

# **AEP Ohio Competitive Bidding Process September 2014 Auction**

**Bidder Webcast  
Tuesday, June 24, 2014**

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## Disclaimer

Any statements herein describing or referring to documents and agreements are summaries only, and are ***qualified in their entirety*** by reference to such governing documents

— These governing documents are:

- PUCO decisions in Case No. 11-346-EL-SSO and Case No. 11-348-EL-SSO related to AEP Ohio's second Electric Security Plan (“ESP II”)
- PUCO decisions in Case No. 12-3254-EL-UNC related to AEP Ohio’s Competitive Bidding Process (“CBP”)
- Bidding Rules for the Auctions Under the Competitive Bidding Process of Ohio Power Company (“CBP Rules”)
- Master Energy Supply Agreement (“MESA”)
- Rules and Protocols for Participation by Associated Bidders
- Communications Protocols

**Please see the CBP website for complete documentation**  
**<http://www.aepohiocbp.com/>**

# CBP Website is Central Source of Information

## www.AEPOhioCBP.com

The screenshot shows the 'Register for an Application Account' page. On the left is a navigation menu with 'Contact Us' highlighted. The main content area contains a registration form with the following fields: Company \*, Primary Contact First Name \*, Primary Contact Last Name \*, Primary Contact Phone \*, Primary Contact Mobile, Primary Contact Email \*, Secondary Contact First Name, Secondary Contact Last Name, Secondary Contact Phone, Secondary Contact Mobile, and Secondary Contact Email. Below the form is a reCAPTCHA challenge with the numbers '3525462' and '401'. A 'Submit' button is located at the bottom of the form.

### Contact Us / Register

- Sign up for email alerts

### Contact Us / Ask A Question

- Allows bidders to ask questions
- All Q&As posted as FAQs

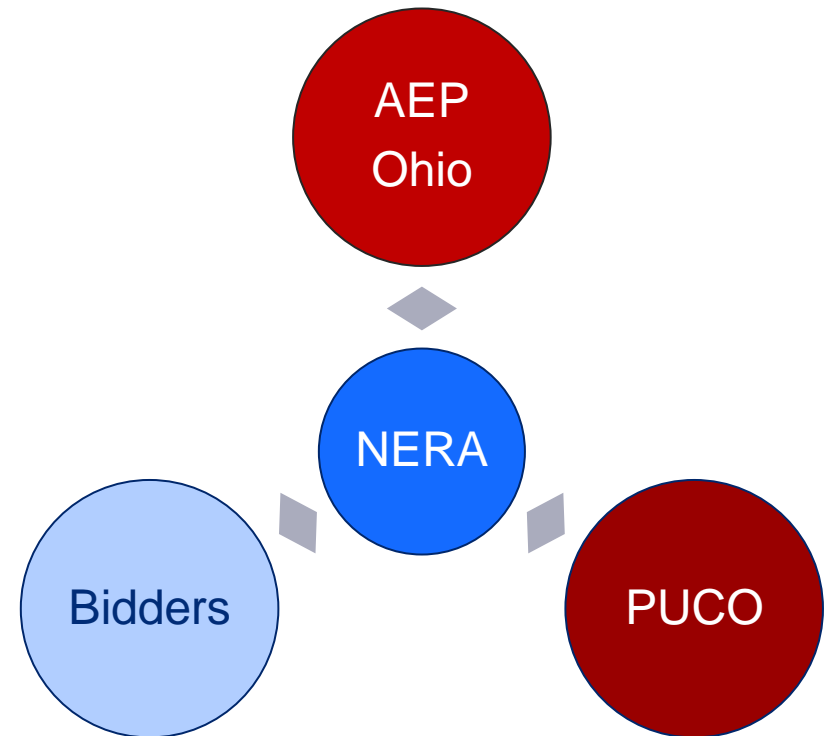
### Get account for Application website

- Username and password for access to forms

**This presentation as well as questions and answers will be posted to the CBP website**

# NERA's Role as Auction Manager

Role	Description
<b>Communication</b>	To be the main point of contact with bidders
<b>CBP Rules</b>	To ensure the CBP Rules, as approved by the PUCO, are followed
<b>Qualifications</b>	To ensure bidder qualifications are evaluated equitably and fairly
<b>Auction</b>	To administer the Auction
<b>Results</b>	To present results to PUCO

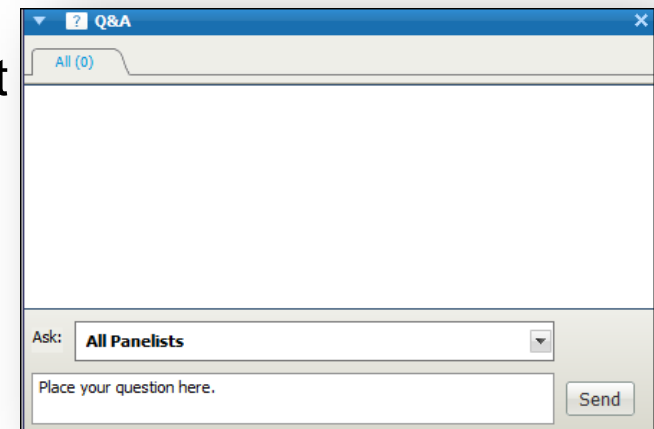


# Agenda

1. Overview of this Auction
2. Product Design and Contract
3. Application Process
4. Bidding in the Auction
5. CBP Website

