ILLINOIS AUCTION RULES

I. INTRODUCTION

I. A. Overview

The Illinois Auction ("Auction") is a single procurement process by which the Commonwealth Edison Company ("ComEd"), and the three Ameren Companies, namely 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 (jointly "Ameren"), procure supply for their customers. The Illinois Auction procures supply for ComEd and Ameren customers simultaneously in a single auction process. The Illinois Commerce Commission ("ICC") has approved a tariff filed by ComEd and has approved a tariff filed by each of the Ameren utilities that provides for each utility to pass through to retail customers the costs incurred to procure electric power, energy and other services from suppliers selected through the competitive procurement process called the Illinois Auction.

The Illinois Auction is designed to procure ***full requirements service*** for the following six (6) ***categories*** of load:

(1) **<u>ComEd's "CPP-B": Competitive Procurement Process – Blended.</u>** Suppliers will bid to provide energy, capacity, those ancillary and transmission services as described in Appendix C of the CPP-B Supplier Forward Contract, volumetric risk management and other services necessary for ComEd to serve the load of its residential and smaller commercial customers with demand under 400 kW of load who have not elected a real-time pricing service, who have not elected the service of a Retail Electric Supplier ("RES"), and who are not certain types of self-generators. Network Integrated Transmission services ("NITS") and distribution services would be provided by ComEd. In the first Auction, suppliers will be able to bid on five (5) different supply periods, namely supply periods of 17-months, 29-months, 41-months, 53-months and 65-months. Each supply period begins on January 1, 2007 and ends on May 31 of 2008, 2009, 2010, 2011, and 2012 respectively.

(2) **<u>ComEd's "CPP-A": Competitive Procurement Process – Annual.</u>** Suppliers will bid to provide energy, capacity, those ancillary and transmission services as described in Appendix C of the CPP-A Supplier Forward Contract, volumetric risk management and other services necessary for ComEd to serve the load of its large commercial and industrial customers (400 kW or over) who are eligible to take electric service under a rate that has not been declared competitive, who have not elected a real-time pricing service, who have not elected a RES, and who are not self-generating customers. Network Integrated Transmission services and distribution services would be provided by ComEd. In the first Auction, the supply period will be 17 months. The supply period begins on January 1, 2007 and ends on May 31 of 2008.

(3) **ComEd's "CPP-H": Competitive Procurement Process – Hourly.** Suppliers will bid to provide energy, capacity, those ancillary and transmission services as described in Appendix C of the CPP-H Supplier Forward Contract, volumetric risk management and other services necessary for ComEd to serve the load of its remaining customers who have not elected a RES, namely larger customers whose electric service rate has been declared competitive, smaller customers who voluntarily elect real-time pricing, and certain types of self-generators. Network Integrated Transmission services and distribution services would be provided by ComEd. In the first Auction, the supply period will be 17 months. The supply period begins on January 1, 2007 and ends on May 31 of 2008.

(4) **Ameren's "BGS-FP": Basic Generation Service – Fixed Pricing.** 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) at an all-in fixed price. In the first Auction, 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 respectively.

(5) **Ameren's "BGS-LFP": Basic Generation Service – Large Customer Fixed Pricing.** 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'

BGS-LFP tariff) at an all-in fixed price. In the first Auction, the supply period will be 17 months in order to synchronize with the Midwest Independent Transmission System Operator ("MISO") planning year. The supply period begins on January 1, 2007 and ends on May 31 of 2008.

(6) **<u>Ameren's "BGS-LRTP": Basic Generation Service – Large Service Real-Time Pricing.</u>** Suppliers will bid to provide 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 a Retail Electric Supplier ("RES")). The supply period begins on January 1, 2007 and ends on May 31 of 2008.

The first Illinois Auction will procure supply for service starting on January 1, 2007. ComEd and Ameren have added five (5) months to each supply period in order to synchronize future Auctions to the PJM planning year and the MISO planning year respectively (both June 1-May 31). ComEd and Ameren are procuring supply for their larger customers on a 17-month basis in the first Illinois Auction and will be procuring supply for those larger customers on a one-year basis in future Auctions. ComEd and Ameren are establishing a rolling procurement process for their smaller customers (CPP-B Load and BGS-FP Load). ComEd, by having five (5) CPP-B products in this first Auction, will establish a rolling procurement process whereby 40% of CPP-B Load would be auctioned on an annual basis for three (3) supply periods of one-year, three-years and five-years. In future Auctions there will be three (3) supply periods, namely one-year, three-years and five-years. Ameren, by having three (3) BGS-FP products in this first Auction, will 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.

Although CPP-H Load is included in the categories above, if PJM's Reliability Pricing Model (RPM) or a functionally equivalent model is in place, ComEd will procure power and energy directly from PJM markets to serve CPP-H Load, and will not include this category in the Auction.

I. B. Illinois Auction Description

A product in the Illinois Auction is a given category of load – CPP-B, CPP-A, CPP-H, BGS-FP, BGS-LFP or BGS-LRTP – for a given supply period. For example, BGS-FP 29-months is a product and CPP-A 17-months is another product. The Illinois Auction will procure supply, for all products described above, concurrently through a single Simultaneous, Multiple Round Descending Clock Auction. The products in the Auction are divided into two Sections (see Table 1 below). The products in the ***Fixed Price Section*** are full requirements products to serve those Illinois customers on a fixed price service. The products in the ***Hourly Price Section*** are full requirements products to serve those Illinois customers on a service which is priced to the hourly real time market. Each Section of the Auction is further divided into two Groups. The ***CPP Group*** consists of the ComEd products and the ***BGS Group*** consists of the Ameren products in each Section.

Table 1. Sections, Groups and Products in the Illinois Auction

	Sections in Illinois Auction	Groups in Each Section	Products in Each Group
Illinois Auction	Fixed Price Section	CPP Group	CPP-B 17-months CPP-B 29-months CPP-B 41-months CPP-B 53-months CPP-B 65-months CPP-A 17-months
		BGS Group	BGS-FP 17-months BGS-FP 29-months BGS-FP 41-months BGS-LFP 17-months
	Hourly Price Section	CPP Group	CPP-H 17-months
		BGS Group	BGS-LRTP 17-months

Sections consist of similar products: the products in the Fixed Price Section are fixed-price products either to serve ComEd customers (in the CPP Group) or Ameren customers (in the BGS Group). Qualification and registration for all Sections are done in one process for the Illinois Auction. Suppliers may qualify and register as bidders for one or for both of these Sections, subject to qualification and registration requirements as explained in section II. B.

Suppliers registered for a Section can bid on any one or a combination of products in that Section. Bidding for all Sections is conducted simultaneously through the single Illinois Auction.

For purposes of the Auction, each load category (i.e., CPP-B, CPP-A and CPP-H for ComEd, and BGS-FP, BGS-LFP and BGS-LRTP for Ameren) will be divided into a number of ***tranches***. Each tranche for a given load category will represent a given specific percentage of that load category. The percentage of load for one tranche of one load category will in general be different from the percentage of load for one tranche of another load category. The number of tranches for each load category will be set so that each tranche is nominally approximately 50 MW of peak demand. The number of tranches of each product and load category will be announced prior to the Auction.

The Illinois Auction proceeds in ***rounds***. During the bidding phase of a round, a bidder for the Fixed Price Section indicates the number of tranches of each product that the bidder wishes to supply at the prices announced by the Auction Manager. A bidder for the Hourly Price Section indicates the number of tranches of each product that the bidder wishes to supply at the prices announced by the Auction Manager. A bidder for both Sections indicates the number of tranches of each product for each Section 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 if the number of tranches bid on that product 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 prices in the Fixed Price Section will be expressed in \$/MWh rounded to the nearest cent while the prices in the Hourly Price Section will be expressed in \$/MW-day rounded to the nearest cent.

I. C. Payments and Rates

The summary of payments and rates in this section is qualified in its entirety by the applicable Supplier Forward Contracts, as well as by the Rider CPP and Rider MV Tariffs.

The payments to suppliers of products in the Fixed Price Section are a seasonal function of the Auction price. The summer payments, made to suppliers from June 1 through September 30, are higher than the Auction price. The non-summer payments, made to suppliers for the remaining months, are lower than the Auction price. The factors by which the Auction prices will be multiplied to obtain the summer and non-summer payments vary depending on the category of load. The factors for each load category will be announced to suppliers prior to the Auction. The CPP-A and CPP-B Supplier Forward Contracts establish the terms of payments to CPP-A and CPP-B Suppliers. The BGS-FP and the BGS-LFP Supplier Forward Contracts establish the terms of payments to BGS-FP and BGS-LFP Suppliers.

The payments to suppliers of products in the Hourly Price Section will be made up of two components. The first component is a fixed charge, determined separately for each Group through the Auction, which will represent the cost of providing capacity, ancillary and transmission services as well as risk management services and renewable compliance services as applicable. Appendix C of the CPP-H Supplier Forward Contract specifies those ancillary and transmission services that are included in this fixed charge for ComEd suppliers. The BGS-LRTP Supplier Forward Contract specifies that Ameren will procure the ancillary services and that these costs will be passed through to suppliers. The second component is the energy cost, which will be priced to the appropriate hourly market, namely the real-time PJM hourly Locational Marginal Price for ComEd (i.e., the ComEd zone as defined by PJM), and the local hourly spot market price for Ameren.

For customers that are served with power from CPP-A Suppliers, the commodity portion of their rates will reflect the final Auction price for the CPP-A product in the immediately preceding Illinois Auction. For customers that are served with power from BGS-LFP suppliers, the BGS component of their rates will reflect the final Auction price for the BGS-LFP product in the immediately preceding Illinois Auction. In both cases, the Auction price will be appropriately shaped seasonally and by time of day.

For customers that are served with power from CPP-B Suppliers, the commodity portion of their rates will be a function of the tranche-weighted average of the Auction prices obtained for the various CPP-B contract terms adjusted for the seasonal payment factors. For example, in January 2007, the CPP-B Load will be served from CPP-B Supplier Forward Contracts for each of the five (5) overlapping terms, namely 17-month, 29-month, 41-month, 53-month, and 65-month terms. Similarly, for customers that are served with power from BGS-FP Suppliers, the BGS component of rates will be a function of the tranche-weighted average of the Auction prices obtained for the various BGS-FP contract terms adjusted for the seasonal payment factors. As another example, in January 2010, the BGS-FP Load will be served from BGS-FP Supplier Forward contracts for each of three (3) overlapping three-year terms, namely: from January 1, 2007 to May 31, 2010; from June 1, 2008 to May 31, 2011; and from June 1, 2009 to May 31, 2012. Conversion of the actual rates for each individual customer class will be determined based on an ICC approved rate translation prism.

Customers served with power from CPP-H Suppliers will pay the fixed charge that is determined by the Auction, and the real-time PJM hourly Locational Marginal Price at the ComEd zone as defined by PJM for their energy component, appropriately adjusted for system losses. Customers served with power from BGS-LRTP Suppliers 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.

With the assistance of ICC Staff, the ICC will conduct a prompt, post-auction consideration of the Auction results. The ICC would determine whether to initiate a formal investigation or other formal proceeding, or to provide written notification concerning the results of either the Fixed Price Section, or the Hourly Price Section, or both. Any such investigation, proceeding, or written notification with respect to one or both Sections would trigger certain contingency provisions under the Rider CPP tariff (for ComEd) and the Rider MV tariffs (for Ameren). If the ICC concluded that no grounds were present for such action for the Fixed Price Section or the Hourly Price Section, within the proper timeline, ComEd and Ameren would proceed with acquisition of supply from the successful bidders for that Section. The circumstance in which such a conclusion is reached in respect to a Section, so that ComEd and Ameren may proceed to acquire supply from winning bidders for that Section is referred to as the Date of Declaration of a Successful Result (for a Section).

Within nine (9) business days of the confirmation of results for the Section, the rate components for customers in each Group of that Section will be established as described above and filed with the ICC. Retail rates for the commodity supply of ComEd's customers and the BGS component of retail rates for Ameren's customers will thus be communicated to customers well in advance of the supply period. ComEd and Ameren will provide all necessary information to potential bidders concerning how Auction prices are translated into the relevant rates, including a tool for fixed price customers that will display the retail class rates that would result from the prices in the Auction.

ComEd will provide the network transmission and distribution services for its customers within its service territory under the terms of its distribution tariffs. Similarly, Ameren will acquire the network integrated transmission service (NITS) and provide distribution services for its customers within its service territory under the terms of its retail tariffs. In the five (5)-month stub period (January to May 2007 inclusive), ComEd will provide any Auction Revenue Rights ("ARRs") that it has available to the suppliers selected in the Auction. The assignment will be done according to PJM rules on a pro-rata basis. 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 PJM interconnection point, depending on the source of supply. Similarly, Ameren will provide to its BGS Suppliers the necessary FTRs for NITS which Ameren possesses using MISO's methodology to determine the percent of load of the various categories for the five month stub period associated with each product. 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. D. Supply to Be Procured in the Auction

The Auction procures electric supply for those Illinois customers who are not served with power from a Retail Electric Supplier ("RES"). ***CPP Load*** is the load associated with these customers in ComEd's territory, and it is obtained by subtracting the load served with power from RESs from the total retail load for ComEd's zone. ***BGS Load*** is the load associated with these customers in Ameren's territory, and it is obtained by subtracting the load served with power from RESs from the total retail load for Ameren's zone less nominal generation supplied by Qualified Facilities ("QFs").

The load of these customers will be further divided into six (6) categories as presented above in section I. A: (1) ***CPP-A load***, which is defined to include the hourly load of all of ComEd's commercial and industrial customers (400 kW and over) who are eligible to take electric service under a rate that has not been declared competitive, who have not elected a real-time pricing service, who have not elected to take service from a RES, and who are not self-generating customers, times a loss factor to appropriately reflect system losses; (2) ***CPP-H load***, which is defined to include the sum of the hourly load of ComEd's larger customers whose electric service rate has been declared competitive and who have not elected to take service from a RES, customers who voluntarily elect real-time pricing, and self-generating customers, times a loss factor, to appropriately reflect system losses; (3) ***CPP-B load***, which is defined as a residual, includes the load of ComEd's residential and smaller business customers (under 400 kW) who have not elected a real-time pricing service, who have not elected to take service from a RES, and who are not self-generating customers. The BGS Load will be divided into three (3) categories of service. The first category is (4) ***BGS-LFP Load***, which is defined to include the sum of the hourly load of all Ameren's customers with demand of 1 MW or over who elect, within 30 days of a successful Auction, to take BGS-LFP, times a loss expansion factor, to appropriately reflect system losses; (5) ***BGS-LRTP Load***, which is defined to include the sum of the hourly load of all Ameren's customers with demand of 1 MW or over who have not elected to take BGS-LFP or the service of a RES times a loss expansion factor, to appropriately reflect system losses; (6) ***BGS-FP Load***, which is defined as a residual, obtained by subtracting BGS-LRTP Load and BGS-LFP Load from BGS Load adjusted for system losses, will represent the load of all customers of less than 1 MW of demand that have not chosen a RES. Ameren customers of less than 1 MW of demand are called Residential and Small Business Customers ("R&SB Customers") and customers with demand of 1 MW or over are called Large Commercial and Industrial Customers ("LC&I Customers").

As explained above, each load category (i.e., CPP-B, CPP-A and CPP-H for ComEd, and BGS-FP, BGS-LFP and BGS-LRTP for Ameren) is further divided into units called tranches. Each tranche for a given load category will represent a given specific percentage of that load category.

