

Glossary for AEP Ohio's Competitive Bidding Process Auctions

This glossary applies to AEP Ohio's Competitive Bidding Process ("CBP"). Defined terms used in this glossary shall have the meaning given to such terms in the CBP Rules or in the Master Energy Supply Agreement; definitions for such terms are summarized here for convenience. Other terms may also be defined below.

Application website: The website through which a bidder submits the online Part 1 Form, the online Part 2 Form, and any required attachments. Bidders will be provided logon credentials for the application website upon submitting an expression of interest to the Auction Manager.

Associated with: 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.

Auction clearing price: Price obtained at the auction for a product. The CBP Rules explain how the auction clearing price for a product is determined.

Bid: A bid consists of the number of tranches that the bidder wants to supply for a product at the going price of a round in the auction.

Bidder: Term used generically to refer to a prospective bidder, a Qualified Bidder, or a Registered Bidder.

Bidding agreement: Any agreement between two or more parties, each of whom intends to participate in the auction, to share information relative to the bidding strategy in the auction, to share information regarding round results, to agree upon bids, to agree upon bidding strategy or to coordinate bids during the auction.

Bidding consortium: A group of separate businesses or business people joining together to submit joint bids in the auction. A set of companies joining together to provide Energy Supply, each providing different expertise.

Bidding phase: In the bidding phase of a round of an auction, bidders place bids. A bidder can modify its bid as long as the bidding phase of the round is open. The valid bid is the last received bid that is submitted and verified during the bidding phase and processed by the Auction Software. A valid bid is a firm commitment to supply the number of tranches indicated at the price of the round and a valid bid cannot be rescinded.

Calculating phase: The calculating phase immediately follows the bidding phase. In the calculating phase of the round, the Auction Manager tabulates the results of that round's bidding phase and calculates the price for the next round. During this phase, bidders cannot submit bids and bidders do not yet have access to the results from that round's bidding phase.

CBP Order: The Opinion and Order issued by the Commission regarding AEP Ohio's CBP on November 13, 2013.

CBP Rules: The "Bidding Rules for the Auctions Under the Competitive Bidding Process of Ohio Power Company" document, which describes the process and requirements for participation in the energy-only auctions to be held under the CBP as part of AEP Ohio's ESP II.

CBP website: The website for AEP Ohio's CBP is <http://www.aepohiocbp.com>.

Commission Consultant: The Commission Staff may retain an advisor for purposes of assisting in overseeing the conduct of the auctions.

Confidential Information Regarding the Auction: Information that is not released publicly by the Commission, AEP Ohio, or the Auction Manager and that a bidder acquires as a result of participating in the auction, whether in writing or verbally, which if it were to be made public could impair the integrity of current or future auctions, impair the ability of AEP Ohio to hold future competitive bidding processes, or harm consumers, or injure bidders or applicants. Confidential Information regarding the auction includes (but is not limited to): the list of Qualified Bidders, the list of Registered Bidders, the initial eligibility, the status of a bidder's participation, and all non-public reports of results and announcements made by the Auction Manager to any or all bidders during the auction.

Confidential Information Relative to Bidding Strategy: Information relating to a bidder's bid(s) in the auction, whether in writing or verbally, which if it were to be made public likely would have an effect on any of the bids that another bidder would be willing to submit. Confidential Information Relative to Bidding Strategy includes (but is not limited to): a bidder's strategy; a bidder's indicative offer; the quantities that a bidder wishes to supply; the bidder's estimation of the value of a tranche; the bidder's estimation of the risks associated with supplying energy associated with a tranche; and a bidder's contractual arrangements for purchasing power to supply such energy were the bidder to win tranches in the auction.

Day: A business day, unless noted otherwise.

Decrement: A decrement is the percentage decrease of the going price for a product from one round to the next. The Auction Manager will define a relationship whereby the decrement for a product will be positively related to the level of excess supply.

Default bid: A bidder with positive eligibility that does not submit a bid in a round is assigned a default bid. The default bid is zero tranches. The default bid withdraws all tranches at an exit price equal to the going price in the previous round.

Eligibility: The maximum number of tranches that the bidder can bid in a round of the auction. The eligibility of a bidder in round 1 is its initial eligibility (defined below). The

eligibility of a bidder in round 2 is the number of tranches that the bidder bid in round 1. The eligibility of a bidder in a subsequent round is the bidder's eligibility in the previous round less the number of tranches withdrawn in the previous round.

Energy Load: Energy requirements of AEP Ohio's SSO customers. Energy Load will include all transmission and distribution losses, and shall be derated by PJM for marginal losses.

Energy Supplier: A bidder that wins at an auction for which results are accepted by the Commission.

Energy Supply: Energy delivered to the delivery point identified in the Master Energy Supply Agreement to meet the Energy Load.

ESP II: AEP Ohio's Electric Security Plan filed on March 30, 2012, which included a CBP for energy-only auctions to transition AEP Ohio to procuring 100% of the energy needs of its SSO customers by the start of 2015 (Case No. 11-346-EL-SSO and Case No. 11-348-EL-SSO).

