

# **AEP Ohio CBP Stakeholder Workshops First Portion of the Second Workshop**

**Thursday, November 8, 2012**

# Stakeholder Workshop Agenda

Thursday

- **12:30PM–1:30PM**
  - Review general comments received from stakeholders on the “Proposal for Key Elements of the CBP” document
  - Presentation on Bidding Rules and Communications Protocols
- **2:00PM–5:00PM**
  - Stakeholder input and discussion

Friday

- **12:30PM–1:30PM**
  - Presentation on Master Energy Supply Agreement (“MESA”)
- **2:00PM–5:00PM**
  - Stakeholder input and discussion

Parties will have opportunity to ask questions about the MESA tomorrow.

## Three Stakeholder Workshops Planned

ESP Opinion and Order	Wednesday, August 8, 2012
Key Elements of CBP posted to web site	Monday, October 22, 2012
First Stakeholder Workshop	Thursday, October 25, 2012
Initial Written Comments due	Monday, October 29, 2012
Draft CBP Documents posted to web site	Monday, November 05, 2012
Second Stakeholder Workshop	Thursday, November 08, 2012 and Friday, November 09, 2012
Written Comments on Draft CBP Documents due	Tuesday, November 13, 2012
Third Stakeholder Workshop (if needed)	Tuesday, November 27, 2012

# All Comments posted to AEPOhioCBP.com



## *AEP Ohio Competitive Bidding Process for SSO Supply*

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Documents

Documents relating to AEP Ohio's CBP are provided below.

- **Stakeholder Process Documents**

- Proposal for Key Elements of the CBP  
- First Stakeholder Workshop Presentation (October 25, 2012) 

- **Initial Written Comments**

- Buckeye Power Comments on Proposal for Key Elements of the CBP 
- Constellation Comments on Proposal for Key Elements of the CBP (Two Documents)  

Click on "Information" and  
then on "Documents" link

# Topic 1 | Review

## – Comments on Key Elements

# Determination of Energy Volumes

## **Proposal:** Determine schedule on the day following delivery

- Load identified using best available PJM data as of InSchedule deadline would be used to determine energy volume for which suppliers are responsible
- True-ups with suppliers only in the case of significant deviations from load identified during PJM 60-day reconciliation process

## Comments:

- Some suppliers expressed a preference for using final load determined as part of the 60-day reconciliation process as opposed to backcast load
- One supplier suggested a cash-out process for deviations between the initial backcast and the final load reconciliation performed by AEP Ohio using PJM real-time prices

# Determination of Energy Volumes

## Response:

- In Draft Master Energy Supply Agreement, AEP Ohio adopted the proposed cash-out proposal using PJM real-time prices and use of final reconciled loads when the initial backcast is outside of an 80-120% band of the final load (see: “Hourly Energy Share Adjustment”)
- This provision will capture significant estimation or metering errors and insulate both parties from such problems
- This provision will also limit the amount of such adjustments that will need to be made
- The determination of energy loads using the best available PJM data as of the daily schedule deadline is a key element of the process of determining CRES load responsibility and AEP Ohio is committed to making such calculations as accurate as possible

# ARRs and Delivery Point

## Proposal:

- ARR are not provided to suppliers
- Delivery point to be AEP Zone or AEP-Ohio aggregate zone

## Comment:

- ARRs should be provided to suppliers if delivery point is not the AD Hub

## Response:

- [AEP Load Zone] is the delivery point in the Master Energy Supply Agreement representing the aggregate area of consumption for AEP Ohio within PJM
- If AEP Ohio provided ARRs to suppliers it would take these funds away from customers in the hope that customers would receive the funds back in the form of a lower energy price, but there is no assurance that this would be the case



# Product Uniformity

## Question of clarification:

- Is the product uniform across auctions?

**Response:** While there are different delivery periods following the Commission's ESP decision, the product is uniform in all other respects throughout this CBP:

- Slice-of-system
- Energy only
- Same MESA "form of agreement" will apply

Further each tranche will represent a fixed percentage of the hourly energy requirements of SSO customers

# Tranche Size

## Proposal:

- Tranche size is 1% for first auction
- Tranche size is expected to remain at 1% for future auctions, but may be revised as needed to help sustain supplier interest

Constant 1% tranche size				
%	Total MW	SSO MW	# tranches	MW/tr
10	1000	500	10	50
25	2500	1100	25	44
25	2500	800	25	32
40	4000	1200	40	30

Change to 1.25% tranche size in third auction				
%	Total MW	SSO MW	# tranches	MW/tr
10	1000	500	10	50
25	2500	1100	25	44
25	2500	800	20	40
40	4000	1200	32	38

- With a constant tranche size, the SSO MW per tranche may fall to the point where it would impair supplier interest
- The proposal allows the possibility to adjust the tranche size upwards if needed to temper erosion in the SSO MW per tranche

