

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission	:	
On Its Own Motion	:	
Investigation of Rider CPP of	:	
Commonwealth Edison Company, and Rider	:	
MV of Central Illinois Light Company d/b/a	:	No. 06-0800
AmerenCILCO, of Central Illinois Public	:	
Service Company d/b/a AmerenCIPS, and	:	
of Illinois Power Company d/b/a AmerenIP,	:	
pursuant to Commission Orders regarding	:	
the Illinois Auction	:	

Auction Manager Exhibit 1.2

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Public Report
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The Illinois Commerce Commission

NERA

Economic Consulting

Illinois Auction Manager

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I. Introduction

The Illinois Auction procures supply for two types of customers: customers on a fixed-price plan, and customers who take service based on the real-time hourly price of energy. The Illinois Auction procures supply for customers on a fixed-price plan through the Fixed Price Section of the Illinois Auction and it procures supply for customers who take service based on a real-time price through the Hourly Price Section. The Illinois Auction procures supply for customers of Commonwealth Edison Company (“ComEd”) and the Ameren Illinois Utilities (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).

On September 5, 2006, bidding in the Illinois Auction began. Bidding closed in both the Fixed Price and Hourly Price Sections on September 8, 2006. On September 15, 2006, the Auction Manager announced that the Fixed Price Section had been successful in procuring supply for customers on a fixed-price plan following a decision by the Illinois Commerce Commission (“ICC”). ComEd and the Ameren Illinois Utilities contacted winning bidders in the Fixed Price Section and proceeded to the execution of the Supplier Forward Contracts (“SFCs”).

The winning bidders, which include some of the best known energy traders and marketers active in the PJM and MISO wholesale markets today, are: Ameren Energy Marketing Company, American Electric Power Service Corporation, Conectiv Energy Supply, Inc, Constellation Energy Commodities Group, Inc, DTE Energy Trading, Inc, Dynegy Power Marketing, Inc, Edison Mission Marketing & Trading, Inc, Energy America, LLC, Exelon Generation Co, LLC, FPL Energy Power Marketing, Inc, J. Aron & Company, J. P. Morgan Ventures Energy Corporation, Morgan Stanley Capital Group, Inc, PPL EnergyPlus, LLC, Sempra Energy Trading Corp, and WPS Energy Services, Inc.

The final auction prices, which will form the basis of retail rates starting in January 2007, are as follows:

Commonwealth Edison Wholesale Prices for Auction Products (in \$/MWh)			
CPP-B 17-months	CPP-B 29-months	CPP-B 41-months	CPP-A 17-months
63.96	64.00	63.33	90.12

Ameren Illinois Utilities Wholesale Prices for Auction Products (in \$/MWh)			
BGS-FP 17-months	BGS-FP 29-months	BGS-FP 41-months	BGS-LFP 17-months
64.77	64.75	66.05	84.95

By its Order of September 14, 2006, in Docket No. 06-0624, the Illinois Commerce Commission initiated an investigation regarding the Hourly Price Section of the Illinois Auction. In accordance with Rider CPP and Rider MV, representatives from the ICC Staff, ComEd, the Ameren Illinois Utilities and the Auction Manager met to determine whether conducting the descending clock auction again for the Hourly Price Section, using the same Round 1 Prices, would address and resolve the concerns expressed in the ICC Order that led to the ICC's investigation. The ICC Staff, ComEd, the Ameren Illinois Utilities and the Auction Manager unanimously determined that conducting the descending clock auction again for the Hourly Price Section, using the same Round 1 Prices, would not address or resolve such concerns. On September 21, 2006, the Auction Manager announced there would be no rerun of the Hourly Price Section of the Illinois Auction. The results of the Hourly Price Section were null and void; ComEd and the Ameren Illinois Utilities were required to purchase supply for their customers on a service based on the hourly price in a manner other than through the Auction.

The results of the Hourly Price Section, which were rejected by the ICC, are as follows:

Final Auction Prices (in \$/MW-day)		
Commonwealth Edison	CPP-H 17-months	175.35
Ameren Illinois Utilities	BGS-LRTP 17-months	276.19

This report provides the background for the Auction and a description of the mechanics of the Illinois Auction. This report describes chronologically all activities undertaken to prepare and conduct the Auction. These include marketing and promotion activities, development of the Illinois Auction Web site, the qualification process, preparation of the Auction Manager Team and bidder training, as well as the conduct of the Auction itself. The report also includes a description of post-auction activities.

II. Background of the Illinois Auction

II. A. Regulatory Context

In 1997, the Electric Service Customer Choice and Rate Relief Law of 1997 (the "Customer Choice Law") was passed by the Illinois General Assembly. The Customer Choice Law initiated the opportunity for customers to purchase power from the supplier of their choice and a restructuring of the State's electric power industry. The Customer Choice Law provided for a transition period toward delivery service unbundling and greater reliance on market forces. During this transition period, rates to customers were frozen and the Illinois utilities (ComEd and the Ameren Illinois Utilities) supplied their customers on the basis of long-term power supply contracts. ComEd and the Ameren Illinois Utilities no longer own generation in Illinois. The transition period ends December 31, 2006.

In preparation for the end of the transition period, from February to December 2004, stakeholders participated in the Post 2006 Initiative. The Illinois Commerce Commission held a series of meetings and workshops to examine the future of the electric market in Illinois, public policy issues surrounding restructuring of the electric industry, and critical questions concerning procurement of supply to serve customers in the post-2006 period. The Initiative resulted in a Post 2006 Final Report with ICC Staff recommendations. In this report, the ICC Staff recommended that, for large utilities with no generation such as ComEd and the Ameren Illinois Utilities, "the Commission endorse one of the 12 procurement methods analyzed by the group: the vertical tranche auction."

On February 25, 2005, ComEd filed a proposal with the ICC for procurement of supply for its customers in the Post 2006 period "that implement a competitive procurement process that will enable ComEd to provide reliable service to customers post 2006 at just and reasonable rates, and to accurately determine the market value of electric power and energy" (Docket no. 05-159).

The Ameren Illinois Utilities filed their proposal on February 28, 2005. "The revised tariff sheets define and establish the generation services that the Ameren Illinois Utilities upon the

expiration of the mandatory transition period, effective January 2, 2007.” (Docket nos. 05-160, 05-161, and 05-162).

On January 24, 2006, the ICC issued orders approving the use of an auction to be held in September 2006. The Illinois Auction serves to determine wholesale prices paid to suppliers, and to have those rates be determined based on vertical tranche Auction results. The competitive procurement process permits the Illinois utilities to accurately set market-based prices, puts all suppliers on an equal footing, and harnesses powerful economic incentives to stabilize and minimize the utilities’ power supply costs.

The ICC provided for Dr. Chantale LaCasse from NERA Economic Consulting to be retained for the role of the independent, third-party Auction Manager. The Auction Manager would work with ComEd, the Ameren Illinois Utilities, and ICC Staff to prepare and promote the Illinois Auction. The Auction Manager would conduct the Auction and the ICC Staff were would monitor the activities of the Auction Manager.

Each these activities would be undertaken with the following goals in mind:

1. Obtain reliable supply for the utilities’ customers at competitive market prices, i.e., at prices that are the result of competition and that are reflective of market conditions.
2. Provide protection to small customers from the volatility of short-term market fluctuations.
3. Provide information to all prospective bidders and promote the participation of all market participants on a fair and equal basis.
4. Provide reasonable protection against anti-competitive behavior.
5. Provide an objective and clear method for determining winning suppliers and final auction prices.
6. Provide for ICC involvement and oversight of the Auction process.
7. Provide for continuous and open communications with all interested stakeholders.

III. Overview of the Illinois Auction

III. A. The Products

The Illinois Auction is designed to procure full requirements service for a total load of 25,474 MW, split into tranches (blocks of approximately 50 MW of peak demand) for ComEd and for the Ameren Illinois Utilities.

A product in the Illinois Auction corresponds to a specific category of load for a specific supply period. The Hourly Price Section of the Auction, designed to procure supply for customers on a service tied to the real-time price, had two products, one for ComEd customers and one for the customers of the Ameren Illinois Utilities. The Fixed Price Section of the Auction, designed to procure supply for customers on a fixed-price plan, had eight products, four for ComEd and four for the Ameren Illinois Utilities. Three of the four products were to procure supply for residential and small business customers for various supply periods, ranging from seventeen to forty-one months. The fourth product was to procure supply for large commercial and industrial customer for a 17-month period.

Each product is divided in a number of units called tranches. A tranche is defined as a percent of actual customer load as suppliers at the Auction bid to provide full requirements service for at least one load category and for at least one supply period. Full requirements service involves providing the capacity, energy and ancillary services needed to serve load and assessing and managing load variability risks. Tranches were defined in this way so that the supply being provided through the Auction is structured similarly to the competitive supply that a customer may buy from an alternative retail electricity supplier and so that the functions of assembling a portfolio of power supply, managing supply price risks and managing load variability risks are performed by competitive entities and subject to the discipline of competitive market pricing. A tranche is not defined by MW, but as a percentage of the actual load of the utility's customers for the load category. This means that if a supplier wins a tranche at the Auction, the supplier will supply a percentage of the requirements of the customers at each moment.

