

Bidder Information Session September 28, 2022

Auction Process for FirstEnergy's Pennsylvania Default Service Programs DSP-V and DSP-VI

Auction Date: Monday, November 14, 2022

**Delivery Periods Include: DSP-V: December 1, 2022 – February 28, 2023
DSP-VI: June 1, 2023 – May 31, 2025 ***

**Customer Classes: DSP-V: Commercial
DSP-VI: Residential and Commercial**

* Throughout this presentation, an asterisk notes that FirstEnergy Pennsylvania has filed a petition with the Pennsylvania Public Utility Commission to move the 24-month products from the November 2022 DSP-VI auction to a January 2023 DSP-VI auction. The petition is pending with the Commission.



Introduction

Welcome to this bidder information session for FirstEnergy's Pennsylvania Default Service Program

- FirstEnergy's Pennsylvania Companies: Metropolitan Edison Company (“Met-Ed”), Pennsylvania Electric Company (“Penelec”), Pennsylvania Power Company (“Penn Power”) and West Penn Power Company (“West Penn Power”)
- The Companies are 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”)
 - Products in the auction (customer class and delivery period):

DSP-V

Commercial Class	
Commercial 3-month:	December 2022 – February 2023

DSP-VI

Residential & Commercial Class	
Residential 12-month:	June 2023 – May 2024
Residential 24-month:	June 2023 – May 2025 *
Commercial 12-month:	June 2023 – May 2024
Commercial 24-month:	June 2023 – May 2025 *

- Winning bidders will assume all responsibilities of a PJM Load Serving Entity (“LSE”), with the exception of certain solar requirements (explained later)
- Date of Auctions: Monday, November 14, 2022

Presentation is being made by representatives from

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

Introduction

Questions

Two ways to submit questions during the presentation – questions will be answered only after the prepared presentation

- Send an email to fepaauction@crai.com or
- Use operator-assisted call-in number – 888-995-9853 – and audio passcode – 6217600
 - 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

The information contained in this presentation material 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 with the information conveyed during the bidder information session, or with information or material other than what is provided on the Auction Information Website, is unintentional.

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

Neither the Companies, nor the Independent Evaluator, 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-V

On December 11, 2017, Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Power Company filed a petition for approval of their DSP-V Default Service Program with the Pennsylvania Public Utility Commission – Docket Nos. P-2017-2637855 , P-2017-2637857, P-2017-2637858, and P-2017-2637866.

The Default Service Program was approved per the August 23, 2018 Pennsylvania Public Utility Commission Opinion and Order, subject to a Rehearing period that ended on September 22, 2018.

Under the Default Service Program DSP-V, which covers the delivery period of June 1, 2019 through May 31, 2023, an auction process is used to procure full requirements Default Supply generation service for the Companies' Default Service Customers.

Introduction

Background: DSP-VI

On December 14, 2021, Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Power Company filed a petition for approval of their DSP-VI Default Service Program with the Pennsylvania Public Utility Commission – Docket Nos. P-2021-3030012, P-2021-3030013, P-2021-3030014, and P-2021-3030021.

The Default Service Program was approved per the August 4, 2022 Pennsylvania Public Utility Commission Opinion and Order.

Under the Default Service Program DSP-VI, which covers the delivery period of June 1, 2023 through May 31, 2028, an auction process is used to procure full requirements Default Supply generation service for the Companies' Default Service Customers.

On September 2, 2022, FirstEnergy Pennsylvania filed a petition with the Pennsylvania Public Utility Commission to move the 24-month products from the November 2022 DSP-VI auction to a January 2023 DSP-VI auction. The petition is pending with the Commission.

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.fepaauction.com

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

Product Overview

DSP-V and DSP-VI Auctions

Products are distinguished by company, customer class, and period of delivery

Four companies

- Met-Ed
- Penelec
- Penn Power
- West Penn Power

Products in the auctions (customer class and period of delivery)

DSP-V Fixed-Price Auction (Commercial product):

- Commercial 3-month: December 2022 – February 2023

DSP-VI Fixed-Price Auction (Residential and Commercial products):

- Residential 12-month: June 2023 – May 2024
- Residential 24-month: June 2023 – May 2025 *
- Commercial 12-month: June 2023 – May 2024
- Commercial 24-month: June 2023 – May 2025 *

* FirstEnergy Pennsylvania has filed a petition with the Pennsylvania Public Utility Commission to move the 24-month products from the November 2022 DSP-VI auction to a January 2023 DSP-VI auction. The petition is pending with the Commission.

