Resp. Ex. 6.9

Competitive Procurement Auction Rules

I. INTRODUCTION

I. A. Overview

The Illinois Commerce Commission (ICC) has approved a tariff filed by Ameren that provides for the three (3) Integrated Distribution Companies (IDCs) of Ameren (Central Illinois Light Company d/b/a AmerenCILCO, Central Illinois Public Service Company d/b/a AmerenCIPS, and Illinois Power Company d/b/a AmerenIP) to pass through to retail customers the costs incurred to procure electric power, energy, and other services from suppliers selected through a Competitive Procurement Auction (CPA) process. The CPA process is designed to procure full-requirements service for three (3) categories of load:

(1) **Basic Generation Service – Fixed Pricing (BGS-FP)** Suppliers will bid to provide energy, capacity, certain transmission, volumetric risk management, and any renewable energy compliance services necessary for Ameren to serve its Residential and Small Business customers (applicable to all customers under 1 MW of demand) that have not chosen an Alternative Retail Electric Supplier (ARES) at an all-in fixed price. Suppliers will be able to bid on three (3) different supply periods, namely supply periods of 17-months, 29-months and 41-months. Each supply period begins on January 1, 2007 and ends on May 31 of 2008, 2009, and 2010. The BGS-FP Load for a given supply period is a product.

Having three (3) BGS-FP products in the first Auction will enable Ameren to establish a rolling procurement process whereby one third of the BGS-FP Load would be auctioned on an annual basis for a term of three (3) years. With the first Auction being for service starting on January 1, 2007, Ameren has added 5 months to each of supply period in order to synchronize future Auctions to the MISO planning year (June 1-May 31). In future Auctions, there will be one supply period of three (3) years.

(2) **Basic Generation Service - Large Customer Fixed Pricing (BGS-LFP)** Suppliers will bid to provide energy, capacity, certain transmission, volumetric risk management and any renewable energy compliance services necessary for Ameren to serve its large commercial and industrial customers (applicable to all customers greater than or equal to

1 MW of demand who have elected to take service under the utilities Rider BGS-L and Rider MV tariffs) at an all-in fixed price. The supply period will be 17 months in order to synchronize with the MISO planning year. The supply period begins on January 1, 2007 and ends on May 31 of 2008. The BGS-LFP Load for a supply period of 17 months is also a product in the Auction. In future Auctions, the supply period for the BGS-LFP product will be one year.

(3) **<u>Basic Generation Service – Large Service Real-Time Pricing (BGS-LRTP)</u>** Suppliers will bid to supply energy, capacity, certain transmission, volumetric risk management, and any renewable energy compliance services necessary for Ameren to serve primarily its Large Commercial and Industrial customers (those customers who have not chosen the BGS-LFP option and have not chosen an ARES). The supply period will be 17 months in order to synchronize with the MISO planning year. The supply period begins on January 1, 2007 and ends on May 31 of 2008. The BGS-LRTP Load for a supply period of 17 months is also a product in the Auction. In future Auctions, the supply period for the BGS-LRTP product will be one year.

These three (3) categories of loads will be grouped into two ***segments***: the Fixed Pricing Segment (which includes all BGS-FP and BGS-LFP products) and the Spot Market Segment (which includes the BGS-LRTP product).

Supplies for all products in both segments will be procured through a single Simultaneous, Multiple Round Descending Clock Auction.

Under the Rider MV tariff, each of Ameren's BGS-FP, BGS-LFP and BGS-LRTP Loads will be divided into a number of tranches. Each tranche of BGS-FP (or BGS-LFP or BGS-LRTP) will represent the same specific percentage of Ameren's BGS-FP Load (or BGS-LFP Load or BGS-LRTP Load). The percentage of BGS-FP Load for one BGS-FP tranche may be different from the percentage of BGS-LFP Load for one BGS-LFP tranche, which may be different again from the percentage of BGS-LRTP Load for one BGS-LRTP tranche. The number of tranches of BGS-FP Load, BGS-LFP Load and BGS-LRTP Load at Auction will be set so that each tranche is expected to be 100 MW of each respective Eligible Peak Demand.

The number of tranches of BGS-FP, BGS-LFP, and BGS-LRTP available will be announced prior to the Auction.

Supply for both segments will be procured through a Simultaneous, Multiple Round Descending Clock Auction or "clock auction". A bidder may be registered to bid on products in the Fixed Pricing Segment, the Spot Market Segment, or both. The Auction proceeds in rounds. During the bidding phase of a round, for each product for which the bidder is registered, the bidder indicates the number of tranches that the bidder wishes to supply at the prices announced by the Auction Manager. After the bidding phase of a round, the Auction Manager reduces the price for the tranches of a ***product*** (*i.e.*, a given category of load – BGS-FP, BGS-LFP, or BGS-LRTP – for a given supply period) if the number of tranches bid by all bidders is greater than the number of tranches that are needed for that product. The Auction Manager then announces new prices for each product before bidding in the next round opens. The Auction continues and the prices tick down until, for each product, the total number of tranches subscribed falls to the point where it equals the number of tranches needed. When the Auction ends, the winners are those still holding tranches. All winners for a given product receive the same price.

The price in the Spot Market Segment will be in expressed in \$/MW-day (rounded to the nearest hundredth of a cent).

The payments to BGS-FP and BGS-LFP Suppliers are a seasonal function of the Auction price. The summer payment, received from June 1 through September 30, is higher than the Auction price. The non-summer payment, received for the remaining months, is lower than the Auction price. The factors by which the Auction prices will be multiplied to obtain the summer and non-summer payments will be announced to suppliers prior to the Auction. The Auction prices in the Fixed Pricing Segment will be expressed in \$/MWh (rounded to the nearest cent). This summary is qualified in its entirety by the BGS-FP and BGS-LFP Supplier Forward Contracts respectively, both filed in this proceeding. The BGS-FP and the BGS-LFP Supplier Forward Contracts establish the terms of payments to BGS-FP and BGS-LFP Suppliers.

At a given point in time, the BGS-FP Load will be served from BGS-FP Supplier Forward Contracts of three (3) overlapping terms: 17-month, 29-month, and 41-month terms.

The BGS component of rates paid by Ameren's retail customers are a function of the tranche-weighted average of the Auction prices obtained for the various contract terms adjusted for the seasonal payment factors. The BGS component of retail rates will be established at the close of the Auction and filed with the ICC as part of the Market Value Informational Filing, within nine (9) business days of the conclusion of a successful Auction. BGS component of retail rates thus will be communicated to customers well in advance of the supply period. Conversion to the actual rates for each individual customer class will be determined as prescribed in an ICC-approved rate translation prism. Ameren will provide all necessary information to potential bidders concerning how Auction prices are translated into the BGS component of retail rates including the previously mentioned rate translation prism that displays the retail class rates that would result from the BGS Auction.