III.A.1. Fixed Price Section

The starting volume in the Fixed Price Section – for customers on a fixed price service – was 25,474 MW split into 510 tranches. There were two customer types, smaller customers and larger customers. The number of tranches available for each customer type, the contract term, and the sizes of the tranches were as follows:

Utility	Customer Type	Contract Term	Volume (MW)	Number of Tranches (by Product)	Size of Tranche (as % of Customer Type)	MW per Tranche
ComEd	0 – 400 kW	1/1/07 to 5/31/08	13,879	92	0.36%	49.92
		1/1/07 to 5/31/09		93	0.36%	49.92
		1/1/07 to 5/31/10		93	0.36%	49.92
	Generally 400 kW to 3 MW	1/1/07 to 5/31/08	4,376	88	1.14%	49.73
Total				366		
Ameren Illinois Utilities	0 – 1 MW	1/1/07 to 5/31/08	5,366	35	0.93%	50.15
		1/1/07 to 5/31/09		36	0.93%	50.15
		1/1/07 to 5/31/10		36	0.93%	50.15
	Over 1 MW	1/1/07 to 5/31/08	1,853	37	2.70%	50.08
Total				144		

There was a load cap of 35%, which is the maximum number of tranches that a bidder can bid and win for ComEd or the Ameren Illinois Utilities. This means that a bidder could only bid and win no more than 128 ComEd tranches (35% of 366 tranches) or 50

Ameren tranches (35% of 144 tranches) in the Fixed Price Section. This load cap provides diversity in the supplier pool and is a competitive safeguard of the Auction.

III.A.2. Hourly Price Section

The volume in the Hourly Price Section – for customers that take service priced to the real-time hourly market – was 4,482 MW split into 90 tranches. The number of tranches available, the contract term, and the size of each tranche was as follows:

Utility	Contract Term	Volume (MW)	Tranches	Size of Tranche (%)	MW per Tranche
ComEd	1/1/07 to 5/31/08	2,629	53	1.89%	49.60
Ameren	1/1/07 to 5/31/08	1,853	37	2.70%	50.08
Total			90		

There was a load cap of 35% for this Section of the Illinois Auction as well. A bidder could bid and win no more than 18 ComEd tranches (35% of 53 tranches) and 12 Ameren tranches (35% of 37 tranches) in the Hourly Price Section.

III. B. Load Categories

The Illinois Auction is designed to procure full requirements service for the following six (6) categories of load of ComEd, and the Ameren Illinois Utilities:

1. ComEd’s “CPP-B”: Competitive Procurement Process – Blended. Residential, designated Lighting service and smaller commercial customers with demand 400 kW or less of load who have not elected a real-time pricing service, who have not elected to receive service from a Retail Electric Supplier (“RES”), or who are not certain types of self-generators, belong to the CPP-B load category. Also included in the CPP-B load category are those smaller commercial customers with demand of 400 kW or less of load who have elected to take service under Rider PPO-MVM. Suppliers at the Auction bid to provide energy, capacity, those ancillary and transmission services 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 these customers. ComEd provides Network Integrated Transmission Services (“NITS”) and distribution services. In the first Auction, suppliers will be able to bid on three (3) different supply periods, namely supply periods of 17-months (“B-17”), 29-months (“B-29”) and 41-months (“B-41”). Each supply period begins on January 1, 2007 and ends on May 31 of 2008, 2009, and 2010 respectively.

2. ComEd’s “CPP-A”: Competitive Procurement Process – Annual. Larger commercial and industrial customers (greater than 400 kW) 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 receive service from RES, and who are not certain types of self-generating customers, belong to the CPP-A load category. Also included in the CPP-A load category are those larger commercial and industrial customers with demand of greater than 400 kW of load, who are eligible and have elected to take service under Rider PPO-MVM. Suppliers at the Auction 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 these customers. ComEd provides NITS and distribution services. In the first Auction, the supply period will be 17 months (“A-17”). The supply period begins on January 1, 2007 and ends on May 31 of 2008.
3. ComEd’s “CPP-H”: Competitive Procurement Process – Hourly. Remaining customers who have not elected to receive service from a RES, namely larger customers whose electric service rate has been declared competitive, smaller customers who elect real-time pricing, and who are certain types of self-generators, belong to the CPP-H load category. Suppliers at the Auction 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 these customers less the requirements of these customers that are already met by the generation of Qualified Facilities (“QFs”) as defined in the Supplier Forward Contracts. In addition, ComEd will transfer its ALM-associated capacity credits to the CPP-H Suppliers as described in the CPP-H Supplier Forward Contract. ComEd provides NITS and

distribution services. In the first Auction, the supply period will be 17 months (“H-17”). 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. Residential and Small Business (“R&SB”) customers under 1 MW of demand who have not elected to receive service from a RES belong to the BGS-FP load category. Suppliers at the Auction bid to provide energy, capacity, certain transmission, volumetric risk management and other services necessary for the Ameren Illinois Utilities to serve the load of these customers at an all-in fixed price. The Ameren Illinois Utilities provide NITS and distribution services. Suppliers have the option of self-supplying certain ancillary services (regulation service, operating and spinning reserves, and supplemental reserve) themselves or of compensating the Ameren Illinois Utilities to procure these ancillary services for them. In the first Auction, suppliers will be able to bid on three (3) different supply periods, namely supply periods of 17-months (“FP-17”), 29-months (“FP-29”) and 41-months (“FP-41”). 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. Large Commercial and Industrial (“LC&I”) customers with demand of 1 MW or greater who have not chosen a real-time pricing service and who have not elected to receive service from a RES belong to the BGS-LFP category. Suppliers at the Auction bid to provide energy, capacity, certain transmission, volumetric risk management and other services necessary for the Ameren Illinois Utilities to serve the load of these customers at an all-in fixed price. The Ameren Illinois Utilities provide NITS and distribution services. Suppliers have the option of self-supplying certain ancillary services (regulation service, operating and spinning reserves, and supplemental reserve) themselves or of compensating the Ameren Illinois Utilities to procure these ancillary services for them. In the first Auction, the supply period will be 17 months (“LFP-17”). The supply period begins on January 1, 2007 and ends on May 31 of 2008.
6. Ameren’s “BGS-LRTP”: Basic Generation Service – Large Service Real-Time Pricing. LC&I customers with demand of 1 MW or greater who have voluntarily elected to take

the real-time pricing service belong to the BGS-LRTP load category. Suppliers at the Auction will bid to provide energy, capacity, certain transmission, volumetric risk management and other services necessary for the Ameren Illinois Utilities to serve the load of these customers less the requirements of these customers that are already met by the generation of QFs as defined in the Supplier Forward Contracts. The Ameren Illinois Utilities provide NITS and distribution services. Suppliers have the option of self-supplying certain ancillary services (regulation service, operating and spinning reserves, and supplemental reserve) themselves or of compensating the Ameren Illinois Utilities to procure these ancillary services for them. In the first Auction, the supply period will be 17 months (“LRTP-17”). The supply period begins on January 1, 2007 and ends on May 31 of 2008.

III. C. Rate Classes and Rate Prism

III.C.1. ComEd Customer Supply Groups

ComEd established ten (10) customer supply groups in total. Six (6) of these customer supply groups, including the residential customer group, will be served by Illinois Suppliers that have won CPP-B tranches. Illinois Suppliers that have won CPP-A tranches serve the customers who have elected to be on a fixed-price service for a year within the Large Load and Very Large Load Customer Groups. Illinois Suppliers that have won CPP-H tranches serve primarily the customers taking service from ComEd in the remaining two customer supply groups, namely the Self-Generating Customer Group and the Competitively Declared Customer Group. Illinois Suppliers that have won CPP-H tranches also serve any residential or smaller business customer who voluntarily elects real-time pricing, as well as CPP-A customers who default to real-time pricing under circumstances as described in Rider CPP.

The retail rates for customer supply groups vary by season and sometimes by time of day. The rate translation prism specifies how the final auction prices are converted into retail rates for each customer supply group, as these are defined in the CPP Rider.

The methodology used to translate auction prices to retail rates is embodied in the rate translation prism. The rate translation prism specifies how the final auction prices are converted into retail rates for each customer supply group, as these are defined in the relevant tariff (CPP or MV) filed with the ICC.

For the blended product (CPP-B), all rates for commodity supply are in ¢/kWh. The rate for a customer supply group is obtained by multiplying an average auction price by a ratio specific to the customer supply group, to the season (summer or non-summer), and if applicable to the time of day (peak or off-peak). The average auction price takes into account the prices of the various supply periods of the CPP-B tranches. The ratio is computed to take into account the overall supply cost of the group relative to the supply cost of the product based on each group's load shape. For example, if the ratio for residential customers in the summer is 1.2 (taking into account the overall supply cost of residential customers and the overall supply cost for the CPP-B product) and assuming the weighted average auction price is \$50/MWh, then the summer retail rate for commodity supply for residential customers would be 6.0¢/kWh (1.2 x \$50/MWh converted to ¢/kWh).

The final auction price for the CPP-A tranches, appropriately shaped seasonally and by time of day, directly determines the CPP-A retail rates. The process is simpler because there is a single supply period for CPP-A tranches, which means that there is no need to average several auction prices.

The final auction price for CPP-H tranches would provide for a fixed charge that is applied to the customer's peak load contribution for CPP-H customers that would represent the cost of non-energy services, such as capacity and ancillary services. CPP-H customers would, in addition, pay the real-time locational marginal price for energy including an adjustment for losses.

ComEd provided bidders with a tool that translated auction prices into retail rates in advance of the Illinois Auction.

III.C.2. Ameren Customer Rate Classes

The Ameren rate classes are:

- BGS-1 Residential Service
- BGS-2 Small General Service
- BGS-3 General Service
- BGS-4 Large General Service
- BGS-5 Dusk-to-Dawn Lighting Service Rate
- RTP-1 Residential Real-Time Pricing Service Rate
- RTP-2 Small General Real-Time Pricing Service Rate
- RTP-3 General Real-Time Pricing Service Rate
- RTP-4 Large General Real-Time Pricing Service Rate

Tariffs for BGS-1, BGS-2, BGS-3, BGS-4 and BGS-5 services will be established on the basis of conversion factors that will translate the auction price (or auction prices, after the first Illinois Auction) into retail rates as specified in the MV tariff. The conversion factors will be calculated on the basis of a comparison between the system cost and the cost of individual customer classes. For example, if the cost to serve all R&SB customers in the summer is 1.2 times more than the cost of serving all BGS-FP customers, and the auction price is \$50/MWh, then the summer retail rate for R&SB customers would be \$60/MWh (1.2 x \$50/MWh).