## Ask a Question during the Webcast

- Questions will be taken in writing through the WebEx interface:
  - Locate the “Q&A” on the right hand side of your screen
  - Select “All Panelists” in the “Ask” box
  - Type in your question including the relevant slide number
  - Click “Send” to submit your question
- We will respond to questions as we go along as practicable and we will also pause to provide responses:
  - After Part 2 on “Product Design and Contract”
  - At the end of the presentation



# Part 1 | Overview

## Regulatory Timeline

Mar 30,  
2012

- AEP Ohio filed its ESP II plan for Standard Service Offer (“SSO”) customers. (Case No. 11-346-EL-SSO and Case No. 11-348-EL-SSO)

Aug 8,  
2012

- PUCO issued an Opinion and Order regarding AEP Ohio’s ESP II application

Dec 21,  
2012

- AEP Ohio filed its plan to establish a CBP for the procurement of energy to serve SSO customers (Case No. 12-3254-EL-UNC)

Nov 13,  
2013

- PUCO issued an Opinion and Order regarding AEP Ohio’s CBP

Jan 22,  
2014

- PUCO issued an entry on rehearing regarding AEP Ohio’s CBP



# Product is Energy-Only and Load-Following

AEP Ohio will procure supply for the energy requirements of its SSO customers through a series of four **load-following energy-only auctions**

Auction	Product (Months)	Percent of Energy Load	2014												2015					
			1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	
1 (Feb. 2014)	14	10		1		COMPLETE								10%	14 Month					
2 (May 2014)	7	25	COMPLETE											25%	7 Month					
3 (Sep. 2014)	7	25									3			25%	7 Month					
4 (Nov. 2014)	5	40											4		40%	5 Month				

## Last Auction held on May 6, 2014

<b>Number of:</b>	
Registered Bidders	11
Winning Bidders	6
Rounds in the Auction	10
Delivery Period	<b>November 1, 2014 to May 31, 2015</b>
Tranche Target	25
# of Tranches Procured	25
Range of Starting Price	\$50/MWh - \$65/MWh
Clearing Price	\$50.00/MWh

PUCO accepted results on May 7, 2014

## REMINDERS for September 2014 Auction

- No additional pre-bid security is required
- Application process for returning bidders is streamlined
  - Reminder of login credentials will be sent to returning bidders
  - Part 1 Form pre-populated with previously submitted contact information and PJM information
  - However, all bidders (including returning bidders) must provide financial information and make certifications

# Updates to September 2014 Auction Schedule

– Schedule was revised on May 30, 2014

Revision		Reasoning
1	Shorten Part 1 and Part 2 Application Windows	Returning bidders are now familiar with requirements and web application
2	Announce MW-measure, minimum and maximum starting prices one week into the Part 1 Window	Less chance of market movements between the announcement and the start of the auction

## Supply Will Be Divided into Tranches

Winning suppliers will provide a **slice-of-system energy-only product** under the terms of the MESA

- Bidders deliver energy to the **AEP Load Zone**
- **A tranche** is 1% of the energy requirements of SSO customers
- **SSO customers** are those customers who take retail generation service from AEP Ohio

Auction Date	Delivery Period	Tranche Target	Tranche Size
Sept. 9	Nov. 2014- May 2015	25	1%

## Auction Format is a Clock Auction

- Multiple tranches of a single term in each auction
- **Multiple rounds**
  - Each round, suppliers state how many tranches they want to supply at the going price announced by the Auction Manager
  - From one round to the next, auction continues and price ticks down if there is excess supply
- **No sealed bid round**: bidders provide exit prices as they withdraw tranches throughout the auction
- Auction establishes a **single clearing price**

# Key Events in the September 2014 Auction

M	T	W	Th	F
July 7	8	9	10 P1 Window Opens	11
14	15	16	17	18
21	22	23	24	25
28	29	30	31 P1 Due	August 1
4	5 P1 Notification	6 P2 Window Opens	7	8
11	12	13	14	15
18	19	20	21	22
25	26	27	28 P2 Due	29
Sept. 1	2	3 P2 Notification	4 Trial Auction	5
8	9 Auction Starts	10	11	12

**June 26:** Deadline to submit alternate guaranty for consideration

**July 10:** Bidders can get account for application

## Announcements:

**July 17:** Tranche target, tranche size, MW-measure, and range of starting price

**August 19:** Announcement of seasonal factors and update to MW-measure

**September 4:** Round 1 Price

# Application Process is Online

## Part 1 Application (Jul. 10 – Jul. 31)

- Provide contact and company information
- Upload scanned signature pages
- Upload required supporting documents

## Part 2 Application (Aug. 6 – Aug. 28)

- Provide information and indicative offer
- Upload scanned signature pages
- Provide hardcopy of pre-bid letter of credit or wire cash

**No hardcopy of application forms required!**



## Post-Auction: PUCO Approval and Power Flow

- Auction results are contingent on final PUCO approval
- Auction Manager submits a **confidential report** on winning bids to PUCO on the day the auction closes
- PUCO will issue a decision **within two days of auction close**
  - If PUCO does not act within this window, auction results are deemed accepted
- PUCO may publicly release the auction clearing price and the names of the winning bidders from the auction
- MESA fully executed and winning bidders fulfill creditworthiness requirements **within three days** of the end of Commission review period

