

# **Bidder Information Session**

## **April 23, 2019**

### **Auction Process for Duquesne Light Company Default Service Program DSP-VIII**

Auction Date: June 24, 2019

Delivery Period: September 1, 2019 – November 30, 2019

Customer Class: Medium C&I

# Introduction

---

## **Welcome to this bidder information session for Duquesne Light Company Default Service Program**

- Duquesne is seeking to procure full requirements Default Supply generation service for their Default Service Customers
  - Default Service = Load not being served by an Electric Generation Supplier (“EGS”)
  - Product in the Fixed-Price auction (customer class and delivery period):
    - Medium C&I 3-month (September 2019 – November 2019)
- Winning bidders will assume all responsibilities of a PJM Load Serving Entity (“LSE”), with the exception of Network Integrated Transmission Service and Billing Line Items.
- Date of Auction: Monday, June 24, 2019

## **Presentation is being made by representatives from**

- CRA International, the Independent Market Monitor
- This presentation will be posted to the Auction Information Website

# Introduction

## Questions

---

### **2 ways to submit questions during the presentation – questions will be answered only after the prepared presentation**

- Send an email to [DuquesneDSP@crai.com](mailto:DuquesneDSP@crai.com) or
- Use operator assisted call-in number – 800-988-9479 – and audio passcode – DUQUESNE
  - Inform the operator you have a question by pressing \*1 at any time
  - Operator will place you into queue
  - Your position in queue will be noted, but you will be on mute and unable to ask your questions until prompted later following the prepared presentation

### **Following the prepared presentation**

- Questions will be queued in the order above and answered
- After questions sent via email are answered, the phone line will be opened for callers who use the call-in number
- Callers will be introduced using an assigned port number
- When asking a question, callers should NOT identify themselves

# Introduction

## Disclaimer

---

This presentation is intended to provide only generally descriptive and summary information. The information and material provided on the Auction Information Website and filed with the PA PUC are controlling. Any conflict between the information conveyed during the bidder information session with information or material provided on the Auction Information Website, is unintentional.

Certain information may be subject to modification and approval by the PA PUC.

Neither the Company, nor the Independent Market Monitor, either individually or as corporations, nor any of their representatives shall be liable to an interested party or any of its representatives for any consequences relating to or arising from the use of the information in this presentation.

# Introduction

## Background: DSP-VIII

---

On May 2, 2016, Duquesne Light Company filed a petition for approval of their DSP-VIII Default Service Program with the Pennsylvania Public Utility Commission – Docket No. P-2016-2543140.

The Default Service Program was approved per the December 22, 2016 Pennsylvania Public Utility Commission Order.

Under the Default Service Programs DSP-VIII, which covers the delivery period of June 1, 2018 through May 31, 2021, an auction process is used to procure full requirements Default Supply generation service for the Company's Default Service Customers.

# Overview

---

**Communications**

**Product overview**

**Qualification process**

**Credit provisions**

**PJM settlement**

**Bidding format**

**Timeline for auction process**

**Q&As**

# Communications

---

**Central source of information is the Auction Information Website:**  
[www.DuquesneDSP.com](http://www.DuquesneDSP.com)

- Documents – Supplier documents, load data, etc.
- Calendar
- Results – from completed Default Service auctions under this DS Program
- News
- Frequently asked questions (FAQs)
- Ask – submit a question
- About – links to background information
- Registration – register to receive future notifications

# Product Overview

## DSP-VIII Auction

Auction Date	Auction	Customer Class	# Mos to Delivery	Delivery Duration	# Tranches	% of DS Load	Load Cap	2017					2018					2019					2020					2021					2022																												
								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
September 2018	Fixed Priced	Residential	3	12 Mos	12	25.0%	9																									S e p	Dec 2018 - Nov 2019																												
				24 Mos	6	12.5%																											Dec 2018 - Nov 2020																												
		Small C&I	3	12 Mos	2	25.0%																											Dec 2018 - Nov 2019																												
				24 Mos	1	12.5%																											Dec 2018 - Nov 2020																												
		Medium C&I	3	3 Mos	4	100%	4																									Dec - Feb																													
December 2018	Fixed Priced	Medium C&I	3	3 Mos	4	100%	4																									D e c	Mar - May																												
March 2019	Fixed Priced	Residential	3	12 Mos	12	25.0%	9																									M a r	Jun 2019 - May 2020																												
				24 Mos	6	12.5%																											Jun 2019 - May 2021																												
		Small C&I	3	12 Mos	2	25.0%																											Jun 2019 - May 2020																												
				24 Mos	1	12.5%																											Jun 2019 - May 2021																												
	Hourly Priced	Large C&I	3	12 Mos	2	100%	2																									Jun 2019 - May 2020																													
June 2019	Fixed Priced	Medium C&I	3	3 Mos	4	100%	4																									J u n	Sep - Nov																												
September 2019	Fixed Priced	Residential	3	12 Mos	12	25.0%	9																									S e p	Dec 2019 - Nov 2020																												
				24 Mos	6	12.5%																											Dec 2019 - Nov 2021																												
		Small C&I	3	12 Mos	2	25.0%																											Dec 2019 - Nov 2020																												
				24 Mos	1	12.5%																											Dec 2019 - Nov 2021																												
		Medium C&I	3	3 Mos	4	100%	4																									Dec - Feb																													
December 2019	Fixed Priced	Medium C&I	3	3 Mos	4	100%	4																									D e c	Mar - May																												