The tariffs for RTP-1, RTP-2, RTP-3 and RTP-4 services will consist of two components. The first component will be a fixed charge determined at the Illinois Auction that represents the cost of providing capacity, some ancillary services, certain fixed transmission, risk management service and other services. The second component will be energy costs priced at the local hourly spot market.

The Ameren Illinois Utilities provided bidders with a tool that translated auction prices into retail rates in advance of the Illinois Auction.

III. D. Payments to Winning Suppliers

Payments to Illinois winning suppliers are fully specified in the applicable Supplier Forward Contract.

The payments to Illinois Suppliers for a product in the Fixed Price Section are a seasonal function of the final auction price for that product. The summer payments, made to Illinois Suppliers from June 1 through September 30, are generally higher than the final auction price. The non-summer payments, made to Illinois Suppliers for the remaining months, are generally lower than the final auction price. The seasonal payment factors (a summer factor and a non-summer factor) by which the auction prices are multiplied to obtain the summer and non-summer payments vary depending on the load category. The factors for each load category were announced to prospective suppliers prior to the Illinois Auction and will be constant for the duration of the Supplier Forward Contract. The CPP-A and CPP-B Supplier Forward Contracts establish the terms of payments to Illinois Suppliers that have won CPP-A and CPP-B tranches. The BGS-FP and the BGS-LFP Supplier Forward Contracts establish the terms of payments to Illinois Suppliers that have won BGS-FP and BGS-LFP tranches.

The payments to Illinois Suppliers of a product in the Hourly Price Section consist of two components. The first component is the energy component. Illinois Suppliers are paid the price of the applicable hourly market, namely the average real-time PJM hourly Locational Marginal Price (“LMP”) for ComEd (i.e., the ComEd zone as defined by PJM), or the average Midwest ISO (“MISO”) hourly LMP for the load zones of the three Ameren Illinois Utilities, for all MWh that they supply including appropriate system losses. The second component is the final auction price, determined separately for each product through the Illinois Auction. The final auction price compensates the Illinois Supplier for non-energy costs, i.e., for providing capacity, certain ancillary and transmission services, risk management services, as well as any other services that may be required to provide full-requirements service to these customers. Appendix C of the CPP-H Supplier Forward Contract specifies those ancillary and transmission services that are included in this fixed charge for Illinois Suppliers that have won ComEd tranches. The BGS-LRTP Supplier Forward Contract specifies that Illinois Suppliers that have won BGS-LRTP tranches have

the option of procuring certain ancillary services (regulation service, spinning reserve and supplemental reserve) themselves or of compensating the Ameren Illinois Utilities to procure these ancillary services for them.

III. E. The Auction Format

The Auction is conducted electronically via the internet through online bidding. Bidders are able to conduct bidding from their own offices, online. The Illinois Auction was designed following a similar format to the reverse power auction held for the New Jersey utilities every year since 2002. This same auction format has been used by the FCC.

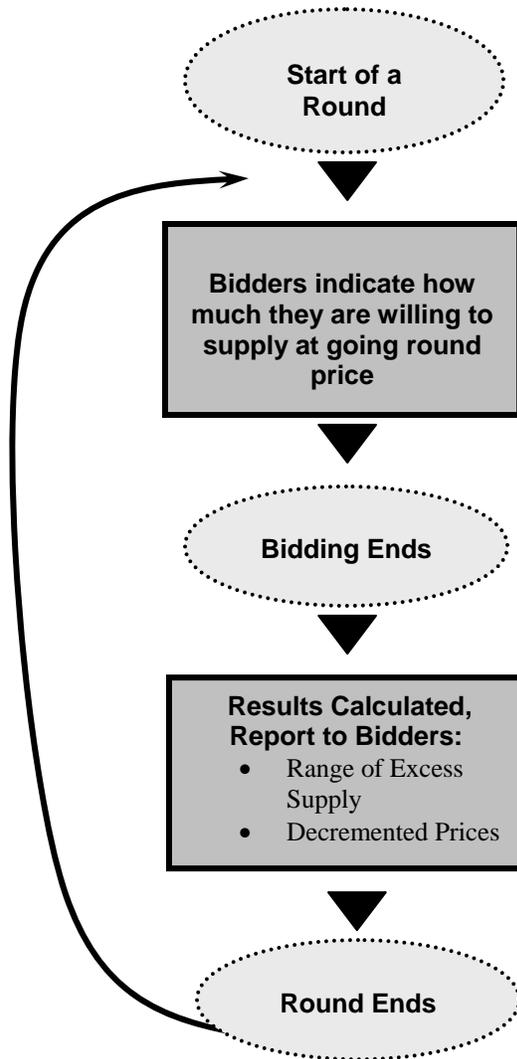
The Illinois Auction proceeds in rounds. In a round, the Auction Manager announces a price for each product. Bidders bid by providing the number of tranches (a tranche is a fixed percentage of load) that they are willing to serve for each of these products at the prices announced by the Auction Manager. If the number of tranches bid is greater than the number of tranches needed for a product (i.e., there is excess supply), the price for that product is reduced for the next round. In the next round, bidders are given information on the general progress of the Illinois Auction, and an opportunity to bid again.

The Auction is called simultaneous because all products within the Illinois Auction can be bid on at the same time. The Illinois Auction is called a descending clock auction because prices “tick down” throughout the Auction, starting high and being reduced gradually until there is no more excess supply left. Prices that tick down in a round decrease by a decrement; a decrement is a given percentage of the previous price. A bidder bids by providing the number of tranches it is willing to serve for each product at the prices announced by the Auction Manager. The bidders holding the final bids when the Illinois Auction closes are the winners.

The Illinois Auction ends when bidding has ended for both the Fixed Price and Hourly Price Sections. Bidding ends for each Section separately. 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 tentatively awarded to the winners (pending execution of the applicable Supplier Forward Contract) and all the winners for a product receive the same price for that

product. For any product where bidders bid tranches that were equal to or less than the tranche target at any point, this price is the lowest price bid that still allows supply just sufficient to fill the tranche target.

Flowchart of bidding



Example for the Fixed Price Section

In this example, there are 12 bidders in the Fixed Price Section.

* Prices are illustrative only and do not reflect actual prices.

	<i>Price \$/MWh</i>	<i>Number of tranches bid</i>	<i>Tranche targets</i>	<i>Excess supply</i>
Round 1				
A-17	95.00	175	88	87
B-17	85.00	148	92	56
B-29	85.00	120	93	27
B-41	85.00	120	93	27
LFP-17	88.00	112	37	75
FP-17	82.00	70	35	35
FP-29	82.00	47	36	11
FP-41	82.00	36	36	0

The Auction Manager reduces the price of product if the number of tranches bid is greater than the tranche target, which is the number of tranches desired. The amount of the price reduction depends on the amount of excess supply; roughly speaking, the larger is the excess supply on a product, the larger is the price decrease.

In round 1, all bidders combined stand ready to supply 175 tranches of A-17 at a price of \$95.00/MWh. The number of tranches bid (175) exceeds the number of tranches desired (88) by 87 tranches. The price for A-17 will tick down. The Auction Manager will lower the price in round 2 for every product except FP-41, since for every product except FP-41 the number of tranches bid exceeds the number of tranches needed. Bidding does not close for FP-41, however; indeed, bidders will have an opportunity to switch tranches to FP-41 as the Auction unfolds. The largest price decrease will be for A-17, which has the largest excess supply.

In round 2 below, prices have fallen from round 1 for all products but FP-41. The price for A-17, which had the largest excess supply from round 1, fell the most; the price for FP-29, which had the smallest excess supply from round 1, fell the least. Bidders submit new bids

at these prices. Bidders do switch tranches to FP-41, and the price for FP-41 will decrease in round 3.

	<i>Price \$/MWh</i>	<i>Number of tranches bid</i>	<i>Tranche targets</i>	<i>Excess supply</i>
Round 2
A-17	90.25	160	88	72
B-17	82.89	120	92	28
B-29	83.94	133	93	40
B-41	83.94	103	93	10
LFP-17	83.60	107	37	70
FP-17	79.12	75	35	40
FP-29	81.36	42	36	6
FP-41	82.00	38	36	2

III. F. Process and Timetable

III.F.1. Auction Promotion & Information Dissemination

During this initial phase of the Auction process, the Auction Manager Team publicized the auction opportunity and marketed participation to potential bidders. This outreach was accomplished via press releases, advertisements in the trade press, announcements on the Illinois Auction Web site, emails to registrants on the Web site, information sessions, and direct marketing calls to participants in the PJM and MISO markets.

All auction promotion activities were aimed at the largest possible pool of participants, to maximize participation and to ensure a competitive bidding environment. The goals of providing equal information to all participants and of providing open and continuous communication with all interested stakeholders were accomplished. Any party who could potentially have participated in the Illinois Auction process was given an opportunity to do so.

The Auction Manager used the Illinois Auction Web site, advertisements, press releases, and information sessions to disseminate information to stakeholders, both potential

bidders and the general public. Such information included auction documents such as riders, rules, and contracts. It also included questions and answers from stakeholders posted to the FAQs page of the Web site, and historical data posted to the data room.