Product Overview

DSP-V Auction – Price Paid for Winning Tranches

Default Service Suppliers are paid the following

- For the Residential products
 - Fixed-price component: 95% of the Supplier's delivered Default Service supply each hour multiplied by the DS fixed-price (determined in the auction), plus
 - Variable price component: 5% of the Supplier's delivered Default Service supply each hour multiplied by the DS "spot price", with the spot price equal to the sum of:
 - Real-time hourly total locational marginal price (LMP) for the company zone, plus
 - Fixed adder of \$20.00/MWh
- For the Commercial products
 - Fixed-price component: 100% of the Supplier's delivered Default Service supply each hour multiplied by the DS fixed-price (determined in the auction)

Product Overview

DSP-VI Auction – Price Paid for Winning Tranches

Default Service Suppliers are paid the following

- For the Residential and Commercial products
 - Fixed-price component: 100% of the Supplier's delivered Default Service supply each hour multiplied by the DS fixed-price (determined in the auction)

Product Overview

DSP-VI Auction – Capacity Proxy Price

Capacity Proxy Price (“CPP”)

- PJM is not expected to conduct a base residual auction for the 2024/2025 delivery year before the November 2022 DSP-V and DSP-VI auctions.
- FirstEnergy Pennsylvania has filed a petition with the Pennsylvania Public Utility Commission to move the 24-month products from the November 2022 DSP-VI auction to a January 2023 DSP-VI auction. The petition is pending with the Commission.
- If the petition is not approved, a Capacity Proxy Price will be used for the 2024/2025 delivery period as described in Appendix H of the DSP-VI Supplier Master Agreement.

Product Overview

Obligations of Default Service Suppliers in DSP-V and DSP-VI

Obligations of Default Service Suppliers include the following:

- Assume all responsibilities of a PJM Load Serving Entity ("LSE"), including all PJM administrative expenses and any other services or fees as required by PJM of an LSE
- Provide for energy
- Provide for capacity
- Provide for ancillary services
- Provide for transmission service, including Network Integration Transmission Service ("NITS")
- Provide certain alternative energy requirements (explained later)

Obligations of Default Service Suppliers exclude the following:

- Regional Transmission Expansion Plan charges ("RTEP").
- PJM Expansion Cost Recovery charges ("ECRC").
- Reliability Must Run / Generation Deactivation charges ("RMR") associated with generating plants for which specific RMR charges began after July 24, 2014. All Suppliers will continue to be responsible for RMR charges associated with generating plants that began before July 24, 2014, as those charges may change over time.

Product Overview

Obligations of Default Service Suppliers – DSP-V

Under the DSP-V Supplier Master Agreement, Default Service Suppliers will have the following alternative energy requirements

- For Met-Ed, Penelec, and Penn Power:
 - Alternative Energy Portfolio Standards Act (AEPS) Alternative Energy Credits (AECs) needed to meet the non-solar requirements of the Companies' Default Service Load as more specifically described in the SMAs
 - Solar AEPS requirements will be provided by the Companies
- For West Penn Power:
 - All solar and non-solar AEC requirements
 - West Penn Power's solar and non-solar AEC contracts expired on May 31, 2021. Beginning June 1, 2021, West Penn Power no longer has solar or non-solar AECs to allocate to DS Suppliers

Product Overview

Obligations of Default Service Suppliers – DSP-VI

Under the DSP-VI Supplier Master Agreement, Default Service Suppliers will have the following alternative energy requirements

- Alternative Energy Portfolio Standards Act (AEPS) Alternative Energy Credits (AECs) needed to meet the non-solar requirements of the Companies' Default Service Load as more specifically described in the SMAs
- In the first year of the DSP VI Term, Met-Ed, Penelec, and Penn Power will continue to allocate SPAECs obtained through existing long-term contracts that expire on May 31, 2024 to default service suppliers and EGSs on a load ratio basis.
 - West Penn suppliers continue to be responsible for the solar requirement
- In addition, the SPAECs that the Companies purchase through their proposed solar PPAs will be allocated to default service suppliers in proportion to the amount of residential load served over the course of the energy year.

