

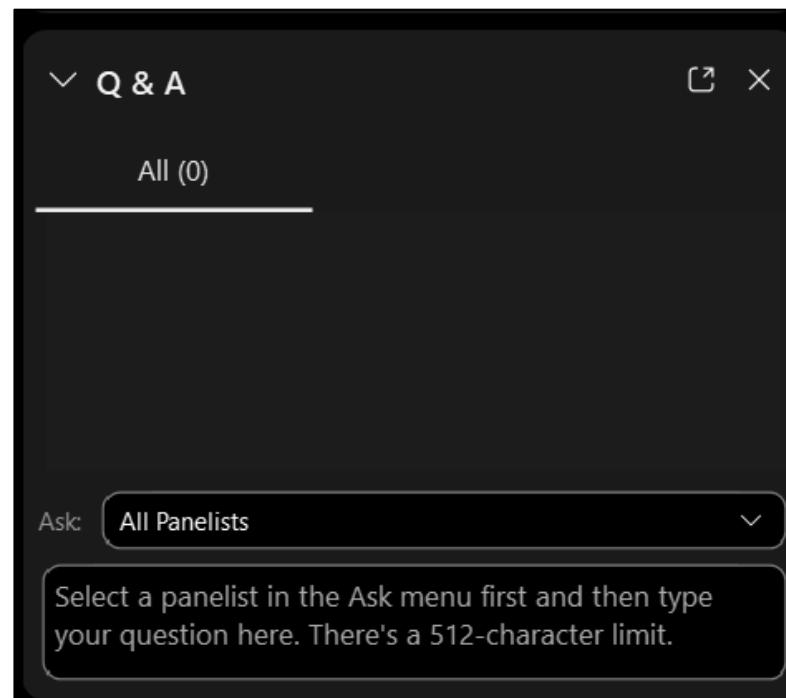
AEP Ohio Competitive Bidding Process November 2023 Auction

**Bidder Webcast
Thursday, October 5, 2023**

**Katie Orlandi, NERA
Rachel Northcutt, NERA
Matt Pettit, NERA**

Submitting Text Questions during the Webcast

- To submit text questions to the presenters, please locate the “Q&A” panel on the righthand side of your screen, type in your question, and hit Enter to submit your question



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

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

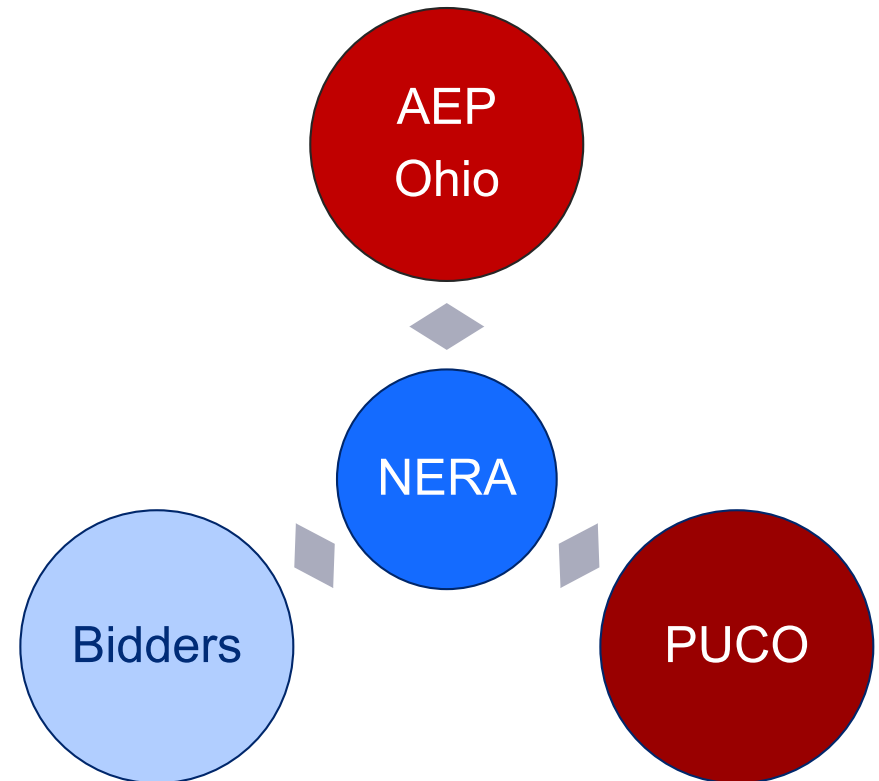
— These governing documents include:

- Public Utilities Commission of Ohio (“PUCO”) Orders and Entries under Case No. 16-1852-EL-SSO (April 25, 2018), Case No. 17-2391-EL-UNC (July 15, 2020, August 26, 2020, June 16, 2021, and February 9, 2022), and **Case No. 23-0023-EL-UNC (September 20, 2023) authorizing an auction in November 2023**
- Bidding Rules for the Auctions Under the Competitive Bidding Process of Ohio Power Company (“CBP Rules”)
- Master Standard Service Offer (“SSO”) Supply Agreement
- Rules and Protocols for Participation by Associated Bidders
- Part 1 Application
- Part 2 Application

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

NERA's Role as Auction Manager

Role	Description
Communication	To be the single point of contact with bidders All questions must be referred to the Auction Manager
CBP Rules	To ensure the CBP Rules, as approved by the PUCO, are followed
Qualifications	To ensure bidder qualifications are evaluated equitably and fairly
Auction	To administer the Auction
Results	To present results to PUCO



Agenda

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

Part 1 | Overview

Upcoming Auction is on November 28, 2023

- On January 6, 2023, AEP Ohio filed an Application seeking to implement its fifth Electric Security Plan (“ESP V”) for a period to commence on June 1, 2024 (Case No. 23-23-EL-SSO). This proceeding is ongoing.
 - AEP Ohio and other parties to the proceeding filed a Joint Stipulation and Recommendation (“Stipulation”) on September 6, 2023 recommending that the Commission approve AEP Ohio’s application as modified by the Stipulation
- On September 15, 2023, AEP Ohio filed a Motion for Interim Relief to conduct a November 2023 auction consistent with the competitive bidding process approved in AEP Ohio’s ESP IV
- On September 20, 2023, the Commission granted, via Entry, AEP Ohio’s Motion for Interim Relief
- This November 2023 Auction seeks to procure **50 tranches of a 12-month product** with a supply period of June 1, 2024, to May 31, 2025

The November 2023 Auction will procure 50 tranches of a 12-month product

Results of Previous Auction

Registered Bidders	8
Rounds in the Auction	13
Range of Starting Price	\$110/MWh - \$145/MWh
Delivery Period Start	June 1, 2023

Product	Tranche Target	Tranches Procured	Clearing Price (\$/MWh)
One-year	55	55	88.55

PUCO accepted results on March 8, 2023

Product Description

Product	Load-following, slice-of-system, full requirements Denominated in tranches
Tranche	a fixed percentage of the load of SSO customers
SSO Customers	those customers who take retail generation service from AEP Ohio, excluding PIPP customers
Delivery Point	Pnode ID 1269364670
LSE Responsibility	is assumed by the SSO Supplier, including scheduling SSO Supply and making arrangements for delivery of SSO Supply

Load Will Be Divided into Tranches

Auction Date
Tuesday, November 28

Product	Delivery Period	Tranche Target	Load Cap	Tranche Size
12-Month	June 2024- May 2025	50	40	1%

Auction Format is a Clock Auction

- Multiple tranches of a single term
- **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, the auction continues and the 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**

Announcement: MW-Measure

- **The PLC (MW)** is based on the five highest coincident peaks experienced by PJM in prior year for SSO customers (i.e., non-shopping only)
- The MW-measure is provided for reference and information purposes only

PLC (MW)	2,049
MW-measure*	20.49

*The amount of actual quantity to be delivered depends on many factors (e.g., migration of SSO customers).

- Suppliers are paid the auction clearing price for each MWh of supply during the delivery term times a seasonal factor (Seasonal Factors = 1.00)

Key Events

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

By Oct. 11: Bidders can access online form

Announcements:

Oct. 05: Tranche target, tranche size, MW-measure, seasonal factors

By Oct. 11: Minimum and maximum starting prices

Oct. 27: Update to seasonal factors and MW-measure as necessary

Nov. 16: Round 1 price for Registered Bidders

Application Process is Online

Part 1 Application (Oct. 11 – Oct. 23)

- Provide contact and company information
- Upload Inserts
- Upload required supporting documents including financial information

Part 2 Application (Oct. 27 – Nov. 08)

- Provide information and indicative offer
- Upload Inserts
- Provide pre-bid letter of credit or wire cash to support indicative offer

No hardcopies required!

