

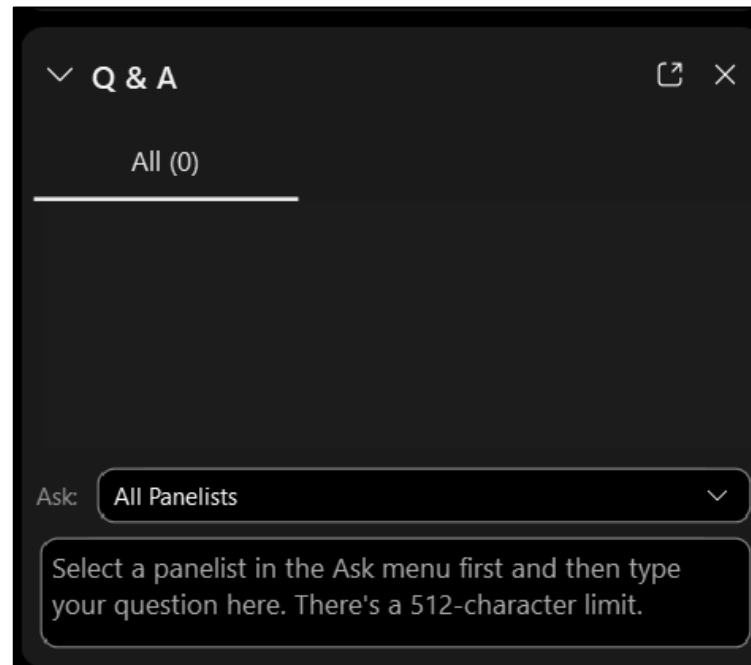
AEP Ohio Competitive Bidding Process October 2024 Auction

**Bidder Webcast
Thursday, September 5, 2024**

**Katie Orlandi, NERA
Rachel Northcutt, NERA
Abigail Sinotte, 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, select “All Panelists” in the drop down, and hit Enter



**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

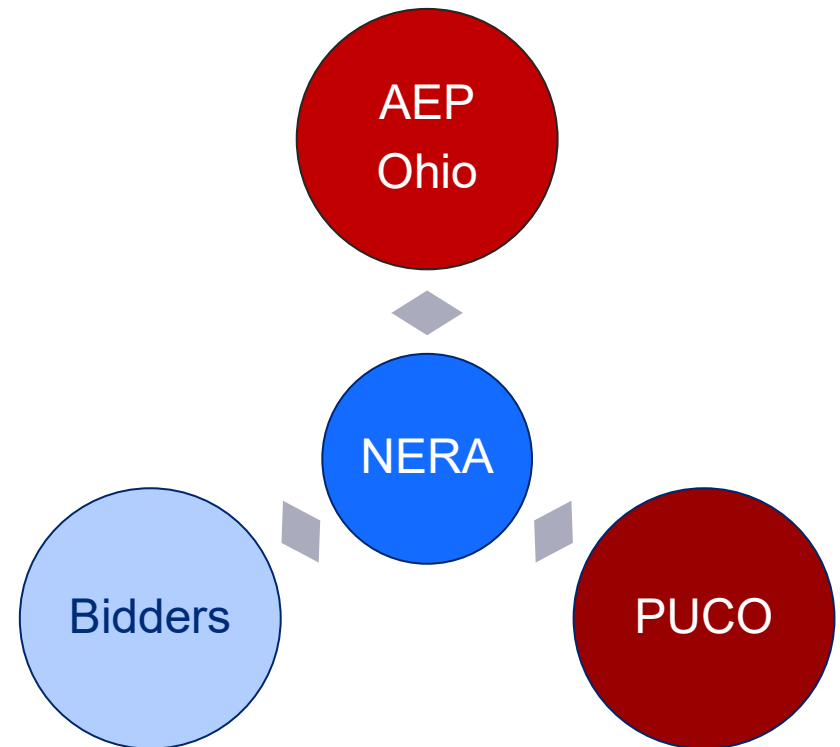
— These governing documents include:

- Public Utilities Commission of Ohio (“PUCO” or “Commission”) Orders under Case No. 23-0023-EL-SSO (April 3, 2024) and Case No. 23-0781-EL-UNC (December 13, 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