# Product Overview

## Change Classification of Med C&I vs Large C&I

---

**Starting in June 2019, the threshold for customers to qualify for hourly service as Large C&I customers was reduced from 300kW to 200kW**

- Approximately 180 customers that had been classified as Medium C&I prior to June 2019 would now qualify for hourly priced service
- Duquesne is in the process of recasting the load data posted to the information website to show report historic customer loads under the new customer classification
- The hourly classification would also be offered to formerly Medium C&I customers that have migrated to a competitive supplier if those customers meet the 200kW threshold

# Product Overview

## Obligations of Default Service Suppliers

---

**Obligations of Default Service Suppliers are detailed in the Supplier Master Agreement (“SMA”) and Appendices and include:**

- Energy,
- Capacity,
- Transmission,
- Ancillary Services,
- Alternative Energy Credits for compliance with the AEPS Act,
- Transmission and distribution system losses,
- Congestion management costs, and
- Such other products and services that are required except for distribution service.

**Appendix D of the SMA shows which PJM billing line items are assigned to Default Service Suppliers and which are assigned to the EDC**

# Product Overview

## Obligations of Default Service Suppliers (*continued*)

Under the Supplier Master Agreement, Default Service Suppliers will have the following Alternative Energy Portfolio Requirements:

<b>Compliance Period</b>	<b>Tier 1</b>	<b>PV</b>	<b>Tier 2</b>
6/1/2018 - 5/31/2018	6.5%	0.3400%	8.2%
6/1/2018 - 5/31/2019	7.0%	0.3900%	8.2%
6/1/2019 - 5/31/2020	7.5%	0.4433%	8.2%
6/1/2020 - 5/31/2021	8.0%	0.5000%	10.0%

The above amounts are estimates and may vary based on actual load served. DS Suppliers will need to true-up the actual credits needed based on the Monthly Settlement Amount.

If Alternative Energy Portfolio Requirements change by law or any other reason, DS Supplier shall be responsible for providing the credits at its expense in order to comply with its obligations under Full Requirements Service.

For additional details, please refer to the SMA

# Product Overview

## Obligations of Default Service Suppliers (*continued*)

Suppliers will be required to post Alternative Energy Credits 90 days after the completion of the contract.

Timeline for the June 2019 Auction:

Delivery Period	AEPS Requirements defined and supplier is notified	Supplier supplies AEPS requirements to DLC
September 2019 – November 2019	First week of February 2020	Mid February

If Alternative Energy Portfolio Requirements change by law or any other reason, DS Supplier shall be responsible for providing the credits at its expense in order to comply with its obligations under Full Requirements Service. For additional details, please refer to the SMA.

There are ongoing discussions at the PA Commission related to PA Act 40 and that may affect the solar SREC requirements for suppliers.

# Product Overview

## Obligations of Default Service Suppliers (*continued*)

---

**Winning bidders will be responsible at their sole cost and expense for:**

- Any changes in PJM products and pricing during the contract term
- Any congestion costs incurred to supply its DS share
- Remaining a member in good standing of PJM

**Each Default Service Supplier shall be responsible and liable to PJM for the performance of its LSE obligations associated with the provisions of Default Service Supply**

**Default Service Load will be divided into identical units called tranches**

- Each tranche represents a defined percentage of the actual hourly energy required for the relevant delivery period as well as of the PJM capacity requirement for the relevant delivery period
- Intent is to procure 100% of the DS Load for each delivery period over multiple DS auctions

# Product Overview

## Tranches

---

For DSP-VIII, Default Service Load will be divided into identical units called tranches, each representing a defined percentage of Default Service Load.

