

# **Bidder Information Session**

## **August 17, 2017**

**FirstEnergy Ohio Utilities'  
ESP-IV Competitive Bidding Process for  
SSO Supply Procurement**

**Auction Date: October 10, 2017**  
**Delivery Period: June 1, 2018 – May 31, 2021**

# Introduction

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## Welcome to this bidder information session for FirstEnergy Ohio Utilities' Competitive Bidding Process (CBP)

- FirstEnergy Ohio Utilities: The Cleveland Electric Illuminating Company, The Toledo Edison Company, and Ohio Edison Company ("Companies")
- CBP is designed to procure full requirements service for SSO Customers of the Companies ("Standard Service Offer Load" or "SSO Load")
  - Includes load not being served by a Competitive Retail Electric Service ("CRES") Supplier
  - Excludes Percentage of Income Payment Plan ("PIPP") Customers
- Winning bidders will assume responsibilities of a PJM Load Serving Entity ("LSE"), however renewable energy requirements will be procured by and the responsibility of the Companies
- Auction date is October 10, 2017
- Delivery period is June 1, 2018 through May 31, 2021

## Presentation is being made by representatives from

- CRA International, the independent Auction Manager
- This presentation will be posted to the Auction Information Website

# Introduction

## Questions

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### **3 ways to submit questions during the presentation – questions will be answered only after the prepared presentation**

- Use the WebEx “chat room” feature or
- Send an email to [FEOUAuctionManager@crai.com](mailto:FEOUAuctionManager@crai.com) or
- Use operator assisted call-in number – 888-566-5913 – and audio passcode – FEOU
  - Inform the operator you have a question by pressing \*1 at any time
  - Operator will place you into queue
  - Your position in queue will be noted, but you will be on mute and unable to ask your questions until prompted later following the prepared presentation

### **Following the prepared presentation**

- Questions will be queued in the order above and answered
- After questions sent via “chat room” and emails are answered, the phone line will be opened for callers who use the call-in number
- Callers will be introduced using an assigned port number
- When asking a question, callers should NOT identify themselves

# Introduction

## Background

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On August 4, 2014, the Companies filed with the Public Utilities Commission of Ohio (“Commission” or “PUCO”) an Electric Security Plan covering the period June 2017 through May 2019 (“ESP-IV”) – Case No. 14-1297-EL-SSO.

This filing was modified by several parties who entered into a stipulation which among other things modified the term to June 2017 through May 2024. The Plan extends the use of a competitive bidding process to establish generation supply and pricing for SSO customers for the period June 1, 2017 through May 31, 2024.

The Public Utilities Commission of Ohio (PUCO) approved Electric Security Plan (ESP-IV) on March 31, 2016.

# Introduction

## Disclaimer

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The information contained in this presentation material is intended to provide only generally descriptive and summary information. The information and material provided on the Auction Information Website and filed with the Commission are controlling. Any conflict with the information conveyed during the bidder information session, or with information or material other than what is provided on the Auction Information Website, is unintentional.

Certain information may be subject to modification and approval by the Commission.

# Overview

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**Communications**

**Product overview**

**Qualification process**

**Credit provisions**

**Information Website**

**PJM settlement**

**Bidding format**

**CBP calendar**

**Q&As**

# Communications

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**Central source of information is the Auction Information Website:**

**[www.firstenergyCBP.com](http://www.firstenergyCBP.com)**

- Documents – CBP participation documents, load data, etc.
- Calendar
- Results – from previous CBP auctions
- News
- FAQ
- Ask – submit a question
- About – links to background information
- Registration – register to receive future notifications

**Communications Protocols (available on Information Website)**

- Promote a fair, open, transparent, objective, and non-discriminatory CBP
- Auction Manager is the communication point for prospective bidders
- Information is distributed and disseminated equally and fairly to all prospective bidders

# Product Overview

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**Full requirements service for SSO Customers of the Companies excludes load being served by a CRES Supplier and load associated with PIPP customers but includes:**

- Energy
- Capacity
- Market-based transmission services
- Any other LSE service or other service as may be required by PJM to serve the SSO Load of the Companies except those listed in Section 2.3 of the Master SSO Supply Agreement

**Winning bidders will be responsible at their sole cost and expense for:**

- Any changes in PJM products and pricing during the contract term
- Any congestion costs incurred to supply its SSO share
- Remaining a member in good standing of PJM

**Each SSO Supplier shall be responsible and liable to PJM for the performance of its LSE obligations associated with the provisions of SSO Supply**



# Product Overview

(continued)

