

PPL Electric Utilities Corporation Time-of-Use Procurement Plan (May 2019 Solicitation)

Monday, April 22, 2019



*Default Service
Procurement Plan*

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Disclaimer

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

- **The governing documents are:**
 - the Commission's Order dated May 17, 2018 related to PPL Electric's Time-Of-Use Program in Docket No. M-2016-2578051
 - Time-of-Use RFP Rules
 - Time-of-Use Supplier Master Agreement

Please see the TOU section in the RFP website for complete documentation
<http://www.ppldsp.com/time-of-use>

Agenda

- Regulatory Background and Update
- Role of NERA
- Overview of the RFP Process
- Product Design
- Qualifications and Bidding Process
- RFP Website

Regulatory Background and Update

The Time-Of-Use Program (TOU Program)

- **On August 10, 2017, PPL Electric filed a petition for approval of its TOU Program for the period through May 31, 2021, which is the end of PPL Electric's current DSP IV**
 - March 13, 2018: Joint Petition for Approval of TOU Program
 - May 17, 2018: Commission Order approving Joint Petition
 - February 13, 2019: Compliance filing for a revised TOU RFP and TOU SMA along with a proforma tariff
 - April 9, 2019: Secretarial Letter approving revised TOU RFP and TOU SMA

- **The TOU RFP is separate from the Default Service RFP**
 - The first solicitation is scheduled for May 2019 TOU RFP
 - There are two Customer Groups: Residential and Small C&I

PA Solar – Closing the State Borders

- In October 2017, the Pennsylvania State Legislature passed an adjustment to Act 40, an amendment to the PA AEPS Act of 2007, effectively closing the State borders to solar generation outside of Pennsylvania
- The PUC issued an Implementation Order in July 2018, and a Reconsideration Order in August 2018. The Orders assert that any SRECs used for an LSE's solar AEPS compliance obligation must be generated within Pennsylvania
- Contracts that were entered into by parties prior to the Act 40 amendment utilizing SRECs from previously approved out of state solar generation sources may file a petition with the PUC for approval
- SRECs already generated from previously approved solar sources (including those outside of PA) are grandfathered and deemed available for use to comply with the solar AEPS compliance obligation
- **For this May 2019 solicitation and subsequent TOU solicitations**, SRECs must be generated from within the State of Pennsylvania, or from a facility approved by the PUC AEPS Manager

The Role of NERA

- To ensure a transparent process, PPL Electric has retained NERA to continue its role as the independent third-party RFP Manager for the solicitations under DSP IV.

- NERA's role is:
 - to be the main point of contact with RFP Bidders
 - to ensure the RFP Process and Rules, as approved by the PUC, are followed
 - to ensure qualifications are evaluated equitably and fairly
 - to ensure conforming Bids
 - to evaluate and determine the winning Bid based solely on price
 - to present the results to the PUC

Overview of the RFP Process

Time-of-Use

- Time-of-Use Program (TOU) customers are retail customers taking service under PPL Electric's TOU program
 - Customers cannot enroll prior to June 1, 2019
 - No customer automatically starts or defaults to TOU service and election must be affirmatively made by the customer
 - Bids are solicited to serve the load of TOU customers in the Residential Customer Group and the Small C&I Customer Group separately
 - A TOU customer may switch to take service from an EGS (and if such customer returns, shall return to fixed-price default service)
- PPL Electric has an obligation to obtain supply for its TOU customers and if the TOU RFP is not successful, the load of TOU customers will be served by Default Service Suppliers who are paid according to the terms of the Default Service SMA

Procurement Groups

- A “Customer Group” is a grouping of customers

Group	Description	General Criteria
R	Residential	All Residential Customers
SC&I	Small Commercial and Industrial	< 100 kW annual peak demand

- Large Commercial and Industrial (LC&I), OnTrack customers in the Residential Customer Group, as well as lighting customers and unmetered GS-1 customers in the Small C&I Customer Group, are not eligible for TOU.
- Section 1.1.3 of the TOU RFP Rules provides a full description of rate schedules within each Customer Group