For example, if there are 25 tranches for a given customer class, then each tranche equals  $1/25 = 0.04 = 4\%$ , or four percent of that class's load. This includes four percent (4%) of the actual hourly energy required for Default Service Load for the relevant delivery period as well as four percent (4%) of the PJM capacity requirement for the relevant delivery period.

The nominal MW quantity associated with the energy and the capacity for each tranche will depend upon many factors, including but not limited to customer migration to alternative competitive suppliers and weather conditions.

Bidders are responsible for evaluating the uncertainty associated with supplying a wholesale energy tranche which could vary each hour.

# Product Overview

## Minimum and Maximum Starting Prices

---

**Prior to the auction, the Independent Market Monitor will announce a minimum and maximum starting price range for the auctioned product**

- As part of the application process, Qualified Bidders submit indicative offers based on the minimum and maximum starting prices which will be used to determine the Bidder's initial eligibility in the auction

**The Independent Market Monitor may determine that due to extraordinary events, the minimum or maximum starting prices require revision**

- If indicative offers have already been received, the Independent Market Monitor will request that the Registered Bidders (or the Qualified Bidders if the Part 2 Application process has not been completed) modify their indicative offers on the basis of the revised minimum starting prices and the revised maximum starting prices
- Such an event also may require a revision to the schedule for the Default Service Program

**No later than three (3) business days before bidding starts, the Independent Market Monitor will inform Registered Bidders of the starting price for round 1**

# Qualification Process

## Overview

---

### **Part 1 Applications: Prospective bidders apply to become Qualified Bidders**

- Start Date: Wednesday, May 1, 2019
- Due Date: Wednesday, May 15, 2019 at 12:00 noon ET

### **Part 2 Applications: Each Qualified Bidder provides certifications, its indicative offer, and pre-bid security in order to become a Registered Bidder**

- Start Date: Wednesday, May 22, 2019
- Due Date: Wednesday, June 5, 2019 at 12:00 noon ET

### **Only Registered Bidders can participate in the bidding**

**Prospective bidders will be able to fill out, submit, and upload their supporting documentation for the Part 1 and Part 2 Applications online through the secure Online Application process**



# Qualification Process

Part 1 Application – Due Wednesday, May 15, 2019 at 12:00 noon ET

---

**Submit an application from a person with the power to bind the bidder and agree to:**

- Comply with all rules of the auction
- If they become winning bidders, execute the Supplier Master Agreement with the Company

**Confirm that they either satisfy the three requirements below, or have no existing impediments to them satisfying all the requirements by the start of the supply period**

- Transmission Customer of PJM and have executed the applicable PJM Agreements
- Have PJM E-Accounts necessary to provide Default Service Supply
- PJM Market Participant and a Load Serving Entity in PJM

**Agree that if they become winning bidders, they will comply with the creditworthiness requirements set forth in the Supplier Master Agreement**

**Certify that if they qualify to participate, they will not:**

- Disclose information regarding the list of Qualified Bidders
- Disclose confidential information about Qualified Bidders obtained during the bidding process
- Substitute another entity in their place
- Transfer their rights to another entity
- Otherwise assign their status as Qualified Bidders to another entity

# Qualification Process

## Part 1 Application *(continued)*

---

**A prospective bidder that has qualified during the Part 1 Application process becomes a Qualified Bidder**

**Independent Market Monitor will send a list of all Qualified Bidders to relevant parties that have undertaken to maintain the confidentiality of the list of Qualified Bidders – relevant parties that will receive this list of Qualified Bidders are:**

- Each Qualified Bidder
- Representatives from the Company

**All parties receiving a list of Qualified Bidders will be subject to the confidentiality requirements as specified in the Bidding Rules**

**Part 1 Applicant also must submit financial information and may choose to submit Draft Pre-Bid Letter of Credit (described later)**

**Prospective bidders will be notified by the Independent Market Monitor no later than three (3) business days after the Part 1 Application Due Date whether they succeeded in becoming a Qualified Bidder**

# Qualification Process

## Part 1 Application (*continued*)

---

### **Part 1 Applications are submitted online**

- The Part 1 Online Application process opens on Wednesday, May 1, 2019
- Due Date: Wednesday, May 15, 2019 at 12:00 noon ET

### **A prospective bidder is required to:**

- An update to a previously submitted Part 1 Application to participate in any of Duquesne Light's Default Service Program auctions
- A new Part 1 Application before the first auction in a calendar year in which they would like to participate

### **Two types of participants for the June 2019 auction:**

- Previously Qualified Bidders – i.e., who had a successful Part 1 Application for the March 2019 auction
  - Can update and re-use their Part 1 Application for the June 2019 auction
- New prospective bidders for the June 2019 auction
  - Must complete a new Part 1 Application

# Qualification Process

## Part 1 Application – Account Request Form

Duquesne Light Company's Default Service Program Auction Process

### **Account Request Form: Request for Part 1 and Part 2 Application Online Account**

With access to an Online Account for the Part 1 Application and Part 2 Application process, a prospective bidder will be able to submit and check the status of their Part 1 Application and Part 2 Application as well as upload supporting documentation.