Regulatory Background

- On January 6, 2023, AEP Ohio filed an Application seeking to implement its fifth Electric Security Plan (“ESP V”) and continue with a biannual auction process for full requirements products (Case No. 23-0023-EL-SSO). A Joint Stipulation and Recommendation (“Stipulation”) was filed by AEP Ohio and other parties to the proceeding on September 6, 2023.
- Through an Opinion and Order dated April 3, 2024, the Commission modified and approved the Stipulation and authorized AEP Ohio to implement ESP V for the period June 1, 2024, through May 31, 2028.
- On August 27, 2024, AEP Ohio filed (in Case No. 23-0023-EL-SSO) compliance updates to the product schedule and forms of the CBP Rules and Master SSO Supply Agreement to implement a Capacity Proxy Price mechanism and adjust the schedule for the 4-year ESP term. **At this time, the updated product schedule, CBP Rules, and Master SSO Supply Agreement remain subject to change and approval by the Commission.**
- The information provided in this presentation is based on the compliance updates and anticipates that this October 2024 Auction will seek to procure:
 - **17 tranches of a 12-month product** with a supply period of June 1, 2025, to May 31, 2026
 - **17 tranches of a 24-month product** with a supply period of June 1, 2025, to May 31, 2027
 - **16 tranches of a 36-month product** with a supply period of June 1, 2025, to May 31, 2028

Upcoming Auction is on October 29, 2024

- This is the third of a series of eight **full requirements auctions** under ESP V

Auction	Product Months	Tranche Target	Load Cap	2023												2024												2025												2026												2027												2028															
				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	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									
1 (Nov. 2023)	12	50	40	1												50%												12 Month																																																			
2 (Mar. 2024)	12	50	40				2												50%												12 Month																																																
3 (Oct. 2024)	12	17	40																								17%												12 Month																																								
	24	17																									17%																								24 Month																												
	36	16		3																								16%																																				36 Month															
4 (Mar. 2025)	12	17	40																								17%												12 Month																																								
	24	17																									17%																								24 Month																												
	36	16		4																								16%																																				36 Month															
5 (Nov. 2025)	12	17	13																																				17%												12 Month																												
6 (Mar. 2026)	24	17	13																																				17%																																				24 Month				
7 (Nov. 2026)	12	17	13																																																17%												12 Month																
8 (Mar. 2027)	12	34	27																																																17%												12 Month																
																																																			34%												12 Month																

- The results of the Base Residual Auction (“BRA”) under PJM’s Reliability Pricing Model (“RPM”) for the 2026/2027 and 2027/2028 delivery years are not expected to be known five (5) business days prior to October 29, 2024. A Capacity Proxy Price is announced in this webcast for these delivery years for the 24-month and 36-month products.

Results of Previous Auction

Registered Bidders	9
Rounds in the Auction	23
Range of Starting Price	\$100/MWh - \$135/MWh
Delivery Period Start	June 1, 2024

Product	Tranche Target	Tranches Procured	Clearing Price (\$/MWh)
One-year	50	50	67.17

PUCO accepted results on March 6, 2024

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, October 29

Product	Delivery Period	Tranche Target	Load Cap	Tranche Size
12-Month	June 2025- May 2026	17	40	1%
24-Month	June 2025- May 2027	17		1%
36-Month	June 2025- May 2028	16		1%

Auction Format is a Clock Auction

- Multiple tranches of each product
 - A product is the SSO Load for a given supply period
- **Multiple products and multiple rounds**
 - Each round, suppliers state how many tranches they want to supply at the going prices announced by the Auction Manager
 - From one round to the next, auction continues and price for a product ticks down if there is excess supply
- Switching between products is allowed
- Auction concludes when no price ticks down
- **No sealed bid round**: bidders provide exit prices as they withdraw tranches throughout the Auction
- Auction establishes a **single clearing price for each product**

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)	1,462
MW-measure*	14.62

*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
Sep. P1 Window Opens 16	17	18	19	20
23	24	25	P1 Due 26	27
30	Oct. 1	P1 Notification 2	P2 Window Opens 3	4
7	8	9	10	11
14	15	P2 Due 16	17	18
21	22	P2 Notification 23	Trial Auction Round 1 Prices 24	25
28	Auction Starts 29	30	31	Nov. 1

By Sep. 16: Bidders can access online form

Announcements:

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

By Sep. 16: Minimum and maximum starting prices

Oct. 03: Update to seasonal factors and MW-measure as necessary

Oct. 24: Round 1 prices for Registered Bidders

Application Process is Online

Part 1 Application (Sep. 16 – Sep. 26)

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

Part 2 Application (Oct. 03 – Oct. 16)

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

No hardcopies required!