Solicitation Process

- **TOU RFP** for load-following, full requirements products
- **Four (4) solicitations** planned between May 2019 and November 2020
 - May 2019 (first solicitation)
 - November 2019
 - May 2020
 - November 2020

Bid Products

Customer Group	Delivery Period (Beginning on <u>June 1, 2019</u>)	Tranches to be Procured	Tranche Size
Residential	6 months	1	100%
Small C&I	6 months	1	100%

Solicitation Is in Three Steps

Step 1

- **Bidder Qualification**
 - RFP Bidders submit qualification materials through online form
 - Due Date: **12 pm (noon) EPT on April 29, 2019**

Step 2

- **Bid Assurance Collateral/SMA**
 - RFP Bidders submit financial guarantees and signed contracts
 - Due Date: **12 pm (noon) EPT on May 10, 2019**

Step 3

- **TOU Bid Proposals**
 - Qualified RFP Bidders who have opted for TOU submit Bids
 - Due Date: **10 am – 12 pm EPT on May 14, 2019**

PUC Review and Approval

- The RFP Manager will submit a report to the PUC on **Wednesday, May 15**, which is one business day after the Bid Proposal Due Date for TOU
- The PUC will issue a decision for TOU proposals no later than **Thursday, May 16**

Product Design

TOU Suppliers Serve 100% of the Load for the Customer Group under TOU Program

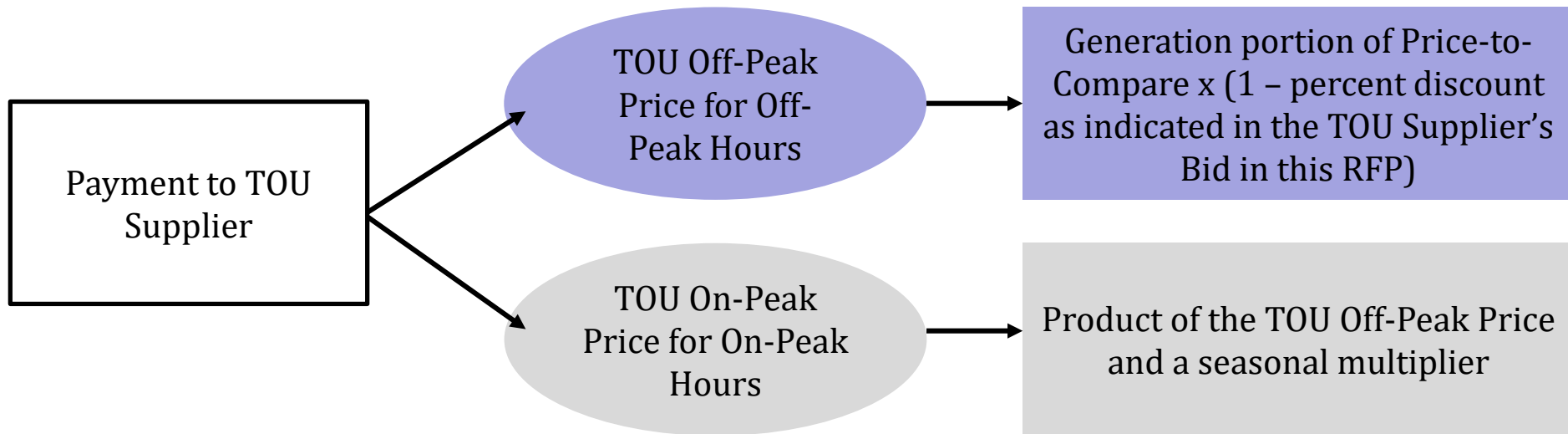
Supply is Full Requirements Service

- Full Requirements Service includes energy, capacity, ancillary services, certain transmission services, and AEPS requirements
- Full Requirements Service excludes certain non-market based transmission services
- ARRs are assigned to winning suppliers
- AEPS obligations reflected in updated Exhibit 2 to the SMA
- Delivery point: PPL_RESID_AGG