The payments to BGS-LRTP Suppliers will be made up of two components: 1) a fixed charge, determined through the Auction, that will represent the cost of providing all capacity, fixed ancillary (these ancillary services will be procured by the Ameren utilities with the cost passed on to the suppliers per the terms of the Supplier Forward Contract), certain fixed transmission, volumetric risk management, and renewable compliance services; and 2) energy costs that are priced to the local hourly spot market. Customers on this service will pay the fixed charge that is determined by the Auction, and the real-time hourly MISO Ameren Illinois zonal locational marginal price for their energy component, appropriately adjusted for system losses. Network Integration Transmission Service ("NITS"), based on the MISO Open Access Transmission Tariff (OATT) will be assessed to all delivery customers and the proportional share of the needed Financial Transmission Rights (FTRs) for NITS will be provided to the winning suppliers as described further below. This summary is qualified in its entirety by the BGS-LRTP Supplier Forward Contract filed in this proceeding. The BGS-LRTP Supplier Forward Contract establishes the terms of payments to BGS-LRTP Suppliers.

With the assistance of an Auction Advisor, the ICC will conduct a prompt, post-auction consideration and determine whether to provide a written notification to Ameren concerning the Auction, which would trigger certain contingency provisions under the Rider MV tariff. If the ICC concluded that no grounds for such a notification were present, Ameren would proceed with acquisition of supply from the successful bidders at the Auction. The circumstance in which the ICC concludes that no notification is required so that Ameren may proceed to acquire supply from winning bidders is referred to in these rules as the "conclusion of a successful Auction".

Ameren will acquire the NITS and provide distribution services for its customers within its service territory under the terms of its retail tariffs, and provide the necessary FTRs for NITS which Ameren possesses, to the Suppliers selected in the Auction using MISO's methodology to determine the percent of load of the various categories for the five month stub period associated with each product. After the five (5) month stub period the Suppliers will be responsible for nominating the FTR's through MISO for the load they serve. However these Suppliers would still be required to provide all other services, including congestion risk services and any other Transmission services needed to deliver the supply to an appropriate MISO interconnection point, depending on the source of supply.

I. B. Supply To Be Procured in the Competitive Procurement Auction

Basic Generation Service, or BGS, is the electric supply for those customers who are not served by an Alternate Retail Electric Supplier ("ARES"). ***BGS Load*** is the load associated with these customers, and it is obtained by subtracting the load served by ARES from the total retail load for Ameren's zone. ***BGS Load*** includes the load of two different customer groups: ***Residential and Small Business Customers (R&SB Customers),*** who are customers of less than 1 MW of demand, and ***Large Commercial and Industrial Customers (LC&I Customers),*** who are customers with demand of 1 MW or over. The BGS Load will be divided into three (3) categories of service. The first category is ***BGS-LFP Load***, which is defined to include the sum of the hourly load of all LC&I customers who elect, within the 30-day open enrollment period, to take BGS-LFP, times a loss expansion factor, to appropriately reflect system losses. The second category is ***BGS-LRTP Load***, which is defined to include the sum of the hourly load of all customers taking BGS-LRTP, times a loss expansion factor, to appropriately reflect system losses. LC&I customers take BGS-LRTP if they have not elected BGS-LFP or the service of an ARES. The third category is ***BGS-FP Load***. BGS-FP Load is a residual, obtained by subtracting BGS-LRTP Load and BGS-LFP Load from BGS Load. It represents the load of all R&SB customers that have not chosen an ARES.

Each category of load is further divided into units called ***tranches,*** each representing an equal percentage of that category of Ameren's BGS Load. The number of tranches that Ameren will procure in the Auction and the size of each tranche (*i.e.,* the percentage of each category of Load that a tranche for that category of load will represent) will be announced prior to the Auction. The nominal size of a tranche is expected to be roughly 100 MW.

Illustrative data are provided below.

Table I-1. Illustrative Data for Load Categories.

Load Category	Customer Group	Eligible Peak Demand (MW)	MW-measure (MW)	Number of tranches	Size of tranche (%)
BGS-FP	R&SB (default)	5500	100	55	1.82
BGS-LFP	LC&I (voluntary)	2500	100	25	4.00
BGS-LRTP	LC&I (default)	2500	100	25	4.00

The Eligible Peak Demand represents the measure of load for each load category for all customers that are eligible to take each service. All R&SB customers, those who take BGS-FP (or similar service) and those who take service from an ARES are considered eligible for BGS-FP. All LC&I customers, those who take BGS-LFP or BGS-LRTP (or similar services), as well as those who are served by an ARES are considered eligible to take BGS-LFP. All LC&I customers also are considered eligible for BGS-LRTP service.

For purposes of the Auction, a given category of load – BGS-FP, BGS-LFP, or BGS-LRTP – for a given supply period is a product in the Auction. The products in the first Auction are proposed to be as follows:

Table 1-2. Illustrative Data for Products in the Auction.

Segment	Load Category	Customer Group(s)	Products	Number of tranches
Fixed Pricing	BGS-FP	R&SB	BSG-FP 17-months	18
			BGS-FP 29-months	18
			BGS-FP 41-months	19
	BGS-LFP	LC&I	BGS-LFP 17-months	25
Spot Market	BGS-LRTP	LC&I	BGS-LRTP 17-months	25

Although these rules address only the procurement of supply to enable Ameren to serve its own retail customers, Ameren anticipates that one or more additional electric utilities in Illinois will propose that procurement of supply for their customers also be made through an Auction process. In the event that one or more electric utilities propose such a process and the ICC approves that process, Ameren anticipates that the Auction described in these rules would take place as a combined, broader statewide Auction in which bidders could bid to provide supply for tranches of BGS-FP Load, BGS-LFP Load, and BGS-LRTP Load (or similar service) offered by those other utilities as well. Thus, additional products could be defined for each of these other utilities, categorized in a similar fashion, as above. These products may have slightly different definitions to better fit the particular circumstances of those other utilities, but the underlying general concept would be the same.

Depending upon the status of the MISO and PJM Joint and Common Market, the bidding rules described could apply to the full range of products solicited through the Auction. The rules would be adapted to the state of the development of the Joint and Common Market between MISO and PJM.. If the Joint and Common Market is insufficiently developed, so that the products would be viewed as having dissimilar risks and characteristics by the suppliers, the

Auction would still be held as a simultaneous auction for all products. There, however, would be no switching from the products of one utility to the products of another utility. The bidding rules and the qualification procedures across utilities would extend the rules and procedures given in these rules for the two segments of the Ameren Auction.

II. BEFORE THE AUCTION

II. A. Information Provided To Bidders

Ameren will make historical data relating to the supply to be procured available to potential bidders in advance of qualification. The data will be posted on the Auction web site.

Ameren will provide available data for Suppliers to estimate the load for the following load categories: BGS Load, BGS-LRTP Load, BGS-LFP Load, and BGS-FP Load. Data for BGS-FP Load will be derived as a residual: for example, BGS-FP Load is equal to total zonal retail load less BGS-LRTP Load, less BGS-LFP Load. The data includes historical data including hourly load and associated zonal losses. Ameren will provide data for a historical period that starts no later than __xxx______, 200x. Historical zonal data will be extended each month as new data become available.

Ameren will also provide supplemental data to assist bidders. Ameren will provide historical load profiles for its customer classes as well as historical customer counts by customer class or load profile group. Ameren will provide size distribution information consisting of one-time customer counts and, as available, aggregate energy usage by size grouping for several customer categories. Ameren will also provide monthly customer switching data (number of customers and estimated load) as currently provided to the ICC, as well as additional historical customer switching data by customer class.