To open an Online Account please fill in the following information:

**Company Name:**

**Date:**

MM/DD/YYYY

Please provide the First Name, Last Name, and E-mail Address for every person that you request to be given access to your online Application. Each person listed below will receive a unique username and password combination that they will be able to use to login to the online application of the Company named above.

	<b><i>First Name</i></b>	<b><i>Last Name</i></b>	<b><i>E-mail Address</i></b>
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			

**\*\*\*Please email this form to the Independent Market Monitor at [DuquesneDSP@crai.com](mailto:DuquesneDSP@crai.com)**

# Qualification Process

## Part 1 Application – Previously Qualified Bidders

---

### **On or around May 1, the Independent Market Monitor will email your Authorized Representative with two attachments:**

- Account Request Form (see example on previous slide) used for a previous Part 1 Application – to confirm which persons are allowed to access the Online Account for the upcoming auction
- New form with 3 checkboxes for those with successful Part 1 Applications from the March 2019 auctions:
  - I will not participate in the June 2019 auction
  - I, Applicant, may participate in the June 2019 auction but do not need to make changes to my Part 1 Application in effect for the previous 2019 auction
  - I, Applicant, may participate in the June 2019 auction but do need/want to make changes to my Part 1 Application in effect for the previous 2019 auction (we will need to unlock your online Application)

# Qualification Process

## Part 1 Application – Previously Qualified Bidders

---

Please note, applicants re-using their Part 1 Application in effect for the March 2019 auctions must update their financial figures in that application if more recent financial figures are available

To access your prior Part 1 Application, once the Part 1 Application process opens, log in to your existing online account using the same Website address and login credentials as you used before – if forgotten, send an email to [duquesnedsp@crai.com](mailto:duquesnedsp@crai.com)

Decide whether you need or want to make changes

Proposed changes to credit documents – to be emailed to the Independent Market Monitor – are not considered a change to your Part 1 Application itself (but are due by the Part 1 Application Due Date)

# Qualification Process

## Part 1 Application – New Prospective Bidders

---

In order to get an Online Account to participate in the Part 1 and Part 2 Application process, prospective bidders must fill out an Account Request Form and email it to [duquesnedsp@crai.com](mailto:duquesnedsp@crai.com)

Bidders who already have a Part 1 Application and Part 2 Application Online Account do not need to fill out an Account Request Form and can use the same login credentials as previously

Account Request Form – shown on earlier slide – is available on the Home page of the Information Website ([www.duquesnedsp.com](http://www.duquesnedsp.com)) under “Forms”

If you have trouble, email [duquesnedsp@crai.com](mailto:duquesnedsp@crai.com)

# Qualification Process

Part 2 Application – Due Wednesday, June 5, 2019 at 12:00 noon ET

---

**Qualified Bidders from the Part 1 Application process submit Part 2 Applications to become Registered Bidders**

**The Part 2 Application process opens on Wednesday, May 22, 2019**

**Due Date: Wednesday, June 5, 2019 at 12:00 noon ET**

**In the Part 2 Application, each Qualified Bidder will make a number of certifications regarding associations to ensure that they are participating independently of other Qualified Bidders and to ensure the confidentiality of information regarding the auction**

**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**



# Qualification Process

## Part 2 Application *(continued)*

**With its Part 2 Application, a Qualified Bidder will be required to submit an indicative offer – comprising a set of two (2) numbers of tranches for the product in the Fixed-Price auction – and to post pre-bid security sufficient for the indicative offers**

- The first number is the number of tranches that the Qualified Bidder is willing to serve at the minimum starting price for the product in the auction
- The second number is the number of tranches that the Qualified Bidder is willing to serve at the maximum starting price for the product in the auction
- At the minimum and the maximum starting prices, the number of tranches indicated by the Qualified Bidder cannot exceed the load tranche cap per Customer Class

