

Bidder Information Session December 2, 2020

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

**Auction Date: January 26, 2021
Delivery Period: June 1, 2021 – May 31, 2022**

Introduction

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 be the responsibility of the Companies
- Auction date is January 26, 2021
- Delivery period is June 1, 2021 through May 31, 2022

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

2 ways to submit questions during the presentation – questions will be answered only after the prepared presentation

- Send an email to FEOUAuctionManager@crai.com or
- Use operator assisted call-in number – 800-369-2170 – 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 email 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

On March 31, 2016, the Public Utilities Commission of Ohio (PUCO) approved the fourth Electric Security Plan (ESP-IV) of the Companies – Case No. 14-1297-EL-SSO. The Electric Security Plan (ESP-IV) extends the use of a competitive bidding process to establish generation supply and pricing for SSO customers for the period June 1, 2016 through May 31, 2024.

On July 15, 2020, the Commission issued a Finding and Order in Case No. 16-776-EL-UNC directing each EDU to file a plan to modify the products for the Fall 2020 and Spring 2021 SSO CBP auctions. On August 26, 2020, the Commission issued a Finding and Order that approved FEOU's product modification.

Accordingly, the FEOU January 2021 SSO CBP auction will be for 33 tranches of a 12-month product for the period June 1, 2021 through May 31, 2022.

Introduction

Disclaimer

The material contained in this presentation 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 between the information conveyed during this bidder information session, and what is provided on the Auction Information Website, is unintentional.

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

Overview

Communications

Product overview

Qualification process

Credit provisions

PJM settlement

Bidding format

CBP calendar

Q&As

Communications

Central source of information is the Auction Information Website:
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

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)

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%	10,216	102	10,380	104

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

Auction Date	Tranche Target	Load Cap	2019												2020												2021												2022				
			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
October 2019	16	26										O				12 months June 2020 - May 2021																											
	17		24 months June 2020 - May 2022																																								
January 2020	16	26												J		12 months June 2020 - May 2021																											
	17		24 months June 2020 - May 2022																																								
October 2020	33	26										O				12 months* June 2021 - May 2022																											
January 2021	33	26												J		12 months* June 2021 - May 2022																											

* The 36-month delivery period contract (ending May 2024) originally planned for the October 2020 and January 2021 auctions has been replaced with a 12-month delivery period contract (ending May 2022) pursuant to the PUCO July 15, 2020 Finding and Order. The exact dates of the future procurements and products to be procured are to be determined. The uncommitted portion of load covered by the ESP-IV auction cycle will be procured at a later date.

Product Overview

Minimum and Maximum Starting Prices

Prior to the auction, the Auction Manager will announce the minimum and maximum starting price range 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 starting prices 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 offer 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

There will be a Part 1 Application and a Part 2 Application for the January 2021 auction

Part 1 Application: Prospective bidders apply to become Qualified Bidders

- Start Date: Thursday, December 3, 2020
- Due Date: Friday, December 18, 2020, 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: Monday, January 4, 2021
- Due Date: Thursday, January 14, 2021

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, December 18, 2020, 12:00 noon ET

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)*

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*)

Part 1 Applications can be submitted online

- The Part 1 Application process opens on Thursday, December 3, 2020
- Due Date: Friday, December 18, 2020, 12:00 noon ET

Two types of participants:

- Previously Qualified Bidders – i.e., who had a successful Part 1 Application leading up to the October 2020 auction
- Other, new prospective bidders for the January 2021 auction

When new Part 1 Applications are required versus re-using previous Part 1 Applications:

- For an auction taking place in January of a year:
 - Qualified Bidders from the preceding October auction can re-use their Part 1 Application for the January auction
 - All other applicants that wish to participate in the January auction must complete a new Part 1 Application
- For an auction taking place in October of a year, all applicants must submit a new Part 1 Application

Qualification Process

Part 1 Application – New Prospective Bidders

Complete the Account Request Form (see example on next slide) and email it to FEOUAuctionManager@crai.com

Account Request Form is available on Information Website www.firstenergycbp.com on Home page under “Forms”

Qualification Process

Part 1 Application – Account Request Form

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.