II. B. Qualification Process

No later than ten (10) business days before interested parties first apply to participate in the Auction, the Auction Manager will have provided the number of tranches for each product of each load category. At the same time, the Auction Manager will also announce a ***load cap***, a

maximum starting price, and a ***minimum starting price*** for each of the Fixed Pricing and the Spot Market Segments of the Auction. A ***load cap*** for a segment is the maximum number of tranches that any one bidder can bid in a segment and serve for that segment. The load cap will be set at 50% of the number of tranches of each segment, rounded up to the nearest tranche. Load caps limit the impact that any one bidder may have on the Auction and limit Ameren's exposure to default by any single supplier in a given supply period. The minimum and maximum starting prices establish the range of possible round 1 prices for the Auction. The Auction Manager and Ameren will establish the range of possible starting prices in consultation with the Auction Advisor and ICC Staff. For the Spot Market Segment, the Auction Manager in consultation with Ameren will choose a price for the BGS-LRTP product in round 1 of the Auction that is between the minimum and the maximum starting prices for that segment. For the Fixed Pricing Segment, the Auction Manager in consultation with Ameren will choose round 1 prices for each product (*e.g.*, BGS-FP Load 17-months, BGS-LFP Load 17-months, *etc.*), and each round 1 price will be between the minimum and the maximum starting prices for that segment.

The application process is held separately but concurrently for each segment of the Auction. The application process is in two parts. All interested parties that have no impediments to meeting the requirements of the Supplier Forward Contract can submit a ***Part 1 Application***. These requirements are expected to include:

- That the interested party is, or has no impediments to become by the start of the supply period, a MISO Market Participant, as that term is defined by MISO;
- That the interested party accepts the terms of the applicable Supplier Forward Contract or Contracts (a party interested in participating in the Fixed Pricing Segment will be required to accept the terms of the BGS-FP Supplier Forward Contract and the BGS-LFP Supplier Forward Contract; while a party interested in participating in the Spot Market Segment will be required to accept the terms of the BGS-LRTP Supplier Forward Contract);
- That the interested party accepts the terms of the Auction Rules.

It is expected that there will be no state licensing requirement. Interested parties will be asked to submit financial information so that Ameren can conduct an assessment of their creditworthiness. Such creditworthiness requirements will take into consideration all obligations to serve BGS Loads held by the Auction winner. Starting with the second Auction process, such obligations will include those from any past Auctions.

Applications must be submitted no later than noon[1] on the ***Part 1 Application Date***, which will be no later than thirty three (33) business days prior to the earliest possible auction commencement date. The maximum and minimum starting prices will be announced no later than ten (10) business days before the Part 1 Application Date. Interested Parties will be required to indicate their interest in participating in the Fixed Pricing Segment, or the Spot Market Segment, or both. Interested parties will be notified whether they have succeeded in qualifying to participate in the segment(s) of the Auction for which they applied no later than three (3) business days after the Part 1 Application Date. An interested party that has qualified for a segment becomes a ***qualified bidder*** for that segment. The Auction Manager will send simultaneously to each qualified bidder in a segment and to those other parties as necessary to oversee the proper conduct of the Auction, a list of all qualified bidders for that segment. The list of qualified bidders for the Auction will not be disclosed to any other parties, publicly or otherwise. Other parties that need access to the list of qualified bidders for each segment to oversee the conduct of the Auction will have signed a confidentiality agreement requiring them to maintain the confidentiality of this list. Qualified bidders will have been notified of the list of other parties that will be provided access to the list of qualified bidders for each segment. Interested parties, in their Part 1 Applications, will have undertaken to maintain the confidentiality of the list of qualified bidders in their segment(s), and to destroy any and all documents with this information within five (5) business days of the conclusion of a successful Auction, as explained further in Section I. F. of this document, "Associations and Confidential Information Rules".

Qualified bidders for a segment that wish to participate in the Auction must submit a ***Part 2 Application*** to the Auction Manager for that segment. Only qualified bidders for a segment may submit a Part 2 Application for that segment of the Auction. Part 2 Applications

[1] Unless otherwise specified, times refer to Central Time Zone times.

must be submitted no later than noon on the ***Part 2 Application Date***, which will be no later than twenty (20) business days before the start of the Auction. In the Part 2 Application, qualified bidders will make a number of certifications regarding associations, to ensure that they are bidding independently of other parties in their segment of the Auction and to ensure the confidentiality of information regarding the Auction. With their Part 2 Application, qualified bidders will be required to submit an ***indicative offer*** for their segment and to submit a ***financial guarantee*** in proportion to their indicative offer.

A qualified bidder is ***associated with*** another qualified bidder in the same segment of the Auction 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 in the Auction. The competitiveness of each segment of the Auction and the ability of the Auction process to deliver competitive prices may be harmed by the coordinated or collusive behavior that associations facilitate. As the Auction Manager relies on a number of factors, including the number of independent competitors to appropriately set the ***Auction Volume in a segment***, using inaccurate information in such decisions due to insufficient disclosure of associations in the Part 2 Application, can create adverse impacts. The Auction Volume in a segment is the number of tranches that Ameren plans to purchase through the Auction for that segment. Associations may be considered in setting the Auction volume and may be used in the application of load caps. See Section I. F. "Associations and Confidential Information Rules" for precise criteria.

Sanctions can be imposed on a bidder for failing to disclose information relevant to determining associations, for coordinating with another bidder, or for failing to abide by any of the certifications that they will have made in their Part 1 and Part 2 Applications. Such sanctions can include, but are not limited to, loss of all rights to provide supply to Ameren for tranches won in the Auction by such bidder, forfeiture of financial guarantees and other fees posted or paid, prosecution under applicable state and federal laws, debarment from participation in future Auctions, and other sanctions that the ICC may consider appropriate. For any failure to disclose information or any violation of the certifications, the Auction Manager will make a recommendation on a possible sanction.

An indicative offer is provided for each of the two segments of the Auction (the Fixed-Pricing and the Spot Market segments) and specifies two numbers of tranches for each segment. The first number represents the amount that the qualified bidder is willing to serve at the maximum starting price for all products combined in a segment of the Auction. The second number represents the amount that the qualified bidder is willing to supply at the minimum starting price in that segment. At each of the maximum and the minimum starting prices, the number of tranches indicated by the qualified bidder cannot exceed the load cap for that segment.

Indicative offers are important in two respects. First, the Auction Manager may use the indicative offers to inform its decision in setting the round 1 prices. Second, the number of tranches indicated by the qualified bidder at the maximum starting price determines the qualified bidder's ***initial eligibility***. A bidder in the Auction will never be able to bid on a number of tranches greater than the bidder's initial eligibility. Thus, the qualified bidder is encouraged to state the maximum possible number of tranches that it would be willing to serve.

All qualified bidders in the Fixed Pricing Segment also will be required to provide their preliminary interest in each product in that segment. This does not apply to the Spot Market Segment since there is a single product in that segment. The number of tranches indicated as preliminary interest on a product at a given price cannot exceed the load cap and cannot exceed the indicative offer of the qualified bidder at that price. However, the sum of the qualified bidder's preliminary interest across all products at a given price *can* exceed the qualified bidder's indicative offer at that price. Information that a qualified bidder provides regarding its interest in any particular product has no effect on initial eligibility or subsequent bidding in the Auction.