For each load category for ComEd, the number of tranches will be set so that each tranche is roughly 50 MW, where this 50 MW considers the peak load contributions of all customers who are eligible for the service. Customers who are eligible to take a service include customers who do take the service, customers served with power from RESs, and customers who may take this service even though it is not their primary service. Similarly for Ameren, for each load category, the number of tranches will be set so that each tranche is roughly 50 MW, where this 50 MW considers the peak demand for all customers that are eligible to take each service. Once the number of tranches is established, the ***tranche size*** is obtained by dividing 100% by the number of tranches.

More precisely, the number of tranches will be set so that the ***MW-measure*** of a tranche is approximately 50 MW if: 1) for CPP-A Load, none of ComEd's commercial and industrial customers 400kW or over who are eligible to take a fixed-price service takes service from a RES or elects to receive real-time pricing service; 2) for BGS-LFP load, all Ameren's LC&I customers take BGS-LFP; 3) For CPP-H Load, all ComEd's larger customers whose electric service rate has been declared competitive take service from ComEd, and all customers who have elected real-time pricing service would continue on this service; 4) For BGS-LRTP Load, all Ameren's LC&I customers take BGS-LRTP; 5) for CPP-B Load, no residential or smaller commercial customer voluntarily elects real-time pricing service, and none of these customers are served with power from a RES; and 6) for BGS-FP Load, all Ameren's R&SB customers take BGS-FP.

The number of tranches for each product and the size of each tranche (i.e., the percentage of load that each tranche represents) will be announced prior to the Auction. Illustrative data are provided below.

Table 2. Illustrative Number of Tranches and Size of Tranches.

Section	**Category**	**Customer Supply Group**	**Peak Load**	**MW-measure**	**Number of**	**Size of tranche**

			Contribution (MW)		**tranches**	**(%)**
Fixed Price	CPP-B	Residential (primary) Watt-Hour (primary) Small Load (primary) Medium Load (primary) Large Load (primary) Dusk to Dawn Lighting (primary) General Lighting (primary)	15,897	49.99	318	0.31
	BGS-FP	R&SB (default)	5500	50	110	0.91
	CPP-A	Very Large Load (primary)	2,400	50	48	2.08
	BGS-LFP	LC&I (voluntary)	2500	50	50	2.00
Hourly Price	CPP-H	Very Large Load (default) Self-Generating (primary) (CPP-B customers supply groups can also take CPP-H on a voluntary basis)	2623	50.44	52	1.92
	BGS-LRTP	LC&I (default)	2500	50	50	2.00

Neither ComEd nor Ameren represents that each tranche will have the loads equal to the announced amount or any other particular value. The actual load of each tranche will depend upon many factors including, for example, customer migration to RESs and weather conditions. ComEd and Ameren will provide historical information to assist bidders in performing their own analysis, but will not provide forecasts for variables such as load growth or switching rates. Bidders are responsible for evaluating the uncertainties associated with each load category and incorporating such risks into the determination of their bids.

II. BEFORE THE AUCTION

II. A. Information Provided To Bidders

ComEd and Ameren will make 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.

ComEd will provide historical data for suppliers to be able to estimate hourly load and daily capacity and transmission peak load allocations for the following load categories: Total Zonal Retail Load, CPP-H Load, CPP-A Load and CPP-B Load. Data for CPP-B Load will be derived as a residual: for example, CPP-B Load is equal to total zonal retail load less CPP-H Load, less CPP-A Load. 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 historical data include hourly load and associated zonal losses. Ameren will provide data for a historical period that starts no later than __xxx______, 200x. The data include associated zonal losses. Historical zonal data will be extended each month as new data become available.

ComEd and Ameren will also provide supplemental data to assist bidders. ComEd and Ameren will provide historical load profiles for their customer classes as well as historical customer counts by customer class or load profile group. ComEd and 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. ComEd and 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

There is a single application process for the Illinois Auction. A party interested in providing full requirements service to the utilities for those Illinois customers on a fixed price service may apply to participate in the Fixed Price Section of the Illinois Auction. The Fixed Price Section includes a group of CPP products to serve ComEd customers and a group of BGS products to serve Ameren customers. A party interested in providing full requirements service to the utilities for those Illinois customers on a service priced on the hourly market may apply to participate in the Hourly Price Section of the Illinois Auction. The Hourly Price Section includes a CPP Group which consists of a single product to serve ComEd customers and a single BGS Group which consists of a single product to serve Ameren customers. An interested party can apply to one or both sections of the Auction.

No later than seven (7) business days before interested parties first apply to participate in the Illinois Auction, the Auction Manager will provide the number of tranches, as well as the size and MW-measure of a tranche for each product in the Auction. The Auction Manager will also at that time announce a ***load cap*** for each of the two Groups in the Fixed Price Section and for each of the two Groups in the Hourly Price Section. The Auction Manager at that time will also announce a ***maximum starting price*** and a ***minimum starting price*** for each of the two Sections.

A ***load cap*** for a Group is a maximum number of tranches that any one bidder can bid and win for that Group. Load caps limit the impact that any one bidder may have on the bidding and limit the utility's and the customers' 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 products in each Section. The Auction Manager, Ameren and ComEd, in consultation with ICC Staff, will establish the minimum and maximum starting prices for the Fixed Price and Hourly Price Sections. Three (3) business days before the Auction, the Auction Manager, in consultation with Ameren and ComEd, will choose round 1 prices for each product in both the Fixed and Hourly Price Sections. Each round 1 price will be between the minimum and maximum starting price for each of the Sections.

The single application process for the Illinois Auction is in two parts. Interested parties first submit a ***Part 1 Application***. Applicants to the Illinois Auction are expected to be required:

- To show that they are members of PJM in good standing or that they will become PJM members by the start of the supply period;

- To show that they are, or have no impediments to become by the start of the supply period, a Market Participant in MISO;
- To certify that they have no impediments to meeting other requirements or authorizations required by the Supplier Forward Contracts;
- To provide financial information for an assessment of their creditworthiness;
- To agree to comply with the Illinois Auction Rules;
- To accept the terms of the applicable Supplier Forward Contracts. A party interested in bidding on the Fixed Price Section will be required to accept the terms of the CPP-A Supplier Forward Contract, the CPP-B Supplier Forward Contract, the BGS-FP Supplier Forward Contract and the BGS-LFP Supplier Forward Contract. A party interested in bidding on the Hourly Price Section will be required to accept the terms of the CPP-H Supplier Forward Contract and the BGS -LRTP Supplier Forward Contract;
- To agree that if they win at the auction, they will demonstrate compliance with the creditworthiness requirements set forth in the applicable Supplier Forward Contract within a short period of time.

It is expected that there will be no state licensing requirement. Interested parties will be asked to submit financial information so that ComEd and Ameren can jointly conduct an assessment of their creditworthiness. Such creditworthiness requirements will take into consideration all load serving obligations held by the Auction winner for each utility. Starting with the second Auction, such obligations will include the supplier's obligations from any past Auctions.

Applications must be submitted no later than noon[1] on the ***Part 1 Application Date***, which will be no earlier than seven (7) business days after the maximum and minimum starting prices have been announced. Interested parties will be required to indicate their interest in participating in one or both of the two Sections; the Fixed Price Section and the Hourly Price Section. Interested parties will be notified whether they succeeded in qualifying to participate in the Auction for a Section no later than two (2) business days after the Part 1 Application Date. An interested party that has qualified for a Section becomes a ***qualified bidder*** for that Section. The Auction Manager will send simultaneously to each qualified bidder in a Section a list of all qualified bidders for that Section. The Auction Manager will also provide a list of

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

qualified bidders to those other parties as necessary to oversee the proper conduct of the Auction. However, the list of qualified bidders will not be disclosed to any other parties, publicly or otherwise. Interested parties, in their Part 1 Applications, will have undertaken to maintain the confidentiality of the list of qualified bidders.

With their Part 1 Applications, all interested parties will be required to pay a Bid Participation Fee that will contribute to covering the administration costs of the Auction. If an interested party is successful in its Part 1 and Part 2 Applications, and goes on to win tranches in the Auction, this Bid Participation Fee will be deducted from the Supplier Fee (see Section VI) that is paid by all winners. If a supplier wins tranches with only one of the Companies (i.e., only ComEd or only the Ameren Companies), the Bid Participation Fee will be deducted only from fees paid to that Company; if the winner holds tranches with both of the Companies, the deductions resulting from the Bid Participation Fee will be divided equally between the fees paid to each Company. The amount of the Bid Participation Fee will be announced when Part 1 Applications are made available to interested parties, no later than eighty two (82) business days before the start of the Auction.

Qualified bidders for a Section must successfully submit to a ***Part 2 Application*** process to participate in the bidding for that Section. There is a single Part 2 Application Form with a different section of the Application depending on whether a qualified bidder is applying to register for one or both of the two Sections. Only qualified bidders for a Section may submit a Part 2 Application for that Section.

Part 2 Applications must be submitted no later than noon on the ***Part 2 Application Date***, which will be no later than twenty five (25) business days before the start of the Auction. In the Part 2 Application, qualified bidders for a Section will make a number of certifications regarding associations, to ensure that they are bidding independently of other parties in that same Section and to ensure the confidentiality of information regarding the Auction. With their Part 2 Application, qualified bidders for a Section will be required to submit an ***indicative offer*** for that Section and to submit a financial guarantee in proportion to their indicative offer. A bidder qualified for a Section is ***associated with*** another bidder qualified for the same Section 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. The competitiveness of each Section 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 ***volume*** for each Section, using inaccurate information in such decisions due to insufficient disclosure of associations in the Part 2 Application can create adverse impacts. The volume for a Section is the sum of the ***tranche targets*** for all products in that Section. Associations may be considered in setting the volume of a Section and may be used in the application of load caps. See "Association and Confidential Information Rules" later in this document 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 for ComEd and Ameren to serve any load 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.

A qualified bidder for a Section submits an indicative offer with its Part 2 Application for that Section. The indicative offer specifies two numbers of tranches. The first number represents the amount that the qualified bidder for that Section is willing to serve at the maximum starting price and the second number represents the amount that the qualified bidder is willing to supply at the minimum starting price. At each of the maximum and the minimum starting prices, the number of tranches indicated by the qualified bidder for a Section cannot exceed the sum of the load caps for the Groups of that Section.

A qualified bidder in a Section will also be required to provide its preliminary interest in each product of that Section. The number of tranches indicated as preliminary interest on a product at a given price cannot exceed the qualified bidder's indicative offer at that price. However, the sum of the qualified bidder's preliminary interest across all products at a given price *can* exceed the number of tranches that the qualified bidder submitted as an indicative offer at that price.

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 for a Section determines the qualified bidder's ***initial eligibility*** for that Section. A bidder will never be able to bid on a number of tranches greater than the bidder's initial eligibility in a Section. Thus, the qualified bidder is encouraged to state the maximum possible number of tranches that it would be willing to serve. Information that a qualified bidder in a Section provides regarding its interest in any particular product has no effect on initial eligibility or subsequent bidding in that Section.

Each qualified bidder must post a letter of credit proportional to its initial eligibility. It is expected that the financial guarantee will be $250,000 per tranche of a bidder's indicative offer at the maximum starting price. Letters of credit must be in a form considered to be acceptable to ComEd and Ameren and must be sufficient to cover the indicative offer at the maximum starting price. Sample letters of credit that are in a form that would be considered acceptable to ComEd and Ameren at that time will be posted to the Auction web site. 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 ComEd and 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 for a Section to be accepted, it must be complete, including its indicative offer, financial guarantees and additional security (if necessary). The financial guarantees and additional security must be provided in a form considered to be acceptable to ComEd and Ameren at that time and must be sufficient to cover the indicative offer at the maximum starting price in the Section. After its Part 2 Application is accepted, a qualified bidder for a Section becomes a ***registered bidder*** for that Section. The Auction Manager will send simultaneously to each bidder registered in a Section and to those other parties as necessary to oversee the proper conduct of the Auction, a list of registered bidders for that Section and the total initial eligibility in that Section. Neither the list of registered bidders nor the total initial eligibility in the Auction will be released publicly. 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.

Financial guarantees and additional security (if required) will remain in full force until the Declaration of a Successful Result (for a Section). After the Declaration of a Successful Result (for a Section), a bidder's financial guarantees for that Section will be marked cancelled and returned:

- As soon as practicable if the bidder has won no tranches;
- 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.

ComEd and 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 Declaration of a Successful Result (for a Section). The Auction is deemed successful for a Section if the ICC does not initiate an investigation or other formal proceeding within three (3) business days of the close of bidding. In that case ComEd and Ameren will proceed with the acquisition of supply from the winning bidders of each Group.

II. C. Round 1 Prices

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

II. D. Extraordinary Events

The Auction Manager, in consultation with ComEd, Ameren and the ICC Staff, may determine that, due to extraordinary events, the maximum starting price and the minimum starting price for the Fixed Price Section or the Hourly Price Section 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 the affected Section(s) (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 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 seven (7) business days before the Part 1 Application is due) and the business day on which the Auction starts. An extraordinary event must be agreed to by ComEd, Ameren, the Auction Manager and the ICC Staff. 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 the Fixed Price Section or the Hourly Price Section, the Auction Manager will, in consultation with ComEd, Ameren and the ICC Staff, determine a revised maximum starting price and a revised minimum starting price for the affected Section(s). New indicative offers will be required from bidders for the affected Section(s). 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. If an extraordinary event occurs during that time causes a possible change in the Auction schedule the Auction Manager will, in consultation with ComEd, Ameren and the ICC Staff, determine a revised schedule.

The Auction Manager, in consultation with ComEd, Ameren and the ICC Staff, may determine that, due to extraordinary events, the ***non-summer*** and ***summer factors*** for one or more load categories in the Fixed Price Section require revision. In this event, the schedule may also be revised.

For a revision 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 in the Fixed Price Section, the Auction Manager would provide the opportunity for new indicative offers to be submitted in the Fixed Price Section on the basis of this revision. The Auction Manager will provide bidders sufficient time to revise their indicative offers.

III. OVERVIEW

After presenting an overview of the Auction format, the following sections will explain the bidding and other procedures in detail.

III. A. Overview of Auctions

The Auction is conducted as 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 within the Auction are put on offer at the same time. 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 these products 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. The bidders holding the final bids when the Auction closes are the winners.

Four aspects of the Auction should be briefly highlighted at the outset. These are as follows:

1. Winners for each product are not determined until the bidding has closed for all products in the Section. When the number of tranches bid in a round for a product does not exceed the number of tranches desired, the price for that product will not tick down for the next round. However, as the Auction progresses and the prices for the other products in a Section tick down, some bidders may re-assign tranches and increase the number of tranches bid on that product, which may cause the price for the product to tick down again in future rounds. Hence, the winners cannot be determined for any one product until

bidding stops for all products in the Section. It is only at the end of the Auction on that Section that suppliers reveal themselves to be winners by not withdrawing from the Auction.

2. Every bid is a binding obligation to provide the supply for a product at the price at which the bid was made. If 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 cannot reduce the number of tranches bid for that product in the current round, either through a withdrawal or a switch.

3. Bidders can never increase the total number of tranches they bid on a Section 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.

4. All bidders that win tranches for a particular product and are authorized as suppliers receive the same price for that product.

The Auction is held simultaneously yet separately for each Section. A bidder can only bid on a Section for which it is qualified and registered. A bidder qualified and registered for both Sections cannot switch tranches from one Section to another Section.

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 Section 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 all Sections. All round results are confidential during the Auction. All bidders are informed of the prices for the next round's bidding phase and are provided with a range of excess supply left in each Section. 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, a list of representatives from ComEd, and the ICC Staff. The ICC Staff also have access to information contained in all submitted bids. The bidders, ComEd, Ameren, the Auction Manager, and the ICC Staff 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 Commission releases as part of its decision of whether to approve the results, or that the Commission explicitly authorizes can be released. A typical schedule for a bidding day will have a morning ***session***, a lunch break, and then an afternoon session. Each session will consist of a number of rounds. 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.

