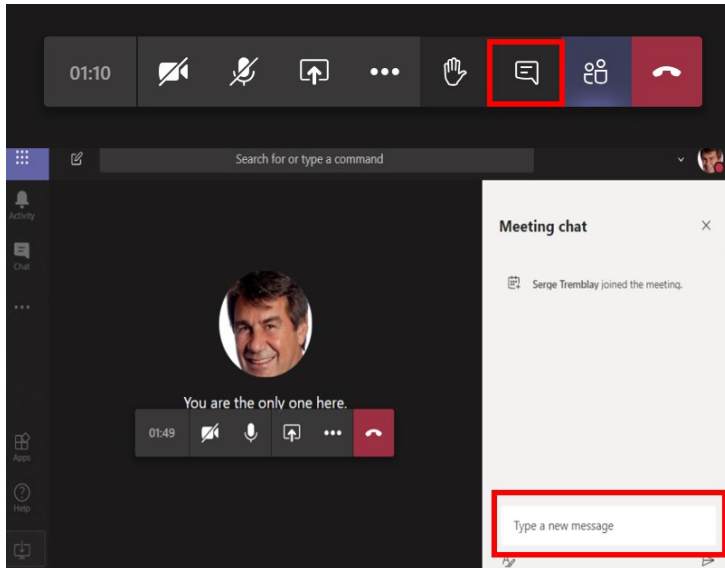


Maryland Utilities' Request For Proposals for Full Requirements Wholesale Electric Power

Pre-Bid Webinar
September 19, 2023

Please Remember



- **Phones are Muted:** In order to help this webinar run smoothly, your phones are muted.
- **Questions:** If you have a question, first select the message icon, then type your question in the “Meeting chat” box and click the arrow under the box or hit enter to send. We will address it as soon as we can.
- **Q&As addressed at today’s session will be posted to the Maryland Utilities’ RFP websites.**

Utility Panel

Potomac Edison

Robert Reeping – Manager, Regulated Commodity Sourcing

Melanie Grant – Senior Business Analyst

Baltimore Gas and Electric Company

David Bloom – Manager, Energy Acquisition

Brian Schuppert – Principal Energy Acquisition Analyst

Faisa Mohamed – Energy Acquisition Analyst

Pepco and Delmarva Power

Debbi Sears – Senior Manager, Energy Acquisition

Peter Samuel – Senior Energy Acquisition Analyst

Diana DeAngelis – Senior Energy Acquisition Analyst

Webinar Objectives

We are here to:

- Review the bid structure within each utility's RFP
- Highlight substantive changes to the RFP and FSA from the process conducted last year
- Answer questions on RFP related topics

Webinar Disclaimer

This presentation is not meant to be a fully comprehensive description of every aspect related to all of the Maryland Public Service Commission (PSC) orders and settlements related to the RFP process, but rather a summary of the key features. No statements made in this presentation, or made orally by any utility representative, are intended to be binding in any way. In all cases, the RFP, FSA, settlement documents and Compliance Plans, as approved by the PSC, and all PSC orders, control and supersede all other statements.

Summary Agenda

- 2024 RFP Changes
- Utility Bid Plans
- 2024 Full Requirements Service Agreement Changes

Overview

2024 Procurement Improvement Process (PIP)

- Bid Schedule update (No delivery periods past June 1, 2026 (Montgomery County CCA Start date for PE/Pepco) (RFP § 6)
- Continued use of Proxy Price for Capacity due to PJM Base Residual Auction Delays (RFP § 2.1 and FSA § 7.1)
- Elimination of Alternate Form of Performance Assurance (RFP § 3.10 and FSA § 14.2)
- Transaction Cost and Risk Adder for Price Anomaly Threshold calculation (RFP Appendix 10)
- Exclusion of 36-month ratio for calculation of off-peak quotes (FSA Article 1, Exhibit E)
- GATS Certificate transfer language for RPS (FSA § 4.4)
- RPS Percentages (FSA Exhibit B)
- Letter of Credit operative instrument (FSA Exhibit C)
- PJM Billing Line Items 1930, 1932, 2930 and 2932 (FSA Exhibit D)
- Form of Guaranty (FSA Exhibit F)
- Suppliers should use Ariba for BGE Auction Data and Eligibility Documents

Important Dates

Important Procurement Qualification Notes

- In order to be qualified to bid in the October 2023, January 2024, April 2024 and June 2024 auctions
 - Suppliers must qualify under the 2024 RFP/FSA documents
 - Eligibility documents need to be submitted only once for RFP
 - Eligibility documents due dates
 - September 22, 2023 for the October 16, 2023 auction
 - January 5, 2024 for the January 22, 2024 auction
 - March 22, 2024 for the April 8, 2024 auction
 - May 17, 2024 for the June 3, 2024 auction