Each qualified bidder must post a letter of credit proportional to its initial eligibility. A letter of credit of $500,000.00 per tranche, based on a 100 MW tranche size, of the indicative offer at the maximum starting price for the Fixed Pricing Segment is required. A letter of credit of $500,000.00 per tranche, based on a 100 MW tranche size, of the indicative offer at the maximum starting price for the Spot Market Segment is required. Letters of credit must be in a form considered to be acceptable to Ameren. Sample letters of credit that are in a form that would be considered acceptable to Ameren will be posted to the Auction web site prior to the Auction. Depending upon the creditworthiness assessment made at the time of the Part 1 Application, additional security may be required in the form of a Letter of Intent to Provide a

Guaranty or a Letter of Reference. Any such additional security must be submitted in a form acceptable to Ameren. Sample credit instruments for this additional security will also be posted to the Auction web site prior to the Auction.

For a Part 2 Application to be accepted, it must be complete, including its indicative offer for each segment, financial guarantees, and additional security (if necessary). The financial guarantees and additional security must be provided in a form considered to be acceptable to Ameren at that time and must be sufficient to cover the indicative offer. After its Part 2 Application for a segment is accepted, a qualified bidder becomes a ***registered bidder*** for that segment.

The Auction Manager will send simultaneously to each registered bidder for a segment and to those other parties as necessary to oversee the proper conduct of the Auction, a list of registered bidders in each segment of the Auction and the total initial eligibility for each segment of the Auction. Neither the list of registered bidders nor the total initial eligibility in a segment will be released publicly. Other parties that need access to the list of registered bidders and initial eligibility for each segment to oversee the conduct of the Auction will have signed a confidentiality agreement requiring them to maintain the confidentiality of this list. Qualified bidders, in their Part 2 Application, will have undertaken to maintain the confidentiality of the list of registered bidders and the total initial eligibility in the Auction, and to destroy any and all documents with this information, whether or not provided by the Auction Manager, within five (5) business days of the conclusion of a successful Auction, as explained further in this document.

Financial guarantees and additional security (if required) will remain in full force until the conclusion of the Auction. After the conclusion of a successful Auction, a bidder's financial guarantee will be marked cancelled and returned:

- as soon as practicable if the bidder has won no tranches; or
- after the bidder has signed the applicable Supplier Forward Contract and has complied with all creditworthiness requirements of the applicable Supplier Forward Contract for the tranches that it has won.

Ameren can collect the financial guarantees of bidders that win tranches at the Auction but that fail to sign the Supplier Forward Contract or fail to comply with the creditworthiness requirements within three (3) business days of the conclusion of a successful Auction. An Auction is deemed successful if the ICC concludes that no grounds exist to initiate an investigation, and does not provide notice to Ameren within three (3) business days of the Auction close that such grounds do exist. Upon successful conclusion of the Auction, Ameren will proceed with the acquisition of supply from the successful bidders of the Auction. If the auction is deemed unsuccessful a bidder's financial guarantee will be marked cancelled and returned.

II. C. Round 1 Prices

Three (3) business days before the Auction starts, the Auction Manager informs all registered bidders of the round 1 price for each product in each segment of the Auction. The starting price for a product in a segment will be no higher than the maximum starting price and no lower than the minimum starting price for that segment. The Auction Manager will set these starting prices in consultation with Ameren, the Auction Advisor, and the ICC Staff.

II. D. Extraordinary Events

The Auction Manager, in consultation with Ameren, ICC Staff, and the Auction Advisor, may determine that, due to extraordinary events, the maximum starting price and the minimum starting prices for a segment of the Auction require revision. In this event, the schedule may also be revised. If the indicative offers have already been received, the Auction Manager would request that the registered bidders for that segment (or the qualified bidders if registration had not been completed) revise their indicative offers on the basis of the revised maximum starting price and the revised minimum starting price for that segment.

For such a revision to be necessary, an extraordinary event must occur between the time at which the maximum starting price and the minimum starting price are announced (no later than 10 business days before the Part 1 Application is due) and the day on which the Auction starts. An extraordinary event must be agreed to by Ameren, the Auction Manager, ICC Staff and the Auction Advisor. Such events could include, for instance, the advent of war, the disruption of a major supply source for potentially extended periods, or other similar events that could significantly impact the cost of supply.

If an extraordinary event occurs during that time that affects one or both segments, the Auction Manager will, in consultation with Ameren, the Auction Advisor and the ICC Staff, determine a revised maximum starting price and a revised minimum starting price for each affected segment, and may also determine a revised schedule. New indicative offers will be required from bidders for the affected segments. The determination of new maximum and minimum starting prices, the submission of new indicative offers, and if necessary the announcement of new starting prices, will be carried out so as to afford bidders sufficient time.

The Auction Manager, in consultation with Ameren, ICC Staff, and the Auction Advisor, may determine that, due to extraordinary events, one or both of the non-summer and summer factors require revision. Such a revision would affect only the Fixed Pricing Segment. In this event, the schedule may also be revised.

For a revision of one or both of the summer and non-summer factors to be necessary, an extraordinary event must occur before the Auction starts. If the indicative offers have already been received, the Auction Manager would provide the opportunity for new indicative offers to be submitted in the Fixed Pricing Segment on the basis of this revision. The Auction Manager will provide bidders sufficient time to revise their indicative offers.

III. THE AUCTION

This document first presents an overview of the Auction format, and then proceeds to explain the bidding and other procedures in detail.

III. A. Overview of Bidding Rules

The Auction is a simultaneous, multiple round, descending clock auction. This format's features can be explained by simply "unpacking" this terminology.

The Auction is called simultaneous because tranches for all the products in both segments are put on offer through the same Auction. The Auction proceeds in rounds. In a round, the Auction Manager announces a price for each product. Bidders bid by providing the number of tranches that they are willing to serve for each of the products in the segment(s) of the Auction for which they are registered to bid at the prices announced by the Auction Manager. If the number of tranches bid is greater than the number of tranches needed for a product, the price for that product is reduced for the next round. In the next round, bidders are given an opportunity to bid again.

The Auction is called a descending clock auction because prices "tick down" throughout the Auction, starting high and being reduced gradually until the supply bid is just sufficient to meet the load to be procured. Prices that tick down in a round decrease by a ***decrement***; a decrement is a given percentage of the previous price. Bidders holding the final bids when the Auction closes are the winners.

Five (5) aspects of the Auction process should be briefly highlighted at the outset. These are as follows:

1. Bidders registered to bid in the Fixed Pricing Segment may request to switch their tranches from one product in the Fixed Pricing Segment (*e.g.*, BGS-FP Load 29-months, or BGS-LFP 17-months; *see* Table I-2) to another product in the Fixed Pricing Segment in response to changes in the prices of each product round by round. Bidders registered to bid only in the Spot Market Segment are registered to bid on a single product, the BGS-LRTP Load, and may only bid on that product. Bidders registered to bid in both the Fixed Pricing Segment and the Spot Market Segment may switch their Fixed Pricing tranches from one product in the Fixed Pricing Segment to another product in the Fixed Pricing Segment in response to changes in the prices of each product round by round, but they cannot switch their Fixed Pricing tranches to the Spot Market Segment or *vice-versa*.

