



# Bidder Information Session *DSP V*

March 2024 Solicitation

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February 13, 2024

# **Submitting Text Questions**

- All lines have been placed on mute, but you may ask text questions throughout the presentation
- To submit text questions to the presenters, please email pecoprocurement@nera.com
  - We will answer questions at the end of the presentation



### **Disclaimer**

Any statements herein describing or referring to documents and agreements are summaries only, and are qualified in their entirety by reference to such governing documents.

- These governing documents are:
  - Commission Opinion and Order related to PECO's Fifth Default Service
     Program ("DSP V") in Docket No. P-2020-3019290 and dated December 3,
     2020
  - RFP Rules and the Addendum to the RFP Rules (posted December 21, 2023 and January 31, 2024, respectively)
  - PECO Energy Company Pennsylvania Default Service Supplier Master Agreement ("Uniform SMA") (posted February 1, 2024)

Please see the RFP website for complete documentation

https://www.pecoprocurement.com/



# **NERA** is the Independent Evaluator

 To ensure a transparent process for the RFP, PECO Energy Company has hired NERA to be the third-party Independent Evaluator for the solicitations

#### NERA's role is:

- To be the main point of contact with RFP Bidders
- To ensure the RFP Rules, as approved by the PUC, are followed
- To ensure Bidder Qualifications are evaluated equitably and fairly
- To evaluate Bids on a price-only basis
- To present the results to the Commission



### **Agenda**

- Overview of DSP V and Products in this Solicitation
- RFP Process Overview
- Contract Details and Rates
- RFP Process Details
- RFP Website
- Questions
  - To submit text questions to the presenters, please email pecoprocurement@nera.com





# Overview of DSP V Products in this Solicitation

### **DSP V Overview**

- Default Service customers are those who:
  - do not elect to take service from an EGS or
  - return to PECO after receiving service from an EGS
- Eight (8) solicitations to procure Default Service Supply will be held in March and September of each year 2021 - 2024
- Supply procured generally for the period June 1, 2021 to May 31,
   2025 but some contracts extend beyond June 2025
- Full requirements service includes energy, capacity, ancillary services, certain transmission services, and Alternative Energy Portfolio Standard ("AEPS") requirements



# **Customer Classes in DSP V**

Class	Description	Criteria
RES	Residential	All Residential Customers
SC	Small Commercial	Less than 100 kW of annual peak demand
CCI	Consolidated Large Commercial and Industrial	100 kW or greater of annual peak demand



# **Product Characteristics**

Class	Basis	Contract Lengths	Procurement Frequency
RES	Fixed Price Supplier is paid on the basis of:	Laddered and	
sc	<ul> <li>Supplier's average winning bid price for each MWh of load served</li> <li>Price is an all-in price</li> </ul>	overlapping one-year and two-year products	Twice a year
CCI	<ul> <li>Spot Price</li> <li>Supplier is paid on the basis of:</li> <li>Energy priced to PJM's Day-Ahead spot market (PECO_RESID_AGG zone)</li> <li>Capacity obligations priced to RPM</li> <li>Supplier's average winning bid price for each MWh of load served</li> </ul>	12 months	Once a year



### **DSP V Tranches**

 Default Load for each Class is divided into a number of tranches, each representing a fixed percentage of the Default Load for the Class

Class	Total Tranches	% Size of a Tranche	Total Peak (MW)	Default Peak (MW)	MW- Measure of a Tranche
RES	62	1.60%	3,982.83	3,099.78	49.50
SC	24	4.17%	1,044.70	515.16	21.46
CCI	8	12.50%	3,013.90	206.07	25.76



### **Products in this Solicitation**

- A product has three labels: the Class, the length of the supply period, and the start of the supply period
- Products procured in this solicitation:
  - RES-12-Jun24 and RES-24-Jun24
  - SC-12-Jun24 and SC-24-Jun24
  - CCI-12-Jun24
- Load caps: a Default Supplier cannot supply more than 50% of Default Load for a Class at any point in time
- Solicitation specific information, including the number of available tranches by product and load caps, are located in the Addendum to the RFP Rules