## Part 2 | Product Design and Contract

## The Energy-Only Product is Load-Following

- Product will be a **slice-of-system, energy-only product for a fixed percent (%) of the energy requirements of SSO customers (“Energy Load”)**
- AEP Ohio will remain the Load Serving Entity (“LSE”) for its SSO customers
- The load of SSO customers will not be transferred to Energy Suppliers
- Energy Suppliers will be providing Energy Supply as a wholesale energy sale to AEP Ohio through a PJM Internal Bilateral Transaction

# Supplier Obligations

**Provide**

- Energy to AEP Load Zone and bear all costs that are associated with this responsibility

**Do NOT Provide**

- Capacity, transmission, ancillary services or
- any other service required of an LSE (e.g., renewable standard)

## What are SSO Customers?

- **SSO customers take retail generation service from AEP Ohio**
  - SSO customers have NOT switched to a Competitive Retail Electric Service (“CRES”) Supplier

### Includes

- PIPP customers;
- special contract customers;
- any customer taking retail generation service from AEP Ohio

### Excludes

- Replacement energy provided to interruptible service customers during AEP Ohio requested interruptions

## PJM E-Account and InSchedule

- AEP Ohio and each Energy Supplier will bilaterally establish and confirm a contract in PJM’s **InSchedule** system
  - AEP Ohio will be designated as “Buyer” and Energy Supplier as “Seller”
  - Schedule Confirmation Type will be “Unilateral Buyer”
  - Source and Sink will be the AEP Load Zone
  - Pricing will be “Day-Ahead”
  - Service Type will be “Internal Bilateral Transaction” (“IBT”)

## Price and Settlement of Energy Volumes

**Price paid is auction clearing price times seasonal factor**

AEP Ohio will determine the delivery schedule and enter that schedule via PJM InSchedule system

- Generally on the day following delivery and using best available PJM data
- There will be no need for supplier confirmation
- All volumes will be reconciled and trued up to actual data



## Credit Requirements under the MESA

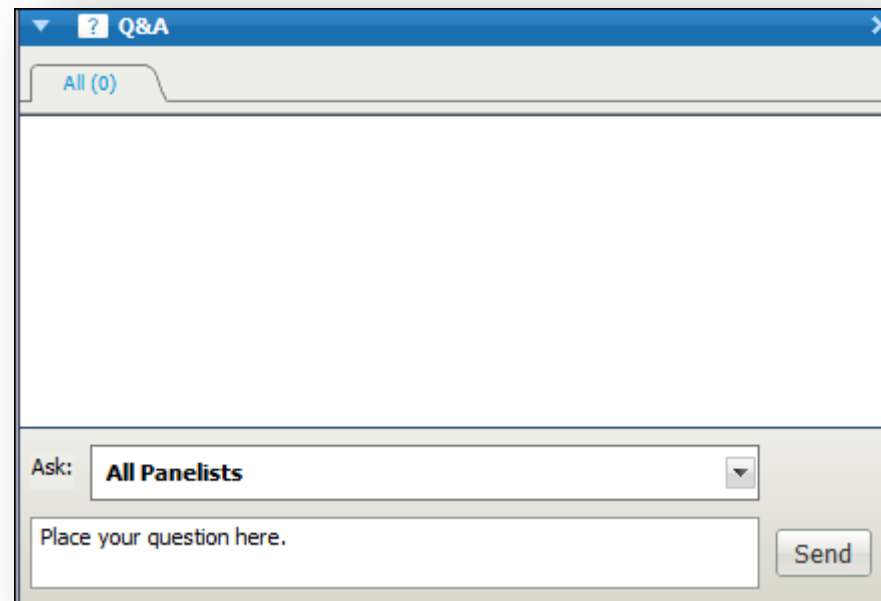
### Two Credit Requirements and Two Unsecured Credit Lines:

- **Independent Credit Requirement (ICR)** and the **Independent Credit Threshold (ICT)**
    - Amount required per tranche; declines throughout the term of the MESA
  - **Mark-to-Market (MTM)** and **Credit Limit**
    - Differences between the prevailing market prices on a valuation date and the market prices in effect on the date the auction is completed
- Credit Limit and Independent Credit Threshold will depend upon a credit evaluation
- Form of Guaranty and Form of Performance Assurance Letter of Credit provided as attachments to the MESA



## Questions?

- To submit questions to the presenters, **please locate the “Q&A” on the right hand side of your screen**, and select “All Panelists” in the “Send to” box; type in your question and click “Send” to submit your question



The image shows a screenshot of a web-based Q&A interface. The window title is "Q&A" with a question mark icon and a close button. Below the title bar, there is a tab labeled "All (0)". The main content area is empty. At the bottom, there is a form with a dropdown menu labeled "Ask:" and "All Panelists" selected. Below the dropdown is a text input field with the placeholder text "Place your question here." and a "Send" button to its right.