2. Winners in the Spot Market Segment are determined the first time that the number of tranches bid of BGS-LRTP Load is equal to the number of tranches to be procured and the price has stopped ticking down. Winners in the Fixed Pricing Segment are determined only when bidding has closed for all products in the Fixed Pricing Segment and when the prices for all products in that segment have stopped ticking down. In the Fixed Pricing Segment, it is possible that the

price for a particular product does not tick down in a round – but *if* prices for other products in the Fixed Pricing Segment have ticked down, then bidding has not closed for this product. As the Auction progresses and the prices for the other products in the Fixed Pricing Segment tick down, some bidders can switch their tranches and increase the number of tranches bid on that particular product, and in doing so the price for the product can tick down again in future rounds. Hence, the winners in the Fixed Pricing Segment cannot be determined until bidding stops for all products and the prices stop ticking down for all products of the Fixed Pricing Segment.

3. Every bid is a binding obligation to supply at the price at which the bid was made for the applicable supply period. In the Spot Market Segment, once the price has stopped ticking down and the winners are determined, a winner cannot rescind its offer. If, in the Fixed Pricing Segment, a bidder placed a bid on a product in the preceding round and the price of the product's tranches did not tick down for the current round, the bidder must maintain the tranches bid on that product. The bidder cannot reduce the number of tranches bid for that product in the current round, either through a withdrawal or a switch.
4. Bidders can never increase the total number of tranches they bid during the Auction. If a bidder does not bid a tranche in the first round, that tranche cannot be bid later on. Once a tranche is withdrawn, it can never be bid again.
5. All bidders that win tranches for a particular product and are authorized as suppliers receive the same price.

III. B. Round Phases And Bidding Day

Each round of the Auction is divided into three (3) phases: a ***bidding phase,*** a ***calculating phase,*** and a ***reporting phase***.

In the bidding phase of the round, bidders place their bids for each product in each segment for which they are registered to bid. To be valid, a bid must be submitted and verified by the bidder. The time-stamp of a bid is the time at which the bid is processed. A bidder that submits a bid in a round may change this bid as long as the bidding phase of the round is still open. The last valid bid submitted and verified by the bidder during the bidding phase, and processed becomes a firm offer to supply that cannot be rescinded.

In the calculating phase of the round, the Auction Manager tabulates the results of that round's bidding phase and calculates the prices for the next round. During this phase, bidders cannot submit bids and bidders do not yet have access to the results from that round's bidding phase.

In the reporting phase of the round, the Auction Manager informs the bidders of the results of that round's bidding phase. Bidders are provided results for both segments. All round results are confidential. All bidders are informed of the prices for the next round's bidding phase and are provided with a range of total excess supply left in each segment. Each bidder also privately receives the results of its own bid from that round, indicating to each bidder its obligation at this point in the Auction. A bidder receives no information regarding any other bidder's bid. A bidder with no remaining obligation loses its access to round results as soon as practicable. A bidder loses its access to round results no earlier than the round after the bidder has been first informed that it has no remaining obligation, and in any event no later than eight rounds after its obligation becomes zero.

The Auction Manager tells all bidders about the general progress of the Auction. In addition, the Auction Manager reports on the general progress of the Auction to a list of representatives from Ameren, the ICC Staff and to the Auction Advisor. The ICC Staff and its Auction Advisor may also have access to information contained in all submitted bids. The bidders, Ameren, the Auction Manager, the ICC Staff and its Auction Advisor will hold any Auction results to which they have access to be confidential. Before being registered to participate in the Auction, the bidders will agree to keep all Auction results confidential. The bidders will agree not to disclose any such confidential information about the Auction, except for any aspects of the Auction results that the ICC releases as part of its decision of whether to approve the results, or that the ICC explicitly authorizes can be released. Bidders will also agree to destroy documents with Auction information provided by the Auction Manager within five (5) days of the ICC deciding whether to approve the Auction results, as detailed further below.

A typical schedule for a bidding day will have a number of rounds in a morning session, a lunch break, and then a similar number of rounds scheduled in an afternoon session. The round times will speed up over the course of the Auction as bidders become more familiar with the process, and bidding becomes more routine.

III. C. Round 1 of the Auction

III. C. 1. Definition of a Bid

A bidder registered for an Auction segment selects how many tranches it wants to serve for each product in that segment at the round 1 price(s).

This means that a bidder registered in the Fixed Pricing Segment will, in the first Auction, submit a bid that would indicate:

- A number of tranches of BGS-FP Load for a 17-month supply period;
- A number of tranches of BGS-FP Load for a 29-month supply period;
- A number of tranches of BGS-FP Load for a 41-month supply period;
- A number of tranches of BGS-LFP Load for a 17-month supply period.

A bidder registered in the Spot Market Segment will submit a bid that would indicate:

- A number of tranches of BGS-LRTP Load for a 17-month supply period.

A bidder registered in both segments would indicate a number of tranches for each and every product in both segments of the Auction.

The number of tranches that a bidder chooses for one product may or may not be the same as the number of tranches that the bidder chooses for another product. A number of tranches is an integer (0,1,2,...). A number of 0 (zero) for one product means that at the round 1 price for the product the bidder does not want to supply any of that product. A bidder registered in a segment who bids 0 on all products in that segment in round 1 withdraws from that segment of the Auction.

III. C. 2. Bidding Phase

The Auction Manager informs bidders of round 1 prices for each product three (3) business days prior to the Auction; these starting prices are the prices in force, or the ***going prices***, for round 1 of the Auction. The going prices in a round are the prices at which the Auction Manager solicits bids in the bidding phase of that round.

Any bid submitted in round 1 must be such that the total number of tranches bid in a given segment does not exceed the bidder's initial eligibility for that segment. The bidder's initial eligibility for a segment is equal to the number of tranches in the bidder's indicative offer for that segment at the maximum starting price. The indicative offer at the maximum starting price submitted in the Part 2 Application cannot exceed the load cap for the segment and therefore any bid submitted in round 1 will satisfy the load cap.

III. C. 3. Calculating Phase, Reporting Phase, and Potential Volume Cutback

The calculating phase of round 1 immediately follows the bidding phase. In the ordinary course of events, the Auction Manager reviews the results and sets the prices that will be in force in round 2 of the Auction. Round 1 moves to the reporting phase and the Auction Manager reports to bidders the results of bidding in round 1 as well as the round 2 prices. The Auction Manager also provides to bidders an indication of the ***total excess supply*** for each segment in round 1. In the Fixed Pricing Segment, the total excess supply is the sum, over all products for which the number of tranches bid exceeds the tranche target, of the excess supplies for the individual products, plus free eligibility, which is defined below in Section III. E. In the Spot Market Segment, the total excess supply is the number of tranches bid less the tranche target for the BGS-LRTP product. Bidders are not provided any information regarding any other individual bidder's bids.

The Auction Manager may call a pause in the Auction during the calculating phase of round 1 if the Auction Manager needs to consider whether to cut back the Auction volume to ensure the competitiveness of the Auction in one or in both segments. This pause is called a ***time-out***. (It is not expected that the Auction Manager would revise segment load caps at that time except if the new volume procured in a segment would fall below the load cap that had been set for that segment. However, the Auction Manager retains the discretion to make revisions to the load cap in each segment based on the revised Auction volume for each segment.) As soon as practicable during such a time-out, the Auction Manager will either announce that the Auction volume in a segment will not change, or will announce the revised Auction volume for a segment and the revised load cap if applicable. If the volume is cut back in the Fixed Pricing Segment, the Auction Manager will also announce a revised tranche target for each product. The manner in which the tranche targets for the products will be changed on the basis of the revised Auction volume will be announced no later than 10 (ten) business days before the Part 2 Application is due.