III.F.2. Solicitation of Comments & Process Refinement

Potential suppliers were given the opportunity to review and submit comments on key auction documents, such as the Supplier Forward Contracts, the Alternate Guaranty review process, and the content of the data room. The comment processes served as both a method of refinement and as a promotion activity; they showed stakeholders that the Illinois Auction process is flexible and responsive to the concerns of those involved. One-time comments were solicited on documents such as the Alternate Guaranty review process and the SFCs; these comments were reviewed by the Utilities, the Auction Manager, and ICC Staff; all comments that preserved the integrity of the Auction process were incorporated into the respective documents. Comments on the data room were reviewed and approved in a similar fashion, except on an ongoing basis. All parties who submitted comments received direct responses.

III.F.3. Qualification & Registration

This application process in the Illinois Auction is in two steps. In the first step, the “Part 1 Application,” prospective suppliers submit basic information and submit financial information to be subject to a creditworthiness assessment. In the second step, the “Part 2 Application,” prospective suppliers that have been successful in the first step submit indicative offers, financial guarantees, and make a number of certifications regarding associations and the handling of confidential information.

In addition, prospective suppliers may participate in two additional steps in the application process. Before the Part 1 Application, prospective suppliers may submit an alternate form of guaranty. The objective of the Alternate Guaranty Process is to provide an opportunity for any prospective supplier who cannot use the standard guaranty form due to internal corporate policies to demonstrate that its alternative guaranty form contains adequate protections for the Utilities and their customers. After the Part 1

Application, Qualified Bidders (i.e., prospective suppliers that have been successful in the Part 1 Application process) may submit modifications to the standard forms of the Letters of Credit.

No Part 1 Application was rejected. Notifications of Qualification were sent to all applicants on June 23, 2006. Only Qualified Bidders were invited to submit Part 2 Applications. No Part 2 Application was rejected. Notifications of Registration were sent to all applicants on August 1, 2006.

III.F.4. Bidder Training

The Auction Manager trained bidders in the use of the primary bidding procedure (i.e., submitting bids online) and in the use of the backup bidding procedure (i.e., submitting bids by fax) through three main activities - providing written materials to bidders, holding a bidder training session, and holding a trial auction.

The bidder training session was held on August 23, 2006 in Chicago, Illinois. The bulk of the presentation concentrated on training bidders on how to use the auction software and on explaining the backup bidding procedure. Bidders had many detailed practical questions about participation in the Auction. ICC Staff was present at the meeting, along with the ICC Staff Advisor. ICC Staff provided clarifying comments during the presentation. All questions and responses were provided on the Illinois Auction Web site as FAQs. The presentation was posted to the Web site.

At the bidder training session, the Auction Manager provided bidders with training materials in the form of a bidder information packet. The bidder information packet provided a guide to the Illinois Auction Rules, an Auction Software manual, a guide to the fax-based backup bidding procedures, as well as other informational updates and an overview of post-auction credit requirements. The bidder information packet was posted to the Web site.

The trial auction was conducted on August 28, 2006. ICC Staff representatives, as well as representatives from the ICC Staff Advisor were present at the Auction office during the

trial auction. All but one Registered Bidder participated in the trial auction. The Auction Manager solicited comments from Registered Bidders after the trial. Most of the comments were questions regarding the schedule and the backup bid forms; and the Auction Manager responded to these comments before the start of the Auction. Following the bidder trial auction, the Auction Manager and ICC Staff finalized the additional data to be provided to ICC Staff during the Auction. On September 1, 2006, the Auction Manager sent a final memo to Registered Bidders as final bidder training materials.

III.F.5. Auction

The Auction began on September 5, 2006. Bidding in both the Fixed Price Section and the Hourly Price Section concluded on September 8, 2006. The Illinois Commerce Commission did not initiate an investigation into the results of the Fixed Price Section, and the Auction Manager declared a Successful Result for this Section. The conduct of the Auction is described in further detail below.

III.F.6. Calendar

The Illinois Auction was conducted in accordance with the following calendar:

Activity	Timing
New FAQs Posted	weekly on Thursdays
Monthly Data Updated	26th of each month
ICC Orders in Dockets	1/24/2006
Illinois Auction Web site Launch	1/31/2006
Data Room Opens	2/2/2006
<u>SFC Comment Process:</u> Deadline for Initial Comments of Prospective Suppliers on Supplier Forward Contracts ("SFCs")	noon 2/24/2006
First FAQs Posted	3/2/2006
<u>SFC Comment Process:</u> Posting of Interim Draft SFCs Incorporating Initial Comments	3/13/2006
<u>SFC Comment Process:</u> Deadline for Prospective Supplier Clarifications on Initial Comments on SFCs	noon 3/20/2006

Activity	Timing
Posting of the Ameren Illinois Utilities Compliance Filing SFCs	3/24/2006
Posting of ComEd SFCs with Approved Changes	3/24/2006
<u>Alternate Guaranty Comment Process:</u> Alternate Guaranty Process Posted for Comments	3/29/2006
Posting of ComEd Compliance Filing SFCs	3/31/2006
Posting of Auction Rules	4/11/2006
Posting of Draft Rate Prisms	4/11/2006
<u>Alternate Guaranty Comment Process:</u> Deadline for Initial Prospective Supplier Comments on the Alternate Guaranty Process	noon 4/11/2006
<u>Alternate Guaranty Comment Process:</u> Interim Draft Alternate Guaranty Process Incorporating Initial Comments Posted	4/17/2006
<u>Alternate Guaranty Comment Process:</u> Auction Manager Provides Responses to Prospective Suppliers who Commented on the Alternate Guaranty Process	4/17/2006
<u>Alternate Guaranty Comment Process:</u> Deadline for Prospective Suppliers who made Initial Comments on the Alternate Guaranty Process to Respond to the Interim Draft Alternate Guaranty Process.	noon 4/20/2006
<u>Alternate Guaranty Comment Process:</u> Auction Manager Provides Final Responses to Prospective Suppliers who Commented on the Alternate Guaranty Process	4/26/2006
Data Room Populated	4/28/2006
Alternate Guaranty Process Posted	5/1/2006
Part 1 Applications Posted	5/1/2006
Sample Part 2 Applications Posted	5/1/2006
Announcement of Bid Participation Fee	5/1/2006
Posting of Final Documents (Illinois Auction Rules, SFCs and Rate Prisms)	5/15/2006
<u>Alternate Guaranty Submission Process:</u> Deadline to Submit Alternate Form of Guaranty and all Required Documentation	noon 5/15/2006
<u>Alternate Guaranty Submission Process:</u> Proposing Parties Informed of any Required Changes	noon 5/19/2006
<u>Alternate Guaranty Submission Process:</u> Deadline for Required Modifications or Revisions to the Alternate Form of Guaranty or other Required Documents	noon 5/24/2006

<u>Activity</u>	<u>Timing</u>
<u>Alternate Guaranty Submission Process:</u> Proposing Parties Informed of Decision on Acceptability	5/31/2006
Meeting for the General Public - New York City	6/1/2006
Final Part 2 Application Posted	6/6/2006
Announcement of Tranche Targets, MW Measure, Load Caps, Minimum and Maximum Starting Prices	6/6/2006
Bidder Information Session - New York City	6/6/2006
Bidder Information Session - Chicago	6/7/2006
Part 1 Applications are Due	noon 6/20/2006
Notification to Successful Part 1 Applicants (Qualified Bidders)	6/23/2006
Meeting for the General Public - Chicago	6/29/2006
<u>Process for Requesting Modifications to Letters of Credit:</u> Deadline to Submit Proposed Changes to the Forms of Letter of Credit	7/5/2006
<u>Process for Requesting Modifications to Letters of Credit:</u> Parties are Informed of Decision on Modifications to <u>Pre</u> -Auction Letter of Credit	7/10/2006
<u>Process for Requesting Modifications to Letters of Credit:</u> Parties are Informed of Decision on Modifications to <u>Post</u> -Auction Letter of Credit	7/12/2006
Part 2 Applications are Due	noon 7/25/2006
Notification to Successful Part 2 Applicants (Registered Bidders)	8/1/2006
Auction Manager Releases Information Regarding Possible Values of the Target Eligibility Ratio and Circumstances Under Which a Second Volume Cutback Could Occur	8/10/2006
Mark to Market Information Release	8/21/2006
Bidder Information Session	8/23/2006
Release of Supplier Fee to Registered Bidders	8/23/2006
Trial Auction	8/28/2006
Release of Round 1 Prices to Registered Bidders	8/30/2006
Date for Start of Illinois Auction	9/5/2006
Illinois Auction Complete	9/8/2006
ICC Staff and Auction Manager each Submit a Confidential Report to the ICC	9/12/2006
Declaration of a Successful Result for a Section if no Formal Investigation is Initiated by the ICC	9/15/2006

Activity	Timing
Deadline for Winning Bidders in a Successful Section to Execute the Applicable SFCs and to Meet the Creditworthiness Requirements of the SFCs	9/20/2006
ICC Staff and Auction Manager Provide Public Reports	no earlier than 30 days before supply period
Power Flows	January 2007

III.F.7. Meeting the Goals of the Auction

The Auction Manager believes that the goals of the Auction as listed in section II. A. were met as follows:

Goal 1 Obtain reliable supply for the utilities’ customers at competitive market prices, i.e., at prices that are the result of competition and that are reflective of market conditions.

The testimony and exhibits in the procurement proceedings indicated that the Auction Manager would provide an opinion on this issue by relying on the Summary and Evaluation of Conduct of the Auction. If the Auction meets the targeted quantity after volume reduction, if no material issues with respect to the conduct of the Auction has been identified and if there are no concerns with respect to the competitiveness of the Auction, the Auction Manager will declare that this goal has been met.