# **Residential Products and Load Caps**

Products	Available Tranches	Load Caps Apply to an RFP Bidder When an RFP Bidder Has:	Load Caps for RES Class	
RES-12- Jun24	12	Won more than 19 RES-24-Dec22, RES-24-Jun23, RES-12-Dec23, and RES-24-Dec23 under DSP V	31 less <b>RES-24-Dec22, RES- 24-Jun23, RES-12-Dec23,</b>	
RES-24- Jun24	9	Won more than 22 tranches of RES- 24-Dec22, RES-24-Jun23, RES-12- Dec23, and RES-24-Dec23 under DSP V	24-Jun23, RES-12-Dec23, and RES-24-Dec23 tranche under DSP V	



# **Commercial Products and Load Caps**

Products	Available Tranches	Load Caps Apply to an RFP Bidder When an RFP Bidder Has:	Load Caps	
SC-12-Jun24	6	Won more than 6 tranches of SC- 24-Dec22, SC-24-Jun23, SC-12- Dec23, and SC-24-Dec23 under DSP V	12 less <b>SC-24-Dec22, SC-</b> <b>24-Jun23, SC-12-Dec23,</b>	
SC-24-Jun24	3	Won more than 9 tranches of SC-24-Dec22, SC-24-Jun23, SC-12-Dec23, and SC-24-Dec23 under DSP V	and SC-24-Dec23 under  DSP V	
CCI-12-Jun24	8	Load Caps always apply	4	

### **Delay in PJM's Base Residual Auction**

- PJM's Base Residual Auction ("BRA") for the 2025/26 delivery year was delayed due proceedings with FERC and will not be held prior to the Bid Date in March 2024
  - FERC Orders are available in both proceedings (see docket nos. ER24-98, ER24-99)
- The BRA for the 2025/26 delivery year provides a visible capacity price for the last twelve months of the 24-month products
- Bidders offering to supply the 24-month products are entirely responsible for any uncertainty related to the lack of visibility of the capacity price for the 2025/26 delivery year

# **New!** Option to Incorporate the 2018 ISDA U.S. Resolution Stay Protocol

- On December 22, 2023, PECO petitioned to modify its DSP V SMA to add a new, optional Appendix I, which incorporates the International Swaps and Derivatives Association 2018 U.S. Resolution Stay Protocol ("ISDA U.S. Stay Protocol"). The Commission approved PECO's petition on February 1, 2024. (Docket No. P-2023-3045119)
- RFP Bidders that adhere to the ISDA U.S. Stay Protocol may elect for both the RFP Bidder and PECO to execute Appendix I at the point of contract execution to incorporate necessary terms of the ISDA U.S. Stay Protocol.
  - Please see Appendix I of the Uniform SMA, dated February 1, 2024, posted to the RFP website for additional information
- RFP Bidders that intend to execute Appendix I at the point of contract execution will indicate this election to the Independent Evaluator in the Part 1 Proposal.





# **RFP Process Overview**

# Schedule

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	
	February/March				
Feb 12	13	14	15	16	
			Part 1 Form Available		
19	20	21	22	23	
President's Day Holiday		Part 1 Window Opens			
26	27	28	29	Mar 1	
	Part 1 Date (Part 1 Window Closes)		Part 1 Notification Date	Part 2 Window Opens	
4	5	6	7	8	
		Bid Submission Training	Part 2 Date (Part 2 Window Closes)		
11	12	13	14	15	
Part 2 Notification Date	Bid Date (Bids are Due)	IE provides its report to the Commission	Commission Decision (close of business)		

# **PUC Approval Process**

- RFP results are contingent on final PUC approval
- Independent Evaluator submits confidential report on winning bids to PUC on the day after Bid Date
- The PUC will issue a decision within one business day of receipt of confidential report
- Information regarding solicitation released within 15 days of the close of the solicitation