As soon as practicable during a called time-out in round 1, the Auction Manager will start the reporting phase of round 1. The Auction Manager will report to the bidders the prices for round 2 as well as an indication of the total excess supply in each segment in round 1. If the load cap for a segment is reduced because it exceeds the reduced volume in that segment, the Auction Manager reports to a bidder whose eligibility is greater than the reduced load cap that the bidder's bid has been adjusted to conform to the reduced load cap. The bidder withdraws any excess eligibility in round 2.

If the Auction volume in one or both segments is cut back, Ameren will implement a ***Contingency Plan*** for the tranches that have been removed from the Auction. Under the Contingency Plan for the Fixed Pricing Segment, Ameren will purchase necessary services to serve BGS-FP Load or BGS-LFP Load for one year, including capacity and energy, through MISO-administered markets. Pursuant to this Contingency Plan, which is described in more detail in Ameren's Rider MV tariff, Ameren will NOT negotiate contracts with suppliers for BGS-FP Load or BGS-LFP Load after the Auction. This is intended to provide full incentives to prospective bidders of participating in the Auction by making the Auction the only possibility for prospective bidders to serve Ameren's fixed-pricing customers.

The Auction Manager will use a confidential set of guidelines to decide whether to cut back the Auction volume in a segment and to determine the magnitude of any necessary cutback. If the Auction volume in a segment is cut back, it will be cut back to the number of tranches bid in round 1 divided by a parameter called the ***target eligibility ratio*** (a desired ratio of tranches bid to the volume). The precise value of this parameter depends on various factors, such as the number of bidders and characteristics of individual bids.

The Auction Manager may further revise the Auction volume in a segment on the basis of the bids as the Auction progresses. If such a revision is necessary to ensure a competitive bidding environment, the Auction Manager will call a time-out during the calculating phase of a round. As soon as practicable during the time-out, the Auction Manager will advise the bidders of the revised Auction volume in the segment and the revised load cap if applicable. Further, the Auction Manager will announce revised tranche targets for each product if the volume cutback is for the Fixed Pricing Segment.

No later than three (3) business days before the start of the Auction, the Auction Manager may release further information regarding the possible values of the target eligibility ratio and the circumstances under which a second volume cutback may be undertaken.

III. D. Round 2 of the Auction

III. D. 1. Definition of a Bid

A bidder registered for the Fixed Pricing Segment selects how many tranches to serve from each product of that segment at the round 2 prices. A bidder registered for the Spot Market Segment selects how many tranches to serve for the BGS-LRTP product. Fully specifying a bid in round 2 may require a bidder to provide ***exit prices*** (defined below). Exit prices can be required when a bidder is reducing its total number of tranches bid. Fully specifying a bid in round 2 may require a bidder in the Fixed Pricing Segment to provide ***switching priorities*** (defined below). Switching priorities are required when the bidder in the Fixed Pricing Segment is switching and increasing the total number of tranches bid on two or more products[2].

[2] Switching priorities can only be required if there are three or more products. They will be required in the first year of the auction. They may be required in subsequent years if the Ameren load is combined with the load of other Illinois utilities in a single auction process.

III. D. 2. Eligibility

As stated in the introduction to this section on the Auction, a bidder cannot increase its total number of tranches bid at the round 2 prices in a segment from its total number of tranches bid in round 1 in that segment. This is more generally expressed by saying that the bidder cannot bid more tranches in a segment than it's the bidder's eligibility in a segment. A bidder's eligibility in a segment for round 2 is the bidder's total number of tranches bid for that segment in round 1.

III. D. 3. Additional Rules for Bidding in the Fixed Pricing Segment

A bidder can always select the same number of tranches for each product of the Fixed Pricing Segment in round 2 as the bidder selected in round 1. Alternatively, a bidder can request a ***withdrawal*** or a ***switch.***

III. D. 3. a. Withdrawals

A bidder requests a ***withdrawal*** when the bidder is reducing the number of tranches bid on a product in the Fixed Pricing Segment and reducing the total number of tranches bid in that segment. A bidder can only request a withdrawal from a product when the price for that product has ticked down from the previous round (*e.g.*, in round 2, when the price has ticked down from round 1 to round 2). If the price for a product has not ticked down, then the bidder's offer in round 1 at that price is binding and cannot be reduced. As explained below, a bidder cannot decrease but can always bid more tranches for a product whose price has not changed from round 1 by reducing the number of tranches from other products whose prices have ticked down to be able to increase the number of tranches bid on that product.

A bidder that withdraws tranches from a product loses the eligibility for the Fixed Pricing Segment associated with these tranches, and forfeits the right to bid these tranches for the remainder of the Auction on any product in the Fixed Pricing Segment. A bidder who requests a withdrawal may see its request refused, as explained further below.

A bidder that withdraws tranches from a product must name an ***exit price.*** An exit price is a last and best offer on tranches that are being withdrawn. A bidder names an exit price when it is willing to serve a tranche at the previous going price but is unwilling to serve this tranche at the current going price. A bidder that withdraws several tranches previously bid at the round 1 price for a given product must specify the same exit price for all tranches from that product. An exit price must be less than or equal to the last price at which the tranches were freely bid (in round 2, this is the price in round 1) and must be higher than the product's going price (in round 2, this is the round 2 price, a price at which the bidder is no longer willing to bid the tranches being withdrawn). A bidder that withdraws tranches from more than one product can specify a different exit price for each product.

An exit price enables the Auction Manager to determine which bidder would have remained ready to serve a product had the price ticked down continuously rather than in uneven, discrete decrements. For the Fixed Pricing Segment, the Auction Manager relies on exit prices when the number of tranches bid on a product at the round 2 price falls short of that product's tranche target due to reductions from withdrawals or switches in a round. The Auction Manager will then refuse some or all requests for withdrawals, as needed to fill the tranche target of the product. The tranches with lower exit prices are retained first, and they are retained at the exit price that the bidder has named. Eligibility is lost even if the withdrawn tranches are retained. Any withdrawn tranches that are retained in a round will be released (and the request to withdraw will be accepted) if new tranches are bid at the going price and can serve to fill the tranche target for the product.

If two or more bidders are tied at an exit price, and if the Auction Manager must retain some but not all the tranches from these two or more tied bidders to fill the tranche target of a product, then the Auction Manager, for each tranche to be retained, will choose at random the bidder whose tranche is retained. For the first tranche needed at the tied exit price, the probability that a bidder is chosen is the number of tranches that the bidder has bid at the exit price divided by the total number of tranches bid at the exit price. If a second tranche is needed at the exit price, the Auction Manager again will choose the bidder whose tranche will be retained at random. The probability that any one bidder is chosen is the number of tranches that the bidder has bid at the exit price and that have not yet been retained divided by the total number of tranches bid at the exit price and that have not yet been retained. The Auction Manager repeats this procedure until the tranche target for the product is filled.

III. D. 3. b. Switches

A bidder ***switches*** when a bidder is simultaneously decreasing the number of tranches bid for one or more products of the Fixed Pricing , increasing the number of tranches for one or more products of the Fixed Pricing while leaving the total number of tranches bid in the Fixed Pricing the same. As in the case when the bidder is reducing the number of tranches bid on a product because the bidder is withdrawing tranches, the bidder can reduce the number of tranches bid on a product through a switch only if the price for that product has ticked down from the previous round (*e.g.*, in round 2, when the price has ticked down from round 1). If a bidder is reducing the number of tranches bid through a switch for a product whose price has ticked down, the bidder can increase the number of tranches bid on any other product, including products whose price has not ticked down.