IV. BIDDING RULES FOR THE FIXED PRICE SECTION OF THE ILLINOIS AUCTION

Bidders that are registered to bid to provide full requirements service to those Illinois customers on a fixed price service have been granted the right to participate in the Fixed Price Section of the Illinois Auction. Bidders participating in the Fixed Price Section are registered for ComEd's CPP Group and for Ameren's BGS Group. The products of the CPP Group are: CPP-B 17-months, CPP-B 29-months, CPP-B 41-months, CPP-B 53-months, CPP-B 65-months, and CPP-A 17-months. The products of the BGS Group are BGS-FP 17-months, BGS-FP 29-months, BGS-FP 41-months, and BGS-LFP 17-months. The bidders participating in the Fixed Price Section have been successful in the Part 1 Application process and the Part 2 Application process for this Section, as explained in section II. B of the present Auction Rules.

In its Part 2 Application, a bidder registered for the Fixed Price Section provided an indicative offer at the maximum starting price for that Section. The number of tranches in this indicative offer is the bidder's initial eligibility. A bidder's initial eligibility is the maximum number of tranches that the bidder may bid and win for the Fixed Price Section. The requirements of the Part 2 Application ensure that a bidder's initial eligibility does not exceed the sum of the load caps for the Groups in the Fixed Price Section.

IV. A. Round 1

IV. A. 1. Definition of a Bid and Bidding Phase

The Auction Manager informs bidders of the round 1 prices for each product of the Fixed Price Section three (3) business days prior to the first bidding day. These starting prices are the prices in force, or the ***going prices***, in round 1. In general, the going prices in a round are the prices at which the Auction Manager solicits bids in that round.

A bidder selects how many tranches it wants to serve for each product at the round 1 prices. Specifically, a bidder will submit a bid that would indicate:

- A number of tranches of CPP-B Load for a 17-month supply period;
- A number of tranches of CPP-B Load for a 29-month supply period;
- A number of tranches of CPP-B Load for a 41-month supply period;
- A number of tranches of CPP-B Load for a 53-month supply period;
- A number of tranches of CPP-B Load for a 65-month supply period;
- A number of tranches of CPP-A Load for a 17-month supply period.

- 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.

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.

The total number of tranches that a bidder bids cannot exceed the bidder's initial eligibility. The total number of tranches that a bidder bids for all products in a Group cannot exceed the load cap in that Group. A bidder registered for both Sections *cannot* transfer eligibility from the Fixed Price Section to the Hourly Price Section or vice-versa.

A bidder registered for the Section who, in round 1, bids 0 on all products in that Section effectively withdraws from that Section. The bidder will not be able to bid in round 2 or in any future round for that Section.

IV. A. 2. Calculating Phase, Reporting Phase and Potential Volume Cutback

The calculating phase of round 1 immediately follows the bidding phase in the Auction. In the ordinary course of events, the Auction Manager reviews the results and sets the prices that will be in force in round 2 for all products in 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 for all products in the Auction. The Auction Manager provides to bidders an indication of the ***excess supply*** in round 1 for the Section. The excess supply for a product is the total number of tranches bid for the product minus the tranche target for that product, or zero, whichever is greater. The excess supply for the Section is the sum, over all products in the Section, of the excess supplies for the individual products, plus free eligibility in the Fixed Price Section, which is defined below in Section IV. C. A bidder is never provided any information regarding any other individual bidder's bids.

The Auction Manager may call a ***time-out*** for the Auction during the calculating phase of round 1 if the Auction Manager needs to consider whether to cut back the volume in any Group to ensure the competitiveness of the Auction for that Group. It is not expected that the Auction Manager would revise the load cap for a Group at that time except if the new volume for the Group would fall below the load cap that had been set for that Group. However, the Auction Manager retains the discretion to make revisions to the load cap for a Group based on the revised volume for that Group. As soon as practicable during such a time-out, the Auction Manager will either announce that the volumes will remain the same for all Groups or the Auction Manager will announce that revisions are needed to ensure the competitiveness of the Auction for at least one Group. If revisions are needed, the Auction Manager will announce a revised volume for one or more Groups, with revised load cap(s) if applicable. If a volume cutback occurs in a Group, the Auction Manager will also announce a revised tranche target for each product in the Group. The manner in which the tranche targets for the products in the Groups will be changed on the basis of the revised volume for the Section will be announced no later than four (4) business days after the Part 2 Application results have been announced.

As soon as practicable during a called time-out in round 1, the Auction Manager will start the reporting phase of round 1 of the Auction. The Auction Manager will report to the bidders the prices in force for round 2, an indication of the excess supply for the Section for round 1. If the load cap for a Group is reduced because it exceeds the volume in the Group, the Auction Manager reports to a bidder whose eligibility exceeds the reduced load cap that the bidder's bid has been adjusted to conform to the reduced load cap. The bidder receives free eligibility in the amount of the reduction. If the volume is cut back in a ComEd Group, ComEd will implement a ***Contingency Plan*** for the tranches that have been removed. Under this Contingency Plan, ComEd will purchase necessary services to serve load for one year, including installed capacity, energy, transmission, and ancillary services through PJM-administered markets. Pursuant to this Contingency Plan, which is described in more detail in ComEd's CPP tariff, ComEd will NOT negotiate contracts with suppliers after the Auction. Similarly, if volume is cut back in an Ameren Group, Ameren will implement a Contingency Plan for the tranches that have been removed from the Auction under which Ameren will purchase necessary services to serve BGS-FP Load, BGS-LFP Load or BGS-LRTP 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 MV tariffs, Ameren will not negotiate contracts with suppliers for BGS-FP Load, BGS-LFP Load or BGS-LRTP Load after the Auction. These Contingency Plans are intended to provide full incentives to prospective bidders for participating in the Illinois Auction by making this Auction the only possibility for prospective bidders to provide power to either ComEd or Ameren to serve their customers.

The Auction Manager will use a confidential set of guidelines to decide whether to cut back the volume for a Group and to determine the magnitude of any necessary cutback. If the volume in a Group 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, and will be set separately for each Group.

The Auction Manager may further revise the volume in a Group on the basis of the bids after round 1. 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 volume for one or more Groups. Further, if the volume for one or more Groups is reduced, the Auction Manager announces the revised tranche target for each product in the Group for which the volume was cut back.

No later than sixteen (16) business days before the first bidding day, 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 in a Group may be undertaken.

IV. B. Bidding in Round 2

IV. B. 1. Definition of a Bid and Bidding Phase

A bidder selects how many tranches to serve for each product at the round 2 prices. 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 for the Section. Fully specifying a bid in round 2 may require a bidder to provide ***switching priorities*** (defined below). Switching priorities are required when a bidder registered for the Section is switching and increasing the total number of tranches bid on two or more products in that Section.

IV. B. 2. Eligibility

As stated in the introduction to the Auction format, a bidder cannot increase its total number of tranches bid at the round 2 prices from its total number of tranches bid in round 1. This implies that a bidder may increase its total number of tranches bid in one Group while the bidder is decreasing its total number of tranches bid in another Group.

This is more generally expressed by saying that the bidder cannot exceed its ***eligibility*** and cannot transfer its eligibility from one Section to the other Section. A bidder's eligibility in round 2 for the Fixed Price Section is the bidder's total number of tranches bid in round 1 in the Fixed Price Section.

IV. B. 3. Bidding, Withdrawals and Switches

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

A bidder requests a withdrawal from a product when the bidder is reducing the number of tranches bid on that product and is reducing the total number of tranches bid for the Fixed Price Section.

A bidder can only request a withdrawal from a product when the price for that product has ticked down from the previous round (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 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 within the same Section whose prices have ticked down and switching them to the product whose price has not ticked down.

A bidder that withdraws tranches from a product must name an exit price. An exit price is a best and last 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 going 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 current 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.

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

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. The Auction Manager relies on exit prices when the number of tranches bid on a product at the round 2 going price falls short of that product's tranche target due to reductions from withdrawals or switches. 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.

A bidder *switches* when a bidder is simultaneously decreasing the number of tranches bid for one or more products of a Section, increasing the number of tranches for one or more products in that Section while leaving the total number of tranches bid for the Section unchanged

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 (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 in the same Section, including a product whose price has not ticked down.

When (and only when) switches involve increasing the number of tranches bid on more than one product in the Section, the bidder must specify a ***switching priority***[2]. A switching priority is a rank assigned to each of the products for which the bidder is increasing the number of tranches bid in the Section. A switching priority of "1" 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 (with priority 1) 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 will fill the needed number of tranches for the product by denying the lowest priority (1 is the highest priority) switch first, and then successively denying higher priority switches until the tranche target is met. The ***denied switches*** are retained at that price at which they were last freely bid (in round 2, this is the round 1 going price).

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[2] Switching priorities can only be required if there are three or more products.

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

If the bidder is switching and withdrawing, and if the bidder reduces the number of tranches bid for more than one product in a Section, the bidder will be asked to specify which tranches are being withdrawn and which tranches are being switched for that Section. The tranche or tranches that the bidder specifies to be withdrawn are the tranche(s) for which the bidder will name an exit price. The bidder may also be required to specify switching priorities if the bidder is increasing the number of tranches bid on more than one product in a given Section.

IV. B. 4. 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 in the Auction. The Auction Manager provides to all bidders a range for the excess supply for the Section for round 2. The range of the Section's excess supply reported to bidders will change as the Auction progresses. In earlier rounds, a narrower range will be reported when excess supply is high for the Section. A wider range will be reported to bidders in later rounds as bidding is ready to close and the Section's excess supply is lower. The exact ranges of excess supply for the Section that will be 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 for the Section the bidder's eligibility in that Section for the next round (round 3). For a bidder registered in the Section, the bidder's eligibility in that Section for round 3 is the bidder's eligibility for round 2, minus the number of tranches that the bidder withdrew for that Section in round 2.

To each bidder, the Auction Manager reports privately a bid report, which describes the outcome of the bidder's own bid.

When a bidder registered for the Section bids in round 2 the same number of tranches on each product as in round 1, the Auction Manager reports the bid made in round 2.

A bidder registered for the Section may request withdrawals or switches. If all requests are accepted, the Auction Manager reports the bid made in round 2. 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 Section, the Auction Manager: 1) first takes tranches that are bid at the round 2 price for that product; 2) then retains tranches that bidders want to withdraw from that product; and 3) finally denies switches that bidders have requested from that product, 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 new tranches bid at the going price to outbid some or all of the withdrawals that had been retained to fill 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. If additional tranches are bid on 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)

IV. C. Round 3 and All Subsequent Rounds

Round 3 and all subsequent rounds generally proceed as does 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 at the going prices for the round. At all times, the total number of tranches bid in by a bidder cannot exceed the bidder's eligibility. The bidder's eligibility in a round is its eligibility in the previous round, minus the number of tranches that the bidder withdrew in the previous round. A bidder can request to withdraw or switch tranches from a product, 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 registered in the Section may face the following new situations and be subject to the following additional 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 by another bidder. 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 for a product that is outbid becomes ***free eligibility*** in the next round. A tranche of free eligibility must be bid on a product 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 tranche – that had been withdrawn from a product and 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 for the product at the tied exit price divided by the total number of retained tranches at that exit price for that product. 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 from 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).

IV. D. Reporting of General Progress

During the reporting phase, the Auction Manager reports on the general progress of the Auction to all bidders with positive eligibility or with retained withdrawals, to a list of representatives from ComEd, to a list of representatives from Ameren, and to the ICC Staff . The Auction Manager reports measures of the excess supply for the Section. The Auction Manager also reports the going prices for all products in the next round.

The excess supply for the Fixed Price Section is the sum, over all products in that Section, of the excess supplies for the individual products, plus all tranches of free eligibility, when applicable. The Auction Manager reports for each Section a range of excess supply. The largest integer of each such range will be divisible by 5. The manner in which the excess supply in each Section is reported to bidders changes as the Auction progresses. Early in the bidding for a Section, when excess supply is larger relative to the volume in a Section, the Auction Manager will report a narrower range of excess supply. Toward the end of bidding in a Section, when excess supply is small relative to the volume in a Section, the Auction Manager will report excess supply in a wider range. When the total excess supply has reached zero for a Section, the bidding has closed for that Section.

The Auction Manager will announce the ranges of excess supply that will be used for each Section when the Auction Manager announces the number of tranches to be procured for each product of each Section and when the Auction Manager announces the load caps. The Auction Manager will inform the registered bidders of any changes to these ranges of excess supply (necessitated by tranche targets that may be different from those that were anticipated) no later than four (4) business days after registration. Tables 3, 4, 5 and 6 below provide illustrative ranges of excess supply for each Section.

Table 3. Illustrative Excess Supply Ranges for Fixed Price Section

Ranges for Excess Supply in the Fixed Price Section	
Excess supply falls to 185 tranches or fewer: a single range remains (the last range)	0-185
Excess supply is between 186 and 280 tranches:	186-225

ranges count 20 integers or more	226-255
	256-280
	281-300
Excess supply is 300 tranches or more: ranges count 10 integers	301-310
	311-320
	321-330 (etc.)

Table 4. Illustrative Excess Supply Ranges for the Hourly Price Section

Ranges for Excess Supply in the Hourly Price Section	
Excess supply falls to 30 tranches or fewer: a single range remains (the last range)	0-30
Excess supply is between 31 and 40 50 tranches: ranges count 10 integers	31-40
	41-50
Excess supply is 50 tranches or more: ranges count 5 integers	51-55
	56-60 (etc.)

The Auction Manager also reports the going prices for the products for the next bidding phase. The going prices are calculated through formulas as explained below.

IV. E. Price Decrements

The price for a product only ticks down if the number of tranches bid for the product exceeds the tranche target. The amount by which a price ticks down is called a decrement and it is a percentage of the previous going price.

The decrement for a product is larger (and thus the price for a product ticks down more quickly) if the excess supply for that product is larger. The excess supply on a product is measured against an estimate of the maximum possible excess supply that the product could attract. This estimate takes into account the excess supply in the Section to which the product belongs, the load cap for the Group to which the product belongs, the tranche target of the product, and the number of bidders registered for that Section.

The decrement formulas allow the price decrements to be larger at the start of the bidding than in later rounds. Early in the bidding, when the number of tranches bid on a product exceeds the tranche target, the decrement is between 0.5% and 5% of the previous round price. Decrements continue to be between 0.5% and 5% of the previous round price until the going prices for round 4 are calculated or until excess supply in a Section falls to the last range, whichever comes later. In the next round, decrements for products in that Section will be between 0.25% and 2.5% of the previous going price, and will remain so until the end of bidding in that Section. Decrement formulas will be announced by the Auction Manager along with the number of tranches for each product and load caps for each Group. The Auction Manager will inform registered bidders no later than four (4) business days after bidder registration if decrement formulas require modifications on the basis of the number of bidders. Illustrative price decrements are provided in Appendix B (section IX).

All prices are in $/MWh and will be rounded off to the nearest cent.

IV. F. Pauses in The Auction

The Auction can be paused either by the bidders or by the Auction Manager. Any one bidder can pause the Auction by requesting an ***extension*** during a bidding phase or a *recess* during a reporting phase (subject to the conditions below). The Auction Manager can also call a time-out to an Auction at any time during a round.