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

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 this October 2024 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

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**

Capacity Proxy Price Mechanism

- A **Capacity Proxy Price** will be established for a delivery year if the results of the BRA under PJM's RPM for that delivery year are not expected to be known by, or prior to, five (5) business days prior to the date the SSO auction begins
- If a Capacity Proxy Price is established for a delivery year covered by the delivery period of a product in an SSO auction, a true-up mechanism, described in **Attachment H to the Master SSO Supply Agreement**, will become effective for the product
- As described in Attachment H,
 - true-up takes place in the delivery year for which a Capacity Proxy Price was established
 - through an additional line item on the invoice, the supplier will be paid (or will pay) the difference between the actual capacity price charged in the AEP Ohio Load Zone through PJM's RPM and the Capacity Proxy Price that was announced for that product, multiplied by the SSO Supplier Responsibility Share of the Capacity obligation for each day

Capacity Proxy Price Mechanism (cont)

- In this October 2024 SSO Auction, the Capacity Proxy Prices for the 2026/2027 and 2027/2028 delivery years will be set equal to the BRA results of the 2025/2026 delivery year as shown below:

Product	Product Delivery Period	Capacity Proxy Price?	Portion of Delivery Period during which Capacity Proxy Price Applies	Capacity Proxy Price (\$/MW-day)
12-Month	June 1, 2025 – May 31, 2026	NO	N/A	N/A
24-Month	June 1, 2025 – May 31, 2027	<u>YES</u>	<u>June 1, 2026 – May 31, 2027</u>	<u>\$270.35</u>
36-Month	June 1, 2025 – May 31, 2028	<u>YES</u>	<u>June 1, 2026 – May 31, 2027</u>	<u>\$270.35</u>
			<u>June 1, 2027 – May 31, 2028</u>	<u>\$270.35</u>


- The Auction Manager may update a Capacity Proxy Price for a delivery year. Any such update will be made no later than five (5) business days prior to the start of the SSO auction.