In the first Auction, there will be four products in the Fixed Pricing Segment. When there are at least three products in the Auction, it is possible that switches involve increasing the number of tranches bid on more than one product. In that case, the bidder must specify a ***switching priority***. A switching priority is a preference assigned to each of the products for which the bidder is increasing the number of tranches bid. A switch priority of "1" assigned to a product is the highest priority. It indicates that, if the request for the switch is partially but not completely accepted, the bidder prefers that the tranches of that product be increased first.

The Auction Manager will use this switching priority only when, to keep a product's tranche target filled, the Auction Manager must retain all tranches that were withdrawn out of that product (if any) and must deny some, but not all, reductions from that product that come from a single bidder's switch. The Auction Manager denies the switches with the lowest priority first to fill the tranche target, and then successively denying switches with higher priority until the tranche target is met. The denied switches are retained at the price at which they were last freely bid (*e.g.*, in round 2, this is the round 1 price). For each tranche of the target that must be filled by denying a reduction from a switch, the Auction Manager chooses at random the bidder whose switch is denied. For the first switch that must be denied, the probability that the Auction Manager chooses a tranche bid by a bidder requesting a switch is the number of tranches by which the bidder's bid on the product is reduced by the switch and that could be denied, divided by the total number of tranches by which the number of tranches bid on the product is reduced by switches from all bidders and that could be denied. If a second switch must be denied, the Auction Manager again chooses at random the bidder whose switch will be denied. The probability that the Auction Manager chooses a tranche bid by a bidder requesting a switch is the number of tranches by which the bidder's bid on the product is reduced by the switch and that could have but have not yet been denied, divided by the total number of tranches by which the number of tranches bid on the product is reduced by all switches from bidders and that could have been but have not yet been denied. The Auction Manager repeats this procedure until the tranche target for the product is filled. The Auction Manager continues to report that some or all of these switches are being denied in subsequent rounds as long as they are still needed to fill the product's tranche target. If additional tranches are bid onto this product in a later round by any bidder, resulting in an excess number of tranches for that round, then the denied switches may then be freed up (see ***free eligibility*** below).

III. D. 3. c. Simultaneous Withdrawals and Switches

A bidder may determine that it wishes to both withdraw and switch tranches from products. If a bidder is both switching and withdrawing, a bidder can reduce tranches from a particular product only if the price for that product has ticked down from the previous round (*e.g.*, in round 2, the price has ticked down from round 1).

In the first Auction, there will be four products in the Fixed Pricing Segment. It is possible that a bidder who is switching and withdrawing will be reducing the number of tranches bid for several products while increasing the number of tranches bid on one or more products. In that case, the bidder will be asked to specify which tranches are being withdrawn and which tranches are being switched. The tranche or tranches that the bidder specifies to be withdrawn are the tranche(s) for which the bidder will name an exit price.

III. D. 4. Additional Rules for Bidding in the Spot Market Segment

A bidder can always select the same number of tranches of BGS-LRTP Load (*i.e.*, the single product of the Spot Market Segment) in round 2 as the bidder selected in round 1. Alternatively, a bidder can request to bid fewer tranches at the going price than it bid in the previous round. In that case, the bidder is making a ***withdrawal*** from the Spot Market Segment.

A bidder that withdraws tranches loses the eligibility in the Spot Market Segment associated with these tranches, and forfeits the right to bid these tranches in the Spot Market Segment for the remainder of the Auction. A request for a withdrawal from the Spot Market Segment is always accepted, except in the final round of the Auction where it may be refused as explained below.

A bidder making a withdrawal is required to specify a single exit price for the tranches that the bidder is withdrawing. An exit price must be less than or equal to the last price at which the tranches were bid (*e.g.*, in round 2, this is the price in round 1) and must be higher than the going price (*e.g.*, in round 2, this is the round 2 price, a price at which the bidder is no longer willing to bid the tranches being withdrawn).

In the Spot Market Segment, there is a single product, and the Auction Manager only relies on exit prices in the final round of the Auction if the number of tranches bid at the going price falls short of the tranche target for the BGS-LRTP product. In that case, the tranches with lower exit prices are retained first, and they are retained at the exit price that the bidder has named. If, to fill the tranche target, the Auction Manager must retain some but not all the tranches from two or more bidders that named the same exit price, then the Auction Manager, for each tranche to be retained, will choose at random the bidder whose tranche is retained. For the first tranche needed at the tied exit price, the probability that a bidder is chosen is the number of tranches that the bidder has bid at the exit price divided by the total number of tranches bid at the exit price. If a second tranche is needed at the exit price, the Auction Manager again will choose at random the bidder whose tranche will be retained. The probability that any one bidder is chosen is the number of tranches that the bidder has bid at the exit price and that have not yet been retained divided by the total number of tranches bid at the exit price and that have not yet been retained. The Auction Manager repeats this procedure until the tranche target is met.

III. D. 5. Calculating and Reporting Phases in Round 2

The calculating phase starts immediately after the bidding phase. Once the Auction Manager has tabulated and reviewed the results, the reporting phase begins. The Auction Manager informs all bidders of the round 3 price for each product of both segments. The

Auction Manager provides to all bidders a range for the total excess supply for each segment of the Auction for round 2. The range of total excess supply reported to bidders will change as the Auction progresses. In a segment, a narrower range will be reported at the start of the Auction when total excess supply is high on the segment. A wider range will be reported to bidders as bidding is ready to close on a segment and the total excess supply for the segment is lower. The exact range of total excess supply provided as the Auction progresses will be specified in detail in advance of the Auction. .

In addition to what the Auction Manager tells all bidders about the general progress of the Auction, the Auction Manager reports privately to each bidder registered in a particular segment the bidder's eligibility in that segment for the next round (round 3). For a bidder registered in a particular segment, the bidder's eligibility in that segment for round 3 is the bidder's eligibility for round 2, minus the number of tranches that the bidder withdrew in round 2.

To each bidder in the Fixed Pricing Segment, the Auction Manager also reports privately a ***bid report***, which describes the outcome of the bidder's own bid, as described below. The Auction Manager never reports the bid of one bidder to another bidder.

III. D. 5. a. Bid Report for Fixed Pricing Segment Bidders

A bidder in the Fixed Pricing Segment may bid in round 2 the same number of tranches on each product as in round 1. If that is the case, the Auction Manager reports the bid made in round 2.

A bidder in the Fixed Pricing Segment may request withdrawals or switches. If all requests are accepted, the Auction Manager reports the bid made in round. However, the Auction Manager may disallow reductions that a bidder wants to make from a product. The Auction Manager retains withdrawn tranches if, by accepting all withdrawals and switches, the tranche target for that product would no longer be filled. Similarly, the Auction Manager denies switches if, after retaining all withdrawn tranches from that product, accepting all switches would prevent the tranche target for that product from being filled. In sum, to fill the tranche target of a product in the Fixed Pricing Segment, the Auction Manager: 1) first takes tranches that are bid at the round 2 price; 2) then retains tranches that bidders want to withdraw; and 3) finally denies switches that bidders have requested, as necessary.