### **Bidder's initial eligibility per auction**

- This is the maximum total number of tranches the Qualified Bidder can bid for the product in round 1 of the auction and may be subject to customer class load caps
- Determined by the number of tranches in the Qualified Bidder's indicative offer at the maximum starting price
- Thus, the indicative offer at the maximum starting price needs to state the maximum possible number of tranches that the bidder would be ready, willing, and able to serve

**Qualified Bidders will be notified by the Independent Market Monitor no later than three (3) business days after the Part 2 Application Due Date whether they succeeded in becoming a Registered Bidder**

# Credit Provisions

## Required Credit and Financial Information

---

### For bidder or bidder's Guarantor:

- **Financial statements** (most recently issued SEC Form 10-K, 10-Q, 8-K)
- **A statement of rulings or judgments** relating to financial status that have had a material impact on financial status
- **A debt rating** from at least two of the following rating agencies: S&P, Fitch, or Moody's (with supporting documentation)
- **Contact information** for the Bidder's/Guarantor's credit representative to answer questions on the documentation provided

# Credit Provisions

## Pre-Bid Security – 2 Options

---

### 1) Use Pre-Bid Letter of Credit

- Part 1: Submit a Draft Pre-Bid Letter of Credit (LOC) (optional)
- Part 2: Submit an executed Pre-Bid LOC (**\$250,000**/tranche)

### 2) Make a cash deposit

- Part 1: Request wiring instructions
- Part 2:
  - Submit cash deposit (**\$250,000**/tranche)
  - Attach a copy of W9 (tax ID) and a copy of banking information on company's letterhead, signed and dated
  - Provide wiring instructions for returning your cash deposit

**For Supplier (Winning Bidder) security requirements refer to Appendix B Methodology For Calculation of Market to Market (MTM) exposure**

# Credit Provisions

## Supplier Master Agreement – Key Elements of Credit Provisions

---

**Security posted during the term of the Default Supply delivery period will depend upon a creditworthiness evaluation**

- Unsecured credit may be granted based on the Supplier's (or its Guarantor's) Tangible Net Worth and credit rating (see Supplier Master Agreement)
- Total Exposure Amount less any unsecured credit (Margin) must be met with cash or Letter of Credit (Exhibit 4 of Supplier Master Agreement)

**The credit exposure methodology is explained in Section 6.3 of Supplier Master Agreement**

**Letter of Credit (Exhibit 4 of Supplier Master Agreement)**

**Guaranty (Exhibit 5 of the Supplier Master Agreement)**

# Information Website

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

---

**Information Website for the Default Service Program auction process is**  
[www.DuquesneDSP.com](http://www.DuquesneDSP.com)