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

Qualification Process

Part 1 Application – Previously Qualified Bidders

Around December 2, the Auction Manager will email your Authorized Representative with two attachments:

- Account Request Form (see example on previous slide) used for previous Part 1 Application – to confirm which persons are allowed to access the Online Account
- New form with 3 checkboxes for those with successful Part 1 Applications from the October 2020 auction:
 - I will not participate in the January 2021 auction
 - I, Applicant, may participate in the January 2021 auction but do not need to make changes to my Part 1 Application in effect for the October 2020 auction
 - I, Applicant, may participate in the January 2021 auction but do need/want to make changes to my Part 1 Application in effect for the October 2020 auction (we will need to unlock your online Application)

(Note that at least some previously Qualified Bidders likely will need to make changes to their Part 1 Application due to more recent quarterly financial data becoming available)

To access your prior Part 1 Application, log in to your existing online account using the same Website address and login credentials as you used before – if forgotten, send an email to FEOUAuctionManager@crai.com

Decide whether you need/want to make changes

Proposed changes to credit documents – to be emailed to the Auction Manager – are not considered a change to your Part 1 Application itself (but are due by the Part 1 Application Due Date)

Qualification Process

Part 2 Application – Due Thursday January 14, 2021, 12:00 noon ET

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

The Part 2 Application process opens on Monday, January 4, 2021

Due Date: Thursday, January 14, 2021, 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)*

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 price, 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 products in round 1 of the auction and it 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

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

The tranche cap limits the bidder's initial eligibility – i.e., maximum number of tranches the Qualified Bidder is allowed to bid across all 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

- 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

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 (\$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

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

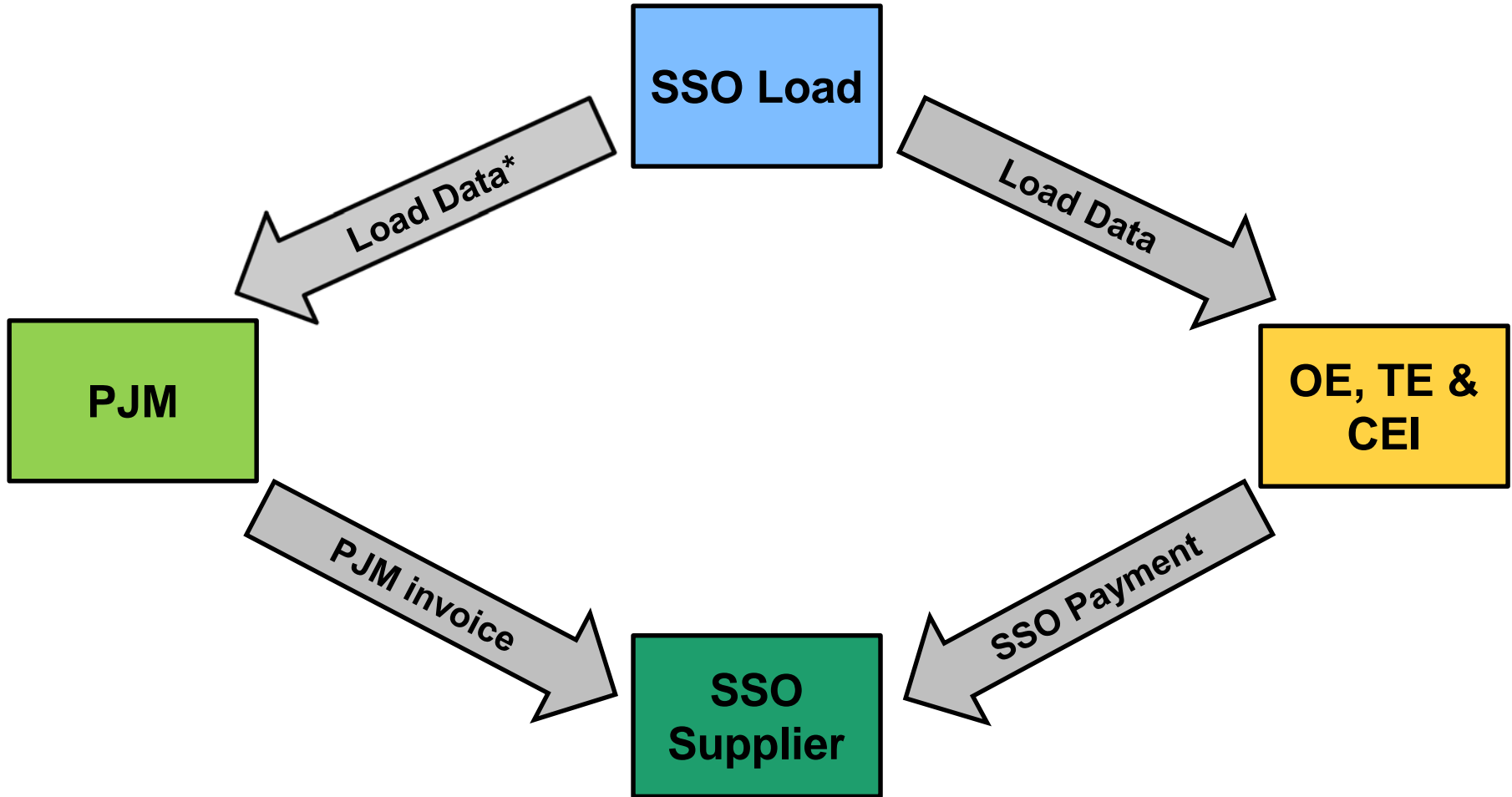
- Unsecured credit may be granted based on the Supplier's (or its Guarantor's) Tangible Net Worth and credit rating (see Section 6.4 of Master SSO Supply Agreement)
- The Companies reserve the right to apply any unsecured credit limits across associated bidders in cases where multiple associated parties 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