Full Requirements Service is Load Following

- Supplier for a Group supplies 100% (a tranche) of TOU load for that Customer Group during the supply period
- Customers are free to switch out of TOU Program to take EGS service with appropriate notice to PPL Electric (and return to take fixed price Default Service)

Payment to Suppliers Depends on Off-Peak/On-Peak Supply



Summer (June - November)

On-Peak: 2 PM to 6 PM excluding weekends and PJM holidays
Off-Peak: any non On-Peak Hours

Winter (December - May)

On-Peak: 4 PM to 8 PM excluding weekends and PJM holidays
Off-Peak: any non On-Peak Hours

- Seasonal multipliers will be based upon a rolling 5 years of historic PJM Day Ahead Spot Market Pricing data for the PPL Residual Aggregation Zone, beginning with the month of the auction minus one month

Supplier Master Agreement

- Contract is standard and non-negotiable
- Contract is between TOU Supplier and PPL Electric
- RFP Bidder uploads a scanned partially executed TOU SMA prior to Bid Submission
- Transaction Confirmation will specify product information (e.g., delivery term, customer group, etc.)

Key Credit Provisions

- Credit Exposure: **\$75,000 for each Transaction**
- Performance Assurance requirements will depend on a credit evaluation
 - Unsecured credit may be granted based on the RFP Bidder's (or its Guarantor's) Tangible Net Worth and credit ratings
 - Exposure beyond unsecured credit (if any) must be met with cash or Performance Assurance LOC
- Single unsecured credit is granted for all SMAs, including
 - SMAs previously executed under Default Service Program
 - TOU SMA in this Solicitation
- Exposures are netted across all SMAs
- One single guaranty is used for all SMAs
- Standard Guaranty and Performance Assurance LOC form provided as Exhibits to contract

Qualifications and Bidding Process

TOU RFP Schedule

TOU RFP Release	Monday, April 15
Bidder Qualifications Due* – NOON EPT	Monday, April 29
Price-to-Compare (“PTC”) Release	Wednesday, May 1
Qualified Bidders Notified	Monday, May 6
Bid Assurance Collateral and SMA Due – NOON EPT	Friday, May 10
Bid Proposals Due – NOON EPT	Tuesday, May 14
PUC Decision	Thursday, May 16
Transaction Confirmation(s) Executed – 2 PM EPT	Monday, May 20

* If qualification materials are deficient, RFP Bidders must respond by the deadline specified in the deficiency notice. This is generally by 6PM on the second business day following the first deficiency notice. If additional information is required, RFP Bidders must respond by the deadline specified in any subsequent deficiency notice. In no event will an RFP Bidder be allowed to continue to cure its deficiency after the Cure Deficiency Deadline.

Overview of Qualification Process

- **Bidder Qualifications process is completely online**
 - Provide required information
 - Upload supporting documents
 - Upload scanned Appendices with signatures
- **Request an Account to receive:**
 - Login Credentials
 - Instructions for completing and submitting the online form
- **Abbreviated Process for Qualified Bidders in previous Default Service solicitations**
 - Any RFP Bidder that has previously qualified for a Default Service solicitation can qualify again through abbreviated process

Requesting an Account and Logging In

RFP website: <http://www.ppldsp.com>

The image shows a screenshot of the PPL Electric website. The main page is titled "PPL Electric's Default Service Program" and "Qualification Form". It contains a navigation menu on the left and a central content area. A red box highlights the "log in here" link. A red arrow points from this link to a login form on the right. Another red arrow points from the "get account here" link to a "Get Account for Qualification" form at the bottom right. A red box highlights the "Get Account for Qualification" form, and a red arrow points from it to a list of items the contact will receive. A red box also highlights the "Get Account for Qualification" form, and a red arrow points from it to a list of items the contact will receive.

Home > Qualification Form

Qualification Form

You must be logged in to access the online Qualification Form.