As indicated in section IV.E.1.c, the targeted quantity in the Auction after the volume reduction has been fully procured for each product. Further, as indicated in section IV.E.1.a and section IV.E.1.d, there are no material issues with respect to the conduct of the Auction. The Auction was conducted according to the approved Auction Rules, the ICC Staff had complete and timely access to all bids, there were no legitimate and material complaints from bidders and no material unanticipated delays, bidding activity was competitive and consistent with an efficient allocation of supply and there was no evidence of collusion or

coordination that had an effect on the Auction result. Hence, per the established criteria, the Auction Manager can assure the ICC that this goal has been achieved. Further, as set forth in section IV.E.1.a or section IV.E.1.d, the auction result appears to be very consistent with market conditions and the margin between auction clearing prices and forward energy prices is narrow in light of the other costs and risks borne by suppliers.

Goal 2 Provide protection to small customers from the volatility of short-term market fluctuations.

The testimony and exhibits in the procurement proceedings indicated that the Auction Manager would declare that this goal has been met if the full Auction volume has been procured for smaller customers.

As indicated in section IV.E.1.a, the full volume has been procured for the BGS-FP and CPP-B customers. These are all customers of the Ameren Illinois Utilities under 1,000 kW and all ComEd customers at or under 400 kW (except for self-generating customers). Hence, the Auction Manager can certify to the ICC that this goal has been met.

Goal 3 Provide information to all prospective bidders and promote the participation of all market participants on a fair and equal basis.

The testimony and exhibits in the procurement proceedings indicated that the Auction Manager would rely on the summary and evaluation of the process leading up to the Auction (section IV.A.1) to form an opinion on whether this objective has been achieved. In particular, the Auction Manager would declare this goal achieved if the Auction opportunity was promoted through trade press release issuance, widespread direct contact with potential bidders and bidder information sessions, if information was disseminated appropriately and in accordance with the Rider calendar, and if the qualification and registration process was conducted without problems.

As described in section IV.A.1.b, the Auction opportunity was promoted through press release issuance which included but was not limited to the trade press, through direct contact to all PJM and MISO market participants and through bidder information sessions in New York and Chicago. Further, information was disseminated in accordance with the Rider calendar and over 700 FAQs were posted. There was no material information that was not provided prior to the Auction, very few bidder questions were answered with a delay of over 5 business days, none with a delay greater than ten business days and all questions answered with a delay of over 5 business days have been disclosed to the ICC and do not appear to have had an impact on bidders' participation. The qualification and registration processes were conducted without problems. ICC Staff were fully apprised of all decisions during the process, all credit evaluations were unanimous among ICC Staff, the Utilities and the Auction Manager, all association resolutions were made in conjunction with and with the agreement of ICC Staff and no Part 1 or Part 2 applicants were rejected. Comment processes were established for the Supplier Forward Contracts ("SFCs"), the alternate guaranty and the [Data Room applications](#). Modifications to the letters of credit were addressed and approved where appropriate. Details on all these items are set forth in section IV.B.1, section IV.B.2, and section IV.C.3 of this report. Based upon these facts, the Auction Manager assures the ICC that information was provided to all prospective bidders and that the auction opportunity was promoted to all market participants on a fair and equal basis.

Goal 4 Provide reasonable protection against anti-competitive behavior.

The testimony and exhibits in the procurement proceedings indicated that the Auction Manager would evaluate the achievement of this goal by relying on the criteria concerning the competitiveness of the Auction and the textual report regarding resolution of associations and measures taken if certifications were not made with respect to confidential information. The Auction Manager would declare that this goal has been achieved if there is no evidence of anti-competitive behavior in the Auction and if the ICC Staff agrees with the Auction Manager's

resolution of any association and confidential information issues as summarized in section IV.C.4 and if the Auction Manager has set the volume according to the guidelines.

The Auction Manager scrutinized bidding in the Auction for anti-competitive behavior and did not find any evidence of collusion or coordinated behavior. Additionally, the Auction Manager reviewed and obtained Staff's concurrence with the Auction Manager's resolution of all association and confidential information issues. Finally, as set forth in section IV.E.1.c of this report, the Auction Manager implemented auction volume decisions according to the volume guidelines established in conjunction with the ICC Staff and reviewed those decisions with the ICC Staff during the Auction. According to the criteria established in the procurement proceedings it is clear that this goal has been achieved.

Goal 5 Provide an objective and clear method for determining winning suppliers and final auction prices.

The testimony and exhibits in the procurement proceedings indicated that the Auction Manager would consider this goal achieved if the Auction is conducted according to a set of Auction Rules that chose winning bidders on a price-only basis and the Auction Manager is able to confirm that it has run the Auction according to such rules. The Auction Manager would rely on the Evaluation of the Conduct of the Auction to answer this question.

The Auction was conducted in full accord with the Auction Rules. The ICC Staff had complete and real-time access to all bids and round results and was able to confirm that the Auction was conducted according to the Auction Rules. The Auction Rules provide for an objective selection of winners on a willingness to supply at going prices (a price-only evaluation). Hence, the Auction Manager can assure the ICC that this goal has been achieved.

Goal 6 Provide for ICC involvement and oversight of the Auction process.

The testimony and exhibits in the procurement proceedings indicated that the Auction Manager would declare this goal to have been achieved if the ICC Staff has been provided opportunities to consult with the Auction Manager in resolving any issues raised in applications with respect to associations and confidential information, and if the ICC Staff has been provided the opportunity to monitor the conduct of the Auction. The Auction Manager would rely on the summary and evaluation of the process leading up to the Auction and of the conduct of the Auction to support this determination.

The ICC Staff was provided opportunities to consult with the Auction Manager in resolving any issues raised in applications with respect to associations and confidential information. As set forth in section IV.C.4, the ICC Staff took part in the credit review of applications and was consulted on and concurred with the resolution of all association and confidential information issues. Further, as discussed in section IV.E.2, the ICC Staff (and the ICC Staff Advisor) had complete and real-time access to all information available to the Auction Manager and was able to thoroughly monitor the conduct of the Auction. According to the criteria established in the procurement proceedings, it is clear that this goal has been achieved.

Goal 7 Provide for continuous and open communications with all interested stakeholders.

The testimony and exhibits in the procurement proceedings indicated that the Auction Manager would declare that this goal has been achieved if the Web site was regularly updated with all documents posted in accordance with the Rider calendar, if the Auction Manager provided opportunities for non-bidder stakeholders to get information regarding the Auction process and if bidders were provided with opportunities to ask questions and provide comments on auction documents.

The Web site was regularly updated and, as indicated in section IV.A.2.d of this report, all Auction documents were posted in accordance with the Rider calendar. As described in section IV.B.6.b, the Auction Manager provided opportunities for non-bidder stakeholders to get information regarding the Auction process by holding two information sessions for the general public and by answering all questions submitted to the Web site by non-bidders. In all, 31 non-bidder questions were answered. Finally, as indicated in section IV.B.3 of this report, bidders were provided with an opportunity to ask questions and well over 500 bidder questions were asked and answered. Bidders were also provided with an opportunity to comment on auction documents and on the content of the data room. Hence, according to the criteria established in the procurement proceedings, the goal of providing for continuous and open communications with all interested stakeholders was achieved.

The criteria did not include a requirement to entertain all inquiries from the general press or to pursue press coverage of the Auction other than promotional activities associated with the trade press. The Auction Manager took a cautious approach with respect to inquiries from the press, recognizing that information conveyed by the Auction Manager may be misrepresented and could result in reduced bidder interest. The Auction Manager consulted with ICC Staff and with the Utilities when issuing press releases and responding to inquiries from the press.

IV. Conduct of the Auction Process

The conduct of the Auction process is described below in chronological order.

IV. A. Auction Preparation (December 2005 – June 2006)

IV.A.1. Auction Promotion Activities

Interest in the Illinois Auction is encouraged primarily through the basic design of the Auction process. The auction products, the administration of the Auction by an independent Auction Manager, the role of the independent Auction Manager in providing information and answering bidder questions, the transparent nature of the selection of winners, the oversight of ICC Staff, and the willingness of the ICC to limit the period in which it may call for an investigation to five days after the conclusion of the Auction, are all critical design elements designed to maximize interest by prospective suppliers in the Illinois Auction. Auction promotion activities are undertaken to make those practices known to prospective suppliers, to explain the economic opportunity, to stimulate interest in the Illinois Auction and hence maximize participation. Auction promotion activities are also undertaken to keep all stakeholders informed about the Auction process.

Auction promotion activities were a focus of the Auction Manager Team up to the Part 1 Application deadline. The period of time during which promotion of the auction opportunity can reach prospective suppliers so as to maximize participation in the Auction begins with the issuance of the final Orders by the ICC and ends when the Part 1 Applications are received. After the Part 1 Application deadline, no additional suppliers can be added as the qualification process, and the administration of the Auction process proper, has begun.

Auction promotion activities were undertaken through four channels:

1. **Media:** The Auction Manager issued press releases and published advertisements to make potential suppliers aware of the Illinois Auction, to publicize major events, and to solicit supplier comments on various aspects of the Illinois Auction process.

2. **Direct Marketing:** The Auction Manager Team made calls directly to potential suppliers to alert them of the Illinois Auction and, to encourage them to register on the Illinois Auction Web site so that they could continue to obtain information concerning the Auction on a regular basis. Once registered, the Auction Manager Team provided announcements regarding the Illinois Auction directly to potential suppliers.
3. **Information sessions:** The Auction Manager Team gave presentations to explain the auction products, the auction rules, the rate design, the administration of the Auction and the oversight by the ICC Staff.
4. **Comment processes:** The Auction Manager Team took comments from potential suppliers on auction documents and on the structure of the Web site. The comment process on the Supplier Forward Contracts was part of the approved process by the ICC. Other comment processes were aimed at engaging potential suppliers early in the Auction process and directly addressing any concerns they might have.