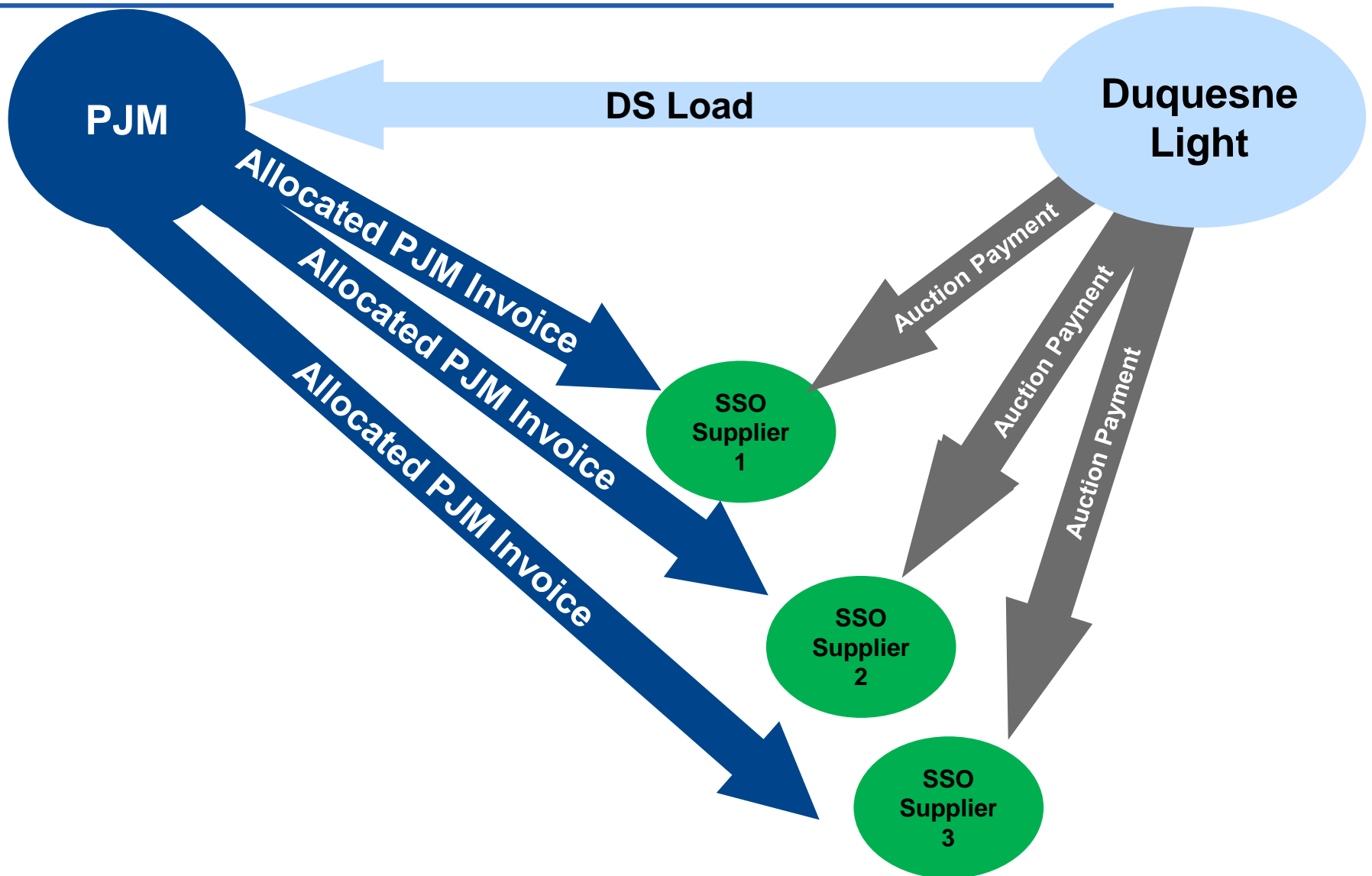
- Information about the Default Service Program
- Download Supplier documents (Supplier Master Agreement, Bidding Rules, etc.)
- Download load and other data
- Auction calendar
- Results from previous Default Service auctions under this Default Service Program
- News and announcements
- Frequently Asked Questions (FAQs)
- Register to receive updates
- Submit questions
- Information about Duquesne Light, CRA International, PJM

## Register on the Information Website

- Register to receive information updates regarding Default Service Program – provide name, company name, valid email address
- Once registered, prospective bidders can submit questions

# PJM Settlement

## Settlement Landscape



# PJM Settlement

## The Role of Duquesne Light Company's Energy Supply Team

---

### **Acts as the Meter Data Coordinator for Default Service Suppliers**

- Submits load data to PJM for generation of invoices
  - Primary and Secondary data
  - Re-Settlement periods as necessary
- Default Service Load split by tranches won in delivery period

### **PJM uses settlement load data to develop the Default Service Invoices**

- Primary and Secondary data are used for Final Monthly Energy Allocation (FMEA) and Preliminary Monthly Energy Allocation (PMEA)
- Spreadsheet format
- Emailed
- Based on tranches awarded in the Default Service procurement process

**For more information, refer to Article 2 of the SMA - General Terms and Conditions and Article 9 - Billing and Payment**

# Bidding Format

## Reservation Price and Starting Price

---

### **There is a reservation price for the product**

- No tranche will be procured at a price that is above the reservation price for the product
- The reservation price will not be disclosed to bidders

### **Starting price for the product = announced price for round 1**

- Announced no later than three (3) business days before bidding starts
- No lower than the product's minimum starting price; no higher than its maximum starting price
- Starting price  $\geq$  reservation price



# Bidding Format

## Discretion to Reduce Tranche Targets

---

### Discretion to reduce tranche target (# tranches to procure)

- If there is insufficient supply bid for the tranches to ensure competitive bidding, Independent Market Monitor may 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
  - Once certain pre-specified criteria related to excess supply and related to the reservation price have been met, the discretion to reduce the tranche target will be eliminated and there will be no reduction in the tranche target
  - Any exercise of this discretion would be more likely in the earlier rounds of the auction
- If the Independent Market Monitor reduces the tranche target, bidders will be informed of the revised tranche target

# Bidding Format

## Bidder's Eligibility and Load Cap

---

### **Bidder's eligibility**

- This is the maximum number of tranches the bidder can bid in a round
- Bidder's eligibility for a round = total number of tranches they bid in the preceding round
- Thus, bidder's eligibility cannot increase during auction – only stays the same or declines