2024 Request for Proposals(RFP)

Request for Proposals (RFP)

Supply Requirement Overview

- Full requirements service, including energy, capacity, ancillary services, losses and renewables; excluding network transmission or renewable energy obligations related to offshore wind pursuant to Senate Bill 526 passed during the 2022 session of the Maryland General Assembly
- Supplier's obligation will be in terms of a fixed percentage of a utility's total SOS load for a specific service type
- Wholesale supply will be at fixed prices, for the Base Load only. The Incremental Load will be supplied by buyer at a variable price (PJM spot market). Base and Incremental loads are defined by the Volume Risk Mitigation (VRM) mechanism (FSA § 6.3)

Request for Proposals

Procurement Process Overview

- Scope of the RFP includes the October 2023, January 2024, April 2024 and June 2024 auctions
- Suppliers will have to qualify only once for this multi-procurement process, however if changes occur that materially affect supplier's financial condition or its status with PJM or FERC, supplier is responsible for notifying the utilities
 - Credit ratings
 - PJM membership in good standing
 - FERC authorization for market-based rates

Request for Proposals

Procurement Process Overview (continued)

- For BGE, Delmarva and Pepco Residential and Type I supply, load will be procured in October 2023 for June 1, 2024 delivery and in April 2024 for October 1, 2024 delivery
- For PE, bidding for Residential supply will occur in four procurements – October 2023, January, April, and June 2024, for June 1, 2024 and June 1, 2025 delivery. Type I supply will be procured in October 2023 and April 2024 for June 2024 delivery.
- 100% of the Type II supply will be procured every 3 months with delivery starting December 1, 2023, March 1, June 1 and September 1, 2024

Request for Proposals

Procurement Process Overview (continued)

- The typical bid week will look like the following:
 - Monday: Bid assurance collateral due no later than 10:00 am EPT
 - Monday: Bids due between the hours of 10:30 am and 11:30 am EPT
 - Monday: Bids awarded by 3:00 pm EPT
 - Tuesday: Utility forwards partially executed contracts to supplier by facsimile or scanned image file via e-mail
 - Wednesday: by 2:00 p.m. EPT, the bidder will return to Utility by scanned image file via e-mail, a fully executed FSA, and/or transactions, and, if required, Guaranty or amendment
 - Wednesday: Utility files by scanned image file via e-mail executed Transaction Confirms with Commission
 - Thursday: Public hearing for Commission to review results
 - Friday: Commission approval of contracts
- Bids expire the earlier of rejection notice or 7 PM EPT of bid award day
- Retail prices will be posted about two-and-a-half weeks after Commission approves all contracts with common delivery start date

Utility Bid Plans

Utility Bid Plans

In total, Maryland utilities are requesting electric supply proposals totaling approximately 3,729 MW of Standard Offer Service load

PE	568	www.firstenergycorp.com/mdsosrfp
BGE	1,927	https://rfp.bge.com/
Delmarva Power	323	www.delmarva.com/mdrfp
Pepco	<u>911</u>	www.pepco.com/mdrfp
Total	3,729 MW	

The load figures will be updated prior to the bid due dates

PE Bid Plan

PE's SOS Load Overview

<u>Service Type</u>	Preliminary Capacity PLC, MW		
	<u>Eligible</u>	<u>SOS</u>	<u>RFP</u>
• Residential	741	690	459
• Type I Non-Residential SOS	55	36	36
• Type II Non-Residential SOS	296	73	73
– PH (< 600 kW PLC) C, C-A, CSH, G (≥ 25 kW)			

Notes:

- Numerical values contained herein are accurate as of August 18, 2023, and will be updated prior to the October 16th procurement
- PLCs are for the 2023-2024 Planning Year
- MW values are scaled at the wholesale level; Scaling factor = 0.9935

Eligible Load is all load that could possibly be included in the SOS process per service type

SOS Load is equal to eligible load minus the load served by third party suppliers

RFP Load is the portion of the SOS load being bid out in the 2023-24 RFP process

BGE Bid Plan

BGE's SOS Load Overview

<u>Service Type</u>	<u>Preliminary Capacity PLC, MW</u>		
	<u>Eligible</u>	<u>SOS</u>	<u>RFP</u>
Residential	3,440	2,863	1,432
Type I	298	211	105
Type II	1,547	390	390