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
- Amount a bidder can bid and win **in a given auction** could be further reduced to the credit-based tranche cap depending on credit ratings of Bidder or Guarantor
- The credit-based tranche caps have been increased for the November 2023 Auction and are provided in the table below:

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-	15
Below BB-	Below Ba3	Below BB-	8
Not rated			8

Post-Auction: PUCO Approval and Power Flow



- Auction results are contingent on final PUCO approval
- Auction Manager submits a **confidential report** on auction results 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
- Master SSO Supply Agreement fully executed and winning bidders fulfill creditworthiness requirements **within three days** of the Commission's acceptance of results

Part 2 | Product Design and Contract

Full Requirements

- SSO Suppliers:
 - Will assume all responsibilities of an LSE
 - Are responsible for providing full requirements service to SSO customers of AEP Ohio, excluding PIPP customers, and to bear all costs that are associated with this responsibility
- Full requirements service and the LSE obligations of SSO Suppliers are defined in the Master SSO Supply Agreement

**Attachment F of the Master SSO Supply Agreement:
Sample PJM Invoice**

Credit Requirements under the Master SSO Supply Agreement

- 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 Master SSO Supply Agreement
 - Mark-to-Market (MTM) and Credit Limit
 - Differences between the prevailing market prices 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 Master SSO Supply Agreement

Part 3 | CBP Website

Navigation



The screenshot shows the website header with the AEP OHIO logo on the left and the NERA ECONOMIC CONSULTING logo on the right. Below the header is a red banner with the title "AEP Ohio Competitive Bidding Process for SSO Supply". A left-hand navigation menu lists: Home (highlighted), Search, Background, Information, Data Room, Calendar, Contact Us, Application Website, and PIPP RFP. The main content area features a "Home" heading and a paragraph: "This Ohio Power Company ("AEP Ohio") website provides information to prospective suppliers that seek to provide full requirements service for AEP Ohio's Standard Service Offer ("SSO") customers through a Competitive Bidding Process ("CBP"). This site contains the documents and announcements related to the CBP. NERA Economic Consulting ("NERA") serves as AEP Ohio's Auction Manager." To the right of the text is a photograph of a city skyline. Below the photo is a section titled "Important Dates:" with a list of five key dates and events.