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



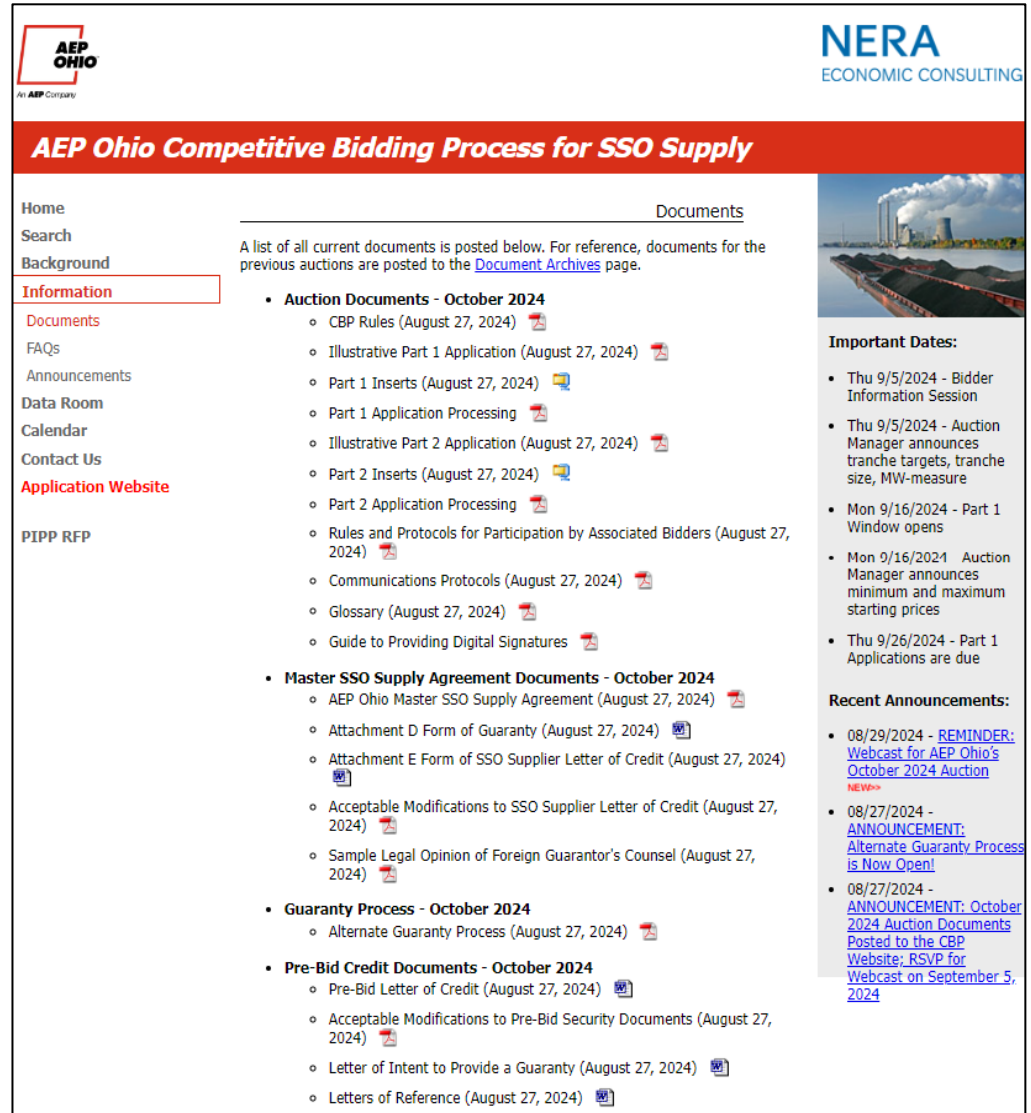
The screenshot shows the website's header with the AEP OHIO logo (An AEP Company) on the left and the NERA ECONOMIC CONSULTING logo on the right. Below the header is a red banner with the title "AEP Ohio Competitive Bidding Process for SSO Supply". A navigation menu on the left includes links for Home, Search, Background, Information, Data Room, Calendar, Contact Us, Application Website, and PIPP RFP. The main content area features a "Home" link and a paragraph explaining that the website provides information to prospective suppliers for AEP Ohio's Standard Service Offer (SSO) customers through a Competitive Bidding Process (CBP), with NERA Economic Consulting acting as the Auction Manager. On the right, there is a photograph of a city skyline and a section titled "Important Dates:" which lists five key events: a Bidder Information Session on 9/5/2024, an Auction Manager announcement of tranche targets on 9/5/2024, a Part 1 Window opening on 9/16/2024, an Auction Manager announcement of starting prices on 9/16/2024, and Part 1 Applications due on 9/26/2024.

Key Dates and Announcements

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 "Information" highlighted. The main content area lists documents under "Auction Documents - October 2024", "Master SSO Supply Agreement Documents - October 2024", "Guaranty Process - October 2024", and "Pre-Bid Credit Documents - October 2024". A sidebar on the right contains "Important Dates" and "Recent Announcements".

AEP OHIO
An AEP Company

NERA
ECONOMIC CONSULTING

AEP Ohio Competitive Bidding Process for SSO Supply

Home Documents

Search

Background

Information

Documents

FAQs

Announcements

Data Room

Calendar

Contact Us

Application Website

PIPP RFP

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

- **Auction Documents - October 2024**
 - CBP Rules (August 27, 2024)
 - Illustrative Part 1 Application (August 27, 2024)
 - Part 1 Inserts (August 27, 2024)
 - Part 1 Application Processing
 - Illustrative Part 2 Application (August 27, 2024)
 - Part 2 Inserts (August 27, 2024)
 - Part 2 Application Processing
 - Rules and Protocols for Participation by Associated Bidders (August 27, 2024)
 - Communications Protocols (August 27, 2024)
 - Glossary (August 27, 2024)
 - Guide to Providing Digital Signatures
- **Master SSO Supply Agreement Documents - October 2024**
 - AEP Ohio Master SSO Supply Agreement (August 27, 2024)
 - Attachment D Form of Guaranty (August 27, 2024)
 - Attachment E Form of SSO Supplier Letter of Credit (August 27, 2024)
 - Acceptable Modifications to SSO Supplier Letter of Credit (August 27, 2024)
 - Sample Legal Opinion of Foreign Guarantor's Counsel (August 27, 2024)
- **Guaranty Process - October 2024**
 - Alternate Guaranty Process (August 27, 2024)
- **Pre-Bid Credit Documents - October 2024**
 - Pre-Bid Letter of Credit (August 27, 2024)
 - Acceptable Modifications to Pre-Bid Security Documents (August 27, 2024)
 - Letter of Intent to Provide a Guaranty (August 27, 2024)
 - Letters of Reference (August 27, 2024)