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## **SSO Suppliers will be obligated under the Master SSO Supply Agreement to**

- Deliver full requirements service of the slice of system of the Companies for purposes of meeting SSO Load
- Assume specified LSE obligations for purposes of PJM settlement

## **SSO Suppliers will not be obligated to provide**

- Distribution services
- Alternative or renewable energy requirements

## **SSO Load will be divided into identical units called tranches**

- Each tranche represents one percent (1%) of the actual hourly energy required for SSO Load for the relevant Delivery Period as well as one percent (1%) of the PJM capacity requirement for the relevant Delivery Period
- Intent is to procure 100 tranches for each delivery period over multiple CBP auctions

# Product Overview

(continued)

Table below shows the tentative, nominal MW quantity associated with the energy obligation and the capacity obligation for each tranche based on historical data of all customers with the exception of PIPP customers.

Number of Tranches Per Delivery Period	Size of Tranche (%)	Energy Obligation		Capacity Obligation	
		Peak Load Share (MW)	MW-Measure of Tranche	Peak Load Share (MW)	MW-Measure of Tranche
100	1%	10,600	106	10,600	106

The energy obligation quantity is not necessarily indicative of the actual energy quantity to be delivered for each tranche because the amount of actual SSO Load during the Delivery Period will depend upon many factors, including but not limited to customers being served by CRES Suppliers and weather conditions

Bidders are responsible for evaluating the uncertainty associated with supplying a wholesale energy tranche which could vary each hour from the nominal maximum hourly energy for the delivery period shown in the table

The capacity obligation estimate associated with the Peak Load Share quantity to be delivered for each tranche also is shown in the table

These values are provided for reference purposes only and may be updated prior to the auction as explained in the Bidding Rules

The Companies do not represent that each tranche will have the loads shown above or any particular MW value – the actual SSO Load during the Delivery Period will depend upon many factors

# Product Overview

## ESP-IV Procurements Schedule

Next Auction

Auction Date	Tranche	Lead Target	Load Cap	2017												2018												2019												2020												2021												2022												2023					2024															
				4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5							
April 2016	17	40	A	36 months June 2016 - May 2019																																																																																												
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October 2017	17	26				O													36 months June 2018 - May 2021																																																																													
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January 2023	16	12												J													12 months June 2023 - May 2024																																																																					

# Product Overview

## Minimum and Maximum Starting Prices

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**Prior to the auction, the Auction Manager will announce minimum and maximum starting price ranges for the auctioned products**

- As part of the application process, Qualified Bidders submit indicative offers based on the minimum and maximum starting prices which will be used to determine the Bidder's initial eligibility in the auction

**The Auction Manager may determine that due to extraordinary events, the minimum or maximum starting prices require revision**

- If indicative offers have already been received, the Auction Manager will request that the Registered Bidders (or the Qualified Bidders if the Part 2 Application process has not been completed) modify their indicative offers on the basis of the revised minimum starting prices and the revised maximum starting prices
- Such an event also may require a revision to the schedule for the CBP auction

**No later than three (3) business days before bidding starts, the Auction Manager will inform Registered Bidders of the starting prices for round 1**

# Qualification Process

## Overview

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**There will be a Part 1 Application and a Part 2 Application for the October 2017 auction**

**Part 1 Application: Prospective bidders apply to become Qualified Bidders**

- Start Date: Wednesday, August 23, 2017
- Due Date: Friday, September 8, 2017, 12:00 noon ET

**Part 2 Application: Each Qualified Bidder provides certifications, its indicative offer, and pre-bid security in order to become a Registered Bidder**

- Start Date: Thursday, September 14, 2017
- Due Date: Wednesday, September 27, 2017

**Only Registered Bidders can participate in the bidding**

**NOTE: Prospective bidders will be able to fill out, submit, and upload their supporting documentation for the Part 1 and Part 2 Applications on-line through the secure Online Application Website. Hardcopies are not required.**

# Qualification Process

Part 1 Application – Due Friday, September 8, 2017, 12:00 noon ET

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**Submit an application from a person with the power to bind the bidder and agree to:**

- Comply with all rules of the auction
- If they become winning bidders, they will execute the Master SSO Supply Agreement with the Companies

**Show that they either satisfy the three requirements below, or have no existing impediments to them satisfying all the requirements by the start of the supply period**

- Transmission Customer of PJM and have executed the required PJM Agreements
- Have PJM E-Accounts necessary to provide SSO Supply
- PJM Market Participant and a Load Serving Entity in PJM

**Agree that if they become winning bidders, they will comply with the creditworthiness requirements set forth in the Master SSO Supply Agreement**