Product Overview

Obligations of Default Service Suppliers – DSP-V and DSP-VI

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-V and DSP-VI, 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

November 2022 Procurement Auctions

DSP-V Auction

Auction Date	FP or HP Auction	Customer Class	# Mos to Delivery	Delivery Duration	Company	# Tranches	% of DS Load	2018			2019					2020					2021					2022					2023																															
								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

Oct 20 to Nov 20 2022	FP Auction TT = 16 LC = 12	Commercial	2	3 Mos	Met-Ed	4	30.77%																																					O C T	Dec - Feb
					Penelec	5	35.71%																																						Dec - Feb
					Penn Power	2	33.33%																																						Dec - Feb
					West Penn Power	5	29.41%																																						Dec - Feb

DSP-VI Auction *

Auction Date	FP or HP Auction	Customer Class	# Mos to Delivery	Delivery Duration	Company	# Tranches	% of DS Load	2022			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

November 2022	FP Auction TT = 58 LC = 29	Residential	6	12 Mos	Met-Ed	10	33.33%	NOV																																				
					Penelec	8	40.00%		Jun 2023 - May 2024																																			
					Penn Power	2	25.00%		Jun 2023 - May 2024																																			
		West Penn Power	13	35.14%	Jun 2023 - May 2024																																							
		Met-Ed	4	13.33%	Jun 2023 - May 2025																																							
		Penelec	2	10.00%	Jun 2023 - May 2025																																							
	Penn Power	1	12.50%	Jun 2023 - May 2025																																								
	West Penn Power	3	8.11%	Jun 2023 - May 2025																																								
	Commercial	6	12 Mos	Met-Ed	3	33.33%	NOV																																					
				Penelec	4	40.00%		Jun 2023 - May 2024																																				
				Penn Power	1	25.00%		Jun 2023 - May 2024																																				
	West Penn Power	4	33.33%	Jun 2023 - May 2024																																								
	6	24 Mos	Met-Ed	1	11.11%	NOV																																						
			Penelec	1	10.00%		Jun 2023 - May 2025																																					
			Penn Power	0	0.00%		Jun 2023 - May 2025																																					
West Penn Power	1	8.33%	Jun 2023 - May 2025																																									

* FirstEnergy Pennsylvania has filed a petition with the Pennsylvania Public Utility Commission to move the 24-month products from the November 2022 DSP-VI auction to a January 2023 DSP-VI auction. The petition is pending with the Commission.

Product Overview

Minimum and Maximum Starting Prices

Prior to the auctions, the Independent Evaluator will announce a minimum and maximum starting price range for each auctioned product

- As part of the application process, a Qualified Bidder submits an indicative offer based on the product-specific minimum and maximum starting prices which will be used to determine the Bidder's initial eligibility in each auction

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

- If indicative offers have already been received, the Independent Evaluator 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 Evaluator will inform Registered Bidders of the starting prices for round 1

Qualification Process

Overview

Part 1 Applications: Prospective bidders apply to become Qualified Bidders

- Start Date: Thursday, September 29, 2022
- Due Date: Tuesday, October 11, 2022 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: Tuesday, October 18, 2022
- Due Date: Tuesday, November 1, 2022 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

Changes in Qualification Process

From DSP-V to DSP-VI Part 1 and Part 2 Qualification Process

Changes in the Part 1 / Part 2 qualification process from DSP-V to DSP-VI

- DSP-VI: Hardcopies no longer are accepted, all the applications need to be submitted electronically
- DSP-VI: The default mode for sending documents from the Independent Evaluator to bidders will be on-line through secure transfer or encrypted email. Courier services will not be used.
- DSP-VI: Notary public seal no longer is needed
- DSP-VI: Pre-Bid Letter of Credit can be submitted electronically

Qualification Process

Part 1 Application – Due Tuesday, October 11, 2022 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(s)
- If they become winning bidders, execute the Supplier Master Agreement with the Company

Show 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 relevant 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 Evaluator 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 Companies

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 a Draft Pre-Bid Letter of Credit (described later)

Prospective bidders will be notified by the Independent Evaluator 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 Thursday, September 29, 2022
- Due Date: Tuesday, October 11, 2022 at 12:00 noon ET

A prospective bidder is required to:

- Submit a Part 1 Application to participate in FirstEnergy's Pennsylvania Default Service Program auction(s)

Two types of participants for the November 2022 DSP-V auction

- Previously Qualified Bidders – i.e., who had a successful Part 1 Application leading up to a previous DSP-V auction in 2022
 - Can re-use their Part 1 Application for the November 2022 DSP-V auction
- Other, new prospective bidders for the November 2022 DSP-V auction
 - Must complete a new Part 1 Application