ESP II Order: The Opinion and Order issued by the Commission regarding AEP Ohio's ESP II on August 8, 2012.

Excess supply: The greater of (i) zero; and (ii) the number of tranches bid less the tranche target.

Exit price: A last and best offer for the tranches withdrawn. An exit price must be less than or equal to the going price in the previous round and must be greater than the going price in the current round.

Going price: The going price in a round of the auction is the price at which the Auction Manager is soliciting bids in that round.

Indicative offer: Two (2) numbers of tranches that a Qualified Bidder must specify in its Part 2 Application. The first number represents the number of tranches that the Qualified Bidder is willing to supply at the minimum starting price and the second number represents the number of tranches that the Qualified Bidder is willing to supply at the maximum starting price.

Initial eligibility: The maximum number of tranches that a bidder can bid in the first round of the auction (and thus the maximum number of tranches that a bidder can bid at any point during the auction).

Joint venture: An enterprise entered into by two or more people for profit with the purpose of bidding in the auction. A joint venture has most of the elements of a partnership, such as shared management, the power of each venturer to bind the others in the business, division of profits and joint responsibility for losses. However, unlike a partnership, a joint venture anticipates a specific area of activity and/or period of operation, so after the

purpose is completed, bills are paid, profits (or losses) are divided, and the joint venture is terminated.

Letter of intent to provide a guaranty: A document executed by an authorized representative of the guarantor.

Letter of reference: A document issued by a bidder's bank in support of the bidder's indicative offer.

Load cap: A maximum number of tranches that a bidder can bid and win in an auction.

Master Energy Supply Agreement: Document that defines the specific obligations associated with providing Energy Supply.

Minimum and maximum starting prices: The minimum and maximum starting prices establish the range for the round 1 price in the auction.

MW-measure: A figure in MW assigned to each tranche.

Nominees: Individuals, in addition to a bidder's Representative, who will be included in electronic communications from the Auction Manager. A bidder's Representative can provide contact information for up to three (3) Nominees.

Part 1 Application: The first part of the application process through which interested parties apply to become Qualified Bidders.

Part 1 Date: The date when Part 1 Applications are due.

Part 1 Notification: Notice provided by the Auction Manager to a bidder that has met all the requirements to become a Qualified Bidder.

Part 1 Notification Date: The date when the Auction Manager notifies bidders whether they have met all the requirements to become a Qualified Bidder.

Part 1 Window: The period during which Part 1 Applications are processed.

Part 2 Application: The second part of the application process through which each Qualified Bidder makes certifications, provides an indicative offer, and posts pre-bid security to become a Registered Bidder.

Part 2 Date: The date when Part 2 Applications are due.

Part 2 Notification: Notice provided by the Auction Manager to a bidder that has met all the requirements to become a Registered Bidder.

Part 2 Notification Date: The date when the Auction Manager notifies bidders whether they have met all the requirements to become a Registered Bidder.

Part 2 Window: The period during which Part 2 Applications are processed.

Pre-bid security: Consists of a pre-bid letter of credit or cash and, if necessary, a letter of reference and/or a letter of intent to provide a guaranty. A bidder is advised upon qualification whether a letter of reference and/or a letter of intent to provide a guaranty are required.

Product: Energy Supply for a given delivery period.

Qualified Bidders: All bidders that are qualified pursuant to a successful Part 1 Application.

Representative: The individual authorized to represent the Applicant in the auction. The Auction Manager provides all notifications and other written communication to the Representative and any Nominees the Representative may designate.

Registered Bidders: All bidders that are registered pursuant to a successful Part 2 Application.

Reporting phase: The reporting phase immediately follows the calculating phase. In the reporting phase of the round, the Auction Manager informs bidders of the going price for the next round's bidding phase and the range of excess supply. Each bidder privately receives the results of its own bid from that round.

Round: The auction runs in discrete time periods called rounds. Each round has a bidding phase, a calculating phase, and a reporting phase.

Round 1 price: The going price for a product in the first round of the auction.

Special Contract customers: Customers that have reasonable arrangements under Section 4905.31, Revised Code.

SSO customers: SSO customers are customers who take retail generation service from AEP Ohio. SSO customers include PIPP customers (those who take service under AEP Ohio's percentage of income payment plan) and Special Contract customers.

Time-out: A time-out suspends the activity in the auction and is called at the discretion of the Auction Manager.

Total initial eligibility: The sum across all Registered Bidders of the indicative offers at the maximum starting price.

Tranche: A fixed percentage of the hourly energy requirements of SSO customers during the delivery period.

Tranche size: The fixed percentage of Energy Load assigned to each tranche.

Tranche target: The number of tranches procured at the auction.

Withdraw: If a bidder selects to bid fewer tranches than in the previous round, the bidder withdraws tranches from the auction.

Acronyms and Abbreviations

AEP Ohio: Ohio Power Company

CBP: Competitive Bidding Process

Commission: The Public Utilities Commission of Ohio

ICRT: Independent Credit Requirement per Tranche

LSE: Load Serving Entity

NITS: Network Integration Transmission Service

OVEC: Ohio Valley Electric Corporation

SSO: Standard Service Offer