PJM Settlement

Settlement Landscape



* 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

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

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

Also, Billing Line Item Transfers 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:

John Bertocchi	<u>jbertocchi@firstenergycorp.com</u>
Tom Cremer	<u>tcremer@firstenergycorp.com</u>
Dave Woomer	<u>dwoomer@firstenergycorp.com</u>
Robert Brown	<u>rdbrown@firstenergycorp.com</u>

For RTO settlement questions please contact Robert Brown at 330.384.5573 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



PJM Interconnection, L.L.C.
955 Jefferson Avenue
Valley Forge Corporate Center
Norristown, PA 19403-2497

CUSTOMER ACCOUNT:

CUSTOMER IDENTIFIERS:

FINAL BILLING STATEMENT ISSUED:

BILLING PERIOD:

Billing Statement Summary	Total
Total Net Credit to You. Please Do Not Pay	\$216,585.51

TERMS: PAYABLE IN FULL BY 01:00 PM EPT ON

WIRE TRANSFER FUNDS TO: PJM INTERCONNECTION, L.L.C
PNC BANK N.A.
NEW JERSEY
ABA NUMBER 031207607

ACCOUNT NUMBER - 8013589834

PJM WIRE TRANSFER CONTACT: Molly Lynch (610) 666-8876

PJM MEMBER RELATIONS CONTACT INFO: cusservice@pjm.com (866) 400-8980

PJM MARKET SETTLEMENTS CONTACT INFO: mrkt_settlement_ops@pjm.com (610) 666-8825

ADDITIONAL BILLING STATEMENT INFORMATION:

Bidding Format

Reservation Price and Starting Price

There is a reservation price for each product

- No tranche will be procured at a price that is above the reservation price for the product
- The reservation price 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

Bidder's Eligibility

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

2-Phase Auction Format

Bidders bid using Auction Manager's Bidding Website

The auction will include 2 phases:

- A Clock Phase: During the clock phase the Auction Manager will announce the price prior to each round and each bidder will bid the number of tranches it would supply at that announced price.
- A Sealed-Bid Phase: At some point during the Clock Phase, a Transition Rule based on excess supply may move the auction to the Sealed-Bid Phase. The Sealed-Bid Phase comprises a single round of bidding. Bidders participating in the Sealed-Bid Phase will submit their best and final *prices* for tranches they bid in the next-to-last round of the Clock Phase that they did not bid in the last round of the Clock Phase.