Auction promotion activities were pursued aggressively through these four channels. Auction promotion activities were directed at the largest set of likely suppliers. The remainder of this section describes these activities as well as the decision processes that involved the Auction Manager, the Utilities, and ICC Staff. The aggressive pursuit of these activities enhanced the competitiveness of the Auction by helping to ensure that the pool of bidders was as large as possible, and by helping to stimulate potential bidders' awareness of, understanding of, and confidence in the Illinois Auction. The auction promotion activities contributed directly to meeting the goals of the Auction process, namely the goal of providing information to all prospective bidders and of promoting the participation of all market participants on a fair and equal basis (Goal 3), and the goal of providing continuous and open communications with all interested stakeholders (Goal 7).

IV.A.1.a. Planning of Promotion Activities

Auction promotion activities were pursued aggressively throughout the period leading up to the Part 1 Application deadline. After that date, information about the Auction

process continued to be regularly provided through Web site announcements and press releases for the benefit of all stakeholders. These auction promotion activities and these activities for the dissemination of auction information were undertaken to ensure that: 1) information would be provided to all prospective suppliers; 2) promote participation of all market participants on a fair and equal basis; and 3) communication with all interested stakeholders would be accomplished on a continuous and open basis. These are explicit goals of the Auction process.

The actions of the Auction Manager during that period were planned to fulfill these goals. The actions of the Auction Manager were planned through a collaborative process involving representatives of the Auction Manager, representatives of each of the Utilities, and ICC Staff. A special purpose team with representatives from the Auction Manager Team, from ComEd, and from the Ameren Illinois Utilities was formed to work on auction promotion activities. This team selected the Web site designer, drafted press releases, drafted advertisements, and reviewed information session materials. The team planned the breadth of activities that would be undertaken by the Auction Manager to promote the Auction opportunities for prospective suppliers and to communicate the progress of the Auction with interested stakeholders. The team reported to ICC Staff the activities undertaken within a given period and made recommendations on further promotion activities based on the results of the promotion efforts to that point. The results of the promotion efforts were judged on the basis of two primary measures. First, the number of PJM and MISO participants that had registered to the Web site and that would receive, on a regular basis, the announcements from the Web site with updates on the Auction process directly from the Auction Manager. Second, the activity on the Web site including number of hits and downloads. These activities and recommendations were reviewed with ICC Staff and the team solicited input from ICC Staff. The final set of activities that was undertaken reflected Staff's input.

IV.A.1.b. Media and Press Releases

The Auction Manager, the Utilities, and the ICC Staff discussed and reached consensus decisions regarding the placing of advertisements to promote the Auction, and regarding press releases to publicize major events in the Auction process.

Early in the Auction process, advertisements were placed to promote the Auction by making prospective suppliers aware of the Illinois Auction opportunity. Advertisements were placed in Platts Megawatt Daily, Platts Power Markets Week, Energy Central Daily, Energy Central Weekly, and in Energy Risk. These publications are well known by the energy traders and marketers that would form the bulk of the pool of prospective suppliers. Energy Risk was chosen because it may be read by financial firms that may also have an interest in participating in the Auction. Placing an ad in a national newspaper was considered but rejected, as such an ad would likely get “lost” in a general publication and be less likely to reach the target prospective suppliers than an ad in a trade publication.

The Auction Manager issued press releases to publicize major events in the Auction process, such as the launch of the Web site, comment processes, and application deadlines. Issuing a press release does not guarantee that it will be picked up by a publication and published, but press releases regarding the Illinois Auction were by and large published by the trade press. Press releases were issued with the intent that the Illinois Auction would remain “in the news,” either because an ad would be visible to prospective suppliers or because a press release would be published. Press releases were also issued so that prospective suppliers would be made aware of major deadlines in the Auction process and would be made aware of important documents becoming available.

The Auction Manager continued to issue press releases after the Part 1 Application deadline. The goal of press releases at that point was no longer to promote the Auction to prospective suppliers (as these would now be fully engaged in the qualification process) but instead was to provide information to stakeholders about the progress of the Auction process. These additional press releases directly

contributed to fulfilling the goal of providing for continuous and open communications with all interested stakeholders (Goal 7).

The two tables below show the advertisements and press releases that were issued, showing the date, publication and topic for the advertisements, and for the press releases an indication of whether they were picked up by the press and published. The publications that published the press releases may not be complete as it is possible that the press releases were picked up by publications of which we are not aware.

Table IV-1. Advertisements to Promote the Auction.

Date	Publication	Topic
February 13-17, 2006	Platts Megawatt Daily	Announcing the Illinois Auction for Electricity Procurement
February 13-17, 2006	Energy Central Daily and Energy Central Weekly	Invitation to submit comments on Contracts by February 24th
February 20, 2006	Platts Power Markets Week	Invitation to submit comments on Contracts by February 24th
April 24 – 26, 2006	Platts Megawatt Daily Platts Energy Trader	Invitation to comment on the data room
May issue	Energy Risk	Invitation to attend the Bidder Information Sessions in June

Table IV-2. Press Releases.

Date of Release (all dates 2006)	Topic	Appeared
February 1, 2006	A New Web Site for Illinois Power Procurement	Power Market Today (2/2/06), Megawatt Daily (2/2/06), Electric Utility Week (2/6/06)
February 13, 2006	Addition of information to Web site	
April 5, 2006	Inviting prospective suppliers to comment on the proposed alternate guaranty process	Power Market Today (4/6/06), Platts Commodity News (4/7/06), Megawatt Daily (4/10/06), Electric Utility Week (4/17/06)

April 17, 2006	NERA Economic Consulting Announces New Opportunities for Prospective Suppliers on www.Illinois-Auction.com on Behalf of Commonwealth Edison and Ameren's Illinois Utilities	
May 2, 2006	NERA Economic Consulting Announces Availability of Application Documents at www.Illinois-Auction.com and Upcoming Meeting for the General Public on Behalf of Commonwealth Edison and Ameren's Illinois Utilities	Platts Commodity News (5/12/06), Megawatt Daily (5/15/06)
May 8, 2006	NERA Economic Consulting Announces Two Upcoming Bidder Information Sessions on Behalf of Commonwealth Edison and Ameren's Illinois Utilities	
May 15, 2006	Announcement of posting of final Auction Rules, Supplier Forward Contracts, and rate prisms	
May 22, 2006	Announce upcoming Meeting for the General Public in the Chicago area	Platts Commodity News (5/23/06)
June 6, 2006	Announcement on range of opening prices, volume, and load caps	Reuters News (6/6/06), Platts Commodity News (6/6/06), Power Market Today (6/7/06)
June 8, 2006	Bidder Information Sessions summary of attendance	Power Market Today (6/9/06)
(June 20, 2006)	(Part 1 Application deadline) (Press releases after this date targeted exclusively to providing information to stakeholders about Auction process)	
June 29, 2006	Announcement on Part 1 application results	Platts Commodity News (6/29/06), Power Market Today (6/30/06), Megawatt Daily (6/30/06)
August 3, 2006	Announcement on Part 2 application results	
September 11, 2006	Illinois Auction is complete	

Below we present in chronological order all advertisements and press releases.

The Auction Manager announced the launch of the Illinois Auction Web site through a press release issued on February 1, 2006 through PR Newswire.

February 1, 2006/PRNewswire

Announce the launch of www.Illinois-Auction.com – A New Web Site for Illinois Power Procurement:

NERA Economic Consulting, an international firm of experts on how markets work, launched a new Web site for power procurement for the retail customers of Commonwealth Edison and the Ameren utilities in Illinois. The Illinois Commerce Commission ordered that a statewide, descending clock auction be conducted in September 2006 for supply to flow beginning January 2007. NERA will manage this competitive bidding process for procurement of full requirements electric supply that will span multiple years.

The Web site -- www.Illinois-Auction.com -- will be the central source of information for the auction, providing general information for all stakeholders as well as detailed information for prospective bidders. Although the site is still under development and currently offers limited information, prospective bidders and interested stakeholders are encouraged to register now to automatically receive announcements regarding the auction, as well as notifications when new information is posted.

Ultimately, the site will provide:

- An overview and the details of the descending clock auction process;
- Current versions of supply contracts, auction rules, and application documents;
- Retail customer data;
- Up-to-date announcements and information;
- Registration for automatic email notification of website announcements and updates;
- Access to relevant regulatory information, including auction results; and
- A public forum to easily ask questions and obtain answers about the auction.

For more information on the Illinois Auction Web site, please contact Georgina Martinez at 212 345-9899.

About NERA

NERA Economic Consulting is an international firm of economists who understand how markets work. Our 45 years of experience creating strategies, studies, reports, expert testimony, and policy recommendations reflects our specialization in industrial and financial economics. Our global team of more than 500 professionals operates in 20 offices across North and South America, Europe, Asia, and Australia.

NERA Economic Consulting (www.nera.com), founded in 1961 as National Economic Research Associates, is a subsidiary of Mercer Specialty Consulting, an MMC company.

The Auction Manager announced the addition of new information to the Illinois Auction Web site through a press release issued on February 13, 2006 through PR

Newswire. This press release also invited potential suppliers to submit comments on the Supplier Forward Contracts and to register to the Web site.

February 13, 2006/PRNewswire

Addition of Information to Web site.