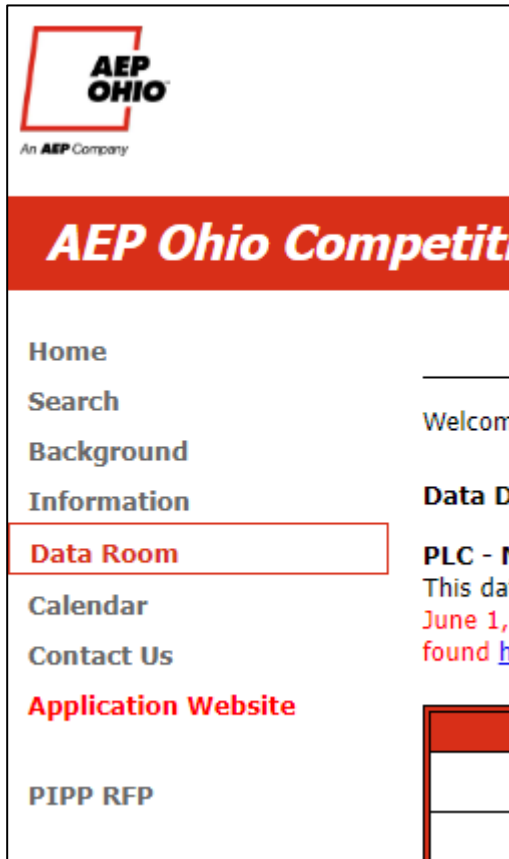
Important Dates:

- Thu 9/5/2024 - Bidder Information Session
- Thu 9/5/2024 - Auction Manager announces tranche targets, tranche size, MW-measure
- Mon 9/16/2024 - Part 1 Window opens
- Mon 9/16/2024 - Auction Manager announces minimum and maximum starting prices
- Thu 9/26/2024 - Part 1 Applications are due

Recent Announcements:

- 08/29/2024 - [REMINDER: Webcast for AEP Ohio's October 2024 Auction](#)
- 08/27/2024 - [ANNOUNCEMENT: Alternate Guaranty Process is Now Open!](#)
- 08/27/2024 - [ANNOUNCEMENT: October 2024 Auction Documents Posted to the CBP Website; RSVP for Webcast on September 5, 2024](#)

Data Room and Data Categories



Data Room includes:

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

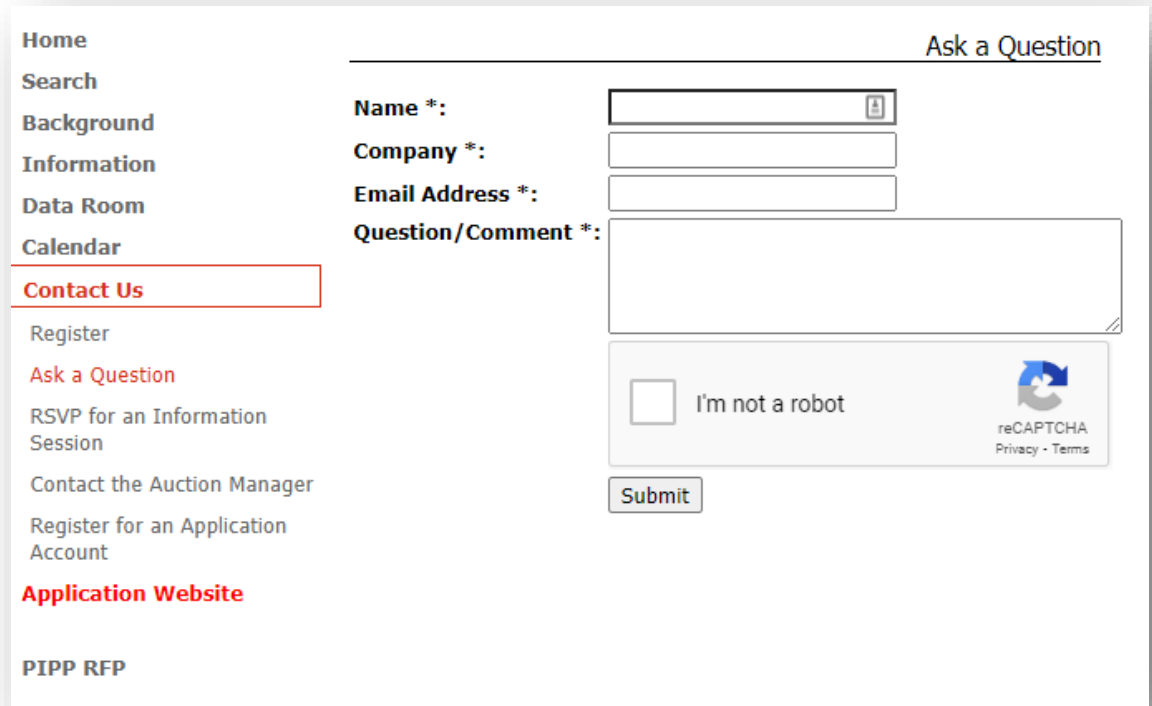
- Hourly energy
- Customer counts
- PLC and NSPL Data
- Monthly Switching Statistics
- Historical Unaccounted for Energy