Bidding Format

Clock Phase - Overview

Multiple-round, single-product, descending-price clock format

- Each round has specified start and end times
- The price is announced prior to each round – the announced price falls round to round
- When a round opens, each bidder submits the number of tranches of the product it is willing to supply at the product's announced price
- After round closes, rules determine whether
 - To continue with next round in the descending-price Clock Phase
 - To transition to Sealed-Bid Phase
 - Auction closing criteria have been met
- Round results are reported prior to the start of next round

Bidding Format

Excess Supply and the Transition to the Sealed-Bid Phase

At the end of each round of the Clock Phase, rules determine how to proceed

Excess supply = (# of tranches bid) – (tranche target)

- 1) If excess supply = 0:** The auction will close and the winning price will equal the last announced price. There will be no Sealed-Bid Phase.
- 2) If excess supply > 0:** Price for the product is reduced by a price decrement and the auction will continue with the next round in the Clock Phase.
- 3) If excess supply < 0 and only one bidder reduced the number of tranches it bid:** The auction will close with winning tranches comprising tranches bid in the last round (to be paid the announced price in that round) as well as a sufficient number of the reduced tranches by the bidder (to be paid the announced price in the next-to-last round) to meet the tranche target.
- 4) If excess supply < 0 and two or more bidders reduced the number of tranches they bid:** The auction will advance to the Sealed-Bid Phase.
- 5) If excess supply < 0 and no bidders reduced the number of tranches they bid:** This can occur only in round 1 of the auction. The Auction Manager may consider a tranche target reduction consistent with pre-specified criteria or the auction may close.

Bidding Format

The Sealed-Bid Phase

Bidders who reduced their tranches bid from the next-to-last round to the last round of the Clock Phase will submit their best and final prices for those reduced tranches

The sealed-bid round bids

- 1) Bidders participating in the sealed-bid round will specify a price for each tranche of sealed-bid round eligibility. A bidder may bid a separate price for each tranche.
- 2) For each tranche bid in the sealed-bid round, the bidder may not specify a price above the lowest announced price that the bidder bid on the tranche during the Clock Phase. This price is the announced price that was in effect in the next-to-last round of the Clock Phase.

Bidding Format

Default Bid

Default bid for a bidder: The Clock Phase

- If bidder entered round with positive eligibility but fails to submit a confirmed bid in the round, then a default bid will be submitted on behalf of the bidder
- The default bid will be zero (0) tranches – because the announced price decreased from the prior round
- A bidder with zero (0) tranches bid will not be able to submit any more bids in the Clock Phase

Default bid for a bidder: The Sealed-Bid Phase

- If bidder is required to bid in the Sealed-Bid Phase of the auction and fails to submit a confirmed bid, then a default bid will be submitted on behalf of the bidder
- The default bid for each tranche that needs to be bid in the sealed-bid round will be the announced price that was in effect in the next-to-last round of the Clock Phase

Bidding Format

Discretion to Reduce Tranche Target

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

Illustrative Example

Illustrative Bidding in the Clock Phase							
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
5	100	\$59.50	0	48	—	42	90

Excess supply < 0 in round 5, so that is the last round of the Clock Phase.

In round 5, only 90 tranches of supply were bid against 100 tranches being procured – all 90 tranches are winning tranches.

10 of the 17 tranches to be bid in the sealed-bid round will be winning.

BidderA: Bid 15 tranches at \$62.00/MWh in round 4 and 0 tranches at \$59.50/MWh in round 5. Because BidderA reduced the tranches it bid by 15 tranches, it is required to bid 15 tranches in the Sealed-Bid Phase at prices no higher than \$62.00/MWh.