Key Dates and Announcements

NERA
ECONOMIC CONSULTING

AEP Ohio Competitive Bidding Process for SSO Supply

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Application Website

PIPP RFP

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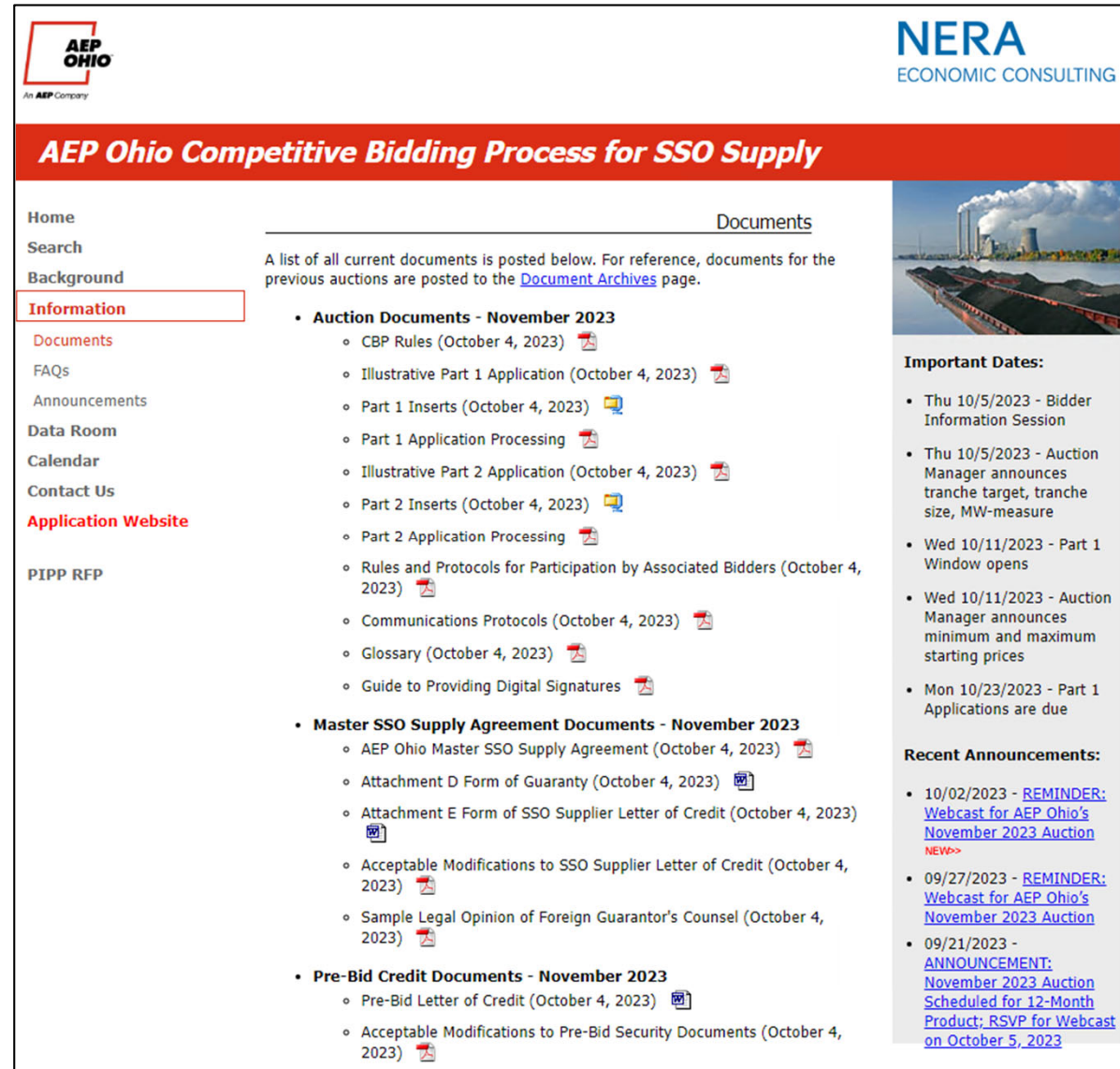
Important Dates:

- Thu 10/5/2023 - Bidder Information Session
- Thu 10/5/2023 - Auction Manager announces tranche target, tranche size, MW-measure
- Wed 10/11/2023 - Part 1 Window opens
- Wed 10/11/2023 - Auction Manager announces minimum and maximum starting prices
- Mon 10/23/2023 - Part 1 Applications are due

Information Tab

Document page includes:

- CBP Rules
- Master SSO Supply Agreement
- Qualification Information
- Credit Instruments
- Communications Protocols
- Associated Bidder Rules
- Glossary of key terms
- Guide to Providing Digital Signatures



The screenshot shows the AEP Ohio website page for the "AEP Ohio Competitive Bidding Process for SSO Supply". The page features a navigation menu on the left with options like Home, Search, Background, Information (highlighted), Documents, FAQs, Announcements, Data Room, Calendar, Contact Us, Application Website, and PIPP RFP. The main content area is titled "Documents" and lists various documents categorized by date (November 2023). The categories include Auction Documents, Master SSO Supply Agreement Documents, and Pre-Bid Credit Documents. Each document entry includes a title, date, and a download icon. On the right side, there is a "NERA ECONOMIC CONSULTING" logo, a photograph of a power plant, and sections for "Important Dates" and "Recent Announcements" with links to webcasts and announcements.

AEP OHIO
An AEP Company

NERA
ECONOMIC CONSULTING

AEP Ohio Competitive Bidding Process for SSO Supply

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A list of all current documents is posted below. For reference, documents for the previous auctions are posted to the [Document Archives](#) page.

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 - Communications Protocols (October 4, 2023)
 - Glossary (October 4, 2023)
 - Guide to Providing Digital Signatures
- **Master SSO Supply Agreement Documents - November 2023**
 - AEP Ohio Master SSO Supply Agreement (October 4, 2023)
 - Attachment D Form of Guaranty (October 4, 2023)
 - Attachment E Form of SSO Supplier Letter of Credit (October 4, 2023)
 - Acceptable Modifications to SSO Supplier Letter of Credit (October 4, 2023)
 - Sample Legal Opinion of Foreign Guarantor's Counsel (October 4, 2023)
- **Pre-Bid Credit Documents - November 2023**
 - Pre-Bid Letter of Credit (October 4, 2023)
 - Acceptable Modifications to Pre-Bid Security Documents (October 4, 2023)

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Recent Announcements:

- 10/02/2023 - [REMINDER: Webcast for AEP Ohio's November 2023 Auction](#) **NEW>>**
- 09/27/2023 - [REMINDER: Webcast for AEP Ohio's November 2023 Auction](#)
- 09/21/2023 - [ANNOUNCEMENT: November 2023 Auction Scheduled for 12-Month Product; RSVP for Webcast on October 5, 2023](#)

Data Room and Data Categories



Data Room includes:

Files updated on or before the 20th of each month:

- Hourly energy
- Customer counts
- PLC and NSPL Data
- Monthly Switching Statistics
- Historical Unaccounted for Energy

Additional files updated less frequently:

- Government Aggregation (data through February 2023)

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

- Home
- Search
- Background Information
- Data Room
- Calendar
- Contact Us**
- Register
- Ask a Question
- RSVP for an Information Session
- Contact the Auction Manager
- Register for an Application Account
- Application Website**
- PIPP RFP


Ask a Question

Name *:

Company *:

Email Address *:

Question/Comment *:

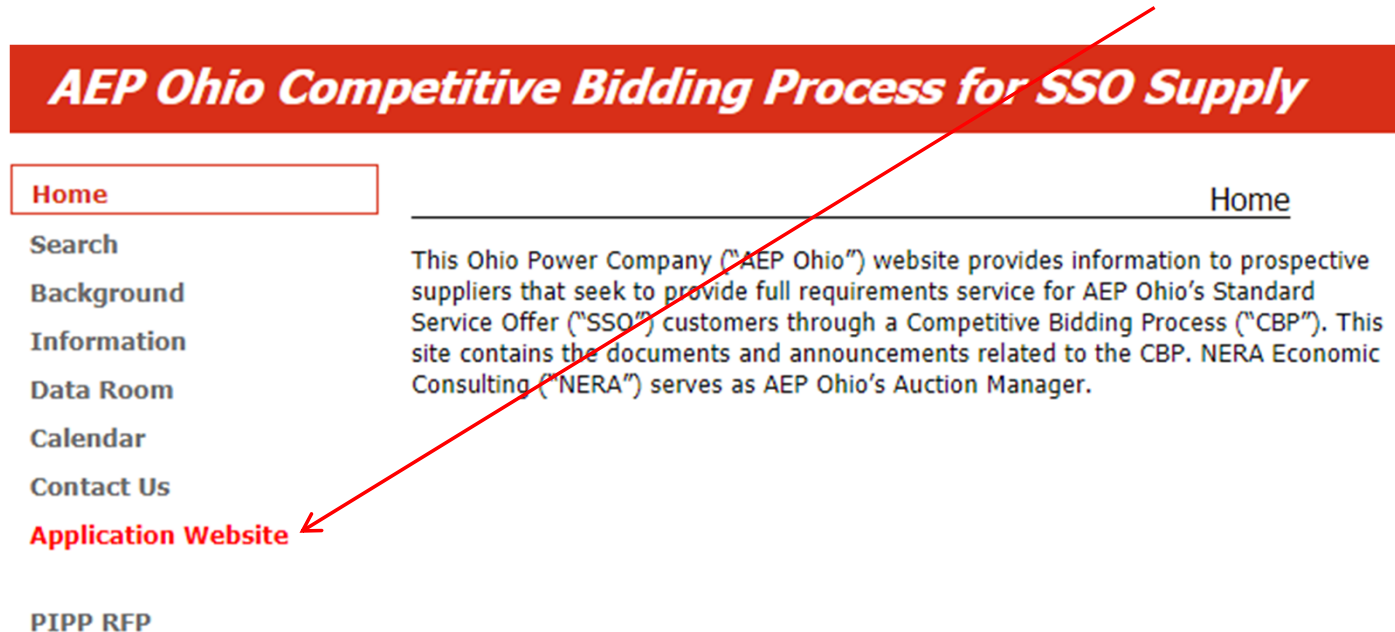
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Part 4 | Application Process

Accessing the Application Website

- The URL to access the online forms is: <https://aepohiocbp-application.com>
- The application website is also accessible via a link on the CBP website



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New Bidders Must Register for your Online Application Account

www.AEPOhioCBP.com

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Ask a Question
RSVP for an Information Session
Contact the Auction Manager
Register for an Application Account
Application Website

Register for an Application Account

Please complete the Expression of Interest to request an account for the application portion of the website. Application materials for AEP Ohio's CBP are submitted online through the application portion of this website.