**The load caps limit the bidder's eligibility to bid on a Customer Class.**

**There will be no load cap in effect for the June 2019 auction.**

# Bidding Format

## Clock Format

---

### Bidders bid using the Independent Market Monitor's Bidding Website

#### Multiple-round, descending-price clock format

- Each round has specified start and end times
- The price for the next round is announced (“announced price”) – price falls round to round
- Round opens and each bidder submits the number of tranches of the product it is willing to supply at the product’s announced price
- Round closes
  - **If the total number of tranches bid > tranche target for the product**, then announced price for the product will be reduced for the next round by a price decrement
  - **If the total number of tranches bid  $\leq$  tranche target for the product**, then the announced price for the product will remain unchanged for the next round
- Round results are reported prior to the start of next round

# Bidding Format

## Default Bid

---

### Default bid for a bidder

- If bidder entered round with positive eligibility but fails to submit a confirmed bid in the round, then default bid will be submitted on behalf of the bidder
- The default bid will be zero (0) tranches – because the announced price decreased from the prior round
- A bidder with zero (0) tranches of eligibility will not be able to submit any more bids in that auction

# Bidding Format

## Subscription State = Measurement of Excess Supply

---

At the end of each round, the product is over-subscribed (excess supply > 0), subscribed (excess supply = 0), or under-subscribed (excess supply < 0)

**Excess supply = # of tranches bid – tranche target**

- 1) **If excess supply > 0:** Price for the product is reduced by a price decrement and the auction will continue with the next round.
- 2) **If excess supply = 0:** Price for the product will remain unchanged. Bidders who bid on the product will not be able to reduce their tranches bid on the product in the next round of the auction.
- 3) **If excess supply < 0 and no bidders reduced the number of tranches they bid on the product:** Price for the product will remain unchanged. Bidders who bid on the product will not be able to reduce their tranches bid on the product in the next round of the auction.
- 4) **If excess supply < 0 and one or more bidders reduced the number of tranches they bid on the product:** Consequences are the same as case #3, and also a rollback will be applied to the product.

# Bidding Format

## Rollback

**If excess supply < 0 and one or more bidders reduced the number of tranches they bid on the product:** Consequences are the same as case #3, and also a rollback will be applied to the product.

**When there is excess supply for the product at the end of round R, the announced price declines in round R+1**

- Bidders are free to reduce the tranches bid for the product in response to the lower price
- In some cases, total tranches bid may fall to a level below the tranche target

**A rollback process selects a sufficient number of tranches that were bid in round R so that the product is subscribed following round R+1**

- Tranches rolled back are selected at random from the those reduced from round R to round R+1
- The price associated with rolled back tranches is the price at which the tranches were bid) – i.e., a price higher than the round R+1 price
- Only tranches that were both bid on a product in round R and not bid on the product in round R+1 are subject to a possible rollback
- Even after a rollback, the total number of tranches accepted for a bidder will be no greater than the total number of tranches the bidder bid in round R

# Bidding Format

## Illustrative Example – Single Product

Illustrative Bidding in an Auction (single-product example)							
Round	Tranche Target	Announced Price (\$/MWh)	Number of Tranches Bid				Total
			BidderA	BidderB	BidderC	BidderD	
1	100	\$75.00	34	55	21	72	182
2	100	\$70.00	30	55	15	50	150
3	100	\$66.00	20	52	10	45	127
4	100	\$62.00	15	48	0	44	107
5	100	\$59.50	0	48	—	42	90

The auction will conclude after round 5 because excess supply for the product was no longer positive. In the round, only 90 tranches of supply were bid against 100 tranches being procured. Negative excess supply triggers a rollback of 10 tranches.

**BidderA** bid 15 tranches at \$62.00/MWh in round 4 and 0 tranches at \$59.50/MWh in round 5. Because BidderA reduced its bid, it is subject to a rollback of up to 10 tranches.

**BidderB** bid 48 tranches in rounds 4 and 5. Because BidderB did not reduce, it is not subject to a rollback. BidderB wins 48 tranches at the clearing price.

**BidderC** bid 0 tranches at \$62.00/MWh in round 4 and is not subject to any rollback.

**BidderD** bid 44 tranches at \$62.00/MWh in round 4 and 42 tranches at \$59.50/MWh in round 5. BidderD is subject to a rollback of up to 2 tranches.