# Tranche Size

## Comment:

- Different tranche sizes across auctions may be confusing to suppliers

## Response:

- Modification of tranche size is to enhance supplier interest
- Generally modified only if migration is significant
- Still considering comment and would consider more information and specific input on potential downside of proposal

# Auction Timing

## Proposal:

- AEP Ohio proposes four auctions each with a single product

Product Type	Auction Timing	% requirements	7/2013 --- 5/2014	6/2014 --- 5/2015
Long	May 2013	10		
One-Year	January 2014	25		
One-Year	March 2014	25		
Stub	June 2014	40		

## Comments:

- A variety of small modifications were proposed to the delivery periods and timing of the auctions

## Response:

- Delivery periods set by the ESP decision
- Proposal balances having sufficient volumes at auction to attract supplier interest while holding multiple auctions to avoid exposure to pricing at single point in time

## Credit – Pre-Bid Security

### **Proposal:** Pre-bid security of \$500,000/tranche

- Pre-Bid Letter of Credit is required for the first auction
- Cash to be considered in subsequent auctions
- A letter of intent to provide a guaranty (LIPG) or a letter of reference may also be required depending on creditworthiness

### **Comments:**

- Cash as an option
- Amount of pre-bid security should be adjusted based on migration
- LIPG provided once for the entire CBP

## Credit – Pre-Bid Security

### Response:

- Many processes must be put in place to implement the CBP and comply with corporate separation order. The process of receiving cash as pre-bid security is deferred to future auctions
- Amount of pre-bid security follows the ICR schedule established in the contract, which is not expected to be adjusted (note that the adjustment in tranche size could mitigate this concern)
- LIPG is acknowledgment from the guarantor that the guarantor is aware of the bidder relying on the guarantor's financial standing to bid and is required each auction

# Data

## Proposal: Data to be provided includes:

- Hourly energy for SSO customers
- Hourly energy for CRES load in the aggregate
- Broken down into residential, small commercial & industrial, and large commercial & industrial
- Provided separately for Columbus Southern Power and Ohio Power rate zones pre and post merger

## Comments:

- Provide customer counts for CRES and SSO customers
- Provide data related to aggregation programs
- Provide CSP rate zone data by group (residential, small C&I and large C&I)

## Response:

- Bidding Rules incorporate comments of providing customer counts and providing the data by group separately for CSP And OP Co rate zones
- Providing load data divided between shopping due to aggregation and other shopping is a substantial additional effort that may be considered in the future

# Communications Protocol - AM report to PUCO

**Proposal:** At the conclusion of each auction:

- The Auction Manager presents the results of the auction to the PUCO in a report

## Comments:

- Auction Manager should inform winning bidders when the Auction Manager presents the results to PUCO

## Response:

- This comment has been incorporated into the draft Bidding Rules (see VI.1.2).



# Energy Requirement follows SSO Load

## Question of clarification:

- Whether PIPP (percent of income payment) load is excluded from SSO Load?

**Response:** SSO customers take retail generation from AEP Ohio

- Includes PIPP customers
- Includes special contract customers
- Excludes sales made to interruptible customers during requested interruptions
- SSO Customers are defined in MESA

## Topic 2 | Overview of Bidding Rules and Communications Protocol

# Draft documents posted on November 5



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Documents

Documents relating to AEP Ohio's CBP are provided below.

- **Drafts of Key Documents of CBP**

- AEP Energy Supply Agreement - DRAFT 
- AEP Bidding Rules - DRAFT 
- AEP Communications Protocols - DRAFT 

Click on "Information" and  
then on "Documents" link

# Bidding Rules – Road Map

Article I – Introduction

provides sample schedule

Article II – Information to Bidders

Article III – Products and Auctions

describes the two-part  
application process  
including processing of  
applications

Article IV – Pre-Auction Process

Article V – Bidding in the Auction

Article VI – Post-Auction process

Describes re-bidding of  
tranches left unfilled or  
defaulted upon

Article VII – Contingency Plans

Article VIII – Association and Handling of Confidential Information

Article IX – Miscellaneous

Certifications contained in  
the Duke application  
forms

# Communications Protocols are similar to Duke's

Protocol is organized by relevant Parties to Process

## 1. Definitions and Principles

Details on definition of confidential versus public information; list of individuals with access to confidential information

## 2. AEP Ohio

## 3. General Public and Media

Most undertakings found in bidding rules; two-day turnaround for FAQ process

## 4. Bidders

## 5. Public Utilities Commission of Ohio

Reiterates process for submission of report and post-auction timing

## Appendix A. Acknowledgment and Confidentiality Agreement

# Reminder | Comment Process

# Stakeholder Process Overview

- Stakeholders have an opportunity to ask questions and provide comments at this workshop
- Draft Documents (dated Nov. 5) are in MS word for comments
- Submit written comments via email to [OhioCBP@aep.com](mailto:OhioCBP@aep.com)
- Comments may be provided as redlines using the Microsoft Word version of the drafts of key documents posted to the CBP website

Written Comments Due: 6PM EST on Tuesday, November 13, 2012