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 :
Secondary Contact Email :

Contact Us / Register for an Application Account

Alternatively, email AEP-CBP@nera.com with:

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

The individual that registers for the account will receive an email with account activation instructions.

Current Account Holders and Account Activation

- **Current account holders** do not need to re-register for an account to access the online forms
 - For Returning Bidders that qualified to participate in an auction in 2021 or later, an email with instructions on how to activate their account will be sent to the Representative
 - For entities that registered for an account in 2021 or later, the email with instructions to activate the account will be sent to the person that registered for the account
- **All account holders (including Returning Bidders) will need to activate their account** by following the instructions provided in the account activation email

The Auction Manager will send instructions for accessing and completing the online forms to all account holders prior to the opening of the Part 1 Window

Up-Front Requirements for Part 1 Are Simple

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

2. PJM requirements

- Qualified as a “Market Buyer” and “Market Seller”
- Qualified as a “Load Serving Entity”

**Notifications sent to Representative
and Nominees by email**

Certifications, Financial Information, and Documents

3. Certifications

- Agree to terms of Master SSO 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 applicants relying on foreign guarantor
- Submit via upload to application website

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

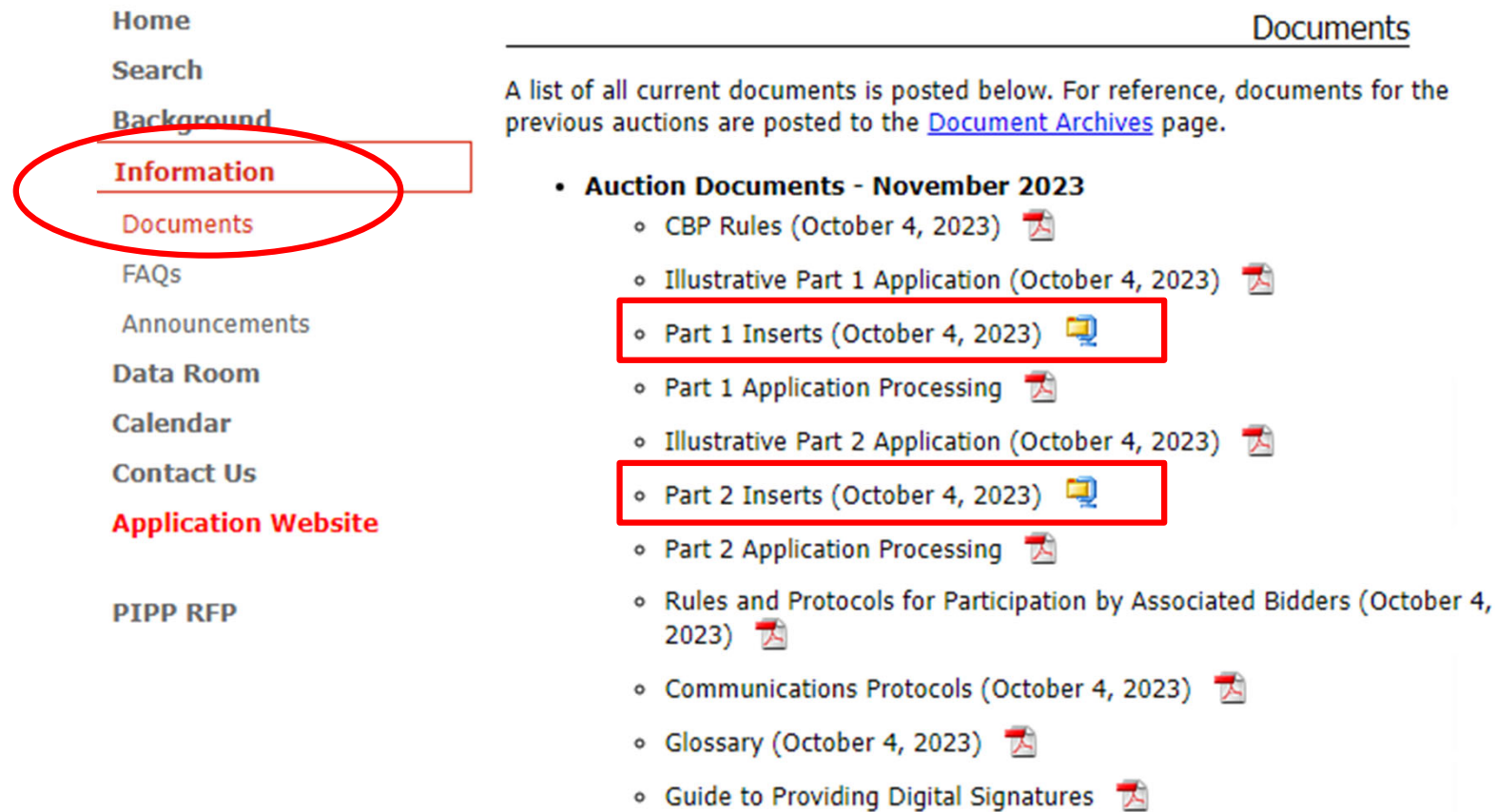
- Submit redline via upload to application website
- Any modification accepted for one bidder will be made available to all bidders on an optional basis

