completed W-9 form, whichever occurs later. If the return of bid assurance collateral is due to be processed on a day that is not a business day, the processing will begin on the next business day.

V.1.2. The Auction Manager keeps the Master SREC Agreements for fulfillment of the requirements of participation by the bidder in a future Auction.

V.1.3. The Auction Manager keeps the Class I Master Agreements for fulfillment of the requirements of participation by the bidder in a future Auction.

## V.2. Winning Bidders Only

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 RECs that it will purchase, the EDCs from which it will purchase such RECs and the number to be purchased from each EDC, and the final Auction price for the vintage(s) of RECs. 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) and Class I Confirmation(s), if applicable.

V.2.2. The Auction Manager will determine the number of RECs that each winning bidder will purchase from 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 RECs it will sell to each winning bidder, the PJM-GATS account number of each of its winning bidders, the amounts due for purchased RECs from each of its winning bidders, and the final Auction price(s). 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 Auction. The Auction Manager will send PSE&G the partially executed Class I Master Agreement for each of its winning bidders of Class I RECs for execution, unless PSE&G has already executed a Class I Master Agreement with a particular bidder pursuant to a previous Auction.

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 has not already executed a Master SREC Agreement pursuant to a previous Auction and will send one (1) fully executed Master SREC Agreement to each such winning bidder.

V.2.5. No later than two (2) business days after the close of the Auction, PSE&G will execute two (2) originals of its Class I Master Agreement for each of its winning bidders of Class I RECs that has not already executed a Class I Master Agreement pursuant to a previous Auction and will send one (1) fully executed Class I Master Agreement to each such winning bidder.

V.2.6. 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 the partially executed Confirmation to each of its winning bidders.

V.2.7. PSE&G will prepare the Class I Confirmation for each of its winning bidders of Class I RECs. No later than two (2) business days after the close of the Auction, PSE&G will partially execute each Class I Confirmation and will send the partially executed Class I Confirmation to each of its winning bidders of Class I RECs.

V.2.8. By 2 PM 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 the fully executed Confirmation to each such EDC.

V.2.9. By 2 PM on the third business day after the close of the Auction, each winning bidder of Class I RECs will execute the Class I Confirmation received from PSE&G and will send the fully executed Class I Confirmation to PSE&G.

V.2.10. 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 RECs purchased from that EDC at the final Auction price(s). This date is called the "Payment Date".

V.2.11. Within three (3) business days of the Payment Date, each EDC delivers the RECs to each of its winning bidders' PJM-GATS accounts.

# ARTICLE VI. Miscellaneous

## VI.1. Warranty on Information

VI.1.1. The information provided for the Auction, including but not limited to information provided on the website, has been prepared to assist bidders in evaluating the auction process. It does not purport to contain all the information that may be relevant to a bidder in satisfying its due diligence efforts. No representation or warranty, expressed or implied, is made by the Auction Manager or any of the EDCs as to the accuracy or completeness of the information, and the Auction Manager and the EDCs shall not, either individually or as a corporation, be liable for any representation expressed or implied in the auction process or any omissions from the auction process, or any information provided to a bidder by any other source. A bidder should check the website frequently to ensure it has the latest documentation and information. Neither the EDCs, nor the Auction Manager, nor any of their representatives, shall be liable to a bidder or any of its representatives for any consequences relating to or arising from the bidder's use of information.

## VI.2. Hold Harmless

VI.2.1. Bidder shall hold the EDCs and the Auction Manager harmless of and from all damages and costs, including but not limited to legal costs, in connection with all claims, expenses, losses, proceedings or investigations that arise in connection with the auction process or the award of a bid pursuant to the auction process.

## VI.3. Bidder's Acceptance

VI.3.1. Through its participation in the auction process, a bidder acknowledges and accepts all the terms, conditions and requirements of the auction process and the Master SREC Agreement.

VI.3.2. Through its participation in the auction process for purposes of bidding on any Class I RECs, a bidder acknowledges and accepts all the terms, conditions and requirements of the auction process and the Class I Master Agreement.



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