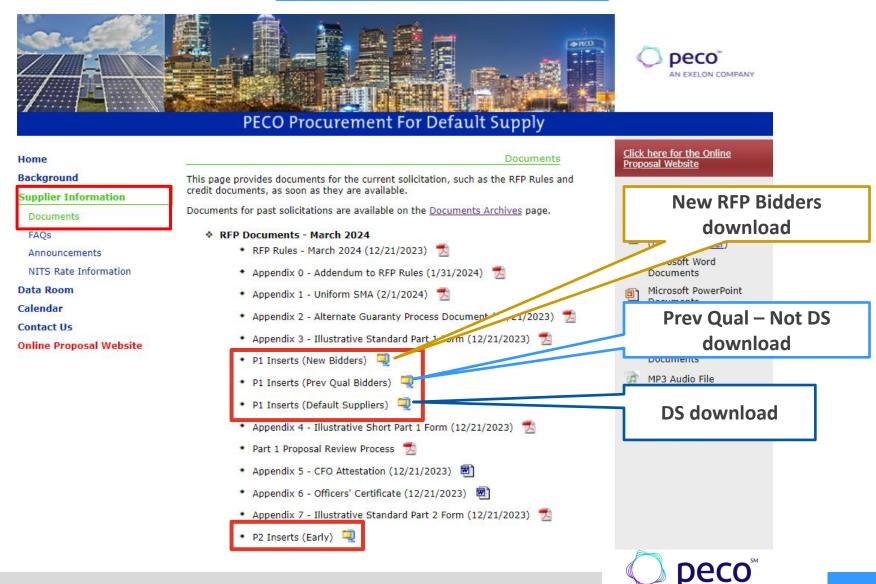
# **Proposal Process is Entirely Online**

- Part 1 and Part 2 Proposal will be submitted through online forms
- The Proposal process is entirely online
  - Provide required information
  - Upload or email supporting documents
  - Upload or email signature pages ("Inserts")
  - The Pre-Bid Letter of Credit submitted by electronic means



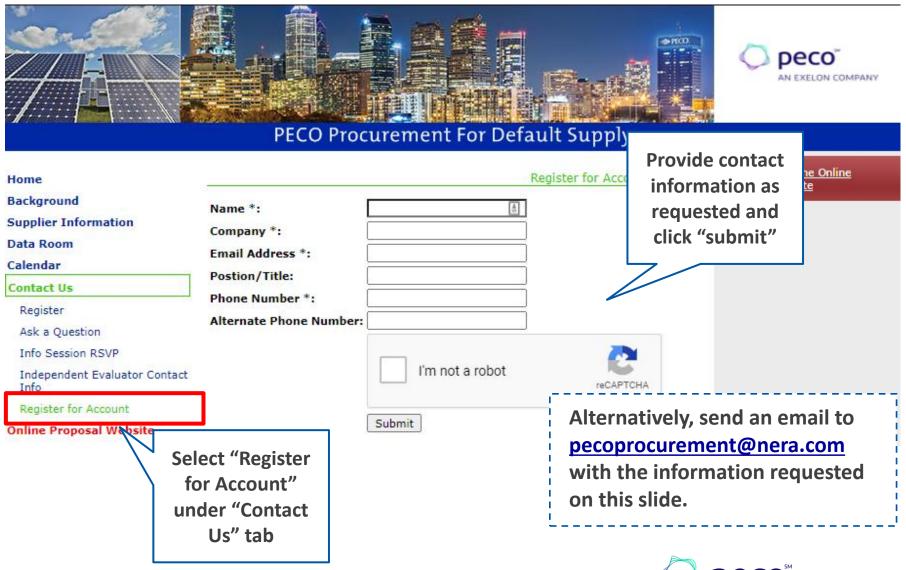
# Download the Inserts from the RFP Website

The Inserts are available on <a href="https://pecoprocurement.com">https://pecoprocurement.com</a>



AN EXELON COMPANY

# New RFP Bidders Must Register for an Account



# **Current Account Holders and Account Activation**

- Current account holders do not need to re-register for an account to access the online forms
  - For Bidders that qualified to participate in a solicitation in 2022 or later, the email to activate the account will be sent to the Representative of the RFP Bidder
  - For account holders that registered for an account in 2022 or later, the email to activate the account will be sent to the person that registered for the account
- All account holders including current account holders listed on this slide must activate their account anew for this solicitation by following the instructions provided in the email