Notes:

- Numerical Values contained herein are accurate as of August 18, 2023, and will be updated prior to each procurement
- PLCs are for 2023-2024 Planning Year
- MW values are unscaled at the wholesale level
- Scaling factor = 0.98

Delmarva Bid Plan

Delmarva's SOS Load Overview

<u>Service Type</u>	Preliminary Capacity PLC, MW		
	<u>Eligible</u>	<u>SOS</u>	<u>RFP</u>
Residential	532	487	244
Type I	59	38	18
Type II	218	61	61

Notes:

- Numerical Values contained herein are accurate as of August 18, 2023
- PLCs are for 2023-2024 Planning Year
- MW values are unscaled at the wholesale level
- Scaling factor = 0.98068

Pepco Bid Plan

Pepco's SOS Load Overview

<u>Service Type</u>	Preliminary Capacity PLC, MW		
	<u>Eligible</u>	<u>SOS</u>	<u>RFP</u>
Residential	1,548	1,337	671
Type I	70	47	21
Type II	833	219	219

Notes:

- Numerical Values contained herein are accurate as of August 18, 2023
- PLCs are for 2023-2024 Planning Year
- MW values are unscaled at the wholesale level
- Scaling factor = 0.978116

Full Requirements Service Agreement (FSA)

Full Requirements Service Agreement (FSA)

What's New?

- Elimination of Alternate Form of Performance Assurance (FSA § 14.2)
- Exclusion of 36-month ratio for calculation of off-peak quotes (FSA Article 1, Exhibit E)
- GATS Certificate transfer language for RPS (FSA § 4.4)
- RPS Percentages (FSA Exhibit B)
- Letter of Credit operative instrument (FSA Exhibit C)
- PJM Billing Line Items 1930, 1932, 2930 and 2932 (FSA Exhibit D)
- Form of Guaranty (FSA Exhibit F)

Full Requirements Service Agreement

Renewable Energy Obligation

Seller's obligation for 2023-26

Renewable Sources

Year	Tier 1	Solar Component of Tier 1	Tier 2	Post-2022 Geothermal Systems
2023	31.900%	6.000%	2.5%	0.05%
2024	33.700%	6.500%	2.5%	0.15%
2025	35.500%	7.000%	2.5%	0.25%
2026	38.000%*	8.000%	2.5%	0.50%

The above stated percentages apply to retail metered sales. Based on SB 65 of 2021 and HB1007 2021.

*As a result of Senate Bill 526, passed during the 2022 Maryland General Assembly session, Buyer's Renewable Energy Obligation no longer includes the purchase of off-shore wind renewable energy credits.

Full Requirements Service Agreement

Transaction Confirmation

- Master FSA will be executed under which multiple transactions will be executed
- Each awarded bid for a specific service type and contract term will be a transaction
- A transaction confirmation will specify, among other details, the following:
 - service type
 - delivery period
 - number of bid blocks
 - percentage of load equivalent to each bid block
 - base PLC per bid block to be used in determining increment load
 - prices
 - monthly on-peak and off-peak energy quantities to be used in determining the MtM exposure

Questions

Appendix

Background of Maryland PSC SOS Structure

Background

- The PSC has conducted Case Nos. 8908, 9037, 9056 and 9064 to establish how Standard Offer Service will be provided.
 - The most recent review occurred in Case No. 9117
- Stakeholder process has led to settlements and/or orders of:
 - policy for initial implementation (8908 Phase I)
 - initial implementation details (8908 Phase II)
 - subsequent improvements (through the annual Procurement Improvement Process) to the RFP and FSA documents
 - policy regarding the continuation of Type II SOS from June 1, 2006 to May 31, 2007 (9037)
 - policy regarding the continuation of Type II SOS beginning June 1, 2007 (9056)
 - policy regarding the continuation of Residential and Type I SOS beginning June 1, 2007 (9064)
- Stakeholders have included customer representatives, public policy representatives, retail suppliers, wholesale suppliers and utilities
- See utility RFP websites for settlements, orders and procurement improvement documents

2024 Request for Proposals(RFP)

Request for Proposals

Schedule Overview

- October 16, 2023 – Procurement for Type II December 2023 contracts, BGE, Delmarva, PHI and PE Residential June 2024 and June 2025 (PE only) contracts, and BGE, Delmarva, PE and PHI Type I June 2024 contracts
- January 22, 2024 - Procurement for Type II March 2024 contracts and PE Residential June 2024 contracts
- April 8, 2024 - Procurement for Type II June 2023 contracts, BGE, Delmarva, and PHI Residential and Type I October 2024 contracts and PE Residential June 2025 contracts and Type I June 2024 contracts
- June 3, 2024 - Procurement for Type II September 2024 contracts and PE June 2025 Residential contracts