BidderB: Bid 48 tranches in rounds 4 and 5. Because BidderB did not reduce the tranches it bid, it does not participate in the Sealed-Bid Phase. BidderB wins 48 tranches at \$59.50/MWh.

BidderC: Bid 0 tranches at \$62.00/MWh in round 4 and is not eligible to participate in the Sealed-Bid Phase and does not win any tranches.

BidderD: Bid 44 tranches at \$62.00/MWh in round 4 and 42 tranches at \$59.50/MWh in round 5. BidderD wins 42 tranches at \$59.50/MWh and is required to bid 2 tranches in the Sealed-Bid Phase at prices no higher than \$62.00/MWh.

Bidding Format

Winning Tranches, Bidders, and Prices

Case 1: If auction concluded in Clock Phase with Excess Supply = 0

- There will be no Sealed-Bid Phase and winning bidders will be determined based on the Clock Phase alone
- Winning tranches are the tranches bid in the last round of the Clock Phase
- Winning bidders are the bidders who bid those tranches
- Price to be paid for winning tranches will be the announced price for the last round of the Clock Phase

Case 2: If auction concluded in Clock Phase with Excess Supply < 0 AND only one bidder reduced the # of tranches it bid

- There will be no Sealed-Bid Phase and winning bidders will be determined based on the Clock Phase alone
- All tranches bid in the last round of the Clock Phase are winning tranches
 - They are paid the announced price in that round
- Some of the tranches reduced by the bidder are winning tranches
 - Enough so that # of winning tranches in total = tranche target
 - The reduced tranches that are winning tranches are paid the announced price in the next-to-last round of the Clock Phase (the last time the bidder bid the tranches)

Bidding Format

Winning Tranches, Bidders, and Prices

Case 3: If auction proceeded to Sealed-Bid Phase

- All tranches bid in the last round of the Clock Phase are winning tranches
 - They are paid the announced price in that round
- Winning tranches bid in the Sealed-Bid Phase will be determined based on their rank order
 - Lowest-priced tranches are selected first until the tranche target is fully subscribed
 - If a tie-breaker is needed, random numbers are assigned to tranches bid at the same price, and those tranches with the lowest random numbers are selected as winning tranches
 - Winning tranches in the Sealed-Bid Phase are paid the price they were bid at in the Sealed-Bid Phase

Bidding Format

Close of the Auction

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 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

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

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
- In case a bidder is unable to submit its bid via facsimile, it is recommended that the bidder call CRA's Help Desk to submit a bid over the phone
- 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 January 2021 Auction

Activity	Date
WebEx Information Session	Wednesday, December 2, 2020
CRA announces tranche targets and tranche size (% and MW)	Thursday, December 3, 2020
Part 1 Applications can be submitted	Thursday, December 3, 2020
Deadline to submit Part 1 Applications	Friday, December 18, 2020
CRA announces minimum and maximum starting prices	Monday, January 4, 2021
Part 2 Applications can be submitted	Monday, January 4, 2021
CRA announces any update to the tranche size (MW)	Friday, January 8, 2021
Deadline to submit Part 2 Applications	Thursday, January 14, 2021
Bidder User Manuals Distributed	Tuesday, January 19, 2021
Mock Auction for Registered Bidders	Thursday, January 21, 2021
CRA announces starting prices to Registered Bidders	Thursday, January 21, 2021
Auction for Registered Bidders	Tuesday, January 26, 2021
CRA notifies FEOU and PUCO of results (tentative)	Tuesday, January 26, 2021
Master SSO Supply Agreements Signed (tentative)	Monday, February 1, 2021
Power Flow	Tuesday, June 1, 2021

Q&As

Please do NOT identify yourself if you have a question

Following the prepared presentation

- Questions received and queued during the prepared presentation will be answered in the following order:
 - Email
 - Verbal (to enter the queue, notify the operator)
- After questions sent via email 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