# Part 3 | Application Process

# Register for your Online Application Account

**www.AEPOhioCBP.com**

## Contact Us / Register for an Application Account

## Alternatively, email [AEP-CBP@nera.com](mailto:AEP-CBP@nera.com) with:

- Company name
- full name of contact
- phone and alternate number
- email address

**Returning bidders will receive reminder of login credentials and instructions specific to returning bidder by email from the Auction Manager**

## From Registering to Logging In

### Register for an Account

- Company
- Contact Name
- Contact Title
- Phone
- Mobile
- Email

### Receive Instructions and Login Credentials

- Sent to primary contact
  - Username
  - Password
  - Submission Instructions
  - Deadline Information

### Log in to Application Website

- Log in
  - Username
  - Password
- Complete the Part 1 Form

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

# Requirements for Part 1 Application Are Standard

**NEW bidders must provide**

## 1. Applicant's Contact Information

- Representative: Represents the Applicant in the auction
- Legal Representative in Ohio: Agrees to accept service of process
- Nominees (optional): to be included in electronic communications from the Auction Manager to the bidder along with Representative

**Returning bidders confirm prior info**

**All notifications are sent to Representative and Nominees by email unless instructed otherwise by bidder**

**NEW bidders must provide**

## 2. PJM requirements

- PJM E-Account
- Qualified as a "Market Buyer" and "Market Seller"

**Returning bidders confirm prior info**

**Returning bidders use same login credentials from the May 2014 Auction; Part 1 Form is pre-populated with previously submitted information**

# Certifications, Financial Information, and Documents

New AND  
returning bidders  
must provide

New AND  
returning bidders  
must provide

New AND  
returning bidders  
must provide

## 3. Certifications

- Agree to terms of Master Energy Supply Agreement
- Agree to CBP Rules
- Keep information related to the auction confidential

## 4. Financial Information

- Annual and quarterly financial statements
- Credit ratings
- Additional information for foreign applicants or guarantor
- Submit via upload to application website

## 5. Request for modifications to pre-bid credit instruments (optional)

- Submit redline via upload to application website
- Any modification accepted for one bidder will be made available to all bidders on an optional basis

# Online Part 1 Form

AEP OHIO CBP AUCTION
My account Log out

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APPLY

Application Process

Nominees (optional)

Part 1 Form

## Part 1 Form

**Due Date** July 31, 2014 @ 12PM (noon)

**Info** In the Part 1 Application, interested parties apply to become Qualified Bidders. Interested parties respond to the qualification standards required in the Part 1 Application by completing the online Part 1 Form and uploading the required attachments to this application website.

**Contact** [aep-cbp@nera.com](mailto:aep-cbp@nera.com) or (215) 568-0200

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### Initial Certification

Please make the following certifications before continuing with the Part 1 Form.

- The information provided for the auction, including but not limited to information provided on the CBP 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. Neither AEP Ohio nor the Auction Manager make any representation or warranty, expressed or implied, as to the accuracy or completeness of the information, and 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 CBP website frequently to ensure it has the latest documentation and information. Neither AEP Ohio, 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.
- Bidder shall hold AEP Ohio 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.
- All bids submitted by bidders participating in the auction will become the exclusive property of AEP Ohio upon conclusion of the auction.
- 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 Energy Supply Agreement.
- Bidders shall obtain all licenses and permits and status that may be required by any governmental body, agency or organization necessary to conduct business or to perform hereunder. Bidders' subcontractors, employees, agents and representatives of each in performance hereunder shall comply with all applicable governmental laws, ordinances, rules, regulations, orders and all other governmental requirements.

**Certifications**

As a bidder in the CBP, I submit to the above certifications.

When this Part 1 Form is submitted by clicking "Submit" at the end of the form, I will be confirming that any information or uploads in the Part 1 Form are valid and up-to-date including, for returning bidders, data retained by the Auction Manager from previous auctions.

Save Draft
Next Page >

# Bidders Will Receive Customized Signature Pages

**Scanned document with signature required for certain parts of form**

Part 1 Upload

Applicable to:

Applicant Representative Designation	NEW bidders provide	Returning bidders confirm prior info
Legal Representative	NEW bidders provide	Returning bidders confirm prior info
Representative Responsibilities	New AND returning bidders	
Customized Certifications	New AND returning bidders	
Nomination Form	OPTIONAL	
Creditworthiness Requirement	Applicants part of bidding agreement <b>ONLY</b>	

**1 Personalized Certifications Form**

The Personalized Certifications Form is required by all Applicants. Please upload the completed form below.

Signatory Representative and Notary Public

No file selected.

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**2 Applicant Representative Designation Form**

The Applicant Representative Designation Form is required by all Applicants. Please upload the completed form nominating the Representative.

Signatory Officer or Director

No file selected.

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**3 Acknowledgment of Representative Responsibilities Form**

The Acknowledgment of Representative Responsibilities Form is required by all Applicants. Please upload the completed form below certifying that the Representative is (1) authorized to serve as Representative, (2) responsible for notifying the Auction Manager of material changes to the Part 1 Application, and (3) responsible for all Confidential Information.

Signatory Representative and Notary Public

No file selected.

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**4 Legal Representative Designation Form**

The Legal Representative Designation Form is required by an Applicant if the Representative is NOT also the Applicant's legal counsel or a representative agent. If applicable, please upload the completed form below.

Signatory Legal Counsel or Representative Agent and Notary Public

No file selected.

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**5 Nomination Form**

The Nomination Form is used to designate up to three (3) nominees. If applicable, please upload the completed form below.

Signatory Representative

No file selected.