Additional files updated less frequently:

- Government Aggregation

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



The screenshot shows the 'Ask a Question' form on the CBP website. The form is located on the right side of the page, with a navigation menu on the left. The navigation menu includes links for Home, Search, Background Information, Data Room, Calendar, Contact Us (highlighted), Register, Ask a Question, RSVP for an Information Session, Contact the Auction Manager, Register for an Application Account, Application Website, and PIPP RFP. The 'Ask a Question' form has the following fields: Name *, Company *, Email Address *, and Question/Comment *. There is a reCAPTCHA widget with the text 'I'm not a robot' and a 'Submit' button.

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



AEP Ohio Competitive Bidding Process for SSO Supply

Home Home

Search

Background

Information

Data Room

Calendar

Contact Us

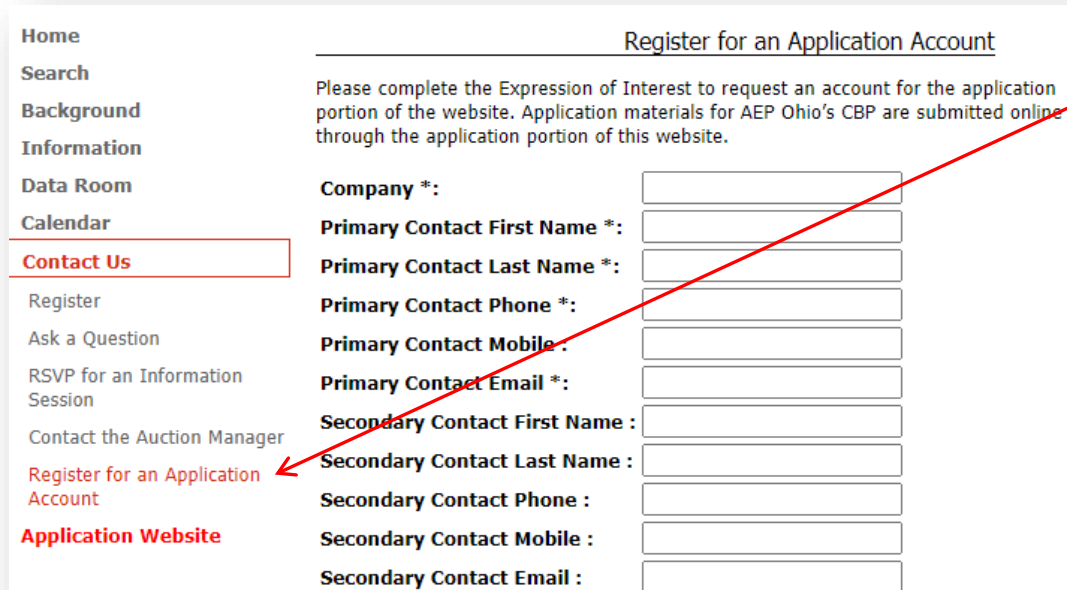
Application Website

PIPP RFP

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.

New Bidders Must Register for your Online Application Account

www.AEPOhioCBP.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

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 2022 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 2022 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

A bidder's qualification status from a prior auction held under ESP IV does not carry over to ESP V. All bidders (even bidders that have qualified in a prior auction) must submit the full Part 1 Application.