NEW YORK, Feb. 13/PRNewswire/ -- NERA Economic Consulting, an international firm of experts on how markets work, launched last week a new Web site for power procurement for the retail customers of Commonwealth Edison and the Ameren utilities in Illinois. The Illinois Commerce Commission ordered that a statewide, descending clock auction be conducted in September 2006 for supply to flow beginning January 2007. NERA will manage this competitive bidding process for procurement of full requirements electric supply that will span multiple years.

The Website has been updated with important information.

We invite potential suppliers to submit comments on the Supplier Forward Contracts ("SFCs"). The deadline for initial comments is Friday February 24, 2006 at noon CPT. You can obtain the information on the SFC comment process at: <http://www.Illinois-Auction.com> and click on the link to the "Announcement on SFC Comment Process".

We invite all stakeholders to register through the Web site to receive announcements regarding the auction and submit their questions through the "Ask a Question" page.

The Web site -- www.Illinois-Auction.com -- is the central source of information for the auction, providing general information for all stakeholders as well as detailed information for bidders.

Ultimately, the site will provide:

- An overview and the details of the descending clock auction process;
- Current versions of supply contracts, auction rules, and application documents;
- Retail customer data;
- Up-to-date announcements and information;
- Registration for automatic email notification of website announcements and updates;
- Access to relevant regulatory information, including auction results; and
- A public forum to easily ask questions and obtain answers about the auction.

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Also, on February 13, the Auction Manager placed an ad in Platts Megawatt Daily announcing the Illinois Auction for electricity procurement and inviting interested parties to visit the Web site. The ad ran in Megawatt Daily from February 13, 2006 to February 17, 2006.

Announcing The Illinois Auction For Electricity Procurement

**At the end of 2006, electricity contracts
to supply customers of the Ameren Illinois utilities
and Commonwealth Edison will expire.**

A descending clock auction will be conducted in September 2006 to procure electricity supply to serve these customers.

The load at auction is estimated at 27,000 MW.

The supply period will begin January 1, 2007.

For details please visit:

www.Illinois-Auction.com

This announcement by NERA Economic Consulting, acting as Auction Manager on behalf of Commonwealth Edison Company and AmerenCILCO, AmerenCIPS, and AmerenIP.



Additionally, a text advertisement appeared in Energy Central Professional Daily, Energy Central Daily and Energy Central Weekly announcing that the deadline to submit comments on the Supplier Forward Contracts for the Illinois Electricity

Auction was February 24. The advertisement ran from February 13, 2006 through February 17, 2006.

Featured Offer

Deadline for Comments on Contracts for Illinois Electricity Auction: A descending clock auction will be conducted in September 2006 to procure full requirements supply for the Illinois utilities of Commonwealth Edison and Ameren. Deadline to submit comments is February 24. Download draft contracts and get more info at <http://www.Illinois-Auction.com>.

On February 20, 2006 an ad came out in Platts Power Markets Week promoting the Auction and announcing the upcoming deadline to submit comments on the Contracts for the Illinois Electricity Auction.

Illinois Auction For Electricity Procurement

At the end of 2006, electricity contracts to supply customers of the Ameren Illinois utilities and Commonwealth Edison will expire. A descending clock auction will be conducted in September 2006 to procure electricity supply to serve these customers.

The load at auction is estimated at 27,000 MW. The supply period will begin January 1, 2007.

Deadline to submit comments on Contracts for Illinois Electricity Auction is February 24. You can now download draft contracts and ask questions about the auction at:

www.Illinois-Auction.com

This announcement by NERA Economic Consulting, acting as Auction Manager on behalf of Commonwealth Edison Company and AmerenCILCO, AmerenCIPS, and AmerenIP.

The Illinois Auction promotion campaign continued on April 5, 2006 with the release of a press release on PR Newswire inviting prospective suppliers to comment on the proposed alternate guaranty process and the upcoming deadline of April 11, 2006 for the submission of initial comments. The press release continued to invite prospective

suppliers and all interested parties to register to the Web site to receive important announcements related to the Illinois Auction.

April 5, 2006/PRNewswire

Inviting prospective suppliers to comment on the proposed alternate guaranty process:

NEW YORK, April 5/PRNewswire/ -- NERA Economic Consulting invites all prospective suppliers to visit the Illinois Auction Web site (<http://www.Illinois-Auction.com>) and submit comments on an Alternate Guaranty Process. The Alternate Guaranty Process seeks to broaden the scope of participation in the Illinois Auction to include suppliers that cannot use the standard guaranty form and provides a process for an approval of an alternative guaranty form that contains adequate protections for the Utilities and their customers.

The Illinois Auction is for power procurement for the retail customers of Commonwealth Edison and the Ameren utilities in Illinois. The Illinois Commerce Commission ordered that a statewide, descending clock auction be conducted in September 2006 for supply to flow beginning January 2007. NERA, an international firm of experts on how markets work, will manage this competitive bidding process for procurement of full requirements electric supply that will span multiple years.

As the Illinois Auction Process progresses the Web site continues to be the main source for announcements and to access important information on the process. To obtain the information on the Alternate Guaranty comment process, visit <http://www.Illinois-Auction.com> and click on the link to the announcement on "Invitation to Comment: Prospective Suppliers Invited to Comment on the Proposed Alternate Guaranty Process for the Illinois Auction."

The deadline for initial comments is Tuesday April 11, 2006 at noon CPT.

Specifically, the Auction Manager is seeking comments on:

- **The criteria for accepting and rejecting alternate forms of guaranty**
- **The process and proposed dates**

Comments on the Proposed Alternate Guaranty Process must be submitted by email to the Auction Manager, Dr. Chantale LaCasse of NERA Economic Consulting, at the following e-mail address: AltGuarantyComments@Illinois-Auction.com.

We invite all stakeholders to register through the Web site to receive additional announcements regarding the auction and submit their questions through the "Ask a Question" page.

For more information on the Illinois Auction Web site, please contact Georgina Martinez at 212 345-9899.

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The Auction Manager continued its efforts to invite prospective suppliers to continue to participate and to get involved in the Illinois Auction process through another press release issued on April 17, 2006. In this press release, the Auction Manager invited prospective suppliers to submit comments regarding the Illinois Auction data room. Prospective suppliers were invited to comment on the design, organization, and scope of the data room, as well as the format of existing data series. The press release also provided an update on the documents recently posted to the Web site and upcoming postings.

April 17, 2006/PRNewswire

NERA Economic Consulting Announces New Opportunities for Prospective Suppliers on www.Illinois-Auction.com on Behalf of Commonwealth Edison and Ameren's Illinois Utilities

NEW YORK, April 17 /PRNewswire/ -- NERA Economic Consulting, the Illinois Auction Manager, invites prospective suppliers to submit comments and requests regarding the information provided in the Illinois Auction Data Room. Prospective suppliers are invited to comment on the design, organization, and scope of the Data Room, as well as the format of existing data series.

The process will work as follows:

1. To submit a comment or request regarding the Illinois Auction Data Room, prospective suppliers are invited to use the Illinois Auction Data Room Comment and Request Form provided at: <http://www.illinois-auction.com/index.cfm?fa=bid.data>. Comments must then be submitted by email to the Illinois Auction Manager, Dr. Chantale LaCasse of NERA Economic Consulting, at: DataComments@illinois-auction.com.
2. Comments and requests are due by the first of each month beginning May 1, 2006 until August 1, 2006. Prospective suppliers will receive individual responses by the 15th of each month.
3. Revisions to the Illinois Auction Data Room arising from comments or requests are planned to occur on the earliest feasible data update. Data updates occur on the 26th of each month.

The Illinois Auction is the process by which Commonwealth Edison and Ameren's Illinois

Utilities will procure power for their retail customers. The Illinois Commerce Commission has ordered that a statewide, descending clock auction be conducted in September 2006 for supply periods beginning January 2007. NERA will manage this competitive bidding process for the procurement of full requirements electric supply that will span multiple years.

Auction documents are available on the Illinois Auction Web site. Prospective suppliers will be provided updated documents in the coming weeks.

* Draft Auction Rules are available on the Illinois Auction Rules page

(<http://illinois-auction.com/index.cfm?fa=bid.rul>).

* NERA expects Final Documents (Illinois Auction Rules, Supplier Forward Contracts and Rate Prisms) to be posted on May 15, 2006.

* Part 1 Applications will be posted to the Applications & Contracts page

(<http://illinois-auction.com/index.cfm?fa=bid.con>) on May 1, 2006.

To receive updates regarding the Illinois Auction, please register with the Illinois Auction Web site at <http://illinois-auction.com/index.cfm?fa=misc.regForm>. For more information on the Illinois Auction Web site, please contact Georgina Martinez at 212 345-9899.

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An additional press release, which was issued on May 2, 2006, notified prospective suppliers of the posting of final and draft application documents and auction rules. Through this press release, the Auction Manager invited the general public interested in learning about the Auction to attend an information session open to everyone. This information session provided participants with an overview of the Illinois Auction as approved by the Illinois Commerce Commission. An additional press release came out on May 8, 2006, which notified prospective suppliers of the upcoming bidder information sessions. These information sessions were targeted to potential auction

participants. They provided technical and detailed information pertinent to the participation procedures in the Illinois Auction.

May 2, 2006/PRNewswire

NERA Economic Consulting Announces Availability of Application Documents at www.Illinois-Auction.com and Upcoming Meeting for the General Public on Behalf of Commonwealth Edison and Ameren's Illinois Utilities

NEW YORK, May 2 /PRNewswire/ -- NERA Economic Consulting, the Illinois Auction Manager for the 2006 Illinois Auction, announced that the Part 1 Application Form is now available on the Illinois Auction Web site.