If the bidder requested to withdraw tranches and some or all of these tranches are retained, the Auction Manager informs the bidder of the number of withdrawn tranches that are being retained and the price at which these tranches are retained. The Auction Manager will report that the request to withdraw is partially or completely granted when there have been a sufficient number of tranches bid at the going price to outbid some or all of the withdrawals that had been retained in filling the tranche target. The price at which the withdrawn tranches are retained is the exit price. The Auction Manager will continue to report that some or all of these tranches are being retained in subsequent rounds as long as they are needed to fill the product's tranche target. While eligibility to bid these tranches in future rounds is lost, these tranches still remain as binding offers by the bidder until the request to withdraw is granted (which may or may not occur).If these retained tranches remain until the end of the Auction, and thereby are designated as winning tranches, they will represent an obligation to serve that Load for the term of that product.

If a bidder requested a switch, and if some or all of these are denied, the Auction Manager informs the bidder of the number of tranches for which the switch is denied. The tranches that the bidder intended to reduce from a product will be retained at the last price at which the tranches were freely bid. In round 2, this price is the round 1 price.

For each tranche of the target that must be filled by denying a reduction from a switch, the Auction Manager chooses at random the bidder whose switch is denied. For the first switch that must be denied, the probability that the Auction Manager chooses a tranche bid by a bidder requesting a switch is the number of tranches by which the bidder's bid on the product is reduced by the switch and that could be denied, divided by the total number of tranches by which the number of tranches bid on the product is reduced by switches from all bidders and that could be denied. If a second switch must be denied, the Auction Manager again chooses at random the bidder whose switch will be denied. The probability that the Auction Manager chooses a tranche bid by a bidder requesting a switch is the number of tranches by which the bidder's bid on the product is reduced by the switch and that could have but have not yet been denied, divided by the total number of tranches by which the number of tranches bid on the product is reduced by all switches from bidders and that could have been but have not yet been denied. The Auction Manager repeats this procedure until the tranche target for the product is filled. The Auction Manager continues to report that some or all of these switches are being denied in subsequent rounds as long as they are still needed to fill the product's tranche target. The Auction Manager will report that the some or all of the denied switches are outbid when there have been a sufficient number of tranches bid at the going price in subsequent rounds to outbid some or all of the switches that had been denied to fill the tranche target. Denied switches that are outbid becomes ***free eligibility*** as explained below.

III. E. Round 3 and All Subsequent Rounds

In the Spot Market Segment, round 3 and all subsequent rounds proceed as in round 2. A bidder registered in the Spot Market Segment submits a bid in the bidding phase of each round stating the number of tranches of BGS-LRTP Load that the bidder is willing to serve. The number of tranches bid cannot exceed the bidder's eligibility. The bidder's eligibility in a round is the bidder's eligibility in the previous round, minus the number of tranches withdrawn in the previous round. In the reporting phase, the Auction Manager reports on the general progress of the Auction and the Auction Manager reports privately to each bidder its eligibility for the next round.

In the Fixed Pricing Segment, round 3 and all subsequent rounds generally proceed as in round 2. In the bidding phase of a round, a bidder bids by stating the number of tranches it is willing to serve of each product in the Fixed Pricing Segment at the going prices for the round. The total number of tranches bid cannot exceed the bidder's eligibility. The bidder's eligibility in a round is the bidder's eligibility in the previous round, minus the number of tranches withdrawn in the previous round. A bidder can request to withdraw or switch tranches, provided that the bidder reduces its number of tranches bid only from products for which the price has ticked down. To fully specify a bid, the bidder may be required to provide exit prices and switching priorities. In the reporting phase of the round, the Auction Manager reports on the general progress of the Auction, and the Auction Manager provides a bid report privately to each bidder.

Starting in round 3 and for all subsequent rounds, a bidder in the Fixed Pricing Segment may face the following new situations and be subject to the following new rules:

- A bidder's denied switches may be outbid and become free eligibility.
- A bidder's retained tranche from a withdrawal may be released.
- A bidder with retained tranches on a product from a denied switch who bids new tranches for this same product at the going price for the current round will be deemed to have bid all tranches (including retained tranches from the denied switch) at the going price.

Each of these circumstances or rules is explained in more detail below.

If a bidder has one or more tranches retained from a denied switch in a round, these tranches may be ***outbid*** in a subsequent round. This means that a tranche from a denied switch is being replaced in filling the tranche target for the product by a tranche that has been newly bid at the going price. This occurs because the Auction Manager takes bids in increasing order of price to fill the tranche target, first taking tranches bid at the going price, then withdrawn tranches, and finally denied switches. New tranches bid at the going price first replace the highest-priced tranches, which are the denied switches. If switches from more than one bidder are retained, and if not all denied switches are outbid, the Auction Manager chooses at random, for each denied switch that will be outbid, the bidder whose switch will be outbid. For the first denied switch that is outbid, the probability that the Auction Manager chooses a bidder's denied switch is the bidder's number of denied switches divided by the total number of denied switches for that product. If a second denied switch must be outbid, the Auction Manager again will choose at random the bidder whose denied switch will be outbid. The probability that the Auction Manager chooses a bidder's denied switch is the bidder's number of denied switches that have not yet been outbid divided by the total number of denied switches that have not yet been outbid. The Auction Manager repeats this procedure until the required number of denied switches has been outbid.

A tranche from a denied switch that is outbid becomes ***free eligibility*** for the next round. A tranche of free eligibility must be bid in the round in which it becomes available or the eligibility will be lost. A tranche of free eligibility can be bid on any product. If it is not bid it will be considered to be withdrawn; when a tranche of free eligibility is withdrawn, the bidder does not name an exit price and the tranche will not be retained.

If a bidder has one or more tranches retained from a requested withdrawal, these tranches may be released and the withdrawal granted as new tranches bid at the going price replace the tranches retained from withdrawals in filling the tranche target. As new tranches are bid at the going price these tranches outbid denied switches (if any) and then replace withdrawn tranches, starting with tranches withdrawn at the highest exit price. The Auction Manager reports privately to a bidder if a withdrawn tranche that had been retained is now being released and thereby irrevocably removed from the Auction. If withdrawn tranches from more than one bidder had been retained at the same exit price, and if not all retained tranches at that exit price are being released, the Auction Manager chooses at random the bidder or bidders whose tranches are released and thereby irrevocably removed from the Auction. For the first retained tranche that should be released, the probability that a bidder is chosen is the bidder's number of retained tranches at the tied exit price divided by the total number of retained tranches at that exit price. If a second retained tranche needs to be released, the Auction Manager again will choose at random the bidder whose retained tranche will be released, and the probability that any one bidder is chosen is the bidder's number of retained tranches at the tied exit price that have not yet been released divided by the total number of retained tranches at the tied exit price that have not yet been released. The Auction Manager repeats this procedure until the required number of tranches has been released.

If a bidder has retained tranches on a product for a denied switch and if this bidder bids new tranches for this same product at the going price, the bidder will be deemed to have bid all tranches at the going price for that product. That is, tranches from the denied switch become tranches that are bid at the price for the current round. The Auction Manager, in filling the tranche target for the product, will take first tranches bid at the going price; in these tranches at the going price, the Auction Manager will include any denied switches that have become tranches bid at the current round price (because the bidder has bid new tranches for this same product at the current round price).