**Certify that if they qualify to participate, they will not:**

- Disclose information regarding the list of Qualified Bidders
- Disclose confidential information about Qualified Bidders obtained during the bidding process
- Substitute another entity in their place
- Transfer their rights to another entity
- Otherwise assign their status as Qualified Bidders to another entity

# Qualification Process

## Part 1 Application *(continued)*

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**A prospective bidder that has qualified during the Part 1 Application process becomes a Qualified Bidder**

**Auction Manager will send a list of all Qualified Bidders to relevant parties that have undertaken to maintain the confidentiality of the list of Qualified Bidders – relevant parties that will receive this list of Qualified Bidders are:**

- Each Qualified Bidder
- Other parties as necessary to oversee the proper conduct of the auction, including representatives from the Companies, Commission Staff, and the advisor that Commission Staff has retained for this purpose

**All parties receiving a list of Qualified Bidders will be subject to the confidentiality requirements as specified in the Bidding Rules and in the Communications Protocols**

**Part 1 Applicant also must submit financial information and Draft Pre-Bid Letter of Credit**

**Prospective bidders will be notified by the Auction Manager no later than three (3) business days after the Part 1 Application Due Date whether they succeeded in becoming a Qualified Bidder**

# Qualification Process

## Part 1 Application (*continued*)

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### **Part 1 Applications can be submitted online**

- The Part 1 Application process opens on Wednesday, August 23, 2017
- Due Date: Friday, September 8, 2017, 12:00 noon ET

### **Applicants must submit a new Part 1 Application at least once per year to participate in the Companies' CBP auctions**

- All applicants that wish to participate in the October 2017 CBP auction must complete a new Part 1 Application



# Qualification Process

## Part 1 Application – Account Request Form

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FirstEnergy Ohio Utilities' Competitive Bidding Process

### Account Request Form: Request for Part 1 and Part 2 Application Online Account

With access to an Online Account for the Part 1 Application and Part 2 Application process, a prospective bidder will be able to submit and check the status of their Part 1 Application and Part 2 Application as well as upload supporting documentation.

To open an Online Account please fill in the following information:

**Company Name:** \_\_\_\_\_ **Date:** \_\_\_\_\_  
MM/DD/YYYY

Please provide the First Name, Last Name, and E-mail Address for every person that you request to be given access to your online Application. Each person listed below will receive a unique username and password combination that they will be able to use to login to the online application of the Company named above.

	<b><i>First Name</i></b>	<b><i>Last Name</i></b>	<b><i>E-mail Address</i></b>
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			

# Qualification Process

## Part 1 Application – New Prospective Bidders

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Complete the Account Request Form (see example on prior slide) and email it to [FEOUAuctionManager@crai.com](mailto:FEOUAuctionManager@crai.com)

Account Request Form is available on Information Website [www.firstenergycbp.com](http://www.firstenergycbp.com) on Home page under “Forms”

# Qualification Process

Part 2 Application – Due Wednesday, September 27, 2017, 12:00 noon ET

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**Qualified Bidders from the Part 1 Application process submit a Part 2 Application to become Registered Bidders**

**The Part 2 Application process opens on Thursday, September 14, 2017**

**Due Date: Wednesday, September 27, 2017, 12:00 noon ET**

**In the Part 2 Application, each Qualified Bidder will make a number of certifications regarding associations to ensure that they are participating independently of other Qualified Bidders and to ensure the confidentiality of information regarding the auction**

**A Qualified Bidder is associated with another Qualified Bidder if the two bidders have ties that could allow them to act in concert or that could prevent them from competing actively against each other**

# Qualification Process

## Part 2 Application *(continued)*

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**With its Part 2 Application, a Qualified Bidder will be required to submit an indicative offer – two (2) numbers of tranches for each product in the auction – and to post pre-bid security sufficient for this indicative offer.**

- First number is the number of tranches that the Qualified Bidder is willing to serve at the minimum starting price for each product in the auction
- Second number is the number of tranches that the Qualified Bidder is willing to serve at the maximum starting price for each product in the auction
- At the minimum and the maximum starting prices, the number of tranches indicated by the Qualified Bidder cannot exceed the Qualified Bidder's credit-based and/or load tranche caps (described later)

### **Bidder's initial eligibility**

- This is the maximum total number of tranches the Qualified Bidder can bid across all the products in round 1 of the auction and may be subject to a load cap
- Determined by the number of tranches in the Qualified Bidder's indicative offer at the maximum starting prices
- Thus, the indicative offer at the maximum starting prices needs to state the maximum possible number of tranches that the bidder would be ready, willing, and able to serve