**New and Returning Bidders
Provide This Information and Documents**

Download the Inserts from the CBP Website

- The Inserts are available on <https://aepohiocbp.com/>

Information / Documents



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Documents

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Completing Inserts with Digital Signatures

- Inserts may be:
 - Printed, signed (and notarized if required), scanned, and uploaded;
OR
 - Submitted with a **digital signature** and **additional documentation or information verifying the identity of the signatory**
- Digitally signed Inserts are not required to be notarized
- If completing an Insert with a digital signature, additional documentation or information to verify identity of signatory may include:
 - A **certificate of completion** from **DocuSign**
 - A **Final Audit Report** from **Adobe Sign**
 - Evidence that the digital signature has been certified by the signatory using a document signing certificate (such as that through **Adobe Acrobat**)
 - Other documentation or information produced by another commercially available software that can be used to verify the identity of the signatory

Guide to Providing Digital Signatures available on CBP website

List of Inserts and to Whom They Apply

#	Insert	When Applicable	Notary Line
P1-1	Representative Designation	REQUIRED OF ALL BIDDERS	YES
P1-2	Representative Responsibilities	REQUIRED OF ALL BIDDERS	YES
P1-3	Designation of Nominees Insert	OPTIONAL	NO
P1-4	Legal Representative	REQUIRED OF ALL BIDDERS; retained for returning bidders	YES
P1-5	PJM Requirements	Only Applicable in Limited Circumstances; retained for returning bidders	NO
P1-6	Certifications	REQUIRED OF ALL BIDDERS	NO
P1-7	Bidding Agreement	Only Applicable in Limited Circumstances	NO

Part 2 Application: To Be Registered as a Bidder

1. Submit an indicative offer
2. Submit pre-bid security (pre-bid letters of credit must be sent via electronic means only to AEP-CBP@nera.com)
3. Make certifications including compliance with Rules related to Associations and Handling of Confidential Information
4. Provide additional certifications
5. Foreign entities: Provide executed additional documents required under the Master SSO Supply Agreement

**Requirements for new and returning bidders are the same
in the Part 2 Application**

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 (to be announced by October 11, 2023)

Credit-Based Tranche Cap

Minimum Starting Price	Indicative Offer
\$ <input style="width: 80%;" type="text" value="[XXX]"/> /MWh	<input style="width: 80%;" type="text"/> Tranches
Maximum Starting Price	Indicative Offer
\$ <input style="width: 80%;" type="text" value="[XXX]"/> /MWh	<input style="width: 80%;" type="text"/> Tranches

- 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

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 Associations and Confidential Information Rules

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

Pre-Bid Letter of Credit – Electronic ONLY

- The standard form of the Pre-Bid Letter of Credit to be submitted as **electronic PDF file only**
- If providing a pre-bid letter of credit, it must be provided ONLY to the Auction Manager at **AEP-CBP@nera.com**
- Electronic PDF version is to be the operative instrument and **hardcopies of the Pre-Bid Letter of Credit will NOT be accepted**

Opportunity to propose modifications to the standard form of the Pre-Bid Letter of Credit with the Part 1 Application

Additional Part 2 Requirements

4. Provide Additional Certifications

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

5. Requirements for foreign entities

- A foreign bidder or a bidder desiring to rely on the creditworthiness of a foreign entity must provide the **executed additional documents** required under the Master SSO Supply Agreement
- Additional documents should incorporate all changes required by AEP Ohio upon review of the draft documents submitted with the Part 1 Application