Request for Proposals

Supplier Eligibility Criteria

- Submittal of the Expression of Interest Form
- Execution of the Confidentiality Agreement
- Submittal of PJM qualification and FERC authorization
 - Qualified market buyer and seller in good standing with PJM
 - FERC authorization to make sales of energy, capacity and ancillary services at market-based rates
- Submittal of Credit Application & related financial information
 - For supplier or financial guarantor
 - Unsecured credit requires a rating of unsecured senior long-term debt by S&P, Moody's or Fitch
 - Bankruptcy status will not disqualify an applicant from bidding; however, FSA establishes additional requirements pursuant to PSC Order 79452
- Submittal of Binding Bid Agreement

Request for Proposals

Supplier Eligibility Criteria (continued)

- Suppliers not receiving eligibility status for the first procurement on October 16th may participate in subsequent procurements if they cure any deficiency in their eligibility no later than ten business days prior to the due date of proposals for such procurement
- New applicants entering the procurement process after the initial eligibility deadline must submit eligibility documents at least ten business days prior to the due date of proposals for the procurement in which they intend to participate

Request for Proposals

Bid Assurance Collateral

- \$300,000 per bid block is required from suppliers who are rated or have a rated guarantor unless a rated bidder is granted an Unsecured Credit Cap of \$0.00 and has credit ratings (i) below BB- for S&P, (ii) below Ba3 for Moody's or (iii) below BB- for Fitch, which would increase the amount of bid assurance collateral required to \$600,000 per bid block
 - \$600,000 per bid block is required from suppliers who are unrated, do not have a guarantor who is rated, or are rated but are not qualified to receive unsecured credit
- Form of collateral must be either cash or Letter of Credit (LC)
 - Electronic PDF version of a signed LOC is acceptable if emailed directly by issuing bank

Request for Proposals

Bid Assurance Collateral (continued)

- A Bid Assurance LC form acceptable to the utilities has been provided as Appendix 6 in the RFP
- Bid assurance collateral will be returned to the supplier upon execution of contract(s) or rejection of bid(s)
- Bid assurance collateral will be forfeited in the event that the supplier does not execute contract(s) on its awarded bid(s); and such supplier will be ineligible to participate in subsequent procurements pursuant to this RFP
- Bid assurance collateral must be received by the utility no later than 10 a.m. EPT on the day price proposals are due

Request for Proposals

Alternate Forms of Bid Assurance Letter of Credit

- Suppliers that wish to propose an alternative Bid Assurance LC form or some other form of security may do so by the September 22nd eligibility requirements due date, or at least two weeks prior to a future procurement date
- Acceptance of such alternative forms of collateral is at the utility's discretion, and will be communicated to the supplier by the September 29th eligibility notification due date or five days before the next procurement date
- Any changes to standard LC, or additional changes to a previously approved alternative LC must be approved by Utility prior to bank issuance

Request for Proposals

Bid Form Spreadsheets

- All bids must be submitted using the appropriate Bid Form Spreadsheet
- Bid Form Spreadsheets are unique for:
 - each utility;
 - each service type;
 - each contract term; and
 - each procurement
- The format of a bid is specified within each Bid Form Spreadsheet

Request for Proposals

Bid Form Spreadsheets (continued)

- Contained within the Bid Form Spreadsheet, and fully transparent to the supplier, is the transformation of the supplier's price offer into a "Discounted Average Term Price" to be used as the only parameter to rank bids
- All of the fields within the Bid Form Spreadsheet that require the supplier's input must be completed in order for the bid to be conforming; e.g., if it is the supplier's intent to submit a zero price for any component of the pricing structure, the supplier must enter the numeric value of zero, rather than leaving the field blank