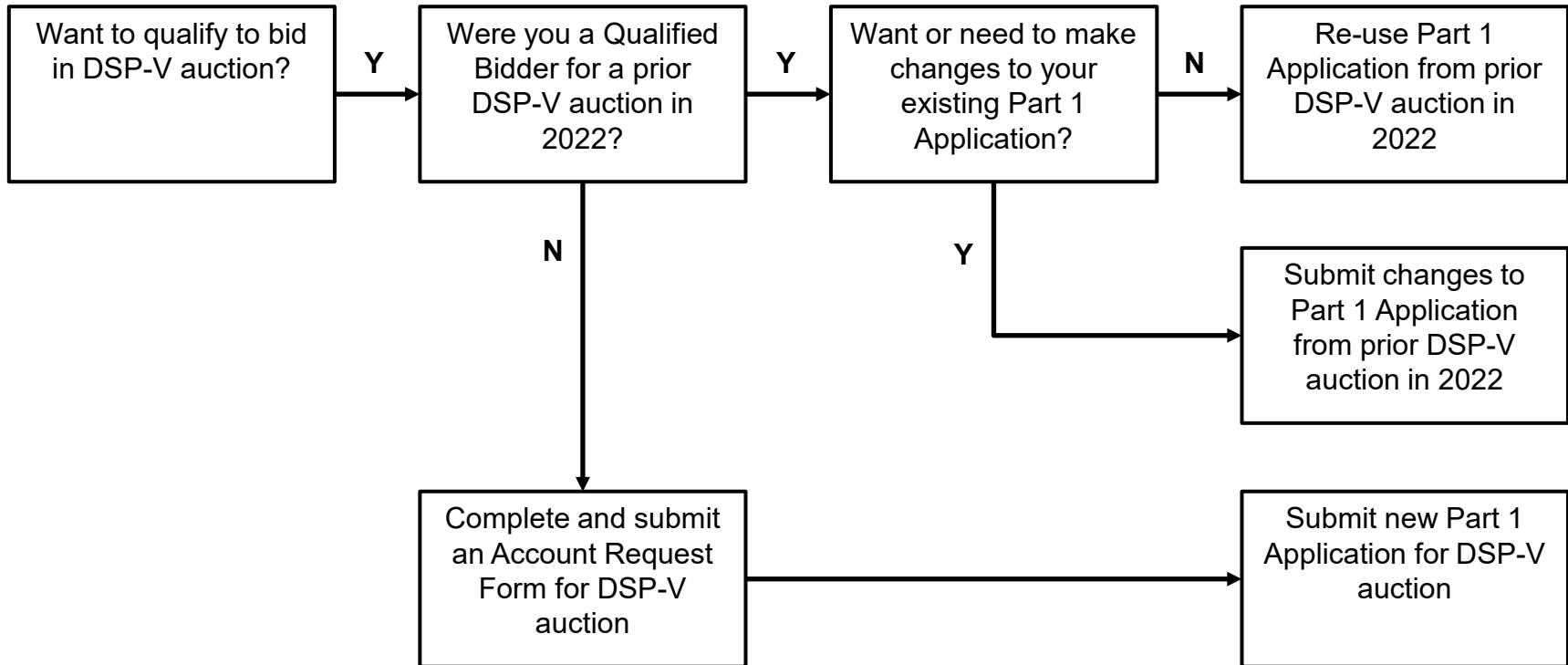
One type of participant for the November 2022 DSP-VI auction

- New prospective bidders for the November 2022 DSP-VI auction
 - Must complete a new Part 1 Application

Qualification Process

Part 1 Application – Overview for DSP-V Auction

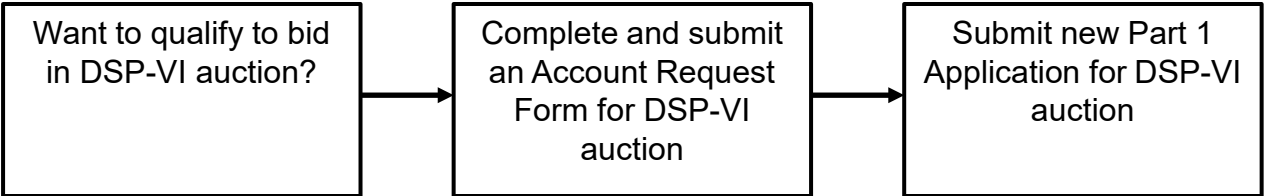
DSP-V Auction



Qualification Process

Part 1 Application – Overview for DSP-VI Auction

DSP-VI Auction



Qualification Process

DSP-V Part 1 Application – Previously Qualified Bidders

For those Qualified Bidders from a previous DSP-V auction in 2022...