**Qualified Bidders will be notified by the Auction Manager no later than three (3) business days after the Part 2 Application Due Date whether they succeeded in becoming a Registered Bidder**

# Credit Provisions

## Required Credit and Financial Information

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### For bidder or bidder's Guarantor:

- **Financial statements** (most recently issued SEC Form 10-K, 10-Q, 8-K)
- **A statement of rulings or judgments** relating to financial status that have had a material impact on financial status
- **A debt rating** from at least one of the following rating agencies: S&P, Fitch, or Moody's (with supporting documentation)
- **Contact information** for the Bidder's/Guarantor's credit representative to answer questions on the documentation provided

# Credit Provisions

## Credit-Based and Load Tranche Caps

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**These tranche caps limit the bidder's initial eligibility – i.e., maximum number of tranches the Qualified Bidder is allowed to bid across all the products in round 1**

**Credit-Based tranche cap is based on the credit rating of the Qualified Bidder or its Guarantor – Qualified Bidder or Guarantor must:**

- Be rated by at least one of the following rating agencies: Standard & Poor's Rating Services ("S&P"), Moody's Investors Service, Inc. ("Moody's"), or Fitch, Inc. ("Fitch")
- If a Qualified Bidder that is rated below BB- or Ba3 or is not rated by any of the credit agencies, the credit based tranche cap is 6 tranches

**Load cap is a percentage of load aggregated for the product for the auction date**

- Proposed load cap is 80 percent  
Load cap = 26 tranches (tranche target = 33 tranches)
- No bidder may bid on and win more tranches than the load cap in the auction
- The load cap is enforced by ensuring that each bidder's initial eligibility does not exceed the load cap in an auction
- No two or more associated bidders may bid on and win more tranches than the load cap

# Credit Provisions

## Pre-Bid Security – 2 Options

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### 1) Use Pre-Bid Letter of Credit

- Part 1: Submit a Draft Pre-Bid Letter of Credit (LOC)
- Part 2: Submit an executed Pre-Bid LOC or cash deposit (\$500,000/tranche)

### 2) Make a cash deposit

- Part 1: Request Wiring Instructions
- Part 2:
  - Submit cash deposit (\$500,000/tranche)
  - Attach a copy of W9 (tax ID) and a copy of banking information on company's letterhead, signed and dated
  - Provide wiring instructions for returning your cash deposit

# Credit Provisions

## Master SSO Supply Agreement – Key Elements of Credit Provisions

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### **Security posted during the term of the SSO Delivery Period will depend upon a creditworthiness evaluation**

- Unsecured credit may be granted based on the Supplier's (or its Guarantor's) Tangible Net Worth and credit rating (see Section 6.4 of Master SSO Supply Agreement)
- The Companies reserve the right to apply any unsecured credit limits across associated bidders in cases where multiple associated parties seek to participate as independent bidders
- Total Exposure Amount less any unsecured credit (Margin) must be met with cash or Letter of Credit (Appendix D of Master SSO Supply Agreement)
- Margin could be met with either cash or Letter of Credit

**Letter of Credit: Appendix D of Master SSO Supply Agreement**

**Guaranty: Appendix E of Master SSO Supply Agreement**



# Information Website

[www.firstenergycbp.com](http://www.firstenergycbp.com)

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Information Website for the CBP Process is [www.firstenergycbp.com](http://www.firstenergycbp.com)

- Information about the CBP
- Download Supplier documents (Master SSO Supply Agreement, Bidding Rules, etc.)
- Download load and other data
- Auction calendar
- Results from prior FEOU CBP auctions
- News and announcements
- Frequently Asked Questions (FAQs)
- Register to receive updates
- Submit questions
- Information about FirstEnergy, CRA International, PJM, the ESP