Request for Proposals

Bid Form Spreadsheet Sample

BGE Request For Proposals		UPDATED: 04/12/2012	
SAMPLE Bid Form Spreadsheet			
April 23, 2012 Procurement Proposal Due Date: April 23, 2012, 4:30 pm EPT Service Type: Residential SOS - R, ES & RL Classes 24-Month Term: October 01, 2012 - September 30, 2014			
Bidder Information			
Company Name			
Contact Name			
Phone Number			
Fax Number			
Bid Block Information			
Maximum Blocks To Be Awarded	14		
Block Size (% of Load)	1.785714%		
Approximate Block Size (MW-Generator)	49.1		
Volume Bid			
Number of Bid Blocks Offered			
Price Periods Within Contract Term		10/01/12-09/30/13	10/01/13-09/30/14
Price Quote for Bid Blocks Offered		R&ES Class	RL Class
Summer Price (\$/MWh-Premise)			
Non-Summer Price (\$/MWh-Premise)			
Summer PJM On-Peak Price (\$/MWh-Premise)			
Summer PJM Off-Peak Price (\$/MWh-Premise)			
Non-Summer PJM On-Peak Price (\$/MWh-Premise)			
Non-Summer PJM Off-Peak Price (\$/MWh-Premise)			
Volume Weighting Factors			
Summer Energy (%)	35.21900%		35.21900%
Non-Summer Energy (%)	56.80400%		56.80400%
Summer PJM On-Peak Energy (%)		1.50600%	1.50600%
Summer PJM Off-Peak Energy (%)		1.44900%	1.44900%
Non-Summer PJM On-Peak Energy (%)		2.27500%	2.27500%
Non-Summer PJM Off-Peak Energy (%)		2.74600%	2.74600%
Discount Factors			
Discount Rate (%)	5.25%		5.25%
Md-Year Discount Factor	0.9747404		0.9261191
Load Weighted Prices			
Load Weighted Average Energy Price (\$/MWh-Premise)	\$ -		\$ -
Discounted Average Price (\$/MWh-Premise)	\$ -		\$ -
Discounted Price for Evaluation Purposes			
Discounted Average Term Price (\$/MWh-Premise)	\$ -		
Tag Number			
Bid Assurance Collateral Amount	\$ -		
Complete / Incomplete		Incomplete	

¹ Entity's legal name that will define "Seller" in the Full Requirements Service Agreement.

Request for Proposals

Bid Validation

- Conforming Bids Must Be:
 - Accompanied by the appropriate amount of bid assurance collateral
 - Submitted using the Bid Form Spreadsheet(s), completed in full and without modification
 - Submitted by the due date and due time
 - Submitted by an eligible supplier

Request for Proposals

Evaluation of Bids

- Discounted Average Term Price calculated on each Bid Form Spreadsheet will be the single parameter used to compare all offers within the same service type and the same contract term
- Winning suppliers will be paid their offer prices, not the Discounted Average Term Price
- Bids to supply Residential and Type I load will be subject to the Price Anomaly Threshold Procedure

Request for Proposals

Price Anomaly Procedure

- On the bid due date in each procurement, a Price Anomaly Threshold (PAT) will be developed for each utility soliciting for Residential and/or Type I supply. Each Residential and Type I service type and each contract term will have a PAT developed
- The PATs will be developed by the PSC's consultant, with input from the PSC Staff
- The suppliers will not be informed of the PATs
- Each PAT will be compared to the load weighted average price of all of the winning bids applicable to that PAT, i.e., the PAT will not be used as a threshold for individual bids

Request for Proposals

Price Anomaly Procedure (continued)

- If the average price of the portfolio of winning bids exceeds the PAT, the highest priced bids will be removed until the average price is at or less than the PAT
- If bids are rejected due to the application of a PAT, such deficiency in supply will be bid in either the next procurement (if available) or in the reserve procurement
- A supplier will not be notified that its bid was rejected due to a PAT, but simply that its bid was rejected

Full Requirements Service Agreement (FSA)

Full Requirements Service Agreement

Sample Transaction Confirmation

EXHIBIT A

TRANSACTION CONFIRMATION EXAMPLE
(all information included is fictitious and is for example purposes only)

99999 (Tag Number)

This Transaction Confirmation letter is being provided pursuant to and in accordance with the "Full Requirements Service Agreement" dated _____ (the "Agreement") between Buyer and Seller. Terms used but not defined herein shall have the meanings ascribed to them in the Agreement. This Transaction Confirmation shall confirm the following terms of the transaction ("Transaction") agreed to on _____ ("Transaction Date"). Utility summer period begins on _____ and ends on _____, and its non-summer period begins on _____ and ends on _____. [Pepco/Delmarva] time of use periods are as follows: _____

Seller: ABC Electric
 Buyer: MD Utility
 Product: Full Requirements Service
 Service Type: Type I Non-Residential SOS
 Delivery Point: PJM Control Area with settlement at the [applicable PNODE ID for EDC]
 Delivery Period: June 1, 2017 through May 31, 2019
 Bid Blocks: 2
 Specified Percentage: 25.064%
 Base PLC Per Bid Block