On or around September 29, the Independent Evaluator will email your Authorized Representative with two attachments:

- Account Request Form 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 a successful Part 1 Application from at least one previous DSP-V auction in 2022:
 - I will not participate in the November 2022 auction
 - I, Applicant, may participate in the November 2022 auction but do not need to make changes to my Part 1 Application in effect from a previous DSP-V auction in 2022
 - I, Applicant, may participate in the November 2022 auction but do need/want to make changes to my Part 1 Application in effect from a previous DSP-V auction in 2022 (we will need to unlock your online Application)

Qualification Process

DSP-V Part 1 Application – Previously Qualified Bidders (*continued*)

For those Qualified Bidders from a previous DSP-V auction in 2022...

Please note, applicants re-using their Part 1 Application in effect for a previous DSP-V auction in 2022 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 fepaauktion@crai.com

Decide whether you need or want to make changes

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

Qualification Process

DSP-V and DSP-VI Part 1 Application – New Prospective Bidders

The following applies to:

- Those bidders in the DSP-V auction that were not Qualified Bidders from a previous DSP-V auction in 2022
- All bidders in the DSP-VI auction

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 fepaauction@crai.com

Account Request Form – shown on the next slide – is available on the Home page of the Information Website (www.fepaauction.com) under “Forms”

Email the completed Account Request Form to fepaauction@crai.com

Qualification Process

DSP-V and DSP-VI Part 1 Application – Account Request Form

FirstEnergy's Pennsylvania 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.

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

Please indicate which November 2022 auction you intend to participate in:

DSP-V only
 DSP-VI only
 DSP-V and DSP-VI

***Please email this form to the Independent Evaluator at FepaAuction@crai.com

Qualification Process

DSP-V and DSP-VI Part 2 Application – Due Tuesday, November 1, 2022

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

The Part 2 Application process opens on Tuesday, October 18, 2022

Due Date: Tuesday, November 1, 2022 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(s)

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 each product in an auction – and to post pre-bid security sufficient for this indicative offer

- For each product, 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(s)
- For each product, 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(s)
- At the minimum and the maximum starting prices, the number of tranches across all products indicated by the Qualified Bidder cannot exceed the Qualified Bidder's load tranche cap (described later)

Bidder's initial eligibility

- This is the maximum total number of tranches the Qualified Bidder can bid across all products in round 1 of each auction and may be subject to a load cap
- Determined by the number of tranches in the Qualified Bidder's indicative offer at the maximum starting prices
- Thus, the indicative offer at the maximum starting prices 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 Evaluator no later than three (3) business days after the Part 2 Application Due Date whether they succeeded in becoming a Registered Bidder

Credit Provisions

DSP-V and DSP-VI 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
- **Debt ratings**
 - **DSP-V Auction**: A debt rating from at least **two** of the following rating agencies: S&P, Fitch, or Moody's (with supporting documentation)
 - **DSP-VI Auction**: A debt rating from at least **one** 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

DSP-V and DSP-VI 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:
 - **DSP-V Auction**: Submit an executed Pre-Bid LOC (**\$250,000**/tranche)
 - **DSP-VI Auction**: Submit an executed Pre-Bid LOC (**\$500,000**/tranche)

2) Make a cash deposit

- Part 1: Request wiring instructions
- Part 2:
 - **DSP-V Auction**: Submit cash deposit (**\$250,000**/tranche)
 - **DSP-VI Auction**: Submit cash deposit (**\$500,000**/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

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 Section 6.4 and Appendix A of the DSP-V Supplier Master Agreement and Section 6.6 and Appendix A of the DSP-VI Supplier Master Agreement)
- Total Exposure Amount less any unsecured credit (Margin) must be met with cash or Letter of Credit (Appendix F of the DSP-V and DSP-VI Supplier Master Agreements)

The credit exposure methodology is explained in Section 6.3 of the DSP-V Supplier Master Agreement and in Section 6.5 of the DSP-VI Supplier Master Agreement

Letter of Credit (Appendix F of the DSP-V and DSP-VI Supplier Master Agreements)