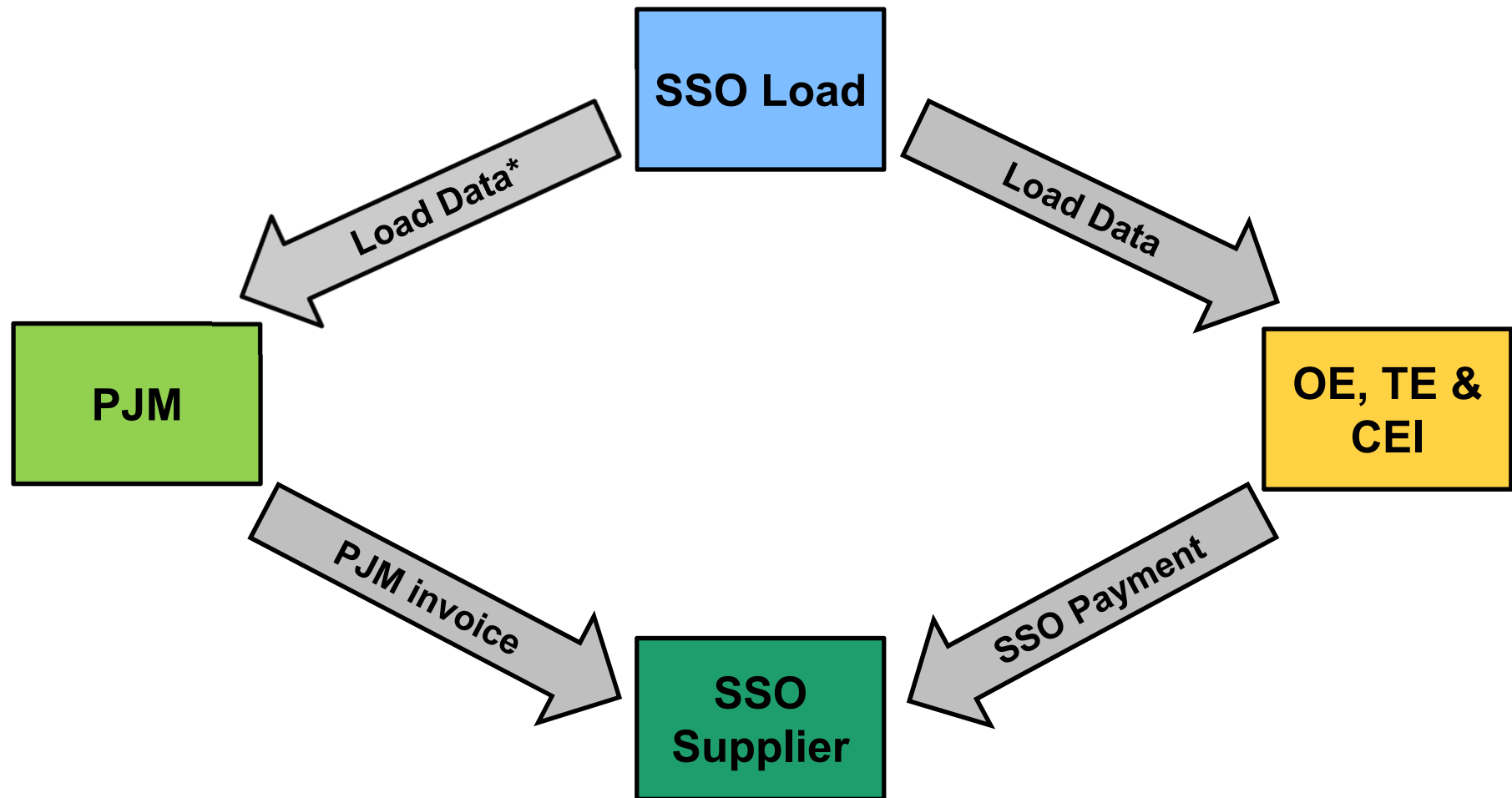
## Register on the Information Website

- Register to receive information updates regarding CBP – provide name, company name, valid email address
- Once registered, prospective bidders can submit questions

# PJM Settlement

## Settlement Landscape

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\* Load data are developed by the Meter Data Coordinator as designated on the Market Participant's application. The Meter Data Coordinator uses the same PJM settlement data to calculate the SSO Invoice as well as to submit the settlement data to PJM.

# PJM Settlement

## The Role of RTO Operations Settlements at FEOU

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### **Acts as the Meter Data Coordinator for SSO Suppliers**

- Submits load data to PJM for generation of Invoices
  - Primary and Secondary data
  - Re-Settlement periods as well
- Splits SSO Load by tranches won in Delivery Period

### **Uses PJM settlement load data to develop the SSO Invoices**

- Primary and Secondary data are used for Final Monthly Energy Allocation (FMEA) and Preliminary Monthly Energy Allocation (PMEA)
- Spreadsheet format
- Emailed
- Based on tranches awarded in SSO procurement process

# PJM Settlement

## The Role of RTO Operations Settlements at FEOU

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**An SSO Supplier must create a unique PJM “short name” (or subaccount) for Ohio SSO energy obligations\***

