

Bidder Information Session

July 30, 2020

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

Auction Date: September 21, 2020

Delivery Period: December 1, 2020 – November 30, 2021

Customer Class: Residential, Small C&I, 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”)
 - Products in the Fixed-Price auction (customer class and delivery period):
 - Residential 12-Month (December 2020 – November 2021)
 - Small C&I 12-Month (December 2020 – November 2021)
 - Medium C&I 3-month (December 2020 – February 2021)
- 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, September 21, 2020

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 or
- Use the call-in number – 800-857-5011 – and audio passcode – 6810065
 - 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 to unmute themselves and ask questions
- 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, 2017 through November 30, 2022, an auction process is used to procure full requirements Default Supply generation service for the Company's Default Service Customers.

Please note that due to the recent FERC Order, the PJM Base Residual Auction for the 2022/2023 planning year will not occur until after the September 21, 2020 auction. As a result, the September 2020 24-month Residential and Small C&I auction products have been modified to 12-month products with a delivery period covering December 1, 2020 through November 30, 2021. The additional 12-month delivery periods from December 1, 2021 to November 30, 2022 will be auctioned at a later date.

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

- 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

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

***Due to the delayed BRA auction, the 24-month products in the September 2020 auction have been updated to 12-month delivery periods (ending Nov 2021). The additional 12 months will be auctioned at a later date.

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 now qualify for hourly priced service.
- Duquesne recast the load data to report historic customer loads under the new customer classification. These files are posted to the Information Website.
- The hourly classification is also offered to formerly Medium C&I customers that have migrated to a competitive supplier if those customers meet the 200kW threshold.

Load data provided to bidders is being transitioned to reflect the new classifications

- 1 day and 5 day coincident peak data reflected settlement amounts for both June and July 2019
- MWh usage data is reconciled through the end of March 2020

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:

Compliance Period	Tier 1	PV	Tier 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%
6/1/2021 - 5/31/2022	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 September 2020 Auction:

Delivery Period	AEPS Requirements defined and supplier is notified	Supplier supplies AEPS requirements to DLC
December 2020 – February 2021	First week of May 2021	Mid May 2021
December 2020 – November 2021	First Week of February 2022	Mid February 2022

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*)

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: Friday, July 31, 2020
- Due Date: Friday, August 14, 2020 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: Monday, August 24, 2020
- Due Date: Friday, September 4, 2020 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 Friday, August 14, 2020 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 Friday, July 31, 2020
- Due Date: Friday, August 14, 2020 at 12:00 noon ET

A prospective bidder is required to:

- Update a previously submitted Part 1 Application to participate in any of Duquesne Light's Default Service Program auctions
- Submit 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 September 2020 auction:

- Previously Qualified Bidders – i.e., who had a successful Part 1 Application for the March and/or June 2020 auction
 - Can update and re-use their Part 1 Application from the March or June 2020 auction
- New prospective bidders for the September 2020 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.

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

***Please email this form to the Independent Market Monitor at DuquesneDSP@crai.com

Qualification Process

Part 1 Application – Previously Qualified Bidders

On or around , 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 and/or June 2020 auctions:
 - ☐ I will not participate in the September 2020 auction
 - ☐ I, Applicant, may participate in the September 2020 auction but do not need to make changes to my Part 1 Application in effect for the previous 2020 auction(s)
 - ☐ I, Applicant, may participate in the September 2020 auction but do need/want to make changes to my Part 1 Application in effect for the previous 2020 auction(s) (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 and/or June 2020 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

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

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) under “Forms”

If you have trouble, email duquesnedsp@crai.com

Qualification Process

Part 2 Application – Due Friday, September 4, 2020 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 Monday, August 24, 2020

Due Date: Friday, September 4, 2020 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