Guaranty (Appendix G of the DSP-V and DSP-VI Supplier Master Agreements)

Information Website

Information Website for the Default Service Program auction process is www.fepaauction.com

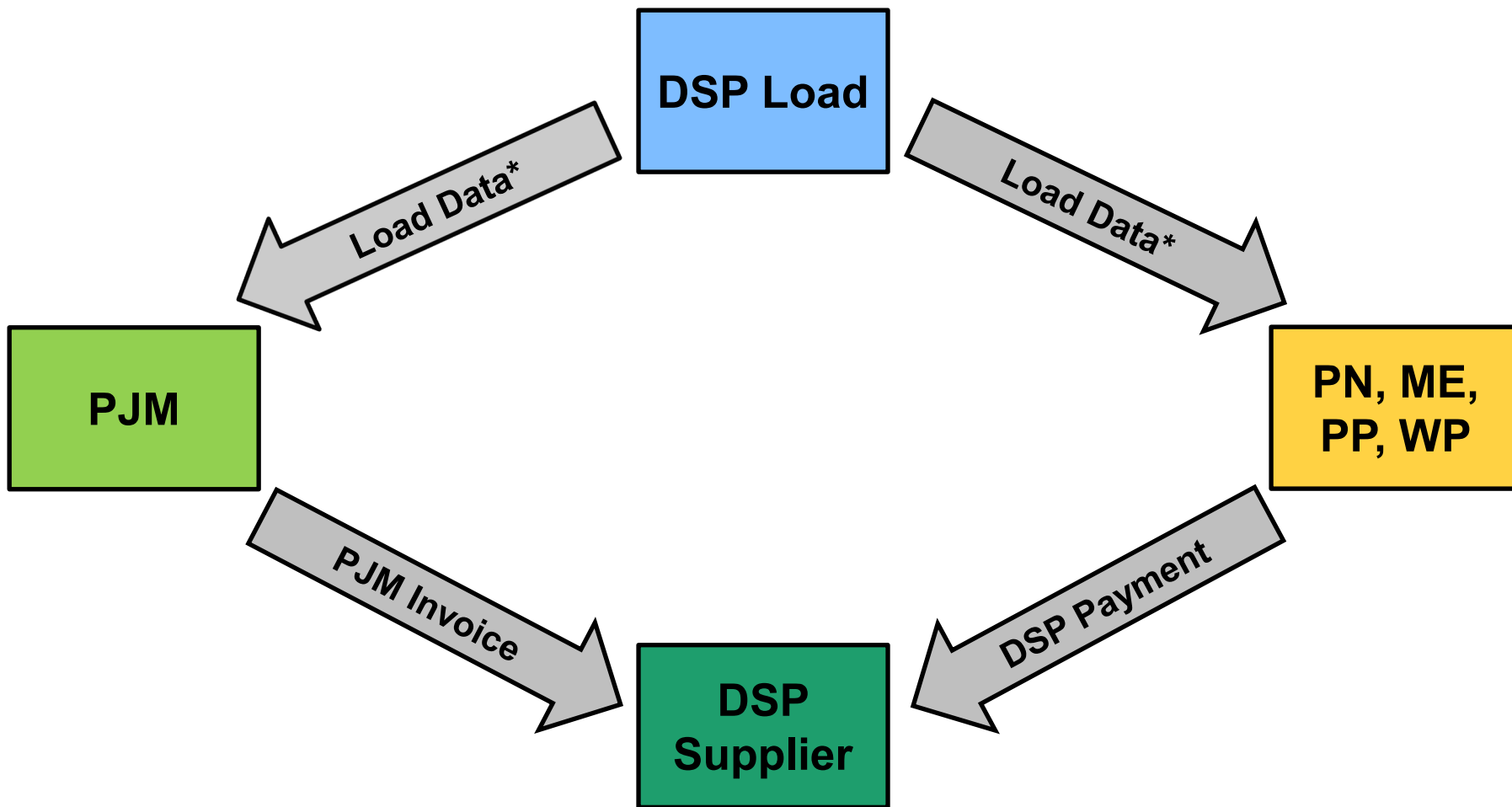
- Information about the Default Service Program
- Download Supplier documents (Supplier Master Agreement, Bidding Rules, etc.)
- Download load and other data
- Auction calendar
- Results from previous auctions under the current Default Service Program
- News and announcements
- Frequently Asked Questions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



* Load data are developed by the Meter Data Coordinator as designated on the Market Participant's application. The Meter Data Coordinator uses the same PJM settlement data to calculate the Default Service Invoice as well as to submit the settlement data to PJM.