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**6 Single Party Creditworthiness Requirement Form**

The Single Party Creditworthiness Requirement Form is required if the Applicant is part of a bidding agreement, a joint venture for the purpose of participating in the auction, or a bidding consortium, or any other arrangement pertaining to participating in the auction. If applicable, please upload the completed form below.

Signatory Representative

No file selected.



## Part 2 Application: To Be Registered as a Bidder

1. Submit an indicative offer
2. Submit pre-bid security
3. Make certifications including compliance with Rules related to Association and Handling of Confidential Information
4. Provide additional certifications

**Requirements for new and returning bidders are the same**

# Indicative Offer

1. **Submit an indicative offer** - the maximum number of tranches that the bidder is willing to bid
  - At the minimum starting price and at the maximum starting price

**Indicative Offer and Minimum Pre-Bid Security Calculations**

Credit-Based Tranche Cap

Minimum Starting Price	Indicative Offer	
\$ <input type="text" value="TBA"/> /MWh	<input type="text"/> Tranches	
Maximum Starting Price	Indicative Offer	Minimum Pre-Bid Security
\$ <input type="text" value="TBA"/> /MWh	<input type="text"/> Tranches	x \$500,000 = \$ <input type="text" value="0"/>

- The indicative offer at the maximum starting price **determines**:
  - The maximum number of tranches that the bidder can bid in the auction (the initial eligibility)
  - The amount of pre-bid security required with the Part 2 Application

## Bidders are Subject to Load Caps

- A bidder cannot bid or win more than **80% of the tranches available** at the start of the auction
- Credit-based tranche caps are determined by credit ratings and is an overall cap in effect **across all auctions under the CBP**

Credit Rating for Bidder or Guarantor			
S&P	Moody's	Fitch	Credit Based Tranche Cap
BB and above	Ba2 and above	BB and above	No cap
BB-	Ba3	BB-	10
Below BB-	Below Ba3	Below BB-	5
Not rated			5

# Additional Part 2 Requirements

## 2. Submit pre-bid security

- Each Qualified Bidder must submit a letter of credit or cash in an amount of **\$500,000** per tranche of its indicative offer at the maximum starting price
- **No Additional pre-bid security** is required

## 3. Certify compliance with Association and Confidential Information Rules (see Section VIII of CBP Rules)

- Certify that applicant is not “associated with” another Qualified Bidder to promote competitiveness of the auction
- Keep information related to the auction confidential

## 4. Provide Additional Certifications

- Agree that bids in auction will be a binding obligation
- Agree not to assign rights as Registered Bidder

# Part 2 Form Available Online

## AEP OHIO CBP AUCTION

My account Log out

APPLY

Application Process

- Nominees (optional)
- Part 1 Form
- Part 1 Signatures
- Part 2 Form**

### Part 2 Form

**Due Date** August 28, 2014 @ 12PM (noon)

**Info** In the Part 2 Application, Qualified Bidders respond to the requirements by completing the online Part 2 Form, uploading the required attachments to this application website, and separately providing a pre-bid letter of credit or cash.

**Contact** [aep-cbp@nera.com](mailto:aep-cbp@nera.com) or (215) 568-0200

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### Ongoing Obligations

Please note that all obligations, terms and conditions set forth in the Bidding Rules and Master Energy Supply Agreement remain in effect and apply to the certifications made herein, including but not limited to the following:

- Sanctions can be imposed on a bidder for failing to disclose information relevant to determining associations, for coordinating with another bidder, or for failing to abide by any of the certifications that it will have made in its Part 1 and Part 2 Applications.
- Such sanctions can include, but are not limited to, termination of the Master Energy Supply Agreement, loss of all rights to provide energy supply for AEP Ohio to serve any load won by such bidder, forfeiture of financial guarantees and other fees posted or paid, prosecution under applicable state and federal laws, debarment from participation in future competitive bidding process, and other sanctions that may be appropriate.
- The Auction Manager, in its report submitted to the Commission at the conclusion of the auction, will make a recommendation on a possible sanction for any bidder that violates any of its undertakings under the Part 1 or the Part 2 Application process or that fails to disclose information required by the Part 1 or the Part 2 Application process.

**Certification**

As a bidder in the CBP, I submit to the above certifications.

Save Draft Next Page >

# Bidders Will Receive Customized Signature Pages

Scanned document with signature required for certain parts of form

Part 2 Upload

Applicable to:

Customized Certifications

New **AND** returning bidders provide

**1 Customized Certifications**

The Customized Certifications signature page is required by all Applicants. Please upload the **completed** signature page below.

Signatory Representative

No file selected.

**1 Cash Return Instructions**

AEP Ohio will return cash within the timeframes specified in Section 1.2 of the Part 2 Form provided that the bidder provides a request, on the bidder's letterhead, for the return of the posted cash including wiring instructions. You may use this upload widget to provide your request for return of posted cash (or for other pre-bid security documentation if instructed to do so by the Auction Manager).

A sample letter that fulfills this requirement is available upon request from the Auction Manager.

Signatory Required (signed and dated)

No file selected.

**2 Additional Uploads**

You may use this upload widget to provide other pre-bid security documentation if instructed to do so by the Auction Manager.

Signatory As indicated by the Auction Manager

No file selected.