The Independent Evaluator will send instructions for accessing and completing the online qualification forms to current and new account holders prior to the opening of the Part 1 Window



# **Accessing the Proposal Website**

- The URL to access the online forms is <a href="https://dspproposal.com/">https://dspproposal.com/</a>
- The online forms are also accessible from links on the RFP website





#### PECO Procurement For Default Supply

#### Home

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**Supplier Information** 

**Data Room** 

Calendar

Contact Us

**Online Proposal Website** 



Home

Welcome to PECO Energy Company's ("PECO") website for the purchase of supply starting June 2021 under its fifth Default Service Program ("DSP V"). The Pennsylvania Public Utility Commission ("PaPUC" or "Commission") rendered a decision on PECO's DSP V (Docket No. P-2020-3019290) in its Order dated December 3, 2020.

There will be eight (8) solicitations to procure Default Supply for the period June 1, 2021 through May 31, 2025 and for a portion of the requirements for the period beyond June 1, 2025. Solicitations are expected to be held in March and September of each year, starting with a solicitation in March 2021 and ending with a solicitation in September 2024.

There are three classes of customers: the residential class, the small commercial class, and the consolidated large commercial and industrial class. Default Supply is procured through a Request for Proposals ("RFP") process for various supply periods. The RFP will procure tranches for full requirements service on a fixed-price basis for the residential and small commercial classes. The RFP will also procure full requirements service with energy priced to the PJM day-ahead spot market for the consolidated large commercial and industrial class.

Click here for the Online Proposal Website

#### Contact Us

#### **Important Dates:**

- Tue 2/13/2024 Bidder Information Webcast
- Tue 2/27/2024 Part 1 Date
- Thu 2/29/2024 Part 1 Notification Date
- Thu 3/7/2024 Part 2 Date
- Mon 3/11/2024 Part 2 Notification Date
- Tue 3/12/2024 Bid Date





# **Contract Details and Rates**

### **Contract under DSP V**

- PECO uses the Uniform SMA developed for DSP III with some EDC-specific provisions included
  - Appendix D includes the PJM Billing Statement line items and identifies the responsible party for each item
- Default Suppliers are required to complete Appendix H Form of Generation Supply Report with a percentage breakdown of energy supplied by source by March 31 of each calendar year

# **Credit Requirements**

- For fixed-price products, credit exposure to PECO is based on Markto-Market exposure calculations net of Accounts Receivable / Accounts Payable to Supplier
- For spot-price products, credit exposure begins at \$250,000/tranche and is recalculated each month
  - Multiplied by ratio of current PLC/tranche to MW-measure
  - Pro-rated by calendar days remaining in delivery period
- Performance assurance requirements will depend upon a credit evaluation using criteria specified in the Uniform SMA
- Standard Guaranty and Post-Bid Letter of Credit provided as exhibits to Uniform SMA



# **AEPS Requirements**

- Default Suppliers are responsible for providing Alternative Energy Credits
   ("AECs") during the term of the Uniform SMA for PECO to comply with the AEPS
   Act, as well as other Orders, regulations and rules
- Each AEC is issued for each MWh of generation from a qualified alternative energy system
- All solar credits must be compliant and eligible to be retired in Pennsylvania in accordance with implementation of Act 40 of 2017; all tier II credits must be compliant and eligible to be retired in Pennsylvania in accordance with implementation of Act 114 signed into law in November 2020
- If AEPS requirements change Default Suppliers are responsible to comply with any new obligations
- Each Default Supplier specifies the average cost for Non-Solar Tier I, Solar Tier I and Tier II AECs as part of the Transaction Confirmation process

	Percent of Total Retail Electric Sales		
Reporting Period	Tier I	Solar Tier I	Tier II
6/1/21 – 5/31/26	8.00%	0.5000%	10.00%