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









The screenshot shows the website's navigation menu on the left and the main content area on the right. The 'Information' menu item is highlighted with a red oval. The main content area is titled 'Documents' and contains a list of documents under the heading 'Auction Documents - October 2024'. Two items, 'Part 1 Inserts (August 27, 2024)' and 'Part 2 Inserts (August 27, 2024)', are highlighted with red rectangles.

Home
Search
Background
Information
Documents
FAQs
Announcements
Data Room
Calendar
Contact Us
Application Website
PIPP RFP

Documents

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

- **Auction Documents - October 2024**
 - CBP Rules (August 27, 2024) 
 - Illustrative Part 1 Application (August 27, 2024) 
 - **Part 1 Inserts (August 27, 2024) **
 - Part 1 Application Processing 
 - Illustrative Part 2 Application (August 27, 2024) 
 - **Part 2 Inserts (August 27, 2024) **
 - Part 2 Application Processing 
 - Rules and Protocols for Participation by Associated Bidders (August 27, 2024) 
 - Communications Protocols (August 27, 2024) 
 - Glossary (August 27, 2024) 
 - Guide to Providing Digital Signatures 

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	YES
P1-5	PJM Requirements	Only Applicable in Limited Circumstances	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 and preliminary interests
2. Submit pre-bid security (provided **via electronic means only**)
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 September 16, 2024)

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

Preliminary Interest is by Product

Preliminary Interest (Number of Tranches)

Product	Preliminary Interest at the Minimum Starting Price:	Preliminary Interest at the Maximum Starting Price:
12-Month	[XX]	[XX]
24-Month	[XX]	[XX]
36-Month	[XX]	[XX]

- Bidder provides number of tranches that it intends to bid of each product at the minimum and maximum starting price
- **Preliminary interest** in a product at a given price **should not exceed the indicative offer** at that price
- **Sum of preliminary interests** can exceed the indicative offer

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
- **Additional pre-bid security** may be required (**\$300,000** per tranche)

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 Credit Instruments – 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 of the Pre-Bid Letter of Credit is to be the operative instrument and **hardcopies of the Pre-Bid Letter of Credit will NOT be accepted**
- Any required additional pre-bid security must be uploaded to the online form. **Hardcopies of any required additional pre-bid security will NOT be accepted**

Opportunity to propose modifications to the pre-bid credit instruments 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

Auction Format is a Clock Auction

— Multi-product design

- Tranches for all products are procured at once

— Multi-round design

- Suppliers state how many tranches they want to supply at prices suggested by the Auction Manager
- Price for a product ticks down if there is excess supply for that product
- Suppliers can switch their bids from one product to another

Rounds Have Three Phases

Bidding Phase

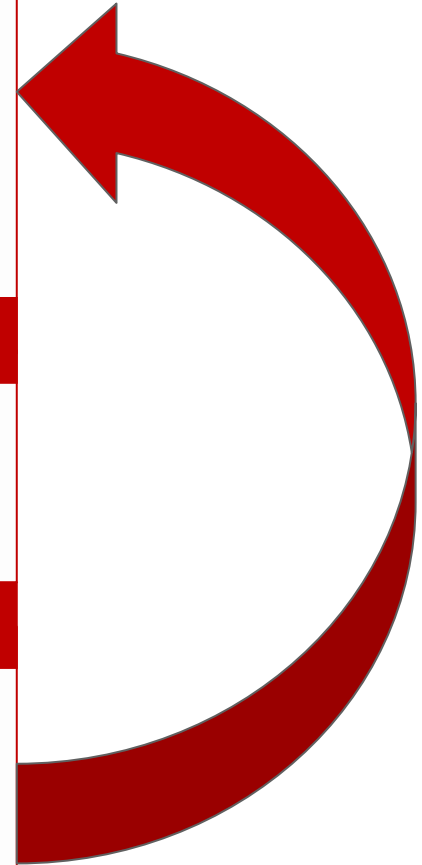
- Suppliers state how many tranches they want to supply at going prices for the round
- Auction Manager informs Registered Bidders of Round 1 prices no later than 3 days before auction

Calculating Phase

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

Reporting Phase

- Information provided to bidders:
 - Total Excess Supply range; and
 - Going prices for next round



Possible Reduction of Volume

- If there is insufficient supply to ensure competitive bidding, **the Auction Manager has the discretion to reduce the volume**
- 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 volume will be eliminated

Bid in Round 1

- A bid in round 1 is a number of tranches of each product that the bidder is willing to supply at the round 1 prices
- **Bidder cannot bid (in total across all products) 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 (but a bidder may increase the number of tranches bid on a particular product by switching)