If you have an account, please [log in here](#).

If you do not have an account, please [get account here](#).

Home > Qualification Form > Get Account for Qualification

Get Account for Qualification

Fields marked with an * are required

Company *

Contact Name *

Contact Title

Phone Number *

Email *

Enter your login credentials

Username or Email Address

Password

Remember Me

Log In

The contact will soon receive:

- Username
- Password
- Addendum 2 to the RFP rules
- Deadline information

Fill out required fields and click "SUBMIT"

SUBMIT

Downloading the RFP Appendices

RFP website: <http://www.ppldsp.com>



Home

Background Information

Announcements

Default Service RFP

Time-of-Use RFP

RFP Results

Documents

Calendar

Data

FAQs

Contact Us

File Transfer

Qualification Form

Home > Time-of-Use RFP > Documents

Documents

INFORMATION FOR GENERATION SUPPLIERS

Load Following Full Requirements

- RFP Process and Rules (Including Appendices) (.pdf)
 - Addendum 1 (.pdf)
- Appendix 1, Time-of-Use Supplier Master Agreement (.docx)
 - Exhibit 2 (.pdf)
 - Exhibit 3 (.docx)
 - Sample Exhibit 4 (.pdf)
 - Exhibit 5 (.docx)
 - Exhibit 6 (.docx)
- Appendix 3, Confidentiality Agreement (.docx)
- Appendix 4, PJM Qualification Certification Form (.docx)
- Appendix 5, FERC Authorization Certification Form (.docx)
- Appendix 6 Credit Authorization (.docx)
- Appendix 6b, Confirmation of Credit and Financial Information (.docx)
- Appendix 7, Bid Assurance Letter of Credit (.docx)
- Appendix 9, Binding Bid Agreement (.docx)
- Appendix 10, Binding Bid Withdrawal Agreement (.docx)

Download applicable Appendices!

Step 1: Submit the Qualification Form

Due Date: 12 pm (noon) EPT on April 29, 2019

Required in the Qualification Form:

1. Expression of Interest
 2. Confidentiality Agreement
 3. PJM and FERC Qualifications
 4. Credit Application and Financial Information
 5. Binding Bid Agreement
-

Optional in the Qualification Form:

6. Designation of Additional Representatives
7. Proposed Modifications to Bid Assurance LOC
8. Proposed Modifications to Performance Assurance LOC and Guaranty

Sections in Qualification Form

- **Section 1: Expression of Interest Form**
 - Asks for basic contact information of the RFP Bidder and representative
 - Allows RFP Bidder to designate additional representatives (optional)

- **Section 2: Confidentiality Agreement**
 - Protects information that is confidential, proprietary, or generally not available to the public
 - Executed by RFP Bidder and PPL Electric and protects both

- **Section 3: PJM Qualification and FERC Authorization Certification**
 - **PJM Qualification Certification:** Certifies that RFP Bidder's qualification as a market buyer and seller (and ability to secure generation or otherwise obtain and deliver electricity in PJM through compliance with applicable PJM requirements)
 - **FERC Authorization Certification:** Certifies that RFP Bidder is authorized to sell energy, capacity and ancillary services at market-based rates

Sections in Qualification Form (Cont.)

■ Section 4: Credit Application

- Applicant (RFP Bidder or Guarantor) is required to provide:
 - ➔ Information for credit contact
 - ➔ Bank reference information
 - ➔ Most recent SEC 10-Q or 10-K
 - ➔ Credit ratings and supporting documentation
 - ➔ Credit Authorization
- Appendix 6 Credit Authorization **must be signed by the Guarantor** if relying on the creditworthiness of Guarantor
- RFP Bidder may indicate it is not requesting for unsecured credit under TOU SMA
- RFP Bidder relying on Foreign Guarantor may provide draft documents required under the TOU SMA for review in RFP process

Sections in Qualification Form (Cont.)