PJM Settlement

The Role of RTO Operations Settlements at FirstEnergy Pennsylvania

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

Uses PJM 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

PJM Settlement

Example: DSP Service for a DSP Supplier

INVOICE PREPARED FOR:		Penn Power POLR			Counterparty Banking Institution City/State/Zip ABA: Swift Code: Account Number:							
Start	3/1/2017											
End	3/31/2017											
		Auction Price			Auction Price	LMP Price + Adder	LMP					
		Billing Units MWh	Rate \$/MWh	Seasonal Factor	Amount \$	Billing Units MWh	Price + Adder Amount \$	Total Amount MWh	Total Amount \$			
PRIMARY SETTLEMENT												
Residential										Product Start	Product Stop	
	RES1	-	0.00	1	\$ -	-	\$ -	-	\$ -			
Commercial												
EPPPPC	COM1	-	0.00	1	\$ -	-	\$ -	-	\$ -			
EPPPPC	COM2	4,862.045	84.12	1	\$ 408,995.23	-	\$ -	4,862.045	\$ 408,995.23	6/1/2015	5/31/2017	
EPPPPC	COM3	-	0.00	1	\$ -	-	\$ -	-	\$ -			
Prior Period Adjustments												
Industrial												
	IND1	-	0.00	1	\$ -	-	\$ -	-	\$ -			
SECONDARY SETTLEMENT												
Residential												
	RES1	-	0.00	1	\$ -	-	\$ -	-	\$ -			
Commercial												
EPPPPC	COM1	-	0.00	1	\$ -	-	\$ -	-	\$ -			
EPPPPC	COM2	152.465	84.12	1	\$ 12,825.36	-	\$ -	152.465	\$ 12,825.36	6/1/2015	5/31/2017	
EPPPPC	COM3	-	0.00	1	\$ -	-	\$ -	-	\$ -			
Prior Period Adjustments												
Industrial												
	IND1	-	0.00	1	\$ -	-	\$ -	-	\$ -			
Grand Total								5,014.510	\$ 421,820.59			
Class Totals												
Residential								-	\$ -			
Commercial								5,014.510	\$ 421,820.59			
Industrial								-	\$ -			
								5,014.510	\$ 421,820.59			

PJM Settlement

Example: Invoice From PJM



PJM Settlement, Inc.
2750 Monroe Blvd.
Audubon, PA 19403

INVOICE NUMBER:

CUSTOMER ACCOUNT:

CUSTOMER IDENTIFIERS:

FINAL BILLING STATEMENT ISSUED:

BILLING PERIOD: _____ to _____

Monthly Billing Total:

Previous Weekly Billing Total:

Monthly Billing Statement Summary

Total

TERMS: PAYABLE IN FULL BY EPT ON

WIRE TRANSFER FUNDS TO: PJM SETTLEMENT, INC.

FOR INQUIRIES CONTACT:

PJM MEMBER RELATIONS (Banking / Payment):

PJM MARKET SETTLEMENTS (Billing Line Items):

ADDITIONAL BILLING STATEMENT INFORMATION:

PJM Settlement

FirstEnergy Pennsylvania's RTO Operations Settlements

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Bidding Format

Reservation Price and Starting Price

There is a reservation price for each product

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

Starting price for each 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 targets (# tranches to procure)

- If there is insufficient supply bid for the tranches to ensure competitive bidding, Independent Evaluator may reduce the tranche targets
 - The criteria that could lead to such a reduction will be determined prior to the auction(s) but will not be announced
 - Once certain pre-specified criteria related to excess supply and related to the reservation prices have been met, the discretion to reduce the tranche targets will be eliminated and there will be no reduction in the tranche targets
 - Any exercise of this discretion would be more likely in the earlier rounds of the auction(s)
- If the Independent Evaluator reduces the tranche target(s), bidders will be informed of the revised tranche target(s)

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(s) – only stays the same or declines

The load cap limits the bidder's initial eligibility – i.e., maximum number of tranches the Qualified Bidder is allowed to bid on in round 1 across all products

Load cap is a % of load aggregated across all products in each auction

	DSP-V Commercial Auction	DSP-VI Residential/Commercial Auction
Commission-Ordered Load Cap %	75%	50%
Tranche Target	16	58
Load Cap	12	29