IV. F. 1. Auction pauses called by the Bidders

When a bidder requests an extension during the bidding phase of a round, such a request extends the bidding phase of the round for all bidders in both Sections. Typically an extension will be 15 minutes but the Auction Manager may set a longer or shorter length for an extension. Bidders will be advised of the length of an extension at the start of each bidding session. An extension allows a bidder additional time to consider its bid for the current round or allows a bidder to deal with technical difficulties in submitting bids. A maximum of one extension per round can be granted in the bidding phase of a given round; that is, the bidding phase of a round can be extended only once. Each bidder is allowed three (3) bidding extensions during the Auction. A bidder registered for both Sections will have two (2) additional extensions. A bidder with positive eligibility is automatically deemed to have requested a bidding extension whenever the bidder has not submitted a bid during the bidding phase of a round and if the bidder has not already used its allowable extensions. Extensions from all bidders are granted but all extensions run concurrently. All bidders that have requested a bidding extension during the bidding phase of a round will see their available number of extensions reduced and the extension will last only 15 minutes (or the time for an extension set by the Auction Manager). The Auction Manager reports to all bidders at the end of the planned bidding phase that the bidding phase has been extended.

A recess may only be requested during the calculating phase or during the reporting phase, before the scheduled last half of the reporting phase of a round starts, or before the last five (5) minutes of the reporting phase of a round, whichever is earlier. (That is, if the reporting phase of a round is scheduled to be 8 minutes, then the recess must be requested before the last 5 minutes of the reporting phase; if the reporting phase of a round is scheduled to be 14 minutes, then the recess must be requested before the last 7 minutes of the reporting phase.) A recess may only be requested by a bidder registered for a Section after round 10 and only if the excess supply in the applicable Section has reached a pre-determined threshold. The Auction Manager retains the discretion to set the length of a recess but the Auction Manager will not set the recess time to be less than 30 minutes. The Auction Manager will advise all bidders of the length of a recess at the start of the bidding session.

As soon as is feasible after the time at which a recess can be requested has passed, the Auction Manager reports to all bidders that a recess has been called. Each bidder in a Section is allowed to request at most one recess during the Auction. A bidder registered for both Sections will have one (1) additional recess. All recess requests are granted, but all requested recesses run concurrently. All bidders making a request in a given calculating or reporting phase will be deemed to have used a recess request. All bidders that have requested a recess will see their available number of recesses reduced by one.

IV. F. 2. Auction Pauses Called by the Auction Manager

The Auction Manager can call a time-out at any time during a round. It is intended that a time-out suspend activity in the Auction for a period of no more than four hours; however, the Auction Manager retains the discretion to suspend activity for a longer period if deemed necessary. A typical time-out would be expected to last no longer than an extension in most circumstances but could be for a longer period in case of a volume adjustment that bidders require time to consider or in case of an extraordinary event that requires consultation of the Auction Manager and the ICC Staff. Whenever a time-out is called, the Auction Manager reports to all bidders with a remaining obligation how long the time-out is expected to last.

During the calculating phase of round 1, the Auction Manager may call a time-out to evaluate whether the volume should be adjusted in a Group. The Auction Manager has the discretion to call additional time-outs during the Auction. Such discretion could be used, for example, in case of an extraordinary event occurring during the Auction. The Auction Manager expects to exercise this discretion only rarely.

IV. G. Failure to Submit a Bid

A bidder with positive eligibility must submit a bid in every round. This is true even when the bidder's bid does not change. This is also true when a bidder is bidding only on products whose prices have not ticked down.

If a bidder with positive eligibility does not submit a bid during the bidding phase of a round, the bidder is granted an extension whenever possible. If the bidder has previously used up all of its extensions, or if the bidder does not submit a bid during the extension to the bidding phase, then the bidder has failed to submit a bid. When a bidder with positive eligibility has failed to submit a bid in a round, the bidder is assigned a ***default bid***. A default bid is the minimum number of tranches that the bidder could have bid on each product, as explained below.

The default bid for a bidder in round 1 is zero (0) tranches on each and every product.

The default bid for a bidder in round 2 and all subsequent rounds is described in detail as follows.

If the bidder had some tranches of free eligibility, these tranches are deemed to be withdrawn and are irrevocably removed.

If, in the previous round, a bidder did not bid any tranches on a product at the going price and, in the reporting phase of that round, the Auction Manager reported that the bidder did not have any retained withdrawals or denied switches for that product, then the bidder is assigned zero tranches for that product.

If, as of the reporting phase in the previous round, a bidder had some tranches on a particular product at the going price for the previous round, and if the product's price ticked down from the previous round to the current round, then the bidder is deemed to have withdrawn all tranches at the highest exit price, namely the price from the previous round. The bidder loses the eligibility associated with these tranches. All tranches with a lower exit price named by bidders that have submitted a bid in the current round are retained first. All tranches with the same exit price named by bidders that have submitted a bid in the current round are retained next. If all the withdrawn tranches by the bidder and by other bidders that were assigned a default bid are needed to fill the tranche target, these tranches are retained. If some but not all of the tranches submitted by the bidder and other bidders that were assigned a default bid are needed, tranches are chosen at random to fill the tranche target, in a procedure analogous to that used for bidders that submitted a bid, as described in IV. C.

If, as of the reporting phase in the previous round, a bidder had some tranches on a particular product at the going price for that round, and/or retained withdrawals, and/or denied switches; if the product's price did not tick down from the previous round to the current round; and if there is excess supply on the product in the current round, so that the price will tick down in the next round, then:

- all withdrawals that were previously retained are released and the bidder has no remaining obligation from those tranches;
- all switches that had previously been denied are outbid and the bidder is assigned free eligibility for those tranches;

- all tranches previously bid at the going price are bid again on the product at the going price. If the bidder does not bid in the next round these tranches will be withdrawn and assigned the highest exit price.

If, as of the reporting phase in the previous round, a bidder had some tranches on a particular product bid at the going price, and/or retained withdrawals, and/or denied switches; if the product's price did not tick down from that round to the current round; and if there is no excess supply on the product in the current round so that the price will not tick down in the next round, then:

- any tranches bid at the going price continue to be bid at the going price;
- if any new tranches were bid on the product at the going price in the current round, the denied switches (if any) of bidders that have been assigned default bids are outbid first, before the denied switches of bidders that have submitted a bid in the current round are outbid. If more than one bidder has been assigned a default bid, and if some but not all denied switches from such bidders are outbid, then for each denied switch that must be outbid, the Auction Manager chooses at random among the default bidders the bidder whose switch is outbid, in a procedure analogous to that used for bidders that submitted a bid, as described in IV. C;
- if any new tranches were bid on the product at the going price in the current round, and if all denied switches from default bidders and from bidders that submitted a bid are outbid, retained withdrawals are released, starting with the highest named exit price. For a given exit price, tranches from bidders that have been assigned default bids (if any) are released first, before the retained withdrawals of bidders that have submitted a bid in the current round. If more than one bidder has been assigned a default bid, and if some but not all of the retained withdrawals from such bidders must be released at a given exit price, then for each retained withdrawal that must be released, the Auction Manager chooses at random among the default bidders the bidder whose withdrawn tranche is released, in a procedure analogous to that used for bidders that submitted a bid, as described in IV. C.

The bidder can lose its ability to bid for all future rounds by failing to bid during the bidding phase of a round or during its extension. It is the responsibility of the bidder to ensure that bids are submitted on time.

IV. H. End of Illinois Auction

The Illinois Auction ends when bidding has ended for all Sections. Bidding ends for each Section separately.

Bidding ends at the same time for all products in a Section, in the reporting phase before the first round in which excess supply in the Section is zero. At that point, all prices have stopped ticking down any further and no bidder could change its bid.

At the end of the bidding in a Section, tranches are allocated to the winners and all the winners for a product receive the same price for that product. This price is the lowest price bid that still allows supply just sufficient to fill the tranche target. The price for each product in the Fixed Price Section is determined more precisely as explained below.

The final Auction price for a product depends on how the tranche target for the product was filled in the final round.

If, to fill the tranche target for a product in the final round, only tranches bid at the price from the last round are used, the winners are those that submitted bids at the price from the final round. The final price given to all winners is the going price from the final round.

If, to fill the tranche target for a product in the final round, withdrawn tranches must be retained, but no switches were denied, then the winners are the bidders that submitted bids at the going price from the final round and the bidders that submitted the lowest of the exit prices. If, to fill the last tranches of the tranche target of a product in the final round, the Auction Manager must use some but not all the tranches from two or more bidders tied at the same exit price, then the Auction Manager, for each tranche, will choose at random the bidder whose tranche is retained, as described in IV.B.1. The final price given to all winners is the last exit price that was accepted to fill the tranche target.

If, to fill the tranche target for a product in the final round the Auction Manager must deny requests to switch, then the winners are the bidders that submitted bids at the going price from the final, the bidders that withdrew tranches (if any), and the bidders whose requests to switch (by reducing the number of tranches of that product) were denied. The final price received by all winners is the price at which the denied switches were last freely bid.

V. BIDDING RULES FOR THE HOURLY PRICE SECTION OF THE ILLINOIS AUCTION

Bidders that are registered to bid to provide full requirements service to those Illinois customers on an hourly price service have been granted the right to participate in the Hourly Price Section of the Illinois Auction. Bidders participating in the Hourly Price Section are registered for ComEd's CPP-H Group and for Ameren's BGS-LRTP Group. For each of these hourly Groups, there is a single product. The product in the CPP group is ComEd's CPP-H 17-months, and the product in the BGS Group is Ameren's BGS-LRTP 17-months. The bidders participating in the Hourly Price Section have been successful in the Part 1 Application process and the Part 2 Application process for this Section, as explained in section II.B of the present Auction Rules.

In its Part 2 Application, a bidder registered for the Hourly Price Section provided an indicative offer at the maximum starting price for the products in the Section. The number of tranches in this indicative offer is the bidder's initial eligibility for the Section. A bidder's initial eligibility is the maximum number of tranches that the bidder may bid and win for the Hourly Price Section. The requirements of the Part 2 Application ensure that a bidder's initial eligibility does not exceed the sum of the load caps for the Groups in the Hourly Price Section.

V. A. Round 1

V. A. 1. Definition of a Bid and Bidding Phase

The Auction Manager informs bidders of the round 1 prices for the products in the Hourly Price three (3) business days prior to the first bidding day. These starting prices are the prices in force, or the ***going prices,*** in round 1. In general, the going prices in a round are the prices at which the Auction Manager solicits bids in that round.

There are two products in the Hourly Price Section: ComEd's CPP-H 17-month product and Ameren's BGS-LRTP 17-month product.

A bidder registered for the Hourly Price Section will submit a bid that would indicate a number of tranches of CPP-H Load for a 17-month supply period and a number of tranches of BGS-LRTP Load for a 17-month supply period.

A number of tranches is an integer (0,1,2,…). A number of 0 (zero) for a 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 for the Section who, in round 1, bids 0 on both products of the Section effectively withdraws from bidding in the Section. The bidder will not be able to bid in the Section in round 2 or in any future round. The number of tranches that a bidder bids on a product cannot exceed the bidder's initial eligibility for the Section. While the bidder's initial eligibility may exceed the load cap for one or both of the Groups in the Section, it is still subject to the Group load caps. A bidder registered for the Hourly Price Section may transfer eligibility from one Group to the other Group. A bidder registered for both Sections *cannot* transfer eligibility from the Hourly Price Section to the Fixed Price Section or vice-versa.

V. A. 2. Calculating Phase, Reporting Phase and Potential Volume Cutback

See Section IV. A. 2.

V. B. Bidding in Round 2

V. B. 1. Definition of a Bid and Bidding Phase

A bidder selects how many tranches to serve for each product at the round 2 prices. 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 the number of tranches bid for the Section (i.e., making a ***withdrawal***, as explained below).

As stated in the introduction to the Auction format, a bidder cannot increase its number of tranches bid at the round 2 prices for the Section from its number of tranches bid in round 1. This is more generally expressed by saying that the bidder cannot exceed its ***eligibility***. A bidder's eligibility for the Section in round 2 is the bidder's number of tranches bid in round 1 for the products in the Section. A bidder's eligibility for the Section for round 3 and all subsequent rounds is the number of tranches bid in the previous round for the products in the Section minus withdrawals from the product in the Section made in the previous round.

A bidder can always select to bid the same number of tranches for a product in round 2 as the bidder selected in round 1 for that product. 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 product. A bidder that withdraws tranches from a product loses the eligibility for the Section associated with these tranches, and forfeits the right to bid these tranches for that Section for the remainder of the Auction. A request for a withdrawal from a product may not always be accepted, as explained below.

A bidder can only request a withdrawal from a product when the price for that product has ticked down from the previous round (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 can always bid more tranches for a product whose price has not changed from round 1 by reducing the number of tranches from the other product within the same Section and switching them to the product whose price has not ticked down.

A bidder that withdraws tranches from a product must name an exit price. An exit price is a best and last 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 going 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 current 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.

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

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. The Auction Manager relies on exit prices when the number of tranches bid on a product at the round 2 going price falls short of that product's tranche target due to reductions from withdrawals or switches, which are defined below. 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.

A bidder *switches* when a bidder is simultaneously decreasing the number of tranches bid for one product of the Section, increasing the number of tranches for the other product in the Section, and leaving the total number of tranches bid for the Section unchanged.

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 (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 the other product in the same Section, even if that product's price has not ticked down.

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

V. B. 2. Calculating and Reporting Phases in Round 2

The calculating phase of a round in the Auction 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 next round's price for each product and of the excess supply for the Section, as explained in Section IV. B. 4.

The Auction Manager also provides to each bidder privately a bid report.

When a bidder registered for the Section bids in round 2 the same number of tranches on each product as in round 1, the Auction Manager reports the bid made in round 2.

A bidder registered for the Section may request withdrawals or switches. If all requests are accepted, the Auction Manager reports the bid made in round 2. 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 Section, the Auction Manager: 1) first takes tranches that are bid at the round 2 price for that product; 2) then retains tranches that bidders want to withdraw from that product; and 3) finally denies switches that bidders have requested from that product, 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 new tranches bid at the going price to outbid some or all of the withdrawals that had been retained to fill 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. If additional tranches are bid on 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*** in section IV. C.)

V. C. Round 3 and All Subsequent Rounds

See Section IV. C.

V. D. Reporting of General Progress

See Section IV. D.

V. E. Price Decrements

The price for a product only ticks down if the number of tranches bid for that product exceeds the tranche target. The amount by which a price ticks down is called a decrement and it is calculated as a percentage of the previous going price.

The decrement for a product is larger (and thus the price for a product ticks down more quickly) if the excess supply for that product is larger. The excess supply on a product is measured against an estimate of the maximum possible excess supply that the product could attract. This estimate takes into account the excess supply in the Section to which the product belongs, the load cap for the Group to which the product belongs, the tranche target of the product, and the number of bidders registered for that Section.

The decrement formulas allow the price decrements to be larger at the start of the bidding than in later rounds. Early in the bidding, when the number of tranches bid on a product exceeds the tranche target, the decrement is between 0.5% and 5% of the previous round price. Decrements continue to be between 0.5% and 5% of the previous round price until the going prices for round 4 are calculated or until excess supply in a Section falls to the last range, whichever comes later. In the next round, decrements for products in that Section will be between 0.25% and 2.5% of the previous going price, and will remain so until the end of bidding in that Section. Decrement formulas will be announced by the Auction Manager along with the number of tranches for each product and load caps for each Group. The Auction Manager will inform registered bidders no later than four (4) business days after bidder registration if decrement formulas require modifications on the basis of the number of bidders. Illustrative price decrements are provided in Appendix C (section X).

All prices are in $/MW-day and are rounded off to the nearest cent.

V. F. Pauses In The Auction

See Section IV. F.