Two-step submission: form then signature pages

Pre-Bid Letter of Credit only hardcopy document for purposes of the application

## Part 4 | Bidding in the Auction

# Rounds Have Three Phases

## Bidding Phase

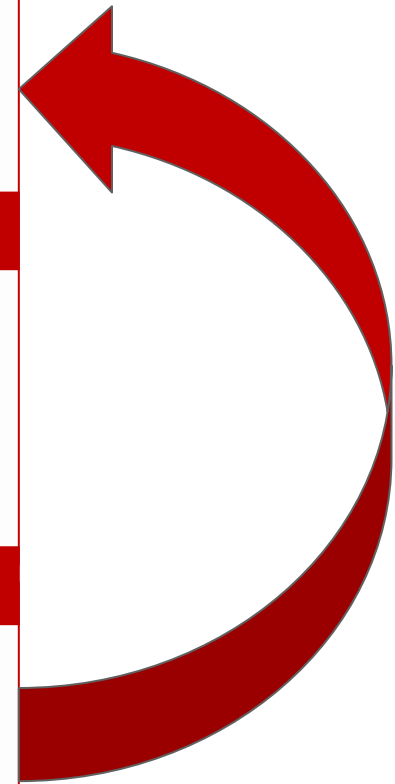
- Suppliers state how many tranches they want to supply at going price in round
- Auction Manager informs Registered Bidders of Round 1 price three days before auction

## Calculating Phase

- Auction Manager tabulates the results of that round's bidding phase and calculates the price for the next round

## Reporting Phase

- Information provided to bidders:
  - Excess supply range; and
  - Going price for next round





## Bid in Round 1

- A bid in round 1 is a number of tranches that the bidder is willing to supply at the round 1 price
- **Bidder cannot bid more than its initial eligibility** determined by the indicative offer at the maximum starting price
- Bidder will not be able to increase the number of tranches bid throughout the auction

## Possible Reduction of Tranche Target

- If there is insufficient supply for the tranches to ensure competitive bidding, **the Auction Manager has the discretion to reduce the tranche target**
- The criteria that could lead to such a reduction will be determined prior to the auction but will not be announced to bidders
- Once certain pre-specified criteria have been met, the discretion to reduce the tranche target will be eliminated

# Sample Reports

## Bidder sees:

- Range of excess supply
  - Range provided includes actual excess supply
- The next round price
- The result of the bidder's own bid

Report: Round 1	
Excess Supply	51-55
Round 2 price (\$/MWh)	61.75

Bidder has no information about others' bids, identities or eligibilities

## Information in Bidder User Manual

- **Decrement is related to amount of excess supply left in the auction**
  - Formula or table for determination of decrement provided to bidders
  - Auction Manager has discretion to override decrement
- Possible ranges of excess supply provided in Bidder User Manual
- Bidder User Manual provided to Registered Bidders

## Bidding in Round 2 and Subsequent Rounds

- In response to reduced prices, a bidder may:
  - Leave bid unchanged
  - Reduce the number of tranches the bidder is willing to supply by withdrawing tranches from the auction
- Bidder cannot bid more than its eligibility
  - In round 2, eligibility is the number of tranches bid in round 1
  - In round 3 and all subsequent rounds, eligibility in a round is the eligibility in the prior round less any tranches that were withdrawn from the auction

## Withdrawing Tranches

- When reducing the number of tranches bid, a bidder must provide an **exit price**

Price Round 1 (\$/MWh)	65.00
Bid Round 1 (tranches)	3
Price Round 2 (\$/MWh)	61.75
Bid Round 2 (tranches)	2
Exit Price	62.37

- Exit price is a **final and best offer**
  - Above current going price
  - Below or equal to previous going price

## How Does the Auction Continue and Close?

- Auction continues as long as there is excess supply:
  - when tranches bid are more than tranches available
- When the auction closes, a uniform price is determined that is the auction clearing price
- **Two cases** on how the auction clearing price is determined:
  - when tranches bid are equal to tranches available, the auction clearing price is the price of the final round
  - when there are fewer tranches bid than tranches available, lowest exit price at which all tranches available are filled is the auction clearing price

# Auction Clearing Price Example

Round	Price \$/MWh	Bidder A	Bidder B	Bidder C	#Bid	Target	#Bid – Target
R11	39.42	8	7	12	27	25	2
R12	38.68	6	6	10	22	25	-3

<b>Tranches withdrawn</b>	2	1	2
<b>Exit Prices</b>	38.69	38.99	39.42

To fill the tranche target of 25 tranches:

1. take 22 tranches bid at going price
2. take 2 tranches at \$38.69
3. take 1 tranche at \$38.99

<b>Retained Tranches</b>	2	1	0
<b>Auction Clearing Price</b>		<b>\$38.99</b>	

Auction clearing price is \$38.99/MWh, the lowest price at which all tranches available are filled



# Auction Results Subject to Commission Review

- The Commission has a **two (2) business day window** from the conclusion of the auction for review of the results
- The Commission may reject the results of the auction if:
  - The auction violates a specific CBP rule in such a manner so as to invalidate the auction
  - The auction was **NOT** oversubscribed on the basis of the indicative offers received in the Part 2 Application
  - There were **NOT** four or more bidders
  - A bidder won more than 80% of the tranches available at the start of the auction

# Contingency Plans

- If **not all tranches are procured at auction**, tranches are rebid in the next auction
  - AEP Ohio procures in PJM-administered markets if the supply period starts before tranches are successfully rebid
  - AEP Ohio procures in PJM-administered markets if the rebid tranches are not filled
  