**Billing Line Item Transfers for Balancing Operating Reserve Charges (BLI 1375 and 1478) can occur only if a Supplier has created unique short names for Ohio energy obligations. If these line item transfers do not occur, then the SSO Supplier will be assessed charges by PJM that should be the responsibility of the Companies.**

**Please create new PJM short names and then provide the new short name information to the following FirstEnergy personnel:**


<b>John Bertocchi</b>	<b><a href="mailto:jbertocchi@firstenergycorp.com">jbertocchi@firstenergycorp.com</a></b>
<b>Tom Cremer</b>	<b><a href="mailto:tcremer@firstenergycorp.com">tcremer@firstenergycorp.com</a></b>
<b>Dave Woomer</b>	<b><a href="mailto:dwoomer@firstenergycorp.com">dwoomer@firstenergycorp.com</a></b>
<b>Jim Sensenig</b>	<b><a href="mailto:jsensenig@firstenergycorp.com">jsensenig@firstenergycorp.com</a></b>

**For RTO settlement questions please contact Jim Sensenig at 610.921.6543 or Dave Woomer at 610.921.6312**

**\* Retail load suppliers (CRES) also must create a unique short name for Ohio retail energy obligations**

# PJM Settlement

## Example: Invoice From PJM

	<p style="text-align: right;">PJM Interconnection, L.L.C. 955 Jefferson Avenue Valley Forge Corporate Center Norristown, PA 19403-2497</p>				
<p><b>CUSTOMER ACCOUNT:</b></p> <p><b>CUSTOMER IDENTIFIERS:</b></p> <p><b>FINAL BILLING STATEMENT ISSUED:</b></p> <p><b>BILLING PERIOD:</b></p>	<p>[Faded text]</p>				
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Billing Statement Summary</th> <th style="text-align: right;">Total</th> </tr> </thead> <tbody> <tr> <td style="padding: 5px;">Total Net Credit to You. Please Do Not Pay</td> <td style="text-align: right; padding: 5px;">\$216,585.51</td> </tr> </tbody> </table>		Billing Statement Summary	Total	Total Net Credit to You. Please Do Not Pay	\$216,585.51
Billing Statement Summary	Total				
Total Net Credit to You. Please Do Not Pay	\$216,585.51				
<p style="text-align: center;"><b>TERMS:</b> PAYABLE IN FULL BY 01:00 PM EPT ON [Faded]</p> <p><b>WIRE TRANSFER FUNDS TO:</b> PJM INTERCONNECTION, L.L.C PNC BANK N.A. NEW JERSEY ABA NUMBER 031207607</p> <p style="text-align: center;">ACCOUNT NUMBER - 8013589834</p> <p><b>PJM WIRE TRANSFER CONTACT:</b> Molly Lynch (610) 666-8876</p> <p><b>PJM MEMBER RELATIONS CONTACT INFO:</b> cusservice@pjm.com (866) 400-8980</p> <p><b>PJM MARKET SETTLEMENTS CONTACT INFO:</b> mrkt_settlement_ops@pjm.com (610) 666-8825</p> <p><b>ADDITIONAL BILLING STATEMENT INFORMATION:</b></p>					

# Bidding Format

## Clock Format

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### Bidders bid using Auction Manager's Bidding Website

#### Multiple-round, multiple-product, descending-price clock format

- Each round has specified start and end times
- For each product, the price for the next round is announced (“announced price”) – price falls round to round
- Round opens and each bidder submits the number of tranches of each product it is willing to supply at the product's announced price
- Round closes
  - **If the total number of tranches bid > tranche target for any product**, then announced price for that product will be reduced for the next round by a price decrement (typically 0.5% to 5%)
  - **If the total number of tranches bid  $\leq$  tranche target for any product**, then the announced price for that product will remain unchanged for the next round
- Round results are reported prior to the start of next round

# Bidding Format

## Bidder's Eligibility

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### **Bidder's eligibility**

- This is the maximum number of tranches the bidder can bid in a round
- Bidder's eligibility for a round is the total number of tranches the bidder bid in the preceding round
- Thus, bidder's eligibility cannot increase during auction – only stays the same or declines

# Bidding Format

## Reservation Prices and Starting Prices

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### **There is a reservation price for each product**

- No tranche for a product will be procured at a price that is above the reservation price for the product
- Reservation prices will not be disclosed to bidders

### **Starting price for each product = announced price for round 1**

- Announced no later than three (3) business days before bidding starts
- No lower than the product's minimum starting price; no higher than its maximum starting price
- Starting price  $\geq$  reservation price



# Bidding Format

## Default Bid

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### Default bid for a bidder:

- If bidder entered round with positive eligibility but fails to submit a confirmed bid in the round, then default bid will be submitted on behalf of the bidder
  - **Products for which the announced price decreased from the preceding round** – the default bid will equal zero (0) tranches
  - **Products for which the announced price did not decrease from the preceding round** – the default bid will equal the accepted number of tranches from the preceding round
- A bidder with zero (0) tranches across all products will not be able to submit any more bids in the auction

# Bidding Format

## Discretion to Reduce Tranche Targets

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### Discretion to reduce tranche targets (# tranches to procure)

- If there is insufficient supply bid for the tranches to ensure competitive bidding, Auction Manager may reduce the tranche targets
  - The criteria that could lead to such a reduction will be determined prior to the auction but will not be announced
  - Once certain pre-specified criteria related to excess supply and related to the reservation prices have been met, the discretion to reduce the tranche targets will be eliminated and there will be no reduction in the tranche targets
  - Any exercise of this discretion would be more likely in the earlier rounds of the auction
- If the Auction Manager reduces tranche targets for the auction, bidders will be informed of the revised tranche targets

# Bidding Format

## Subscription State = Measurement of Excess Supply

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**At the end of each round, a product is over-subscribed (excess supply > 0), subscribed (excess supply = 0), or under-subscribed (excess supply < 0)**

**Excess supply = # of tranches bid – tranche target**

- 1) If excess supply > 0:** Price for the product is reduced by a price decrement and the auction will continue with the next round.
- 2) If excess supply = 0:** Price for the product will remain unchanged. Bidders who bid on the product will not be able to reduce their tranches bid on the product in the next round of the auction.
- 3) If excess supply < 0 and no bidders reduced the number of tranches they bid on the product:** Price for the product will remain unchanged. Bidders who bid on the product will not be able to reduce their tranches bid on the product in the next round of the auction.
- 4) If excess supply < 0 and one or more bidders reduced the number of tranches they bid on the product:** Consequences are the same as case #3, and also a rollback will be applied to the product.

# Bidding Format

## Rollback

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**When there is excess supply for a product at the end of round R, the announced price will decline for the round R+1**

- In round R+1, bidders are free to reduce the tranches bid for the product either by switching tranches from the product to another product, and/or by reducing the total tranches bid across all products
- Products that were over-subscribed in round R and that are under-subscribed in round R+1 (excess supply < 0) are subject to a rollback following round R+1

**The rollback process following round R+1 retains sufficient number of tranches that were bid on the product in round R such that excess supply for the product following round R+1 equals zero**

- Tranches rolled back are selected at random from the tranches reduced or switched from round R to round R+1
- The price associated with rolled back tranches is the round R price (the price at which the tranches were bid) – i.e., a price higher than the round R+1 price
- Only tranches that were both bid on a product in round R and not bid on the product in round R+1 are subject to a possible rollback
- Even after a rollback, the total number of tranches accepted for a bidder across all products will be no greater than the total number of tranches the bidder bid in round R

# Bidding Format

## Illustrative Example of a Rollback – Single Product

Illustrative Bidding in an Auction (single-product example)							
Round	Tranche Target	Announced Price (\$/MWh)	Number of Tranches Bid				
			BidderA	BidderB	BidderC	BidderD	Total
1	100	\$75.00	34	55	21	72	182
2	100	\$70.00	30	55	15	50	150
3	100	\$66.00	20	52	10	45	127
4	100	\$62.00	15	48	0	44	107
<b>5</b>	<b>100</b>	<b>\$59.50</b>	<b>0</b>	<b>48</b>	<b>—</b>	<b>42</b>	<b>90</b>

The auction will conclude after round 5 because excess supply for the product was no longer positive. In the round, only 90 tranches of supply were bid against 100 tranches being procured. Negative excess supply triggers a rollback of 10 tranches.

**BidderA** bid 15 tranches at \$62.00/MWh in round 4 and 0 tranches at \$59.50/MWh in round 5. Because BidderA reduced its bid, it is subject to a rollback of up to 10 tranches.

**BidderB** bid 48 tranches in rounds 4 and 5. Because BidderB did not reduce, it is not subject to a rollback. BidderB wins 48 tranches at the clearing price.

**BidderC** bid 0 tranches at \$62.00/MWh in round 4 and is not subject to any rollback.

**BidderD** bid 44 tranches at \$62.00/MWh in round 4 and 42 tranches at \$59.50/MWh in round 5. BidderD is subject to a rollback of up to 2 tranches.