V. G. Failure to Submit A Bid

A bidder with positive eligibility for the Section must submit a bid in every round. This is true even when the bidder's bid does not change. This is also true when a bidder is bidding only a product whose price has not ticked down.

If a bidder with positive eligibility in the Section does not submit a bid during the bidding phase of a round, the bidder is granted an extension whenever possible. If the bidder has previously used up all of its extensions, or if the bidder does not submit a bid during the extension to the bidding phase, then the bidder has failed to submit a bid. When a bidder with positive eligibility has failed to submit a bid in a round, the bidder is assigned a ***default bid***. A default bid is the minimum number of tranches that the bidder could have bid on each product, as explained in section IV. G.

V. H. End of Illinois Auction

See section IV. H.

VI. POST AUCTION ACTIONS

ComEd's CPP tariff provides for prompt post-auction consideration of the Auction results by the Illinois Commerce Commission. If the Commission initiates a formal investigation or other formal proceeding concerning the results of one or both of ComEd's CPP Groups under the Public Utilities Act, the ICC would provide notice of that conclusion to ComEd. Receipt of such a notice within the post-auction consideration period specified in the CPP tariff (which ends at the close of business, three (3) business days after the Auction closes) would trigger certain contingency provisions under the Rider CPP tariff. Similarly, Ameren's MV tariffs provides for prompt post-auction consideration of the Auction results by the Illinois Commerce Commission. If the Commission concludes that grounds exist to initiate an investigation of the Auction under Section 9-250 or other applicable provisions of the Public

Utilities Act, the ICC would provide notice of that conclusion to Ameren. Receipt of such a notice within the post-auction consideration period of three (3) business days as specified in the tariffs would trigger a special contingency procedure specified in the tariffs. If the ICC concluded that no grounds for such a formal investigation or proceeding were present for both the CPP Group and the BGS Group of a Section, the Auction Manager would announce a successful conclusion to the bidding for that Section (Date of Declaration of a Successful Result for that Section). ComEd and Ameren would proceed with the acquisition of supply from the successful bidders for that Section.

Following the Declaration of a Successful Result for a Section, each winner in that Section will have three (3) business days from the conclusion of the post-auction consideration period to execute the applicable Supplier Forward Contract(s) and to demonstrate compliance with the applicable creditworthiness requirements.

The Auction Manager will notify each winner in a Section of the number of tranches it has won and the final Auction prices. The Auction Manager will notify ComEd and Ameren of the following for their respective products for each successful Section: the identity of the winners, the number of tranches won by each winner, and the final prices.

Each winner in a CPP Group and ComEd will have until the close of business of the third business day after the Declaration of a Successful Result Date to execute the Supplier Forward Contract(s). Similarly, each winner in a BGS Group and Ameren will have until the close of business of the third business day after the Declaration of a Successful Result Date to execute the Supplier Forward Contract(s).

The Financial Guarantee is held as security to cover damages incurred by ComEd or Ameren, as appropriate, in the event the registered bidder has a winning bid in the Illinois Auction and, following a Declaration of a Successful Result for a Section:

- The winner does not execute the applicable Supplier Forward Contract(s) within the deadline; or
- The winner fails to demonstrate compliance with the creditworthiness requirements as set forth in the applicable Supplier Forward Contract(s); or

- The winner fails to agree to any of the terms of the applicable Supplier Forward Contract(s).

Effective with the exercise by ComEd of its right to collect on the financial guarantees, any contractual rights or other entitlements of the winners shall immediately terminate without further notice by ComEd. In addition, winners shall be liable for damages incurred by ComEd, which damages shall be determined in accordance with the terms of the Supplier Forward Contract as if the winner were a defaulting party to that Agreement, and the amount of the financial guarantee posted shall not be a limitation on such damages. Similarly, effective with the exercise by Ameren of its right to collect on the financial guarantees, any contractual rights or other entitlements of the winners shall immediately terminate without further notice by Ameren. In addition, winners shall be liable for damages incurred by Ameren, which damages shall be determined in accordance with the terms of the Supplier Forward Contract as if the winner were a defaulting party to that Agreement, and the amount of the financial guarantee posted shall not be a limitation on such damages.

Each winner will have to pay a fee per tranche won (the Supplier Fee). This fee, together with the Bid Participation Fee, will be set to recover all the costs associated with the Auction. The Auction Manager will announce the fee per winning tranche no later than nine (9) business days before the Auction. The Bid Participation Fee will be deducted from any applicable Supplier Fees, and this total will be netted against the first payment due to the winner during the supply period, reducing the balance paid accordingly.

No earlier than 30 days prior to the start of service under the executed Supplier Forward Contracts, the Auction Manager will release its Public Report and the ICC Staff will release the Public Report of the ICC, which will provide information about the Auction process and certain, specific information that was held confidential up to that point in time. Included in these reports will be a discussion about the conduct of the Auction itself, suggestions for future improvements, the round-by-round prices, excess supply by round, the winning bidders and the number of tranches that each winning bidder will be supplying. Such information is intended to assist in the Process Improvement Workshop that will be held by the ICC after the start of service commences.

VII. ASSOCIATION AND CONFIDENTIAL INFORMATION RULES

The rules will apply to each Section.

VII. A. Process For Reporting Associations, Identifying Concerns And Remedies

Interested parties applying to qualify to bid for a Section in the Auction will be required to indicate in their Part 1 Applications whether they are part of a bidding agreement, a joint venture for purposes of participating to bid for that Section in the Auction, a bidding consortium or some other form of arrangement between parties pertaining to bidding for that Section(s) in the Auction. Interested parties will also be required to certify in their Part 1 Application that, should they qualify to participate in the Auction, they will not disclose information regarding the list of qualified bidders. With their Part 1 Applications, all interested parties will be required to pay a Bid Participation Fee that will contribute to covering the administration costs of the Auction.

Once parties are qualified to bid for a Section in the Auction, each bidder qualified for that Section will be asked in its Part 2 Application to make a number of certifications, each detailed below, and to provide additional information to the Auction Manager if these certifications cannot be made. In particular, each bidder qualified for that Section will be informed of the list of qualified bidders for that Section and will be asked to certify that it is not associated with any other qualified bidder in that Section. If a qualified bidder cannot make such a certification, it will be asked to identify associations it may have with other bidders qualified for the same Section. The criteria that determine whether two bidders are associated with one another are given below. If two bidders qualified for the same Section are associated with one another, the Auction Manager will determine whether the two qualified bidders can both participate to bid for that Section in the Auction, as well as the terms and conditions of such participation. The Auction Manager may require bidders that are qualified to bid for the same Section and that are associated with one another to bid as one entity or to reorganize so as to no longer be associated with one another.

Qualified bidders will be asked to certify that they will undertake to appropriately restrict their disclosure of confidential information relative to their bidding strategy and confidential information regarding the Auction Process (both of which are defined in VII. C). Qualified bidders for a given Section will also be asked to certify that they have not come and will not come to any agreement with another qualified bidder for that same Section with respect to bidding for that Section, except as disclosed and approved by the Auction Manager in their Part 1 Applications.

Before obtaining final documentation necessary to participate in the Auction, registered bidders will be required to certify that they will continue to maintain the confidentiality of any information that they will have acquired through their participation in the Auction Process.

VII. B. Association Criteria

1. Preliminary Definitions

    a. A party controls an entity directly if the party holds a majority of shares, majority voting power, a majority of common directors, can appoint a majority of directors, or if the party in fact controls the entity's affairs through some other means. A party controls an entity indirectly if the party controls another entity that controls the entity in question (or through a longer line of control; e.g., if the party controls another entity that controls an entity that controls the entity in question, etc.).
    b. A party participates directly in another entity Z if the party holds any class of listed shares, if it holds the right to acquire such shares, if it holds any option to purchase shares or if it has voting power. The participation is indirect if the party participates in another entity that participates in Z (with potentially a longer line of "indirect participation"). When the participation is indirect, the percentage of participation of the party in the entity is obtained by multiplying the percentages of participation at each level.
    c. A party is concerned with the bid of a bidder if the party has confidential information relative to the bidders' bidding strategy (see definition in the next section), has agreed to provide assistance with financing or has agreed to provide assistance in another way.

2. Bidder A and Bidder B are associated with each other if Bidder A

    a. Controls bidder B, directly or indirectly; or
    b. Has at least a 10% participation in Bidder B and is concerned with Bidder B's bid; or
    c. Controls an entity that has at least a 10% participation, direct or indirect, in Bidder B and that is concerned with Bidder B's bid; or
    d. Is controlled by an entity that controls Bidder B directly or indirectly; or
    e. Is controlled by an entity that has at least a 10% participation, direct or indirect, in Bidder B and that is concerned with Bidder B's bid.

3. Bidder A and Bidder B are associated if there is a party which

    a. Controls Bidder A, directly or indirectly; or
    b. Has at least a 10% participation in Bidder A, directly or indirectly, and is concerned with Bidder A's bid; or
    c. Controls an entity that has at least a 10% participation in Bidder A, direct or indirect, and is concerned with Bidder A's bid; or
    d. Has confidential information about Bidder A's bid and is controlled by Bidder A; or
    e. Has confidential information about Bidder A's bid and is controlled by an entity or person that controls Bidder A directly or indirectly; or
    f. Has confidential information about Bidder A's bid and is controlled, directly or indirectly, by an entity that has at least a 10% participation in Bidder A and is concerned with Bidder A's bid;

    and if this same party also has any one of the relationships (a. through f. described above) with Bidder B.

4. Bidder A and Bidder B are associated if there is a party that has at least a 20% participation, directly or indirectly, in both bidders.

5. Bidder A and Bidder B are associated if there is a party that has at least a 20% participation, directly or indirectly, in Bidder A and that:

a. Has at least 10% participation in Bidder B, directly or indirectly, and is concerned with Bidder B's bid; or
b. Is controlled by Bidder B; or
c. Controls a person or entity that controls Bidder B; or
d. Controls a person or entity that: has at least 10% participation in Bidder B, directly or indirectly, and is concerned with Bidder B's bid; or
e. Is controlled by a person or entity that controls Bidder B directly or indirectly; or
f. Is controlled by a person or entity that has at least 10% participation in Bidder B, directly or indirectly, and is concerned with Bidder B's bid; or
g. Is controlled by a person or entity who controls a person who has at least 10% participation in Bidder B, directly or indirectly, and is concerned with Bidder B's bid.

VII. C. Definitions of Confidential Information

Confidential information relative to the bidding strategy means information relating to a bidder's bid in a Section, whether in writing of verbally, which if it were to be made public would likely have an effect on any of the bids that another bidder would be willing to submit for that same Section. Confidential information relative to the bidding strategy includes (but is not limited to) a bidder's strategy for a Section; a bidder's indicative offer for that Section; the bidder's preference to bid for one product rather than another; the quantities that a bidder wishes to serve; the bidder's estimation of the value of a tranche; the bidder's estimation of the risks associated with serving the load for that Section; and a bidder's contractual arrangements for power with a party to serve load for that Section were the bidder to be a winner for that Section.

Confidential information regarding the Auction Process means information that is not released publicly by the ICC or the Auction Manager and that a bidder acquires as a result of participating in the Auction Process, whether in writing or verbally, which if it were to be made public could impair the integrity of current or future Auctions, impair the ability of ComEd or Ameren to hold future Auctions, harm consumers, or injure bidders or applicants. Confidential information regarding the Auction Process includes (but is not limited to) the list of qualified bidders for a Section, the list of registered bidders for a Section, the initial eligibility in an Auction, the status of a bidder's participation in the Auction, and all non-public reports of results and announcements made by the Auction Manager to all or any one bidder during the Auction Process regarding any and all Section.

VII. D. Certifications and Disclosures To Be Made

In certifications 1 through 11 below, "interested party" refers to an applicant for a Section in the Auction, "qualified bidder" refers to a bidder qualified to participate for a given Section, and "registered bidder" refers to a bidder registered to participate in a Section. Certifications regarding associations and confidential information will be made separately for each Section.

An interested party will be required in its Part 1 Application for a particular Section to disclose any bidding agreement and / or arrangement in which the interested party may have entered for that Section. In addition, the following certification will be required and will apply from the time that the Part 1 Application has been submitted.

1. An applicant must certify that if it qualifies to participate for that Section in the Auction, the applicant will not disclose at any time information regarding the list of qualified bidders, including the number of qualified bidders, the identity of any one or all entities that have been qualified, or the fact that an entity has not been qualified for participation for that Section in the Auction.

The following certifications will be required of each qualified bidder in its Part 2 Application for a particular Section in the Auction and will apply from the time of qualification until the Declaration of a Successful Result (for a Section). Each qualified bidder for a particular Section must consult the list of all qualified bidders for that Auction and attest to the following:

2. A qualified bidder must certify that it is not associated with another qualified bidder according to the criteria given above.

A qualified bidder unable to make certification 2 must identify the qualified bidders with which it is associated and the nature of the association.

3. A qualified bidder must certify that, other than qualified bidders that were explicitly named in its Part 1 Application as parties with whom the bidder has entered into a bidding agreement, joint venture for the purpose of bidding in the Auction, or bidding consortium or some other arrangement pertaining to bidding in the Auction, the bidder has not entered into any agreement with any other qualified bidder, directly or indirectly, regarding bids for the Section in the Auction, including, but not limited to, the amount to bid at certain prices, the product on which bids are placed, when or at what prices bids are withdrawn or switched, or the amount of exit prices.

An ***Advisor*** is a person who will be advising or assisting the bidder with bidding strategy for the Section, with estimation of the value of a system's tranches, or with the estimation of the risks associated with serving load. Each qualified bidder who retains an Advisor will be required to name its Advisor as part of its Part 2 Application and certify to the following.

4. A qualified bidder must certify either: that it has not retained an Advisor; or: that it has retained the Advisor who is named in the Part 2 Application, and that: (a) the Advisor cannot discuss the bidder's confidential information relative to the bidding strategy or confidential information relative to the Auction Process except with the bidder that it is advising; (b) the Advisor cannot use the bidder's confidential information relative to the bidding strategy or confidential information relative to the Auction Process for any purpose other than to provide advice to the bidder; (c) the Advisor is bound by all certifications made by the applicant in its Part 1 Application and made by the qualified bidder in the Part 2 Application; (d) the Advisor will not provide any similar advice or assistance to any other qualified bidder.

A qualified bidder who has an Advisor and who is unable to make certification 4 must name the Advisor and explain why it cannot make the certification. If the Advisor is providing similar advice or assistance to another qualified bidder, or if such person will be privy to confidential information relative to any other qualified bidder's bidding strategy, the qualified bidder will have to show that it has put appropriate confidentiality agreements in place to ensure that the Advisor does not serve as a conduit of information between, or as a coordinator of the bidding strategies of, multiple bidders.

5. A qualified bidder must certify that any Advisor who will be advising or assisting the bidder with bidding strategy for the Section in the Auction, with estimation of the value of a system's tranches, or with the estimation of the risks associated with serving load (an advisor) will either (i) not provide any similar advice or assistance to any other qualified bidder; or (ii) if such person will provide similar advice or assistance to another qualified bidder, or if such person will be privy to confidential information relative to any other qualified bidder's bidding strategy, that appropriate protections have been put into place to ensure that the advisor does not serve as a conduit of information between, or as a coordinator of the bidding strategies of, multiple bidders.

A qualified bidder unable to make certification 5 must name the Advisor(s) and the other bidder(s) concerned.