- If there is a **supplier default**, AEP Ohio procures in PJM-administered markets until tranches can be rebid
  - Tranches are not rebid if no subsequent auction is scheduled
  - Tranches are not rebid if there are fewer than 6 months left in the supply period

## Basics of the Bidding Methods

1. **Bidders submit bids online using the Auction Software.** The Trial Auction (September 4, 2014) is the bidders' opportunity to practice
2. The backup bid procedure is by phone
3. The last bid submitted and verified by the bidder in the bidding phase, and processed by the Auction Software is the bid that counts. A backup bid counts when entered and verified by the Technical Assistant in the bidding phase and processed by the Auction Software, not when it is called in
4. **It is the bidder's responsibility to get a bid in on time.** It is the bidder's responsibility to ascertain the system needed to minimize the chance that technical difficulties will impair its ability to bid in the auction
5. If providing a backup bid, it is the bidder's responsibility to provide a complete bid consistent with the CBP Rules

# System Requirements are Minimal

Standard PC	Windows 7 or MacOS 10.7
Internet Connection	Primary access through a company network Secondary Access through an alternative ISP
Supported Web Browser	Internet Explorer 9 or later, as well as the most recent versions of Mozilla Firefox or Apple Safari
Backup Systems	Backup laptop and backup connection, Bidding teams in two geographical locations

# Tentative Timeline for Final Energy-Only Auction

Events	Dates
Alternate guaranty process begins	Tuesday, September 16, 2014
Bidder Information Session	Wednesday, September 17, 2014
Auction Manager announces tranche targets, tranche sizes, MW-measure, minimum and maximum starting prices	Wednesday, September 17, 2014
Alternate guaranty process ends	Tuesday, September 23, 2014
Part 1 Window opens	Thursday, September 25, 2014
Part 1 Applications are due	Friday, October 10, 2014
Part 2 Window opens	Friday, October 17, 2014
Part 2 Applications are due	Thursday, November 06, 2014
Trial Auction for Registered Bidders	Thursday, November 13, 2014
<b>Auction begins</b>	<b>Tuesday, November 18, 2014</b>

The schedule is accelerated to fit the auction in before the holidays

## Part 5 | CBP Website



**AEP OHIO<sup>®</sup>**  
A unit of American Electric Power

**NERA**  
ECONOMIC CONSULTING

## AEP Ohio Competitive Bidding Process for SSO Supply

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This Ohio Power Company ("AEP Ohio") website provides information to prospective suppliers who seek to provide energy for the company's Standard Service Offer ("SSO") through a Competitive Bidding Process ("CBP"). This site contains the official documents and announcements related to the CBP for the company's SSO energy supply. NERA Economic Consulting ("NERA") serves as AEP Ohio's Auction Manager. In this role, NERA coordinates the procurement activities for the company's CBP portfolio.

**Important Dates:**

- Tue 6/24/2014 - Bidder Information Session
- Thu 6/26/2014 - Deadline to submit alternate form of guaranty and required documentation
- Thu 7/10/2014 - Alternate guaranty process ends and Part 1 Window Opens

**Recent Announcements:**

- 06/05/2014 - [ANNOUNCEMENT: OPTIONAL – Alternate Guaranty Process for AEP Ohio's CBP](#)

Navigation

Key Dates and Announcements

# Information Tab

## Document page includes:

- CBP Rules
- MESA
- Qualification Information
- Credit Instruments
- Communications Protocols
- Associated Bidder Rules
- Glossary of key terms

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Documents

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- **Pre-Bid Credit Documents - September 2014**
  - Pre-Bid Letter of Credit (May 30, 2014) 
  - Letter of Intent to Provide a Guaranty (May 30, 2014) 
  - Letters of Reference (May 30, 2014) 
  - ACCEPTABLE Modifications to Pre-Bid Security Documents (May 30, 2014) 
- **Auction Documents - September 2014**
  - CBP Rules (May 30, 2014) 
  - Part 1 Application (May 30, 2014) 
  - Part 2 Application (May 30, 2014) 
  - Rules and Protocols for Participation by Associated Bidders (May 30, 2014) 
  - Communications Protocols (May 30, 2014) 
  - Glossary (May 30, 2014) 
- **MESA Documents - September 2014**
  - AEP Ohio Master Energy Supply Agreement (May 30, 2014) 
  - Attachment D Form of Guaranty (May 30, 2014) 
  - Attachment E Form of Energy Supplier Letter of Credit (May 30, 2014) 
- **Guaranty Process - September 2014**
  - Alternate Guaranty Process (May 30, 2014) 



# Data Room

AEP Ohio provides:

- Hourly energy
  - CSP Rate Zone and OPCo Rate Zone
  - SSO and CRES
  - Customer groups & aggregate
- Customer counts
  - CSP Rate Zone and OPCo Rate Zone
  - SSO and CRES
  - Customer groups & aggregate
- Historical data beginning June 2010
- Historical Unaccounted for Energy
- Updated on the 20<sup>th</sup> of each month

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Monthly

Welcome to the AEP Ohio CBP Monthly Data Room.