# PECO's Allocation of Separately Procured AECs

- Under the Uniform SMA, a Default Supplier's AEPS obligation may be reduced by a number of AECs allocated to the Default Supplier in the Transaction Confirmation
  - Prior to the opening of the Part 1 Window, PECO announces the allocation of AECs to each tranche (see next slide)
  - Any PECO AECs allocated to Default Supplier's AEPS
     Obligation remain the property of PECO and are not transferred to the Supplier

# PECO's Allocation of Separately Procured AECs for this Solicitation

• AECs will be allocated to each tranche as follows:

	Tier I (Solar) AECs Per Tranche			
Product	Supply Period	6/1/2024 - 5/31/2025	6/1/2025 - 5/31/2026	
RES-12-Jun24	6/1/2024 - 5/31/2025	119		
RES-24-Jun24	6/1/2024 - 5/31/2026	119	119	
SC-12-Jun24	6/1/2024 - 5/31/2025	81		
SC-24-Jun24	6/1/2024 - 5/31/2026	81	122	
CCI-12-Jun24	6/1/2024 - 5/31/2025	702		



# Rate Translation: Determination of Retail Rates

- The Default Service rates for a Class are calculated on the basis of prices determined through the RFP
- For the RES Class, rates also include purchases by PECO for approximately 1% of the Default Load
- Rates also incorporate a quarterly true-up and administrative costs (See PECO's GSA Tariff)
- In September 2021 PECO introduced TOU default service rate options for RES and SC default customers with smart meters (except for customers in PECO's Customer Assistance Program)
- A Default Service rate calculation model is posted to the PECO website:
  - https://www.peco.com/MyAccount/MyService/Pages/ElectricPricetoCompare.as
     px



# **New York Power Authority Contract**

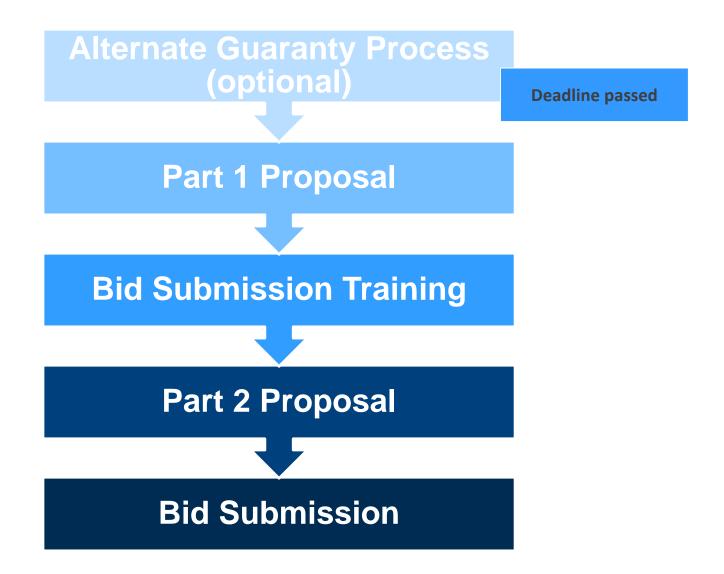
- Under a multi-state arrangement, PECO receives for the benefit of its residential customers an annual allocation of capacity and associated energy from the St. Lawrence hydroelectric project operated by the New York Power Authority (NYPA) and administered by the Allegheny Electric Cooperative, Inc as NYPA's bargaining agent
- Allocation is dependent upon the number of residential customers PECO serves; PECO's allocation for energy year 2023/24 is 5.727 MW
- Supplier's residential tranches are a share of the Default Load for the Residential Class, which excludes this allocation





# **RFP Process Details**

### **Overview of RFP Process**





# **Alternate Guaranty Process (Optional)**

- RFP Bidders with corporate policies that preclude them from using the standard guaranty can request consideration by PECO for an alternate guaranty form
- Requests for review were due by January 30, 2024
- RFP Bidders will have the opportunity to propose modifications to the Standard Guaranty during the Part 1 Window