6. A qualified bidder must certify that the qualified bidder is not a party to any contract for the purchase of power that might be used as source of supply to serve the product or products in the Section, and that (i) would require the disclosure of any confidential information (confidential information relative to the bidding strategy or confidential information regarding the Auction Process) to the counterparty under such a contract; or (ii) that would require the disclosure of any confidential information (confidential information relative to the bidding strategy or confidential information regarding the Auction Process) to any other party; or (iii) that would provide instructions, direct financial incentives, or other inducements for the bidder to act in a way determined by the counterparty in the agreement and/or in concert with any other bidder for that Section in the Auction. Notwithstanding the above, a qualified bidder may, during negotiations prior to the Auction for contractual arrangements for power to serve load were the bidder to be a winner for the Section in the Auction, discuss with the counterparty to such arrangements the nature of the product(s) to be purchased, the volume, and the price at which it is willing to buy these product(s).

A qualified bidder unable to make certification 6 must disclose the contractual terms that prevent the qualified bidder from making the certification.

7. A qualified bidder must certify that it does not have any knowledge of confidential information that is relevant to the bidding strategy of any other qualified bidder.

A bidder unable to make certification 7 will be asked to name the other qualified bidder and the nature of the confidential information.

8. A qualified bidder must certify that it will not disclose confidential information relative to its own bidding strategy except to bidders that were explicitly named in its Part 1 Application as parties with whom the bidder has entered into a bidding agreement, joint venture for the purpose of bidding for the Section in the Auction, or bidding consortium or other arrangement pertaining to bidding for the Section in the Auction, bidders with which it is associated as disclosed through certification 2, to its advisors, and to its financial institution.

9. A qualified bidder must certify that, other than entities affiliated with the bidder, and other than bidders with which the bidder has entered a bidding agreement, or joint venture for purposes of the Auction, or bidding consortium, or other arrangement pertaining to the Auction, no party has agreed to defray any of its costs of participating in the Auction, including the cost of preparing the bid, the cost of any financial guarantees, the cost to be paid upon winning a tranche, or any other participation cost.

A qualified bidder unable to make certification 9 must identify the party that has agreed to defray some or all of the qualified bidder's cost of participating in the Auction, and the nature of the participation costs that the party has agreed to defray.

Furthermore, in its Part 2 Application a qualified bidder will have to certify that it will not disclose any confidential information regarding the Auction Process that it has acquired or will acquire through its participation. These certifications will apply from the time of the Part 2 Application.

10. A qualified bidder must certify that if it is registered to participate to bid for a Section in the Auction, the qualified bidder will not disclose at any time information regarding the initial eligibility in the Auction or the list of registered bidders, including the number of registered bidders, the identity of any one or all entities that have been registered, or the fact that an entity has not been registered for participation in the Auction.

11. A qualified bidder must certify that it will not disclose any confidential information regarding to the Auction Process to any party except to its advisors and bidders with which it is associated.

Following a successful Part 2 Application, the registered bidder will be required to certify that it will continue to abide by its prior commitment to maintain the confidentiality of information regarding the Auction Process. The registered bidder will be required to do so before obtaining manuals and procedures essential to submit bids in the Auction..

12. A registered bidder certifies that it continues to abide by its prior confidentiality certifications. The registered bidder will not disclose any confidential information related to the Auction Process to any party except to its advisors and bidders with which it is associated.

Once a successful Auction has been concluded, the ICC may choose to release information regarding final auction prices and the names of the winners for the Section. At that point, a winner may itself release information regarding the number of tranches it has won and the products that the winner will be serving. The winners and losing bidders otherwise continue to be bound by their certifications as described previously.

VII. E. Actions to Be Taken If Certifications Cannot Be Made

If a party cannot make all the above certifications, the Auction Manager will decide within five (5) business days on a course of action on a case-by-case basis. To decide on this course of action, the Auction Manager may make additional inquiries to understand the reason for the inability of the bidder to make the certification.

In general, qualified bidders that are associated with one another, or that have entered into agreements regarding bidding for a Section in the Auction, are considered as one bidder for the purposes of application of the load caps for bidding for the Groups of a Section in the Auction and for the administration of the Auction. Bidders can be allowed to bid independently or can be asked to end their association or agreement as a condition of participation, as circumstances warrant. If qualified bidders are asked to end their associations they will be given five (5) business days to do so.

If qualified bidders do not comply with additional information requests by the Auction Manager regarding certifications required in the Part 2 Application, or do not comply with a request from the Auction Manager to end their associations, this may be sufficient grounds for the Auction Manager to reject the application.

Sanctions can be imposed on a qualified bidder for failing to properly disclose information relevant to determining associations, for coordinating with another bidder without disclosing this fact, for releasing confidential information except as provided in 3, 5, and 7, for disclosing information during the Auction to a person other than those specified in 9, and in general for failing to abide by any of the certifications that the bidder will have made in its Part 1 or Part 2 Application. Such sanctions can include, but are not limited to, any one or more of the following: the loss of all rights to provide tranches won in the Auction by such bidder; the forfeiture of letters of credit and other fees posted or paid; liquidated damages of $100,000; action under state or federal laws; attorneys' fees and court costs incurred in any litigation that arises out of the bidder's improper disclosure; debarment from participation in future Auctions; prosecution under applicable state and federal laws; and / or other sanctions that the ICC may consider appropriate.

Should such an event occur, the Auction Manager will make a recommendation regarding a sanction.

VIII. APPENDIX A: GLOSSARY OF AUCTION TERMS

Advisor

An Advisor is a person who will be advising or assisting the bidder with bidding strategy for the Section, with estimation of the value of a system's tranches, or with the estimation of the risks associated with serving load. Each qualified bidder who retains an Advisor will be required to name its Advisor as part of its Part 2 Application and certify to the following.

Associated With

A bidder qualified for a Section is associated with another bidder qualified for the same Section if the two bidders have ties that could allow them to act in concert or that prevent them from competing actively against each other in the Auction. Specific criteria for associations are provided in Section VII.

Basic Generation Service Load (BGS Load)

The BGS Load is the full electricity requirement of retail customers of Ameren that have not chosen to receive electric power and energy from a Retail Energy Supplier (RES), less nominal generation supplied by QF's.

Basic Generation Service-Fixed Pricing Load (BGS-FP Load)

Basic Generation Service-Fixed Pricing Load is a residual, defined as the BGS Load excluding the Basic Generation Service – Large Customer Fixed Pricing Load, and the Basic Generation Service – Large Service Real-Time Pricing Load, adjusted for system losses. It will represent the load of all Residential and Small Business customers that have not chosen an RES or that have not chosen to be on real-time pricing.

Basic Generation Service-Fixed Pricing Supply (BGS-FP Supply)

Basic Generation Service-Fixed Pricing Supply refers to all of the services necessary for Ameren to serve its Residential and Small Business customers, including energy, capacity, ancillary, certain transmission-related (excluding those Network transmission rights that Ameren provides to the Suppliers), volumetric risk management and renewable energy compliance services.

Basic Generation Service – Large Customer Fixed Pricing Load (BGS-LFP Load)

Basic Generation Service – Large Customer Fixed Pricing Load is the sum of the hourly load of all LC&I customers who elect, within 30 days of a successful Auction, to take BGS-LFP, times a loss expansion factor, to appropriately reflect system losses.

Basic Generation Service – Large Customer Fixed Pricing Supply (BGS-LFP Supply)

Basic Generation Service – Large Customer Fixed Pricing Supply refers to all of the services necessary for Ameren to serve its Large Business customers, including energy, capacity, ancillary, certain transmission-related (excluding those Network transmission rights that Ameren provides to the Suppliers), volumetric risk management and renewable energy compliance services. This is applicable to all customers over 1 MW of demand, who elect to take service under Ameren's BGS-LFP tariff within 30 days of a successful Auction times a loss expansion factor, to appropriately reflect system losses.

Basic Generation Service – Large Service Real-Time Pricing Load (BGS-LRTP Load)

The Basic Generation Service – Large Service Real-Time Pricing Load is the sum of the hourly load of all Ameren customers with demand of 1 MW or over, who take service under this rate ("Basic Generation Service – Large Service Real-Time Pricing customers"), times the loss expansion factor associated with each respective rate class. LC&I customers take BGS-LRTP if they have not elected BGS-LFP or the service of a RES times a loss expansion factor, to appropriately reflect system losses.

Basic Generation Service – Large Service Real-Time Pricing Supply (BGS-LRTP Supply)

The Basic Generation Service – Large Service Real-Time Pricing Supply refers to all of the services necessary including energy, capacity, ancillary, certain transmission-related (excluding those Network transmission rights that Ameren provides to the Suppliers), volumetric risk management and renewable energy compliance services for Ameren to serve its large Commercial and Industrial customers (those customer who have not chosen the BGS-LFP option and have not chosen an Alternative Retail Electric Supplier).

Bid in the Fixed Price Section

A bid in a the Fixed Price Section represents the number of tranches that a bidder wishes to serve for each product in that Section at the going prices in force at that point in the Auction. In all rounds except the first, to fully specify a bid, a bidder may be asked for information in addition to the number of tranches to which it wishes to subscribe for each product, such as switching priorities and exit prices.

Bid in the Hourly Price Section

A bid in a the Hourly Price Section represents the number of tranches that a bidder wishes to serve of the products in that Section at the going prices in force at that point in the Auction. In all rounds except the first, to fully specify a bid, a bidder may be asked for exit prices.

Bid Participation Fee

With their Part 1 Applications, all interested parties will be required to pay a Bid Participation Fee that will contribute to covering the administration costs of the Auction. If an interested party is successful in its Part 1 and Part 2 Applications, and goes on to win tranches in the Auction, this Bid Participation Fee will be deducted from the Supplier Fee (see Section VI) that is paid by all winners. If a supplier wins tranches with only one of the Companies (i.e., only ComEd or only the Ameren Companies), the Bid Participation Fee will be deducted only from fees paid to that Company; if the winner holds tranches with both of the Companies, the deductions resulting from the Bid Participation Fee will be divided equally between the fees paid to each Company. The amount of the Bid Participation Fee will be announced when Part

1 Applications are made available to interested parties, no later than eighty two (82) days before the start of the Auction.

Bidding Phase

The bidding phase is the first phase of a round, during which bidders place bids. A bidder that submits a bid in a round may revise or change this bid as long as the bidding phase of the round is still open.

Calculating Phase

The calculating phase is the second phase of the round, during which the Auction Manager tabulates the results of that round's bidding phase and calculates the prices for the next round.

Categories

There are three (3) separate categories that are part of the BGS Groups: BGS-FP Load, BGS-LFP Load, and BGS-LRTP Load. There are three (3) separate categories that are part of the CPP Groups: CPP-A Load, CPP-B Load and CPP-H Load.

Competitive Procurement Process – Annual (CPP-A) Load

Competitive Procurement Process – Annual Load includes the hourly load of all large commercial and industrial customers (400 kW and over) who are eligible to take electric service under a rate that has not been declared competitive and who have not elected a real-time pricing service, times a loss factor to appropriately reflect system losses.

Competitive Procurement Process – Annual (CPP-A) Supply

Competitive Procurement Process – Annual Supply refers to all of the services (including energy, capacity, those ancillary and transmission services as described in Appendix C of the CPP-A Supplier Forward Contract, volumetric risk management and other services) necessary for ComEd to serve the load of its large commercial and industrial customers (400 kW or over) who are eligible to take electric service under a rate that has not been declared competitive and who have not elected a real-time pricing service. Network Integrated Transmission services and distribution services would be provided by ComEd.

Competitive Procurement Process – Blended (CPP-B) Load

Competitive Procurement Process – Blended Load is defined as a residual, and includes the load of residential and smaller business customers (under 400 kW) who have not elected a real-time pricing service and who are not self-generating customers.

Competitive Procurement Process – Blended (CPP-B) Supply

Competitive Procurement Process – Blended Supply refers to all of the services (including energy, capacity, those ancillary and transmission services as described in Appendix C of the CPP-B Supplier Forward Contract, volumetric risk management and other services) necessary for ComEd to serve the load of its residential and smaller commercial customers with demand under 400 kW load who have not elected a real-time pricing service. Network Integrated Transmission services and distribution services would be provided by ComEd.

Competitive Procurement Process – Hourly (CPP-H) Load

Competitive Procurement Process – Hourly Load is defined to include the sum of the hourly load of larger customers whose electric service rate has been declared competitive, smaller customers who voluntarily elect real-time pricing, and certain types of self-generators, times a loss factor, to appropriately reflect system losses.

Competitive Procurement Process – Hourly (CPP-H) Supply

Competitive Procurement Process – Hourly Supply refers to all of the services (energy, capacity, those ancillary and transmission services as described in Appendix C of the CPP-H Supplier Forward Contract, volumetric risk management and other services) necessary for ComEd to serve the load of its remaining customers, namely larger customers whose electric service rate has been declared competitive, smaller customers who voluntarily elect real-time pricing, and certain types of self-generators. Network Integrated Transmission services and distribution services would be provided by ComEd.

Contingency Plan (Ameren)

If the volume in a BGS Group is restricted to less than 100% of the volume for that Group, Ameren will implement a Contingency Plan for the remaining tranches. Under the Contingency Plan for the, which is described in more detail in Ameren's MV tariffs, Ameren will NOT negotiate contracts with suppliers for BGS-FP Load, BGS-LFP Load or BGS-LRTP Load after the Auction. Ameren will instead purchase for one year necessary services including capacity, energy, and ancillary services, etc. through MISO-administered markets for the amount of the shortfall.

Contingency Plan (ComEd)

If the volume is cut back in one or in both CPP Groups, ComEd will implement a Contingency Plan for the tranches that have been removed. Under this Contingency Plan, ComEd will purchase necessary services to serve load for one year, including installed capacity, energy, transmission, and ancillary services through PJM-administered markets. Pursuant to this Contingency Plan, which is described in more detail in ComEd's CPP tariff, ComEd will NOT negotiate contracts with suppliers after the Auction. This is intended to provide full incentives to prospective bidders of participating in one or both of the CPP Groups by making these Groups the only possibility for prospective bidders to serve ComEd’s customers.

Declaration of a Successful Result (for a Section)

The end of the post-auction consideration in the circumstance in which the ICC concludes that it will not initiate a formal investigation of proceeding so that ComEd and Ameren may proceed to acquire supply from winning bidders for the Section.

Decrement

If the number of tranches bid exceeds the number of tranches needed for a product, the price for the product falls by a decrement, which is calculated as a percentage of the previous going price in the next round. The decrement varies in each round based on the excess supply on a product. In a Section of the Auction, the excess supply on a product is measured against an estimate of maximum possible excess supply on that product.

Denied Switches

The Auction Manager denies reductions in the number of tranches from switches bid for a product in a particular Section when the tranches bid at the going price and the withdrawn tranches that can be retained are not sufficient to fill that product's tranche target. Denied switches are retained at the last price at which they were freely bid.

Eligibility in a Section

A bidder's eligibility in round 1 is the bidder's initial eligibility for the Section, as defined below. A bidder's eligibility in round 2 is the total number of tranches bid for all products in the Section in round 1. For any subsequent round, a bidder's eligibility is the bidder's eligibility in the previous round minus the number of tranches that the bidder withdrew in the previous round (whether or not the Auction Manager retains these withdrawn tranches) plus any free eligibility.

Eligibility Ratio

An eligibility ratio is obtained by dividing the total eligibility in a Section by the volume in that Section. This value is compared to a minimum target level that the Auction Manager has established, in order to assure that the bidding environment is competitive. The Auction Manager may cut back the volume in a Section if the calculated eligibility ratio is below this target.

End of Auction

The Auction ends when bidding has ended for all Sections.

End of bidding for a Section

The bidding ends in the reporting phase of the first round in which the excess supply for the Section is zero. At this point, no price can tick down any further and no bidder could change its bid.

Excess Supply (Section)

The excess supply for a Section is the sum, over all products in the Section of the excess supply for each product in the Section.