Residential Service Determined on the first day of the Delivery Period in accordance with Section 6.3 (a) (i)
 Type I Non-Residential Service Determined on the first day of the Delivery Period in accordance with Section 6.3 (a) (i)
 Type II Non-Residential Service n/a
 Type II Large Customer Service n/a

Price Period: Within Delivery Period:	Price Period 1			Price Period 2							
	June 1, 2017 – May 31, 2018						June 1, 2018 – May 31, 2019				
Customer Classes:	G	GS	SL	G	GS	SL					
Monthly Settlement Base Price:											
Annual Energy, \$/MWh-Premise	n/a	n/a	90.00	n/a	n/a	85.00					
Summer Energy, \$/MWh-Premise	140.00	n/a	n/a	130.00	n/a	n/a					
Non-Summer Energy, \$/MWh-Premise	120.00	n/a	n/a	110.00	n/a	n/a					
Summer On-Peak Energy, \$/MWh-Premise	n/a	170.00	n/a	n/a	160.00	n/a					
Summer Off-Peak Energy, \$/MWh-Premise	n/a	120.00	n/a	n/a	110.00	n/a					
Non-Summer On-Peak Energy, \$/MWh-Premise	n/a	140.00	n/a	n/a	130.00	n/a					
Non-Summer Off-Peak Energy, \$/MWh-Premise	n/a	110.00	n/a	n/a	100.00	n/a					
Summer Demand, \$/MW-Premise	n/a	n/a	n/a	n/a	n/a	n/a					
Non-Summer Demand, \$/MW Premise	n/a	n/a	n/a	n/a	n/a	n/a					

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
On-Peak Estimated Quantity Per 50 MW Capacity PLC, MWh	11,800	13,000	9,100	7,200	8,800	12,900	15,200	16,000	9,500	8,300	9,800	10,900
Off-Peak Estimated Quantity Per 50 MW Capacity PLC, MWh	8,300	9,100	6,400	5,000	6,200	9,000	10,600	11,200	6,700	5,800	6,900	7,600

Please confirm that the terms stated herein accurately reflect the Transaction reached on the Transaction Date above between Seller and Buyer by returning an executed copy of this Transaction Confirmation to Buyer by: (i) email to (Buyer's email address) or (ii) facsimile at (Buyer's fax number) in accordance with Section 2.8 – Transaction Confirmation of the Agreement. The signatories to this Transaction Confirmation must have the authority to enter into this Transaction.

[SELLER] By: _____ Name: _____

[BUYER] By: _____ Name: _____

Full Requirements Service Agreement

Full Requirements Service Obligations

- Seller must provide all services (other than network transmission) to meet its share of the load obligation at the wholesale level, as accounted for by PJM
- Seller's obligations include, but are not limited to the following:
 - Energy
 - Capacity
 - Transmission other than network transmission
 - Ancillary services
 - Renewable energy resource requirements
 - Transmission & distribution energy losses
 - Congestion management costs
 - New PJM charges, other than charges assessed to network Transmission customer

Full Requirements Service Agreement

Full Requirements Service Obligations (continued)

- Buyer's obligations include the following:
 - Accept service from Seller for resale to retail customers, i.e., Buyer is the Load Serving Entity
 - Network Integration Transmission Service
 - Future PJM charges assessed to network transmission customers
 - Distribution service

Full Requirements Service Agreement

Scheduling & Forecasting

- Utilities' load settlement processes will establish the daily load obligations for Sellers and post such obligations to the Sellers' PJM accounts
- Seller is responsible for all scheduling with PJM to meet the obligation
- Seller is responsible for weekly and monthly settlements with PJM pertaining to their obligations
- Buyer will provide to the Seller on a reasonable efforts basis:
 - On each business day after execution, Buyer's estimation of Seller's capacity PLC for the seventh following day for each service type
 - On each business day of the delivery period, Buyer's estimation of Seller's energy and capacity obligation as is provided to PJM for settlement purposes for each service type, transaction, voltage level and customer class

Full Requirements Service Agreement

Congestion Management

- Seller is responsible for all congestion management costs
- Buyer will transfer to Seller its congestion revenue rights in proportion to the Seller's share of the load, i.e., revenue rights will follow the load
- The nominations for congestion revenue rights for the upcoming PJM planning year will be made by the entity recognized by PJM as having the right to make such nominations, i.e., the supplier who has the load obligation effective June 1, the first day of the planning period
 - For Type II quarterly contracts, this nomination will be made by the Maryland Utilities until winning suppliers are known in the April 2024 procurement