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

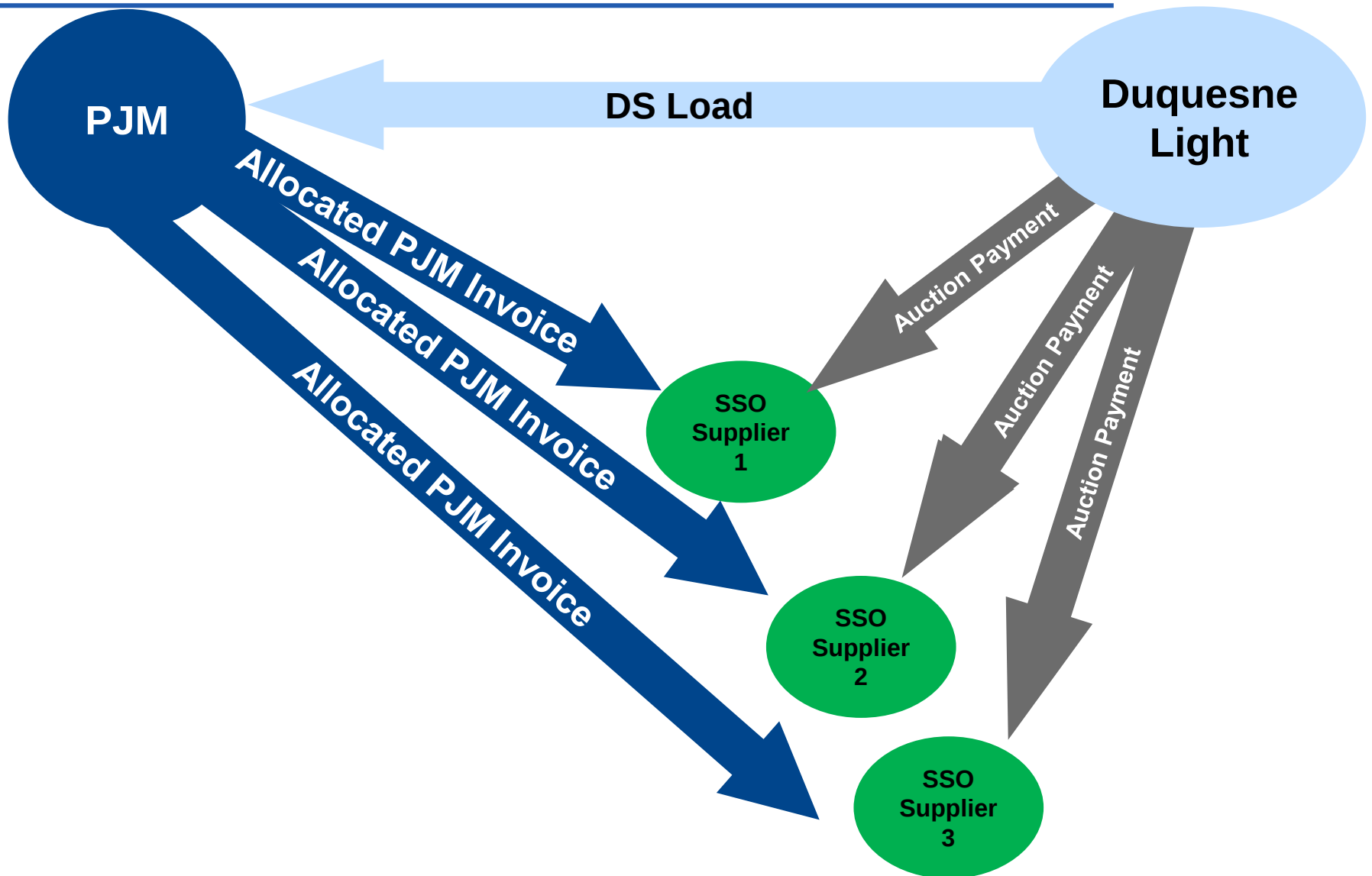
- Information about the Default Service Program
- Download Supplier documents (Supplier Master Agreement, Bidding Rules, etc.)
- Download load and other data
- Auction calendar
- Results from previous Default Service auctions under this Default Service Program
- News and announcements
- Frequently Asked 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 each 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 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 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.

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				
			BidderA	BidderB	BidderC	BidderD	Total
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 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 ≤ 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 September 2020 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 September 2020 Auction	
Activity	Date
WebEx Information Session	Thursday, July 30, 2020
Part 1 Applications can be submitted	Friday, July 31, 2020
Deadline to submit Part 1 Applications	Friday, August 14, 2020
CRA announces minimum and maximum starting prices	Monday, August 24, 2020
Part 2 Applications can be submitted	Monday, August 24, 2020
Deadline to submit Part 2 Applications	Friday, September 4, 2020
Bidder User Manuals Distributed	Monday, September 14, 2020
Mock Auction for Registered Bidders	Wednesday, September 16, 2020
CRA announces starting price to Registered Bidders	Wednesday, September 16, 2020
Auction for Registered Bidders	Monday, September 21, 2020
CRA notifies Duquesne Light Company and PA PUC of results (tentative)	Monday, September 21, 2020
Commission Decision due second day after conclusion of auction (tentative)	Wednesday, September 23, 2020
Master SSO Supply Agreements Signed (tentative)	Friday, September 25, 2020
Power Flow	Tuesday, December 1, 2020

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