Rollback Results				
		Tranches		
Round	Price (\$/MWh)	BidderA	BidderB	BidderD
4	\$62.00	15	48	44
5	\$59.50	0	48	42
Rollback	\$62.00	9	0	1
<b>Winning</b>	<b>\$62.00</b>	<b>9</b>	<b>48</b>	<b>43</b>
<b>Clearing price for all 100 tranches won = \$62.00</b>				

# Bidding Format

## Winning Tranches, Bidders, and Prices

---

### **If Excess Supply = 0 for the product at end of a round**

- Winning tranches are the tranches bid in the last round of the auction
- Winning bidders are the bidders who bid those tranches
- Uniform pricing: Price to be paid for winning tranches for a product will be the highest price for any tranche in the product's bid stack

### **If Excess Supply $\leq 0$ for the product at the end of a round**

- There will be a rollback for the product with excess supply  $< 0$
- There will be no rollback for the product with excess supply  $= 0$
- Uniform pricing: Price to be paid for winning tranches for a product will be the highest price for any tranche in the product's bid stack

### **Note: In all cases, a product's bid stack has at most two prices**

- If the bid stack has rolled-back tranches, then there are two prices in the bid stack – the most recent (i.e., lower) announced price and the next-most recent (i.e., higher) announced price
- If the bid stack does not have rolled-back tranches, then there is only one price in the bid stack – the most recent announced price



# Bidding Format

## Close of the Auction

---

**Shortly after the last round of the auction, results are determined by the Independent Market Monitor, then:**

- Independent Market Monitor provides to Duquesne and the Commission the identity of winning bidders, the number of tranches won by each winning bidder, and the prices for the tranches won
- Independent Market Monitor notifies:
  - Each winning bidder of how many tranches the bidder has won and at what prices
  - Each unsuccessful bidder that the bidder has not won any tranches
- The Commission will determine if there has been a violation of the auction rules in such a manner as to invalidate the auction based upon an assessment from the Independent Market Monitor

**Duquesne and the winning bidders will execute the Supplier Master Agreement**

# Bidding Format

## Technical Difficulties During the Auction

---

- Unforeseen technical difficulties may happen during an online auction
- Pursuant to the auction rules, if a technical difficulty occurs during an auction, depending on the circumstances the Independent Market Monitor will:
  - Inform all the bidders as soon as possible, by phone and/or Independent Market Monitor Message page on the Bidding Website
  - Accept bids using the Backup Bidding Fax Number
  - Extend the duration of bidding round(s), extend the time between bidding round(s), or otherwise pause the auction(s)

# Supplier Master Agreement

## Administrative changes

---

Once the results of the Auction have been approved, the winning bidders are expected to sign the SMA. For DSP-VIII, Duquesne Light introduced a generic version of the Supplier Master Agreement.

The generic SMA only needs to be signed once during the DSP-VIII auction cycle.

### **Two types of winning bidders for the June 2019 auction:**

- Bidders that previously signed the generic SMA
  - Will receive a transaction confirmation from Duquesne
  - Do not need to sign a new SMA
- Bidders that have not signed the generic SMA
  - Will sign the generic SMA
  - Will receive a transaction confirmation from Duquesne for future winning bids.

# Timeline for Upcoming Auction

## Timeline for the DSP-VIII June 2019 Auction

Activity	Date
WebEx Information Session	Tuesday, April 23, 2019
Part 1 Applications can be submitted	Wednesday, May 1, 2019
Deadline to submit Part 1 Applications	Wednesday, May 15, 2019
CRA announces minimum and maximum starting prices	Wednesday, May 22, 2019
Part 2 Applications can be submitted	Wednesday, May 22, 2019
Deadline to submit Part 2 Applications	Wednesday, June 5, 2019
Bidder User Manuals Distributed	Friday, June 14, 2019
Mock Auction for Registered Bidders	Wednesday, June 19, 2019
CRA announces starting price to Registered Bidders	Wednesday, June 19, 2019
<b>Auction for Registered Bidders</b>	<b>Monday, June 24, 2019</b>
CRA notifies Duquesne Light Company and PA PUC of results (tentative)	Monday, June 24, 2019
Commission Decision (tentative)	Wednesday, June 26, 2019
Supplier Master Agreement Signed (tentative)	Friday, June 28, 2019
Power Flow	Sunday, September 1, 2019

# Q&As

Please do NOT identify yourself if you have a question

---

## Following the prepared presentation

- Questions received and queued during the prepared presentation will be answered in the following order:
  - Email
  - Verbal (to enter the queue, notify the operator)
- After questions sent via email are answered, the phone line will be opened for callers interested in asking questions verbally
- The operator will introduce callers using an assigned port number
- Callers should NOT identify themselves when asking questions

**Q&As raised during this bidder information session will be posted on the Information Website**

*Thank you for your interest in Duquesne Light Default Service Program*