Full Requirements Service Agreement

Buyer's Load Response Programs

- Buyer will manage all aspects of its programs
- Buyer will retain all benefits associated with its programs
- In real-time market, Seller's load obligation will reflect the load reduction due to activation of programs

Full Requirements Service Agreement

Determination of Delivered Quantities

- Delivered quantities on an energy (MWh) basis will be as reported by Buyer to PJM for Seller's obligation, reduced for losses to reflect load at the retail meter
 - Includes unaccounted-for-energy
 - In accordance with PJM's initial (day-after) settlement, and 60-day settlement

Full Requirements Service Agreement

Risk Mitigation Measures for Sellers

- Elimination of Network Transmission obligation
- Increment/Decrement provisions for mitigation of volume risk due to customer migration
- New Renewable Resource Requirements
 - If requirements are changed by law, Buyer will pay Seller's incremental cost, subject to PSC approval, for the balance of the contract year in which the change took place
 - In subsequent years of a multi-year transaction, seller is not obligated, but may continue to provide any incremental renewable requirement
 - Subsequent RFPs will pick up the new requirements

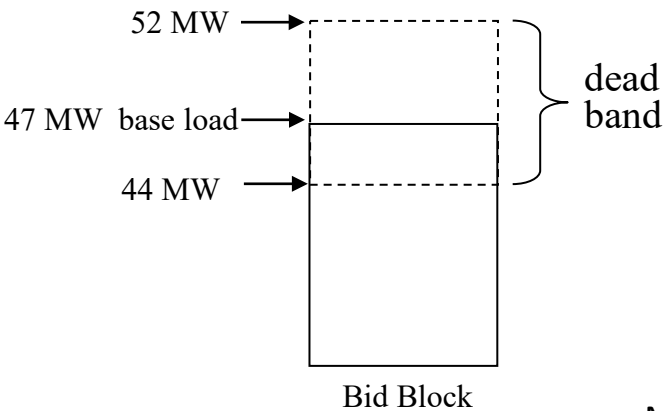
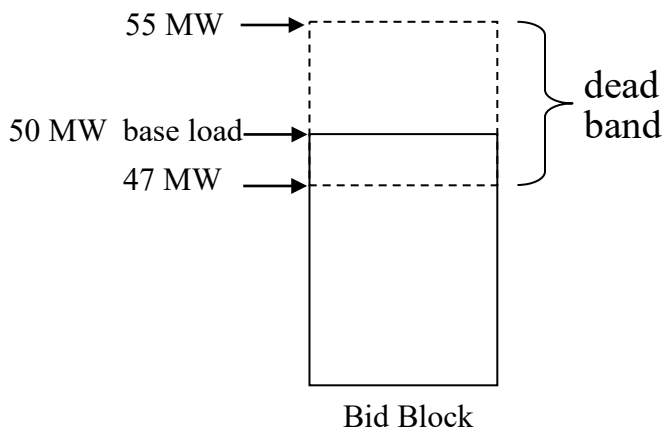
Full Requirements Service Agreement

Base Load and Increment Load

- An “increment/decrement” concept to mitigate volume risk associated with customer migration for Type I and Residential service:
 - The Base Bid Block Size is established on the first day of power flow
 - Thresholds for the difference between the daily block size and Base Bid Block Size: inc = +5MW, dec = -3MW
 - Upon trigger of an inc, inc load = load above Base Bid Block Size + 5MW
 - Upon trigger of a dec, Base Bid Block Size is ratcheted down in increments of 3MW with more than one reduction per day allowed
- Buyer has the increment load obligation

Full Requirements Service Agreement

Base Load and Increment Load Example



Condition

- Load anywhere within dead band
- Load above dead band (e.g. 57 MW)
- Load reaches lower band (e.g. 47 MW)

Seller's Price

All load @ bid price

55 MW @ bid price
2 MW @ Buyer's obligation

All load @ bid price

- Base load adjusted down to 47 MW and new dead band established

Full Requirements Service Agreement

Billing and Settlement

- Buyer will develop and deliver incremental weekly and monthly invoices to the Seller consistent with PJM settlement dates
- Buyer will pay Seller by electronic funds transfer by 12:00 p.m. on the PJM settlement date
- Seller is responsible for its settlements with PJM for base load obligations only
- Buyer is responsible for settlements with PJM for incremental load obligations

Full Requirements Service Agreement

Performance Assurance

- Security against Seller's default
- Nominally represents Buyer's exposure above Seller's unsecured credit limit
- Formulaic and transparent methodology for determining Buyer's exposure
- A Buyer's call on performance assurance cannot be disputed by Seller
- Forms of performance assurance are cash, LC and Guaranty