List of Inserts and to Whom They Apply

#	Insert	When Applicable
P2-1	Cash Certification	Applicable in Specific Circumstances
P2-2	Certifications	REQUIRED OF ALL BIDDERS

No Notary Public line on Part 2 Inserts

Part 5 | Bidding in the Auction

Rounds Have Three Phases

Bidding Phase

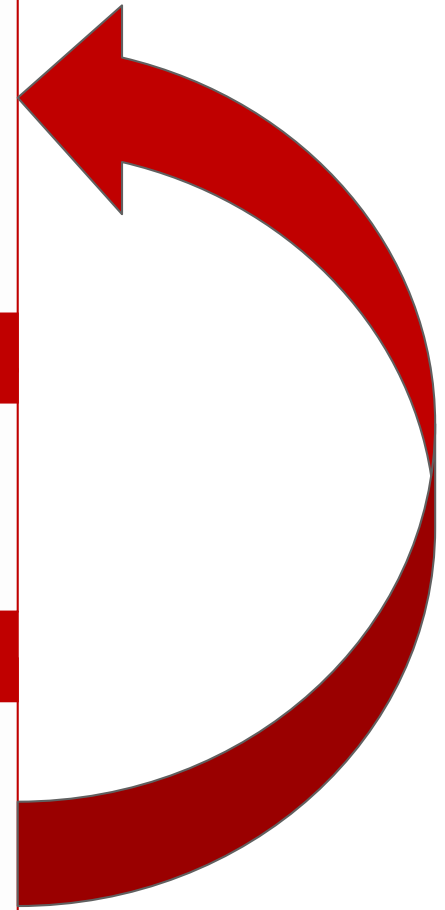
- Suppliers state how many tranches they want to supply at going price for the round
- Auction Manager informs Registered Bidders of Round 1 price no later than 3 days before auction

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:
 - Total Excess Supply range; and
 - Going price for next round



Possible Reduction of Tranche Target

- If there is insufficient supply 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

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

Sample Reports

Bidder sees:

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

Report: Round 1	
Total Excess Supply	106 - 110
Round 2 Price (\$/MWh)	95.00

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

Bidding in Round 2 and Subsequent Rounds

- In response to a reduction in price, a bidder may:
 - Leave bid unchanged
 - Withdraw 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)	100.00
Bid Round 1 (tranches)	16
Price Round 2 (\$/MWh)	95.00
Bid Round 2 (tranches)	15
Exit Price	98.12

- Exit price is a **last 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 positive total excess supply
 - When there are more tranches bid than there are 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 the number of tranches bid is equal to the number of tranches available, the auction clearing price is the price of the final round
 - when there are fewer tranches bid than tranches available, the auction clearing price is lowest exit price at which the tranche target is filled

Auction Clearing Price Illustrative Example

Round	Price \$/MWh	Bidder A	Bidder B	Bidder C	#Bid	Target	#Bid – Target
R11	75.99	18	22	12	52	50	2
R12	75.46	16	21	10	47	50	-3

Tranches withdrawn	2	1	2
Exit Prices	75.47	75.85	75.90

To fill the tranche target of 50 tranches:

1. take 47 tranches bid at going price
2. take 2 tranches at \$75.47
3. take 1 tranche at \$75.85

Retained Tranches	2	1	0
Auction Clearing Price		\$75.85	

Auction clearing price is \$75.85/MWh, the lowest price at which all tranches available are filled

Basics of the Bidding Methods

1. **Bidders submit bids online using the Auction Software.** The Trial Auction (Thursday, November 16, 2023) is the bidders' opportunity to practice
2. The backup bid procedure is by phone
3. The last bid submitted and verified 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
4. **It is the bidder's responsibility to get a bid in on time.** It is the bidder's responsibility to ascertain the systems 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 Vista, Windows 7 or later, or MacOS 10.7 or later
Internet Connection	Primary access through a company network
Supported Web Browser	The most recent versions of Mozilla Firefox, Apple Safari, or Google Chrome

Contact the Auction Manager Team

**NERA Economic Consulting
Auction Manager
For AEP's Ohio CBP
Contact us by email at AEP-CBP@nera.com**

**If providing a Pre-Bid Letter of Credit,
it must be sent electronically
to the Auction Manager by email at
AEP-CBP@nera.com**

Questions?

- To submit text questions to the presenters, please locate the “Q&A” panel on the righthand side of your screen, type in your question, and hit Enter to submit your question