- No bidder may bid on and win more tranches than the load cap – enforced by ensuring that each bidder's initial eligibility does not exceed the load cap in the auction

Bidding Format

Clock Format

Bidders bid using the Independent Evaluator's Bidding Website

Multiple-round, multiple-product, descending-price clock format

- Each round has specified start and end times
- For each product, 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 each product it is willing to supply at the product’s announced price
- Round closes
 - **If the total number of tranches bid > tranche target for any product**, then announced price for that product will be reduced for the next round by a price decrement
 - **If the total number of tranches bid \leq tranche target for any product**, then the announced price for that 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
 - **Products for which the announced price decreased from the preceding round** – the default bid will equal zero (0) tranches
 - **Products for which the announced price did not decrease from the preceding round** – the default bid will equal the accepted number of tranches from the preceding round
- A bidder with zero (0) tranches across all products – i.e., zero eligibility – in an auction 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, a 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

When there is excess supply for a product at the end of round R, the announced price will decline for the round R+1

- In round R+1, bidders are free to reduce the tranches bid for the product either by switching tranches from the product to another product, and/or by reducing the total tranches bid across all products
- Products that were over-subscribed in round R and that are under-subscribed in round R+1 (excess supply < 0) are subject to a rollback following round R+1

The rollback process following round R+1 retains sufficient number of tranches that were bid on the product in round R such that excess supply for the product following round R+1 equals zero

- Tranches rolled back are selected at random from the tranches reduced or switched from round R to round R+1
- The price associated with rolled back tranches is the round R price (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 across all products 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
Winning	\$62.00	9	48	43
Clearing price for all 100 tranches won = \$62.00				

Bidding Format

Winning Tranches, Bidders, and Prices

If Excess Supply = 0 for all products at end of a round

- Winning tranches are the tranches bid in the last round of each 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 ≤ 0 for all products at the end of a round

- There will be a rollback for all products with excess supply < 0
- There will be no rollback for products 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 each auction, results are determined by the Independent Evaluator, then:

- Independent Evaluator provides to the Companies 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 Evaluator 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 have 48 hours after the conclusion of the auction to determine if there has been a violation of the auction rules in such a manner as to invalidate the auction(s) based upon an assessment from the Independent Evaluator

The Companies and winning bidders will execute the Supplier Master Agreement(s)

Bidding Format

Contingency Plan

Contingency Plan for the Default Service procurement auctions

- See Section 10 of the DSP-V Bidding Rules and the DSP-VI Bidding Rules
 - At least one of the products in an auction is not fully subscribed
 - At least one of the winning suppliers defaults prior to the start of the delivery period or at any time during the delivery period

Bidding Format

Technical Difficulties During an Auction

- Unforeseen technical difficulties may happen during an online auction
- Pursuant to the auction rules, if a technical difficulty occurs during the auctions, depending on the circumstances the Independent Evaluator will:
 - Inform all the bidders as soon as possible, by phone and/or Independent Evaluator Message page on the Bidding Website
 - Accept bids over the phone to the Help Desk
 - 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

Timeline for Upcoming Auctions

Timeline for November 2022 DSP-V and DSP-VI Auctions	
Activity	Date
WebEx Information Session	Wednesday, September 28, 2022
Part 1 Applications can be submitted	Thursday, September 29, 2022
CRA announces tranche targets and tranche sizes (% and MW)	Thursday, September 29, 2022
Deadline to submit Part 1 Applications	Tuesday, October 11, 2022
CRA announces minimum and maximum starting prices	Tuesday, October 18, 2022
Part 2 Applications can be submitted	Tuesday, October 18, 2022
CRA announces any update to the tranche sizes (MW)	Wednesday, October 26, 2022
Deadline to submit Part 2 Applications	Tuesday, November 1, 2022
Bidder User Manuals Distributed	Friday, November 4, 2022
Mock Auction for Registered Bidders	Wednesday, November 9, 2022
CRA announces starting prices to Registered Bidders	Wednesday, November 9, 2022
Auctions for Registered Bidders	Monday, November 14, 2022
Commission Decision due second day after conclusion of auction (tentative)	Wednesday, November 16, 2022
Supplier Master Agreement Signed (tentative)	Friday, November 18, 2022
Power Flow DSP-V	Thursday, December 1, 2022
Power Flow DSP-VI	Thursday, June 1, 2023

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 FirstEnergy's Pennsylvania Default Service Program