- **Section 5: Binding Bid Agreement**
 - Bid Proposals Constitute **Firm Offers to Supply**
 - RFP Bidder certifies:
 - ➔ Bound by the price quotes based on the bid submitted in the Bid Proposals
 - ➔ Independent bidding
 - ➔ No knowledge of others' Bids
 - ➔ No disclosure of information related to the RFP Process or the Bidder's Proposal prior to the PUC decision

- **Section 6: Justification of Omissions (optional)**
 - Allows RFP Bidders to explain any omissions if the RFP Bidder was unable to provide all documents or information required with the Qualification Form
 - Allows RFP Bidders to upload optional documents such as proposed modifications to credit instruments

Previously Qualified Default Service Bidders may participate in Abbreviated Process

Due Date: 12 pm (noon) EPT on April 29, 2019

Required in the Qualification Form:

- ✓ ~~Expression of Interest~~
- ✓ ~~Confidentiality Agreement~~
- ✓ ~~PJM and FERC Qualifications~~
- 1. Credit Application and Financial Information
- 2. Binding Bid Agreement

Resubmit Appendix 6 or
Refresh using Appendix 6b

Resubmit

Optional in the Qualification Form:

- 3. Designation of Additional Representatives
- 4. Proposed Modifications to Bid Assurance LOC
- 5. Proposed Modifications to Performance Assurance LOC and Guaranty

Confirmation of Credit and Financial Information

- Appendix 6b Confirmation of Credit and Financial Information may **only be used by RFP Bidders that previously qualified in previous Default Service solicitations under DSP IV**
- RFP Bidders may submit Appendix 6b if:
 - All previously submitted credit and financial information are current and do not require an update**OR**
 - RFP Bidder is only updating credit ratings support documentation and/or financial statements, and all other previously submitted credit and financial information remain unchanged
- RFP Bidders can review their most recent financial information submitted and update if necessary

Qualification Form Review Process

- The RFP Manager reviews the submission only after the RFP Bidder hit “Submit”
- During the review, RFP Bidder’s **account will be locked**
- RFP Manager performs initial evaluation generally on the same day or by next business day
 - Deficiency or complete notice sent by email
 - Evaluates additional materials as needed
- Once RFP Bidder receives a notice from the RFP Manager regarding the status of the Qualification Form, the account will be unlocked
 - If the Qualification Form is complete and the RFP Manager requires no additional information, the account will remain locked

RFP Bidders Will Have Time to Cure Deficiencies

- RFP Bidders are encouraged to **submit materials early** to maximize time to resolve deficiencies and provide any necessary additional information
- Deficiency notices will specify **deadline** for RFP Bidder to respond
 - RFP Bidder must respond by 6PM EPT on the second business day for first deficiency notice
 - RFP Bidder must respond by deadline specified in subsequent deficiency notice if additional information is required
- RFP Bidder that fails to remedy deficiencies by the deadline specified in the deficiency notice will not qualify for the solicitation

Step 2: Submit Bid Assurance Collateral and TOU SMA

Due Date: 12 pm (noon) EPT on May 10, 2019

1. Online Form, including SMA upload

- Indicate whether you are providing **Cash** or **Letter of Credit** as a form of Bid Assurance Collateral
- Upload the signed TOU SMA

2. Bid Assurance Collateral

- Cash: wire transfer instructions provided if you elect Cash on the online form
- Letter of Credit delivered to:
PPL Electric RFP Manager
1835 Market Street, Suite 1205
Philadelphia, PA 19103

Bid Assurance Collateral & Pre-Signed TOU SMA

- Bid Assurance Collateral must be in the form of a **letter of credit** or **cash**
 - **\$75,000** per tranche
 - ➔ \$150,000 if bidding for both Customer Groups and \$75,000 for one Customer Group
 - Wire transfer instructions available in the online form
 - Standard form of LOC is available on the RFP website
 - ➔ Use only standard form or with acceptable modifications
 - ➔ Early submission provides time to deal with corrections
 - ➔ Final list of acceptable modifications will be posted **on May 7**