# **Part 1 Proposal**

- There are three types of RFP Bidders for the purposes of the Part 1 Proposal:
  - New RFP Bidders (that have not previously qualified under DSP V)
  - 2. Prev Qual Not DS (that have previously qualified but have not executed a Uniform SMA for tranches won under DSP V)
  - 3. Default Suppliers (that have previously qualified and have executed a Uniform SMA for tranches won under DSP V)
- Default Suppliers and Prev Qual Not DS RFP Bidders may be eligible to use an abbreviated Part 1 Proposal Process



# **Part 1 Requirements**

#### 1. Contact Information (section 1)

- List Name and Address of the RFP Bidder
- Designate an Officer and Representative
- Nominees (optional)

### 2. Financial and Credit Requirements (section 2)

- Quarterly financial statements and credit ratings
- Additional requirements for Agency Agreement (if applicable)

# Information to prepare the Uniform SMA (section

 RFP Bidders either submit the required information or certify to providing the information after the Bid Date All Bidders

All Bidders

New and Prev Qual – Not DS



## **Section 3: Modifications to Credit Instruments**

- RFP Bidders may submit requests for modifications to the Standard Letters of Credit (LOCs) and Standard Guaranty
- Responses to proposed Pre-Bid LOC and Standard Guaranty modifications within 2 business days
- Responses to proposed Post-Bid LOC modifications within 7 business days
- All approved modifications are posted to the Supplier Information page of the RFP website before the Part 2 Window

**Good Idea!** Check list before proposing modifications

Go to Pecoprocurement.com → Supplier Information → Documents



#### Part 1 Requirements cont.

#### 4. Make Representations and Certifications (section 4)

 Bidders have the option to submit the representations required by the Part 2 Form during the Part 1 Window for early processing All Bidders

5. Foreign RFP Bidders and Foreign Entities (section 5)

All Bidders

- 6. Justification of Omissions (section 6)
  - If any of the information cannot be provided, explain here to avoid a Deficiency Notice
  - Also space for additional uploads

All Bidders

Part 1 Proposal Due on Tuesday, February 27, 2024

### **Inserts and Acceptable Signatures**

- RFP Bidders are required to submit Inserts with both the Part 1 and Part 2 Proposal
- Instructions to complete each Insert are provided in the header of the Insert
  - Note that some Inserts allow for different methods of completion, including:
    - Digital signatures (accompanied by an additional document or information that verifies the identity of the signatory)
    - Electronic signatures (emailed to <u>PECOProcurement@nera.com</u> either by the signatory or with the signatory on copy)
    - Notarized signatures (printed, signed, scanned, and uploaded to the online form)



#### **Proposal Review Process**

- When you submit the online form the Independent Evaluator will review your proposal promptly
  - During the evaluation of your proposal, your account will be temporarily locked
- If deficiencies are noted, Bidders are advised:
  - On the same day if materials received before noon
  - Next business day otherwise
- A deficiency notice will list the items that are deficient or require clarification and bidders will generally have until the deadline for the Part 1 Proposal or one (1) business day to respond to a first request for additional information



#### **Part 1 Notification**

 An RFP Bidder is notified whether it has qualified to submit a Part 2 Proposal by Thursday, February 29, 2024 (the Part 1 Notification Date)

#### Contents

- Credit assessment based on financials submitted with the Part 1 Proposal
- 2. Customized Bid Form and instructions for bid submission
- 3. Confidential Login information to test secure file transfer system during training and to submit Bids on the Bid Date



#### **Part 2 Requirements**

#### **Online Form**

- 1. Certifications and Representations
- RFP Bidders have additional requirements if
  - relying on the financial standing of a RFP Guarantor
  - submitting a Proposal with a foreign entity as RFP Bidder, Guarantor or Principal

#### **Pre-Bid Letter of Credit submitted electronically**

3. The Pre-Bid Letter of Credit must be submitted as an electronic PDF file via electronic means only to the Independent Evaluator at PECOprocurement@nera.com