Excess Supply (Product)

The excess supply on a product is the number of tranches bid at the going price for the product minus the product's tranche target, or it is zero, whichever is greater.

Exit Price

The bidder names an exit price for the tranches of a product that the bidder is no longer willing to serve at the going price. An exit price must be a price higher than the going price and less than or equal to the previous round's going price for the product. No exit price is named when withdrawing tranches of free eligibility.

Extension

A round extension extends the bidding phase of a round. Typically an extension will be 15 minutes, but the Auction Manager may set a longer or shorter length for an extension. Bidders will be advised of the length of an extension at the start of each bidding session. A bidder is automatically deemed to have requested a bidding extension whenever no bid has been received from the bidder by the end of the scheduled bidding phase of a round and the bidder has not already used its allowable extensions.

Financial Guarantee

Each qualified bidder must post a financial guarantee, in the form of a letter of credit for each Section, proportional to its indicative offer at the maximum starting price. Some bidders may be required to post additional pre-Auction security depending on a creditworthiness assessment.

Free Eligibility

Free eligibility is a number of tranches that were previously denied switches and then subsequently released by the Auction Manager. Tranches of free eligibility may be assigned to any product during the first bidding phase in which they are available, or the eligibility will be lost. A bidder does not name an exit price when withdrawing tranches of free eligibility and these tranches will not be retained.

Full Requirements Service (Ameren)

Full requirements includes all energy, capacity, ancillary, certain transmission-related (excluding those Network transmission rights that Ameren provides to the Suppliers), volumetric risk management and renewable energy compliance services necessary for Ameren to serve its retail customers and to fulfill all its requirements as the MISO Load Serving Entity (LSE).

Going Price

The going price for a product in a round is the price at which the Auction Manager is soliciting bids in that round. A bidder that submits a bid in a round declares itself ready to supply the number of tranches bid for each product at the going price for the product, should it be selected a winner.

Group

There are two Groups in each Section. The Fixed Price BGS Group contains products for the BGS-FP Load and the BGS-LFP Load. The Hourly Price BGS Group contains a product for the BGS-LRTP Load. The Fixed Price CPP Group contains products for the CPP-A Load and the CPP-B Load. The Hourly Price CPP Group contains a product for the CPP-H Load.

Indicative Offer

An indicative offer for a Section states a number of tranches that a Qualified Bidder is willing to serve in that Section at the maximum starting price and a number of tranches that the participant is willing to serve at the minimum starting price. The indicative offer at each price cannot exceed the sum of the Group load caps for that Section. These indicative offers are considered in determining starting prices for the Sections. Indicative offers are provided with the Part 2 Application.

Initial Eligibility for a Section

A bidder's initial eligibility for a Section is the bidder's eligibility in round 1. It is equal to the number of tranches that a bidder has financially guaranteed with a letter of credit with its Part 2 Application for that Section. Initial eligibility may exceed the load cap for one or both Groups of a Section, but it cannot exceed the sum of the load caps for the Groups of a Section.

Load Cap

A load cap for a Group is the maximum number of tranches that a bidder can bid and win for that Group.

Minimum and Maximum Starting Prices for a Section

The minimum and maximum starting prices for a Section establish the range of possible round 1 prices for products in that Section. ComEd or Ameren, as appropriate, in consultation with the Auction Manager and ICC Staff, will choose a starting price for round 1 for products in the CPP or BGS Groups, respectively. Each round 1 price is between the minimum and the maximum starting prices.

MW-Measure

The approximate measure in MW of a single tranche for a product, considering all customers that could take the service in question. It is anticipated that this value will be near 50 MW.

Non-Summer Factor

The factor by which the final price of a product in the Fixed Price Section is multiplied to determine the price paid to each BGS-LFP, BGS-FP, CPP-B, and/or CPP-A Supplier for every kWh of load supplied in each non-summer month of the supply period. The non-summer factor will cause BGS-LFP, BGS-FP, CPP-B and CPP-A Suppliers to receive less than the final auction price for sales in the non-summer months (October through May) when their costs to serve this load are generally lower.

Outbid

A denied switch that is being replaced in filling the tranche target by a new tranche at the going price is said to be outbid.

Part 1 Application

In their Part 1 Applications, interested parties will be asked to submit financial information so that Ameren and ComEd can assess their creditworthiness. In addition, parties will be asked to comply with other qualification criteria including: agreeing to comply with all rules of the Auction; agreeing that if they become Auction winners, they will execute the applicable Supplier Forward Contract(s) within three (3) business days of the conclusion of the post-auction consideration period; and agreeing that if they become Auction winners, they will demonstrate compliance with the creditworthiness requirements set forth in the Supplier Forward Contract. In the second and subsequent Auctions, such creditworthiness requirements will take into consideration all BGS and CPP Supply obligations held by the Auction winner, including those from past Auctions.

Part 1 Application Date

The date on which the Part 1 Applications are due. This date will be set no earlier than seven (7) business days after the maximum and minimum starting prices have been announced.

Part 2 Application

In the Part 2 Application, Qualified Bidders for a Section will make a number of certifications regarding associations, to ensure that they are bidding independently of other parties in each Section and to ensure the confidentiality of information regarding the Auction. With their Part 2 Application, Qualified Bidders in a Section will be required to submit an indicative offer for that Section and to submit a financial guarantee in proportion to their indicative offer.

Part 2 Application Date

The date on which Part 2 Applications are due. This date will be set no later than twenty five (25) business days before the start of the Auction.

Product

A product in a Section is a load category for a given supply period.

Products in the BGS Groups

In the Fixed Price BGS Group there will be four (4) products: BGS-FP 17-months, BGS-FP 29-months, BGS-FP 41-months, and BGS-LFP 17-months. In the Hourly Price BGS Group there will be one product, BGS-LRTP 17-months. All supply periods begin January 1, 2007.

Products in the CPP Groups

In the Fixed Price CPP Group there will be five (5) CPP-B products and one (1) CPP-A product. The CPP-B products will be for five (5) different supply periods, namely supply periods of 17-months, 29-months, 41-months, 53-months and 65-months. Each supply period begins on January 1, 2007 and ends on May 31 of 2008, 2009, 2010, 2011, and 2012. The CPP-A product will be for seventeen (17) months beginning on January 1, 2007 and ending on May 31, 2008. In the Hourly Price CPP Group there will be one (1) product. The supply period will be seventeen (17) months, beginning on January 1, 2007 and ending on May 31, 2008.

Qualified Bidder

An interested party that has submitted a Part I Application for a Section and that has satisfied all conditions of the Part 1 Application becomes a qualified bidder for that Section. Interested parties will be notified that they have qualified for a Section no later than two (2) business days after the Part 1 Application Date.

Recess

A recess is a suspension for a period of no less than thirty minutes, giving bidders more time to consider their bids. A bidder may request a recess in the calculating phase or the reporting phase of a round before the scheduled last half of the reporting phase of a round starts, or before the last five (5) minutes of the reporting phase of a round, whichever is earlier. A bidder cannot request a recess in the first ten rounds. Starting in the eleventh round, a bidder in a Section may request a recess in a round if the excess supply in that Section meets a pre-established threshold.

Registered Bidder

A Qualified Bidder for a Section that submits a Part 2 Application for that same Section and that satisfies all conditions of the Part 2 Application becomes a Registered Bidder for that Section. Conditions of the Part 2 Application include the submission of an indicative offer and financial guarantees. These conditions also include making certifications relating to the Association and Confidential Information Rules or, if not all these certifications can be made, providing additional information to the Auction Manager and abiding by the subsequent course of action decided by the Auction Manager.

Reporting Phase

The reporting phase is the third and final phase of a round, during which the Auction Manager informs the bidders of the results of that round's bidding phase. All bidders are informed of the going prices for the next bidding phase and are provided with a range of excess supply for all Sections for which the bidder is registered. Each bidder privately receives the results of the bidder's own bid from that round, indicating to each bidder its obligation and its eligibility at this point in the Auction.

Round

The Auction runs in discrete time periods called rounds. Each round has a bidding phase, a calculating phase, and a reporting phase.

Round 1 Prices

The round 1 price for each product of a Section is announced to Registered Bidders for that Section three (3) business days before the Auction starts.

Rounding

Prices and exit prices in the Fixed Price Section will be in expressed in $/MWh rounded to the nearest cent. Prices and exit prices in the Hourly Price Section will be in expressed in $/MW-day rounded to the nearest cent.

Section

There are two Sections in the Auction each with a BGS and CPP Group. The Fixed Price Section contains products for the BGS-FP Load and the BGS-LFP Load in the BGS Group as well as products for the CPP-A Load and the CPP-B Load in the CPP Group. The Hourly Price Section contains a product for the BGS-LRTP Load in the BGS Group as well as a product for the CPP-H Load in the CPP Group.

Session

Each day of the Auction will consist of two or more bidding sessions. Each bidding session will consist of a number of rounds. The number of rounds in a bidding session will likely increase as the Auction progresses.

Summer Factor (Fixed Price Section Only)

The factor by which the final auction price of a product in the Fixed Price Section is multiplied to determine the price paid to each BGS-LFP, BGS-FP, CPP-B, and/or CPP-A Supplier for every kWh of load supplied in each summer month of the supply period. The summer factor will ensure that BGS-LFP, BGS-FP, CPP-B, and CPP-A Suppliers are paid at a higher rate than the final auction price for sales in the summer months (June through September) when their costs to serve the load are generally higher.

Switches and Switching

Switching involves an increase in the number of tranches bid on some products while at the same time a reduction in the tranches bid on other products in that same Section. Switching occurs when a bidder reallocates its tranches bid without changing the total number of tranches bid on all products. Switching alone has no effect on eligibility. A bidder is premitted to switch by decreasing the number of tranches for one product in one Group while increasing the number of tranches for one or more products in another Group

Switching Priority (Fixed Price Section)

A switching priority is a preference assigned to one of the products for which a bidder is increasing its number of tranches bid. The bidder is required to assign a switching priority when the bidder is increasing the number of tranches bid for more than one product.

Target Eligibility Ratio

The target eligibility ratio is a desired ratio of bids to the total number of tranches in a Group.

Time-Out

A time-out is a pause in the Auction. A time-out suspends activity for generally less than four hours; however, if circumstances warrant, the Auction Manager has the discretion to require a longer period. The Auction Manager can call a time-out at any time during a round, and provides all bidders an estimate of how long the time-out is expected to last.

Tranche

A tranche of one product is a full requirements tranche. A tranche for a product represents a fixed percentage share of that product's load category.

Tranche Size (Ameren)

The tranche size is the percentage share of the Ameren's BGS-FP, BGS-LFP or BGS-LRTP Load represented by one tranche, and is roughly equal to 50 MW of peak demand. The

Auction Manager, prior to the Auction, determines the number of tranches of each type. Each tranche represents an equal percentage of load for AmerenCILCO, AmerenCIPS, and AmerenIP, located in the Ameren Illinois Control Area.

Tranche Size (ComEd)

The tranche size is the percentage share of the ComEd's CPP-B, CPP-A, or CPP-H Load represented by one tranche, and is roughly equal to 50 MW of peak demand. The Auction Manager, prior to the Auction, determines the number of tranches of each type. Each tranche represents an equal percentage of load for ComEd.

Tranche Target

A tranche target is the number of tranches available in a Section for a product.

Volume in a Group

The volume in a Group is the sum of the tranche targets for all products in the Group.

Withdrawal

A bidder is making a withdrawal from a product in a Section when the bidder is reducing the number of tranches bid on that product and reducing the total number of tranches bid in that Section.

IX. APPENDIX B: ILLUSTRATIVE PRICE DECREMENT FORMULAS FOR THE FIXED PRICE SECTION

The calculation of the size of the decrement, Δ, is based on the oversupply ratio, γ, which is the ratio of the excess supply on a product to an estimate of the maximum possible excess supply in the Section:

$$\gamma = \frac{B - TT}{\min\left(\overline{RES}, n \cdot \min\{GLC, TT\} - TT\right)}$$

The numerator is the excess supply on a product, which is the number of tranches bid at the going price (*B*) minus the tranche target (*TT*). The denominator is an estimate of maximum possible excess supply for the Section. The excess supply on a product must be less than or equal to the excess supply in the Section. $\overline{RES}$ is the upper bound of the range of excess supply reported to bidders in the Section and is used as the measure of excess supply for the Section. The excess supply on a product must also be less than or equal to the excess supply that would result from all bidders registered to bid in the Section bidding the maximum possible number of tranches on the product. The maximum possible number of tranches that can be bid on a product is either the load cap for the Group (*GLC*) or the tranche target (*TT*), whichever is lower. Thus the excess supply that would result from all bidders registered to bid in the Section bidding the maximum possible number of tranches on the product would be $n \cdot \min\{GLC, TT\} - TT$ tranches, namely the number of registered bidders in that Section (*n*) times the load cap for the Group (*GLC*) or the tranche target, minus the tranche target (to get a measure of excess supply). The measure of excess supply for the Section used for the decrement rule is the upper bound of the range of excess supply reported to bidders for the Section, or the measure based on the number of registered bidders and the load cap for the Section, whichever is smaller.

IX. A. CPP Group

Regime 1

At the start of the Auction, in Regime 1, the following decrement formulas will be used.

The decrement for the CPP-A product is set as follows:

$\Delta = \text{Max}\ [\ .005, \min\ \{(0.2\ \gamma)\ , .05\}\ ]$

For example if $\gamma = 0.15$, then $\Delta = 0.03$, which means that prices are reduced by 3% for the next round. Prices will be rounded off to the nearest cent.

Using this rule, the smallest decrement would be 0.5% (and the amount of the decrease in price would be rounded off to the nearest cent). When the oversupply ratio is at or below 0.025 (but above 0), the decrement is set at 0.5%. The decrement is never more than 5% (subject to rounding off). When the oversupply ratio is 0.25 or greater, which means that the excess supply on the product reaches 25% of its maximum, the decrement is set at 5%. When the oversupply ratio is between 0.025 and 0.25, so that the excess supply on the product is between 2.5% and 25% of its maximum, the decrement is between 0.5% and 5% according to the rule given above.

The decrement for a CPP-B product is set as follows:

If a CPP-B product's tranche target is 70 tranches or more, then the decrement for that product is set as follows:

$\Delta = \text{Max}\ [\ .005, \min\ \{(0.1675\ \gamma - 0.0001)\ , .05\}\ ]$

For example if $\gamma = 0.20$, then $\Delta = 0.0334$, which means that prices are reduced by 3.34% for the next round. Prices will be rounded off to the nearest cent.

Using this rule, the smallest decrement would be 0.5% (and the amount of the decrease in price would be rounded off to the nearest cent). When the oversupply ratio is at or below 0.03 (but above 0), the decrement is set at 0.5%. The decrement is never more than 5% (subject to rounding off). When the oversupply ratio is 0.3 or greater, which means that the excess supply on the product reaches 30% of its maximum, the decrement is set at 5%. When the oversupply ratio is between 0.03 and 0.3, so that the excess supply on the product is between 3% and 30% of its maximum, the decrement is between 0.5% and 5% according to the rule given above.

If a product's tranche target is below 70 tranches, then the decrement for that product is set as follows:

$$\Delta = \text{Max}\ [\ .005\ ,\ \min\ \{(0.375\ \gamma - 0.00625)\ ,\ .05\}\ ]$$

For example if $\gamma = 0.1$, then $\Delta = 0.03125$, which means that prices are reduced by 3.125% for the next round. Prices will be rounded off to the nearest cent.