Sample Reports

Bidder sees:

- Range of total excess supply
 - Total excess supply aggregates excess supply for all products and free eligibility
 - Range provided includes the actual excess supply
- The next round prices
- The result of the bidder's own bid

Report: Round 1	
Total Excess Supply 106 – 110	
Product Type	Round 2 Price (\$/MWh)
12-month	118.75
24-month	118.75
36-month	118.75

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

Bidding in Round 2 and Subsequent Rounds

- **In response to a reduction in prices, a bidder may:**
 - **Leave bid unchanged**
 - **Withdraw tranches** from the Auction
 - **Switch:** Reduce tranches bid on one product and increase tranches bid on another
 - **Withdraw and Switch**
- **Bidder cannot bid more than its eligibility across all products**
 - 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**

	12-Month	24-Month	36-Month
Price Round 1 (\$/MWh)	125.00	125.00	125.00
Bid Round 1 (tranches)	12	10	10
Price Round 2 (\$/MWh)	118.75	118.75	118.75
Bid Round 2 (tranches)	12	10	9
Exit Price			119.25

- Exit price is a **last and best offer**
 - Above current going price
 - Below or equal to previous going price
- Eligibility is lost whether or not the withdrawal is retained

A Bidder May Need to Provide Additional Information When Switching

	12-Month	24-Month	36-Month
Price Round 1 (\$/MWh)	125.00	125.00	125.00
Bid Round 1 (tranches)	12	10	10
Δ	+1	+1	-2
Price Round 2 (\$/MWh)	118.75	118.75	118.75
Bid Round 2 (tranches)	13	11	8
Switching Priority	1	2	

- When a bidder reduces the number of tranches bid on one product and increases the number of tranches bid on two products, the bidder will be asked for a switching priority
- This is used by the Auction Manager in case only some of the reductions can be granted (a denied switch subsequently outbid leads to free eligibility)

A Bidder May Need to Provide Additional Information When Switching AND Withdrawing

	12-Month	24-Month	36-Month
Price Round 1 (\$/MWh)	125.00	125.00	125.00
Bid Round 1 (tranches)	12	10	10
Δ	+1	-1	-1
Price Round 2 (\$/MWh)	118.75	118.75	118.75
Bid Round 2 (tranches)	13	9	9
Exit Price			119.25
Designate Exit			✓

- When decreasing the number of tranches bid from two products **and** switching, the bidder will be asked to designate which tranche is being withdrawn
- This bidder will be asked to name an exit price for the tranche(s) withdrawn
- Eligibility is lost whether or not the withdrawal is retained

Changes in Round 2 Reporting (from Round 1)

- **A bidder can request a switch or a withdrawal – but it may not always be granted**
 - Auction Manager may retain tranches from withdrawals or deny switches if necessary to fill the tranche targets
 - Auction Manager fills tranche target first with tranches bid at the going price, then by retaining withdrawals, then by denying switches (if necessary)

- Each bidder gets **information**:
 - A range of total excess supply
 - The going prices for the next round
 - The results of the bidder's own bid including:
 - Any tranches requested to be withdrawn that were retained (retained at the named exit price)
 - Any tranches requested to be switched that were denied (retained at the last price at which tranches were freely bid)

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 for each product that is the auction clearing price for that product
- Bidding on **all products will stop at the same time** and all bidders that win tranches for a product **get the same price**
 - Price for a product is the lowest price at which tranche target for the product is filled
 - Could be the going price of the last round, an exit price, or the price associated with a denied switch

Auction Clearing Price Illustrative Example

Round	Price \$/MWh	Bidder A	Bidder B	Bidder C	#Bid	Target	#Bid – Target
R11	95.99	7	8	4	19	17	2
R12	95.46	5	7	2	14	17	-3

Tranches withdrawn	2	1	2
Exit Prices	95.47	95.85	95.90

To fill the tranche target of 17 tranches:

1. take 14 tranches bid at going price
2. take 2 tranches at \$95.47
3. take 1 tranche at \$95.85

Retained Tranches	2	1	0
Auction Clearing Price		\$95.85	

Auction clearing price is \$95.85/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, October 24, 2024) 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, Microsoft Edge, Apple Safari, or Google Chrome

Contact the Auction Manager Team

**NERA
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, select “All Panelists” in the drop down, and hit Enter