Rollback Results				
Round	Price (\$/MWh)	Tranches		
		BidderA	BidderB	BidderD
4	\$62.00	15	48	44
5	\$59.50	0	48	42
Rollback	\$62.00	9	0	1
<b>Winning</b>	<b>\$62.00</b>	<b>9</b>	<b>48</b>	<b>43</b>
<b>Clearing price for all 100 tranches won = \$62.00</b>				

# Bidding Format

## Winning Tranches, Bidders, and Prices

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### **If Excess Supply = 0 for all products at end of a round**

- Winning tranches are the tranches bid in the last round of the auction
- Winning bidders are the bidders who bid those tranches
- Uniform pricing: Price to be paid for winning tranches for a product will be the highest price for any tranche in the product's bid stack

### **If Excess Supply $\leq 0$ for all products at the end of a round**

- There will be a rollback for all products with excess supply  $< 0$
- There will be no rollback for products with excess supply = 0
- Uniform pricing: Price to be paid for winning tranches for a product will be the highest price for any tranche in the product's bid stack

### **Note: In all cases, a product's bid stack has at most two prices**

- If the bid stack has rolled-back tranches, then there are two prices in the bid stack – the most recent (i.e., lower) announced price and the next-most recent (i.e., higher) announced price
- If the bid stack does not have rolled-back tranches, then there is only one price in the bid stack – the most recent announced price

# Bidding Format

## Close of the Auction

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### **Shortly after the last round of the auction, results are confirmed by the Auction Manager, then:**

- Auction Manager provides to the FirstEnergy Ohio Utilities, the PUCO, and the PUCO advisor the identity of winning bidders, the number of tranches won by each winning bidder, and the prices for the tranches won
- Auction Manager notifies:
  - Each winning bidder of how many tranches the bidder has won and at what prices
  - Each unsuccessful bidder that the bidder has not won any tranches
- The PUCO will have 48 hours after the conclusion of the auction to determine if there has been a violation of the CBP bidding rules in such a manner as to invalidate the auction based upon an assessment from CRA and the PUCO's advisor

### **FirstEnergy Ohio Utilities and winning bidders will execute the Master SSO Supply Agreement**

# Bidding Format

## Contingency Plan

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### Contingency Plan of the FirstEnergy Ohio Utilities

- See Section 11 of the Bidding Rules
  - If fewer tranches than the tranche target are procured in the auction
  - If a winning bidder defaults prior to or during the SSO Delivery Period



# Bidding Format

## Technical Difficulties During the Auction

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Unforeseen technical difficulties may happen during an online auction

Pursuant to the auction rules, if a technical difficulty occurs during the auction, depending on the circumstances the Auction Manager will:

- Inform all the bidders as soon as possible, by phone and/or Auction Manager Message page on the Bidding Website
- Accept bids using the Backup Bidding Fax Number
- Extend the duration of bidding round(s), extend the time between bidding round(s), or otherwise pause the auction

# Timeline for Next CBP Auction

Timeline for October 2017 Auction	
Activity	Date
WebEx Information Session	Thursday, August 17, 2017
CRA announces tranche targets and tranche size (% and MW)	Wednesday, August 23, 2017
Part 1 Applications can be submitted	Wednesday, August 23, 2017
Deadline to submit Part 1 Applications	Friday, September 8, 2017
CRA announces minimum and maximum starting prices	Thursday, September 14, 2017
Part 2 Applications can be submitted	Thursday, September 14, 2017
CRA announces any update to the tranche size (MW)	Thursday, September 21, 2017
Deadline to submit Part 2 Applications	Wednesday, September 27, 2017
Bidder User Manuals Distributed	Tuesday, October 3, 2017
Mock Auction for Registered Bidders	Thursday, October 5, 2017
CRA announces starting prices to Registered Bidders	Thursday, October 5, 2017
<b>Auction for Registered Bidders</b>	<b>Tuesday, October 10, 2017</b>
CRA notifies Companies and PUCO of results (tentative)	Thursday, October 12, 2017
Master SSO Supply Agreements Signed (tentative)	Monday, October 16, 2017
Power Flow	Friday, June 1, 2018

# Q&As

Please do NOT identify yourself if you have a question

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## Following the prepared presentation

- Questions received and queued during the prepared presentation will be answered in the following order:
  - WebEx chat room
  - Email
  - Verbal (to enter the queue, notify the operator)
- After questions sent via “chat room” and emails are answered, the phone line will be opened for callers interested in asking questions verbally
- The operator will introduce callers using an assigned port number
- Callers should NOT identify themselves when asking questions

**Q&As raised during this bidder information session will be posted on the Auction Information Website**

**Thank you for your interest in the CBP**