- **One scanned signed copy of the entire TOU SMA** must be received **by upload to the RFP website**, including the Form of Notice filled in with the appropriate contact information

Step 3: Submit TOU Bid Proposals

- Bid Proposal Due Date
 - **10 AM – 12 PM (noon) EPT on Tuesday, May 14**
- One **Bid Proposal Spreadsheet** for each Product
 - Different spreadsheets for RES and SC&I products
 - All shaded cells on Spreadsheet must be completed
- Bid Proposal Spreadsheets **must be submitted online by electronic file transfer** to the PPL Electric secure server

Bids Submitted Online

- Bid Proposal Spreadsheet(s) submitted **online by electronic file transfer** to the PPL Electric secure server
- Required **password** will be sent with Notification of Qualification
- RFP Manager **confirms receipt by phone** using contact information in Bid Proposal Spreadsheet and tag number will be provided
- RFP Manager will prompt RFP Bidders to read back the submitted bid
- RFP Bidder can withdraw its Bid Proposal before deadline for bid submission by using the Binding Bid Withdrawal Agreement

Bid Is for Percentage Discount to Generation Portion of PTC

- Bidders are provided with the generation portion of Price-to-Compare (“PTC”) and on-peak multiplier
- Bid is for **Percentage Discount** Below the Generation Portion of PTC (%)

Solicitation Information

Generation Portion of the Price-to-Compare (US \$/MWh)	\$100.00/MWh
On-Peak Multiplier (applied to off-peak rate)	1.25

Bid Information:

Percent Discount Below the Generation Portion of PTC (%)	15.00%
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Resulting Price Information:

Off-Peak Price (US \$/MWh)	$100 \times (1 - 0.15) = 85$	→	\$85.00/MWh
On-Peak Price (Us \$/MWh)	$85 \times 1.25 = 106.25$		\$106.25/MWh

What Happens if Bid Assurance Collateral Is Insufficient ?

- Bids will be **removed** if Bid Assurance Collateral is insufficient
- If Bids are provided for both Customer Groups and the Bid Assurance Collateral is only sufficient for one Bid, then the RFP Manager will remove the bid from the Customer Group where there is the most competition, as measured by the number of Bid Proposal Spreadsheets submitted for that Customer Group

By submitting a Bid Proposal, RFP Bidder authorizes the RFP Manager to modify Bid Proposal documents in this manner

Technical Difficulties

- If an RFP Bidder experiences technical difficulties, the RFP Bidder should call the PPL Electric RFP Manager directly at:
(215) 568-0200
 - PPL Electric RFP Manager will find an alternative method to ensure that all RFP Bidders who wish to submit Bids may do so
 - **RFP Bidders should use this backup method only in an emergency**
 - Bids submitted in this manner will not be disadvantaged, but Bids must still be submitted by the deadline

Evaluation Selects Bid with Greatest Discount

- Bids for Residential Customer Group and for Small C&I Customer Group will be evaluated separately
- For each Customer Group
 - Tied Bids will be broken by random selection
 - the winning is the Bid with the greatest percentage discount below the generation portion of the PTC (which will be reflected in the Off-Peak Price)
- **If there are less than two (2) Bids received for a Customer Group, the results for that Customer Group is deemed to be rejected by the PUC**

Post-Auction Activities

- RFP Manager submits results to PUC on **May 15** for the TOU solicitation
- The PUC will issue its decision no later than **May 16** for TOU solicitation
 - If results accepted, PPL Electric will email a partially executed Transaction Confirmation and fully executed SMA to winning RFP Bidders **on the same business day** (or next business day if PUC does not act)
- **By 2 p.m. on the second business day after receipt**, RFP Bidder emails PPL Electric the fully executed Transaction Confirmation(s)
 - Bid Assurance Collateral may be forfeited for failure to execute Transaction Confirmation(s) in timely manner
- **Upon Receipt of fully executed Transaction Confirmation(s):**
 - PPL Electric will return Bid Assurance Collateral