Full Requirements Service Agreement

Performance Assurance (continued)

- Calculation done every business day:
 - Each transaction with a Seller is marked to market (MtM) & the exposures are summed
 - If Buyer is exposed, the exposure is reduced by the value of the amount delivered but not yet paid
 - If Buyer is still exposed the exposure is compared to the Seller's unsecured credit amount
 - If the exposure exceeds the unsecured credit amount, a call is made on performance assurance
- The MtM exposure will equal the change in the PJM Western Hub forward energy prices relative to initial forward prices for each forward month times the estimated forward monthly energy quantities

Full Requirements Service Agreement

Performance Assurance (continued)

- Estimated forward energy quantities will be derived from the quantities stated on each Transaction Confirmation associated with 50 MWs of PLC. The quantities will be scaled for the current size of each contract
- The forward prices used at the Western Hub will be the on-peak prices
- The forward off-peak prices will be derived using an historic ratio of the day-ahead off-peak and on-peak prices
- An independent pricing agent will be retained by the Buyers to provide the forward prices

Full Requirements Service Agreement

Unsecured Credit

- Initially determined from financial data provided by supplier in the pre-bid qualification process
- Reviewed daily for changes in credit rating
- Based on Seller's financial parameters, or Seller's guarantor's financial parameters
 - Form of guaranty is non-negotiable and can be found as Exhibit F in the FSA
- Seller's unsecured credit will be the lower of:
 - Seller's (or Seller's guarantor) unsecured credit cap
 - Seller's (or Seller's guarantor) relevant tangible net worth
 - Guaranty amount from Seller's guarantor

Full Requirements Service Agreement

Unsecured Credit (continued)

- Seller's unsecured credit cap will be based on seller's lowest credit rating

<u>Credit Rating</u>				
<u>S&P</u>	<u>Fitch</u>	<u>Moody's</u>	<u>TNW Percentage</u>	<u>Unsecured Credit Cap</u>
A or above	A or above	A2 or above	15%	\$125,000,000
A-	A-	A3	10%	\$100,000,000
BBB+	BBB+	Baa1	8%	\$75,000,000
BBB	BBB	Baa2	6%	\$50,000,000
BBB-	BBB-	Baa3	4%	\$25,000,000
BB+	BB+	Ba1	2%	\$15,000,000
BB	BB	Ba2	1%	\$10,000,000
BB-	BB-	Ba3	0.5%	\$5,000,000
Below BB- / Unrated	Below BB- / Unrated	Below Ba3 / Unrated	0%	\$0.00

Full Requirements Service Agreement

Foreign Entities

- A Seller or Seller's guarantor that has not been incorporated in the United States has a predefined way to participate in the Maryland Auction
- See FSA Section 14.6 for details

Unrated Entities

- An entity that is unrated and who does not have a rated guarantor can qualify as a supplier
 - The entity will not be given any unsecured credit
 - The entity is subject to higher pre bid collateral amounts of \$600,000 per bid block
 - If a rated bidder is granted an Unsecured Credit Cap of \$0.00 and has credit ratings (i) below BB- for S&P, (ii) below Ba3 for Moody's or (iii) below BB- for Fitch, then the amount of bid assurance collateral required would increase to \$600,000 per bid block

Full Requirements Service Agreement

Default & Termination

- Default conditions provided in FSA Section 12.1
- Remedies
 - If Seller defaults but continues to perform, Buyer may create a special remedy subject to PSC approval
 - Non-defaulting party may suspend performance up to 10 days
 - Non-defaulting party may terminate by setting an Early Termination Date
- In the event of an early termination of a FSA, all other wholesale suppliers will have the option to take a full or partial pro-rata share of the terminated contract without change to pricing, terms and conditions

Full Requirements Service Agreement

Settlement Upon Early Termination

- For any part of a terminated contract that is not covered by suppliers exercising their step-up rights, a termination payment will be determined
- Non-defaulting party will determine default damages and settlement amount in a commercially reasonable manner
 - Default damages include costs from event of default up to the termination date
 - Settlement amount includes costs at and beyond the termination date
 - Option provided to Seller regarding determination of settlement amount to accommodate either mark-to-market accounting or accrual accounting
- If Buyer is the non-defaulting party, Buyer will conduct a competitive solicitation to replace the terminated contract under identical price, terms and conditions
 - Until the delivery period starts with the new seller, Buyer will procure from the PJM spot market
 - The net spot market costs, along with the cost or proceeds from the solicitation, will define the settlement amount