**The May 2014 data update is now complete.**

*The following data has been revised for November 2012:*

- CSP SSO Residential Hourly Load
- CSP SSO Small C&I Hourly Load

**Data Description** 12/20/2013

**Hourly Energy**  
This data is typically updated monthly on or before the 20th of each month.

Zone	Group	SSO	CRES	Data Range
CSP	Aggregate			6/1/2010 - 2/28/2014
	Residential			6/1/2010 - 2/28/2014
	SCB.1			6/1/2010 - 2/28/2014
	LCB.1			6/1/2010 - 2/28/2014
OPCo	Aggregate			6/1/2010 - 2/28/2014
	Residential			6/1/2010 - 2/28/2014
	SCB.1			6/1/2010 - 2/28/2014
	LCB.1			6/1/2010 - 2/28/2014

**Customer Counts**  
This data is typically updated monthly on or before the 20th of each month.

Zone	Group	SSO	CRES	Data Range
CSP	Aggregate			6/1/2010 - 2/28/2014
	Residential			6/1/2010 - 2/28/2014
	SCB.1			6/1/2010 - 2/28/2014
	LCB.1			6/1/2010 - 2/28/2014
OPCo	Aggregate			6/1/2010 - 2/28/2014
	Residential			6/1/2010 - 2/28/2014
	SCB.1			6/1/2010 - 2/28/2014
	LCB.1			6/1/2010 - 2/28/2014

**Additional Data**  
This data is updated occasionally.

Description	File	Data Range
Unaccounted for Energy		1/1/2013 - 2/28/2014
AEP Ohio RPP 2013 Usage		1/1/2013 - 12/31/2013

**Important Dates:**

- Tue 6/24/2014 - Bidder Information Session
- Thu 6/26/2014 - Deadline to submit alternate form of guaranty and required documentation
- Thu 7/10/2014 - Alternate guaranty process ends and Part 1 Window Opens

**Recent Announcements:**

- 06/05/2014 - [ANNOUNCEMENT: OPTIONAL - Alternate Guaranty Process for AEP Ohio's CBP](#)
- 05/30/2014 - [ANNOUNCEMENT: September 2014 Auction Documents posted to CBP Website](#)

# Ask a Question through the CBP Website

- Contact Us / Ask a Question
  - Bidder questions answered via email typically within 2 business days
  - Responses and questions are posted as FAQs on CBP website
- You may also contact us via email at [AEP-CBP@nera.com](mailto:AEP-CBP@nera.com)

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**Contact Us**

Register

[Ask a Question](#)

Ask a Question

Name \*:

Company \*:

Email Address \*:

Question/ Comment \*:

Type the text [Privacy & Terms](#)

reCAPTCHA™ stop spam, read books.

Submit

# Contact the Auction Manager Team

**NERA Economic Consulting  
Auction Manager  
For AEP's Ohio CBP**

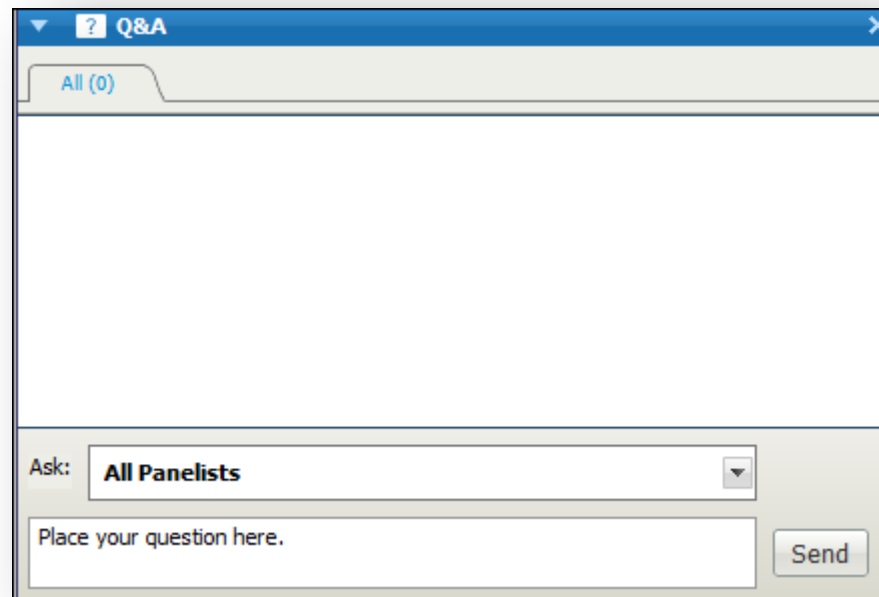
Contact us by email at [\*\*AEP-CBP@nera.com\*\*](mailto:AEP-CBP@nera.com)

**From the beginning of the Part 1 Window,  
You can also contact us at (215) 568-0200**

**Address for delivery of pre-bid letter of credit  
NERA – Auction Manager  
AEP Ohio CBP  
1835 Market Street, Suite 1205  
Philadelphia, PA 19103**

## Questions?

- To submit questions to the presenters, please locate the “Q&A” on the right hand side of your screen, and select “All Panelists” in the “Send to” box; type in your question and click “Send” to submit your question



The image shows a screenshot of a web-based Q&A submission interface. The window title is "Q&A" with a question mark icon and a close button. At the top, there is a tab labeled "All (0)". The main area is a large empty white space. At the bottom, there is a form with a dropdown menu labeled "Ask:" with "All Panelists" selected. Below the dropdown is a text input field with the placeholder text "Place your question here." and a "Send" button to its right.