The PJM DOA

- Suppliers create **PJM eSuite Short Names** for each contract type
 - The Short Name designation by PPL Electric is as follows:
 - ➔ All Short Names must be 6 letters in length, with the final three letter designations as follows: **TRA** or **TSA** (T = Time-of-Use, R or S = Residential or Small C&I respectively, and A = supplier gets ARRs)
 - ➔ The first three letters may be selected by the winning supplier
 - ➔ *For Example: PPLTRA would signify PPL (designed by winning party) and TRA signifying PPL won Residential TOU supply.*
 - Supplier is responsible to submit all paperwork with PJM to create the Short Name.
 - PPL Electric highly recommends suppliers prepare paperwork to be submitted to PJM prior to winning supply to expedite the PJM Short Name creation process.

The PJM DOA (cont.)

- Once a supplier is selected as having won TOU supply, the PA PUC approves the auction results, and all parties sign the contracts – PPL recommends winning suppliers immediately submit required paperwork to PJM for creation of a Short Name.
- Once created, Suppliers must notify PPL Electric that the Short Name is available for use.
- If suppliers have any questions about the naming convention or creation of PJM Short Names, please contact the Company.
- **Note!** RFP Bidders do **not** need to provide executed PJM Declaration of Authority (DOA) prior to bid submission: PJM DOA will be executed by new winning Suppliers and PPL Electric **after** Short Names are set up

All questions, comments or corrections should be promptly communicated to PPL Electric

PJM InSchedule Application

- PPL Electric will **enter winning Supplier contracts into the PJM inSchedule** application no later than **May 31st**
 - PPL Electric notifies suppliers when contracts are available for review and approval
 - Suppliers are required to review and approve contracts entered into the PJM system that match the terms and conditions of the underlying supply contracts
- Once contracts are approved, PPL Electric will **update and/or add any required Billing Line Items (BLI's)** into the PJM BLI application
 - PPL Electric notifies suppliers when BLIs are available for review
 - Suppliers reviews and approves all BLIs entered into the PJM system

All questions, comments or corrections should be promptly communicated to PPL Electric

PPL-Issued AEC Reports

During Term of the Transaction:

- PPL Electric will issue Alternative Energy Credit (AEC) reports to each supplier, detailing each supplier's AEC obligations by contract and by month
- Reports will be issued quarterly based upon the PJM planning year (June through May)
- Suppliers are obligated to make their required AEC transfers to PPL Electric's PJM GATS account in accordance with the terms of the contract.

RFP website

- Register for our Mailing List
- Receive emails and updates

The screenshot displays the PPL Electric's Default Service Program website. The header features the PPL logo and the text 'PPL Electric Utilities' on the left, and 'PPL Electric's Default Service Program' on the right. A navigation menu on the left includes links for Home, Background Information, Announcements, Default Service RFP, Time-of-Use RFP, Calendar, Data, FAQs, Contact Us, Register, Ask-a-Question, RSVP for Webcast, File Transfer, and Qualification Form. The 'Contact Us' section is highlighted with an orange line, and the 'Register' link is enclosed in a red box. The main content area shows the breadcrumb 'Home > Contact Us > Register for our Mailing List' and the title 'Register for our Mailing List'. Below the title, it states 'Fields marked with an * are required'. The form contains input fields for Name *, Company *, Title, Email *, Phone *, and Alt. Phone *. A blue 'SUBMIT' button is located at the bottom right of the form.

Submit Questions Through the RFP Website

ppl
PPL Electric Utilities

PPL Electric's Default Service Program

Home > Contact Us > Ask-a-Question

Ask-a-Question

Fields marked with an * are required

Name *

Company *

Phone

Email *

Question *

Fill out required fields and click "SUBMIT"

Home

Background Information

Announcements

Default Service RFP

Time-of-Use RFP

Calendar

Data

FAQs

Contact Us

Register

Ask-a-Question

RSVP for Webcast

File Transfer

Qualification Form

All questions and answers are posted to the FAQ section of the RFP website without revealing the asking party