Using this rule, the smallest decrement would be 0.5% (and the amount of the decrease in price would be rounded off to the nearest cent). When the oversupply ratio is at or below 0.03, the decrement is set at 0.5%. The decrement is never more than 5% (subject to rounding off). When the oversupply ratio is 0.15 or greater, which means that the excess supply on the product reaches 15% of its maximum, the decrement is set at 5%. When the oversupply ratio is between 0.03 and 0.15, so that the excess supply on the product is between 3% and 15% of its maximum, the decrement is between 0.5% and 5% according to the rule given above.

Change in Regime

Decrements continue to be between 0.5% and 5% of the previous going price as calculated by the decrement formulas of Regime 1 until the going prices for round 4 are calculated, or the excess supply for the Fixed-Price Section is reported to bidders to be 128 or fewer tranches, whichever comes later. At that point, the decrement formulas of Regime 2 will be used to calculate the going prices for the CPP Group in the next round and for the remainder of the Auction.

Regime 2

Later in the Auction, in Regime 2, the following decrement formula will be used.

The decrement for a product will be set as a series of steps. Using this rule, the smallest decrement would be 0.25% (and the amount of the decrease in price would be rounded off to the nearest cent). The smallest decrement would be in effect when the oversupply ratio is at or below a pre-determined minimum value. The decrement is never more than 2.5% (subject to rounding off). The largest decrement would be in effect when the oversupply ratio is above a pre-determined maximum value. When the oversupply ratio is in between these the pre-determined minimum and maximum values, the decrement will be set at one or more values between 0.25% and 2.5%. For any given value of the oversupply ratio that is in between the pre-determined minimum value and the pre-determined maximum value, the decrement will be set at one of two possible values. The value of the decrement will be re-calculated in each round (i.e., even if the oversupply ratio on a product does not change from one round to the next, the decrement may change since it is a probabilistic function).

For a given value of the oversupply ratio that is in between the pre-determined minimum value and the pre-determined maximum value, the probability that the decrement will be the higher of the two values is p, and the probability that the decrement will be the lower of the two possible values is 1-p. The value of p will depend on the ranges of the oversupply ratio that correspond to the steps of the step function. As the oversupply ratio increases within a range, the value of p increases.

The step function for Regime 2 is as follows:

$$\Delta = \begin{Bmatrix} 0.00250 & \textit{with probability } 1 & \textit{if} & \gamma \leq 0.0325 \\ & \textit{with probability } (1-p) & \textit{if} & 0.0325 < \gamma \leq 0.0649 \\ \\ 0.00500 & \textit{with probability } p & \textit{if} & 0.0325 < \gamma \leq 0.0649 \\ & \textit{with probability } (1-p) & \textit{if} & 0.0649 < \gamma \leq 0.0973 \\ \\ 0.01375 & \textit{with probability } p & \textit{if} & 0.0649 < \gamma \leq 0.0973 \\ & \textit{with probability } (1-p) & \textit{if} & 0.0973 < \gamma \leq 0.1298 \\ \\ 0.02250 & \textit{with probability } p & \textit{if} & 0.0973 < \gamma \leq 0.1298 \\ & \textit{with probability } (1-p) & \textit{if} & 0.1298 < \gamma \leq 0.1622 \\ \\ 0.02500 & \textit{with probability } p & \textit{if} & 0.1298 < \gamma \leq 0.1622 \\ & \textit{with probability } 1 & \textit{if} & \gamma > 0.1622 \end{Bmatrix}$$

When the oversupply ratio is at or below a minimum value of 0.0325, the decrement is set at 0.25%. When the oversupply ratio is above a maximum value of 0.1622, which means that the excess supply on the product exceeds 16.22% of its maximum, the decrement is set at 2.5%. When the oversupply ratio is between 0.0325 and 0.1622, so that the excess supply on the product is between 3.25% and 16.22% of its maximum, the decrement is set at one of the steps with the indicated probabilities.

The step function relies on the calculation of a probability p for each step. In each step, the probability is calculated on the basis of the oversupply ratio, as well as the lower bound and upper bound of the range for the oversupply ratio that is used to define the step:

$$p = \left\{ \frac{(\gamma - lower\ bound)}{(upper\ bound - lower\ bound)} \right\} \times 0.75$$

If the oversupply ratio is 0.0757, then the oversupply ratio is in the range of $0.0649 < \gamma \leq 0.0973$. The lower bound of this range is 0.0649 and the upper bound of this range is 0.0973. The probability p is then calculated as follows $p = ((0.0757 - 0.0649) / (0.0973 - 0.0649)) \times 0.75 = 0.25$ which means that $(1 - p) = 0.75$. For an oversupply ratio of 0.0757, there is a 25% chance that the decrement will be set at 1.375% of the going price, and there is a 75% chance that the decrement will be set at 0.5% of the going price. Similarly, for an oversupply ratio of 0.0865, which lies in the same range, there is a 50% chance that the decrement will be set at 1.375% of the going price, and there is a 50% chance that the decrement will be set at 0.5%.

IX. B. BGS Group

Regime 1

At the start of the Auction, in Regime 1, the following decrement formula will be used.

The decrement for a product in the BGS Group is set as follows:

$\Delta = \text{Max}\ [\ .005, \min\ \{(0.2\ \gamma\ )\ , .05\}\ ]$

For example if $\gamma = 0.15$, then $\Delta = .03$, which means that prices are reduced by 3% for the next round. Prices will be rounded off to the nearest cent.

Using this rule, the smallest decrement would be 0.5% (and the amount of the decrease in price would be rounded off to the nearest cent). When the oversupply ratio is at or below 0.025 (but above 0), the decrement is set at 0.5%. The decrement is never more than 5% (subject to rounding off). When the oversupply ratio is 0.25 or greater, which means that the excess supply on the product reaches 25% of its maximum, the decrement is set at 5%. When the oversupply ratio is between 0.025 and 0.25, so that the excess supply on the product is between 2.5% and 25% of its maximum, the decrement is between 0.5% and 5% according to the rule given above.

Change in Regime

Decrements continue to be between 0.5% and 5% of the previous going price as calculated by the decrement formulas of Regime 1 until the going prices for round 4 are calculated, or the excess supply for the BGS Group is reported to bidders to be 60 or fewer tranches, whichever comes later. At that point, the decrement formulas of Regime 2 will be used to calculate the going prices for the BGS Group in the next round and for the remainder of the Auction.

Regime 2

Later in the Auction, in Regime 2, the same decrement formula that is used to calculate the Regime 2 decrements for the CPP group (see section IX. A.) will be used.

The decrement for a product will be set as a series of steps. Using this rule, the smallest decrement would be 0.25% (and the amount of the decrease in price would be rounded off to the nearest cent). The smallest decrement would be in effect when the oversupply ratio is at or below a pre-determined minimum value. The decrement is never more than 2.5% (subject to rounding off). The largest decrement would be in effect when the oversupply ratio is above a pre-determined maximum value. When the oversupply ratio is in between these the pre-determined minimum and maximum values, the decrement will be set at one or more values between 0.25% and 2.5%. For any given value of the oversupply ratio that is in between the pre-determined minimum value and the pre-determined maximum value, the decrement will be set at one of two possible values. The value of the decrement will be re-calculated in each round (i.e., even if the oversupply ratio on a product does not change from one round to the next, the decrement may change since it is a probabilistic function).

For a given value of the oversupply ratio that is in between the pre-determined minimum value and the pre-determined maximum value, the probability that the decrement will be the higher of the two values is p, and the probability that the decrement will be the lower of the two possible values is 1-p. The value of p will depend on the ranges of the oversupply ratio that correspond to the steps of the step function. As the oversupply ratio increases within a range, the value of p increases.

The step function for Regime 2 is as follows:

$$
\Delta = \begin{cases}
0.00250 & \textit{with probability } 1 \quad \textit{if} \quad \gamma \le 0.075 \\
 & \textit{with probability } (1-p) \quad \textit{if} \quad 0.075 < \gamma \le 0.150 \\
 & \\
0.00500 & \textit{with probability } p \quad \textit{if} \quad 0.075 < \gamma \le 0.150 \\
 & \textit{with probability } (1-p) \quad \textit{if} \quad 0.150 < \gamma \le 0.225 \\
 & \\
0.01375 & \textit{with probability } p \quad \textit{if} \quad 0.150 < \gamma \le 0.225 \\
 & \textit{with probability } (1-p) \quad \textit{if} \quad 0.225 < \gamma \le 0.300 \\
 & \\
0.02250 & \textit{with probability } p \quad \textit{if} \quad 0.225 < \gamma \le 0.300 \\
 & \textit{with probability } (1-p) \quad \textit{if} \quad 0.300 < \gamma \le 0.375 \\
 & \\
0.02500 & \textit{with probability } p \quad \textit{if} \quad 0.300 < \gamma \le 0.375 \\
 & \textit{with probability } 1 \quad \textit{if} \quad \gamma > 0.375
\end{cases}
$$

When the oversupply ratio is at or below a minimum value of 0.075, the decrement is set at 0.25%. When the oversupply ratio is above a maximum value of 0.375, which means that the excess supply on the product exceeds 37.5% of its maximum, the decrement is set at 2.5%. When the oversupply ratio is between 0.075 and 0.375, so that the excess supply on the product is between 7.5% and 37.5% of its maximum, the decrement is set at one of the steps with the indicated probabilities.

The step function relies on the calculation of a probability *p* for each step. In each step, the probability is calculated on the basis of the oversupply ratio, as well as the lower bound and upper bound of the range for the oversupply ratio that is used to define the step:

$$
p = \left\{ \frac{(\gamma - \textit{lower bound})}{(\textit{upper bound} - \textit{lower bound})} \right\} \times 0.75
$$

If the oversupply ratio is 0.175, then the oversupply ratio is in the range of $0.150 < \gamma \leq 0.225$. The lower bound of this range is 0.150 and the upper bound of this range is 0.225. The probability p is then calculated as follows $p = ((0.175 - 0.150) / (0.225 - 0.150)) \times 0.75 = 0.25$, which means that $(1 - p) = 0.75$. For an oversupply ratio of 0.175, there is a 25% chance that the decrement will be set at 1.375% of the going price, and there is a 75% chance that the decrement will be set at 0.5% of the going price. Similarly, for an oversupply ratio of 0.20, which lies in the same range, there is a 50% chance that the decrement will be set at 1.375% of the going price, and there is a 50% chance that the decrement will be set at 0.5%.

X. APPENDIX C: ILLUSTRATIVE PRICE DECREMENT FORMULAS FOR THE HOURLY PRICE SECTION

Regime 1

At the start of the Auction, in Regime 1, the following decrement formulas will be used.

$\Delta = \text{Max} [.005, \min \{(0.1 \gamma - 0.005) , .05\}]$

For example if $\gamma = 0.2$, then $\Delta = 0.015$, which means that prices are reduced by 1.5% for the next round. Prices will be rounded off to the nearest cent.

Using this rule, the smallest decrement would be 0.5% (and the amount of the decrease in price would be rounded off to the nearest cent). When the oversupply ratio is at or below 0.1 (but above 0), the decrement is set at 0.5%. The decrement is never more than 5% (subject to rounding off). When the oversupply ratio is 0.55 or greater, which means that the excess supply on the product reaches 55% of its maximum, the decrement is set at 5%. When the oversupply ratio is between 0.1 and 0.55, so that the excess supply on the product is between 10% and 55% of its maximum, the decrement is between 0.5% and 5% according to the rule given above.

Change in Regime

Decrements continue to be between 0.5% and 5% of the previous going price as calculated by the decrement formulas of Regime 1 until the going prices for round 4 are calculated, or the excess supply for the Hourly-Price Section is reported to bidders to be 30 or fewer tranches, whichever comes later. At that point, the decrement formulas of Regime 2 will be used to calculate the going prices in the next round and for the remainder of the Auction.

Regime 2

Later in the Auction, in Regime 2, the following decrement formula will be used.

The decrement for a product will be set as a series of steps. Using this rule, the smallest decrement would be 0.25% (and the amount of the decrease in price would be rounded off to the nearest cent). The smallest decrement would be in effect when the oversupply ratio is at or below a pre-determined minimum value. The decrement is never more than 2.5% (subject to rounding off). The largest decrement would be in effect when the oversupply ratio is above a pre-determined maximum value. When the oversupply ratio is in between these the pre-determined minimum and maximum values, the decrement will be set at one or more values between 0.25% and 2.5%. For any given value of the oversupply ratio that is in between the pre-determined minimum value and the pre-determined maximum value, the decrement will be set at one of two possible values. The value of the decrement will be re-calculated in each round (i.e., even if the oversupply ratio on a product does not change from one round to the next, the decrement may change since it is a probabilistic function).

For a given value of the oversupply ratio that is in between the pre-determined minimum value and the pre-determined maximum value, the probability that the decrement will be the higher of the two values is p, and the probability that the decrement will be the lower of the two possible values is 1-p. The value of p will depend on the ranges of the oversupply ratio that correspond to the steps of the step function. As the oversupply ratio increases within a range, the value of p increases.

The step function for Regime 2 is as follows:

$$
\Delta = \begin{cases}
0.00250 & \textit{with probability } 1 \quad \textit{if} \quad \gamma \le 0.1 \\
 & \textit{with probability } (1-p) \quad \textit{if} \quad 0.1 < \gamma \le 0.2 \\
 & \\
0.00500 & \textit{with probability } p \quad \textit{if} \quad 0.1 < \gamma \le 0.2 \\
 & \textit{with probability } (1-p) \quad \textit{if} \quad 0.2 < \gamma \le 0.3 \\
 & \\
0.01375 & \textit{with probability } p \quad \textit{if} \quad 0.2 < \gamma \le 0.3 \\
 & \textit{with probability } (1-p) \quad \textit{if} \quad 0.3 < \gamma \le 0.4 \\
 & \\
0.02250 & \textit{with probability } p \quad \textit{if} \quad 0.3 < \gamma \le 0.4 \\
 & \textit{with probability } (1-p) \quad \textit{if} \quad 0.4 < \gamma \le 0.5 \\
 & \\
0.02500 & \textit{with probability } p \quad \textit{if} \quad 0.4 < \gamma \le 0.5 \\
 & \textit{with probability } 1 \quad \textit{if} \quad \gamma > 0.5
\end{cases}
$$

When the oversupply ratio is at or below a minimum value of 0.1, the decrement is set at 0.25%. When the oversupply ratio is above a maximum value of 0.5, which means that the excess supply on the product exceeds 50% of its maximum, the decrement is set at 2.5%. When the oversupply ratio is between 0.1 and 0.5, so that the excess supply on the product is between 10% and 50% of its maximum, the decrement is set at one of the steps with the indicated probabilities.

The step function relies on the calculation of a probability *p* for each step. In each step, the probability is calculated on the basis of the oversupply ratio, as well as the lower bound and upper bound of the range for the oversupply ratio that is used to define the step:

$$
p = \left\{ \frac{(\gamma - \textit{lower bound})}{(\textit{upper bound} - \textit{lower bound})} \right\} \times 0.75
$$

If the oversupply ratio is 0.2333, then the oversupply ratio is in the range of $0.2 < \gamma \le 0.3$. The lower bound of this range is 0.2 and the upper bound of this range is 0.3. The probability *p* is then calculated as follows *p* = ((0.2333 – 0.2) / (0.3 – 0.2)) x 0.75 = 0.25 which means that (1 – *p*) = 0.75. For an oversupply ratio of 0.2333, there is a 25% chance that the decrement will be set at 1.375% of the going price, and there is a 75% chance that the decrement will be set at 0.5% of the going price. Similarly, for an oversupply ratio of 0.2667, which lies in the same range, there is a 50% chance that the decrement will be set at 1.375% of the going price, and there is a 50% chance that the decrement will be set at 0.5%.