Part 2 Proposal Due on Thursday, March 7, 2024



## **Part 2 Proposal Credit Requirements**

- All RFP Bidders must submit an executed Pre-Bid Letter of Credit
  - \$250,000 per tranche bid on the RES and SC products
  - \$125,000 per tranche bid on the CCI product
- Maximum amount of Pre-Bid Letter of Credit:
  - \$7.5M for fixed-price, \$500k for spot-price
  - Depending on bidder-specific load caps, it is possible that an RFP Bidder will not be able to bid on all tranches
- Must use standard form, or standard form incorporating only approved modifications posted to the RFP website





### **Bid Submission Process**

#### What is a Bid?

- A Bid is a price in \$/MWh for one tranche of a product
  - Automatically rounded to the nearest cent
  - Binding until six (6) business days after the Bid Date
  - Must be supported by sufficient security
- Bids will be evaluated by the Independent Evaluator on a priceonly basis

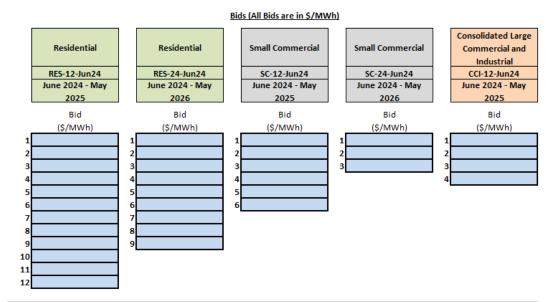


#### **Bid Form**

Total Tranches Across all Products

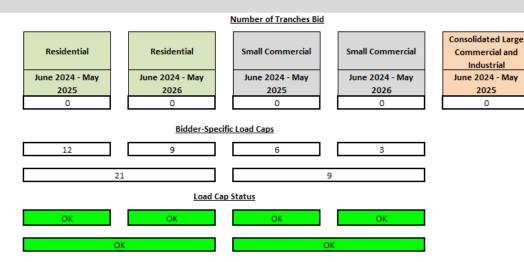
Section 2. Bids for each Tranche of each Product





Running Totals

Check Load Caps



#### **Bid Date Process**

- Bids must be submitted between 10 AM and 12 PM noon on Tuesday,
   March 12, 2024 (Bid Date)
  - Bids submitted online through a secure file transfer system
  - Independent Evaluator calls and confirms receipt within 30 minutes
  - RFP Bidders have an opportunity to correct errors. RFP Bidders are encouraged to submit early for this reason!
  - RFP Bidders will have a minimum of 10 minutes to resubmit a nonconforming Bid Form
  - By 3 PM on the Bid Date, Independent Evaluator determines provisional winning bids, and informs RFP Bidders whether or not they are provisional winners

RFP Bidders may participate in a training session on Wednesday, March 6, 2024



# Post-Bid Process from the RFP Rules



Mar. 12 (by 3PM) Independent Evaluator notifies RFP Bidder

Mar. 13 (by 12PM) • RFP Bidders provide info to prepare SMA and guaranty (if applicable) if not provided with P1 Proposal

Mar. 14

• PUC issues a decision

Mar. 18 (by 12PM)  PECO executes Transaction Confirmations, SMAs, and guaranty using digital signature and emails documents to winning suppliers

Mar. 19 (by 2PM)  RFP Bidders execute the Uniform SMA (including transaction confirmation) and guaranty (if applicable) using a digital signature and return the documents by email; post additional security if needed



#### **Information Released to Public**

- Key information about prices is released 15 days after the solicitation:
  - Weighted average winning bid price by product
  - Number of tranches of each product procured



## The RFP Website

#### **Central Source for RFP Information**

### https://pecoprocurement.com/

- Supplier and regulatory documents
- Data Room with historical data
- Calendar page
- Contact us page to register to receive email announcements
- Archive page of postings from past solicitations



#### **Ask a Question**

- Contact Us / Ask a Question
  - RFP Bidder questions answered within 2 business days
  - New FAQs posted to RFP website every Wednesday (without identifying information)
    - Supplier Information / FAQs





## **Questions?**