All prospective suppliers are invited to access and download the Part 1 Application Form at <http://www.illinois-auction.com/applicationscontracts> . Prospective suppliers that want to participate in the Illinois Auction must complete and submit this Part 1 Application and pay a bid participation fee of \$7,500 by June 20, 2006 (at 12:00 pm central prevailing time). Additional auction documents, such as the sample Part 2 Application Form, draft auction rules, and data are available at <http://illinois-auction.com/> .

NERA also announced that it will hold a meeting to acquaint press and the general public with the upcoming Illinois Auction on June 1st in New York City. Participants in this meeting will leave with a clear understanding of the Illinois Auction process and its background as approved by the Illinois Commerce Commission. This meeting is open to all interested parties; however, NERA will hold additional bidder-only information sessions later in June. Details of these bidder-only sessions will be provided soon to prospective bidders.

The details for the meeting for the general public are as follows:

Illinois Auction Information Session
Thursday June 1, 2006, 10 a.m.
The Jumeirah Essex House, New York, NY
160 Central Park South, New York, NY 10019

The Illinois Auction is the process by which Commonwealth Edison and Ameren's Illinois Utilities will procure power for their retail customers. The Illinois Commerce Commission has ordered that a statewide, descending clock auction be conducted in September 2006 for supply periods beginning January 2007. NERA will manage this competitive bidding process for the procurement of full requirements electric supply that will span multiple years.

Advanced registration is available at MIP@Illinois-Auction.com.

To receive updates regarding the Illinois Auction, please register with the Illinois Auction Web site at <http://illinois-auction.com/register> .

For more information on the Illinois Auction Web site, please contact Georgina Martinez at 212 345-9899.

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May 8, 2006/PRNewswire

NERA Economic Consulting Announces Two Upcoming Bidder Information Sessions on Behalf of Commonwealth Edison and Ameren's Illinois Utilities

NEW YORK, May 8 /PRNewswire/ -- NERA Economic Consulting, the Illinois Auction Manager for the 2006 Illinois Auction, announced that it will hold information sessions -- exclusively for bidders -- to acquaint prospective suppliers on how to participate in the Illinois auction process as approved by the Illinois Commerce Commission. Sessions will be held on June 6th in New York City and June 7th in Chicago.

The Illinois Auction is the process by which Commonwealth Edison and Ameren's Illinois Utilities will procure power for their retail customers. The Illinois Commerce Commission has ordered that a statewide, descending clock auction be conducted in September 2006 for supply periods beginning January 2007. NERA will manage this competitive bidding process for the procurement of full requirements electric supply that will span multiple years.

These information sessions are reserved only for prospective suppliers. Participants attending one of these sessions will leave with a clear understanding of the auction process as approved by the Illinois Commerce Commission. Attendees will also be provided with an overview of the Illinois Auction Rules, and a detailed description of the application process and credit requirements to participate in the Illinois Auction. Attendees will also receive comprehensive bidder information packets, including relevant auction materials, at no cost.

The bidder-only information sessions will be held:

Tuesday June 6, 2006
The Jumeirah Essex House
160 Central Park South, New York, NY 10019
(212) 247-0300
Wednesday June 7, 2006

The Sheraton Gateway Suites
6501 North Mannheim Road, Rosemont, IL 60018
(847) 699-6300
Registration and breakfast: 9:00 AM

Presentation: 10:00 AM - 1:00 PM, followed by lunch

Registration is required and space is limited. You must register to attend either of these sessions at: <http://illinois-auction.com/registerBIS>

To receive updates regarding the Illinois Auction, please register with the Illinois Auction Web site at <http://illinois-auction.com/register> . For more information on the Illinois Auction Web site, please contact Georgina Martinez at 212 345 9899.

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On May 15, 2006, the Auction Manager issued a press release to announce the posting of final auction documents: Auction rules, Supplier Forward Contracts, and rate prisms. This press release also reminded prospective suppliers of the two upcoming bidder-only information sessions to take place in New York City on June 6, 2006 and Chicago on June 7, 2006.

May 15, 2006/PRNewswire

Announcement of posting of final Auction rules, supplier forward contracts, and rate prisms:

NEW YORK, May 15, 2006/PRNewswire/ -- NERA Economic Consulting, the Illinois Auction Manager for the 2006 Illinois Auction, announces the posting of final Illinois Auction Rules, final Supplier Forward Contracts, and final Rate Prisms to the Illinois Auction Web site. All prospective suppliers are invited to download these final documents at <http://www.Illinois-Auction.com/index.cfm?fa=bid.bidinfo> .

Prospective suppliers were given the opportunity to offer comments on the Draft Supplier Forward Contracts (SFCs). Commonwealth Edison Company (ComEd) and Ameren's Illinois Utilities (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, collectively "Ameren") have incorporated comments in preparation for their compliance filings to the Illinois Commerce Commission.

Additional auction documents, such as the Final Part 1 Application and a sample Part 2

Application Forms are available at <http://www.Illinois-Auction.com>.

NERA also reminds prospective suppliers of two upcoming bidder-only information sessions. One session will be held in New York City on June 6, 2006 and the other session will be held in Chicago on June 7, 2006. For more information on these sessions, visit <http://www.Illinois-Auction.com/infosessions>. To register for either session, use the registration form at <http://www.Illinois-Auction.com/registerBIS>.

The Illinois Auction is the process by which Commonwealth Edison and Ameren's Illinois Utilities will procure power for their retail customers. The Illinois Commerce Commission has ordered that a statewide, descending clock auction be conducted in September 2006 for supply periods beginning January 2007. NERA will manage this competitive bidding process for the procurement of full requirements electric supply that will span multiple years.

To receive updates regarding the Illinois Auction, please register with the Illinois Auction Web site at <http://www.Illinois-Auction.com/register>.

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NERA Economic Consulting (www.nera.com), founded in 1961 as National Economic Research Associates, is a subsidiary of Mercer Specialty Consulting, an MMC company.

Another press release came out on May 22, 2006 to announce a second meeting for the general public to take place in Chicago on June 29, 2006 and to remind all stakeholders of the upcoming meeting for the general public to take place in New York on June 1, 2006.

May 22, 2006/PRNewswire

Announce a second Meeting for the General Public to be held in Chicago:

NEW YORK, May 22, 2006/PRNewswire/ -- NERA Economic Consulting, the Illinois Auction Manager for the 2006 Illinois Auction, announces that it will hold a second meeting on June 29 in Chicago to acquaint press and the general public with the upcoming Illinois Auction and to provide a general briefing on the progress of the auction process. Participants in this meeting will leave with a clear understanding of the Illinois Auction as approved by the Illinois Commerce Commission and of the events of the auction process

thus far.

The first meeting for the press and general public will be held on June 1st in New York City. Both of these meetings are open to all interested parties; including press, industry representatives, and other stakeholders in the process. In addition to these two meetings for non-bidders, NERA will hold two information sessions for bidders on June 6 in New York and June 7 in Chicago.

The details for the meetings for the general public are as follows:

*Illinois Auction
Meeting for the General Public
Thursday June 29, 2006, 10 a.m.
The Marriot Chicago O'Hare
8535 West Higgins Road
Chicago, IL 60631
(773) 693-4444*

*Illinois Auction
Meeting for the General Public
Thursday June 1, 2006, 10 a.m.
The Jumeirah Essex House
160 Central Park South
New York, NY 10019
(212) 247-0300*

The Illinois Auction is the process by which Commonwealth Edison and Ameren's Illinois Utilities will procure power for their retail customers. The Illinois Commerce Commission has ordered that a statewide, descending clock auction be conducted in September 2006 for supply periods beginning January 2007. NERA will manage this competitive bidding process for the procurement of full requirements electric supply that will span multiple years.

Advanced registration is available at MIP@Illinois-Auction.com.

To receive updates regarding the Illinois Auction, please register with the Illinois Auction Web site at <http://Illinois-Auction.com/register>.

For more information on the Illinois Auction Web site, please contact Georgina Martinez at 212 345-9899.

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NERA Economic Consulting (www.nera.com), founded in 1961 as National Economic Research Associates, is a subsidiary of Mercer Specialty Consulting, an MMC company.

The Auction Manager announced the range of opening prices, volume, and load caps through a press release issued on June 6, 2006. This press release provided detail of the volume for auction, detail on the number of tranches available by product and respective opening prices and on the maximum amount of tranches one supplier could win per Section.

June 6, 2006/PRNewswire

Announcement on range of opening prices, volume, and load caps:

NEW YORK, June 6, 2006/PRNewswire/ – NERA Economic Consulting, the Illinois Auction Manager for the 2006 Illinois Auction, announces the range for opening prices, the volume at auction, and the load caps.

The Illinois Auction is designed to procure full requirements service for a total load of approximately 30,000 MW for ComEd and Ameren's three Illinois utilities (AmerenCILCO, AmerenCIPS, and AmerenIP). The load at auction is split into 600 tranches. Each tranche is a block of approximately 50 MW of peak demand.

The Illinois Auction will be conducted as a simultaneous, multiple round, descending clock auction.

- The Illinois Auction is called simultaneous because bidders bid to supply all customer types and all contract terms at the same time
- The Illinois Auction is a multiple round process because bidders have multiple opportunities to place and revise their bids
- The Illinois Auction is a descending clock auction because in each round, prices are lower than in the previous round

Prices start high and "tick down." The opening prices, which are announced today, establish the range for the prices in the first round of the Illinois Auction. These opening prices are to attract potential suppliers to the Illinois Auction and create the kind of competition that will drive prices down to competitive levels. As the auction is designed to tick prices down from their opening levels, the opening prices are not intended to be an indication of possible auction outcomes.

Today, NERA announces that the volume in the Illinois Auction will be approximately 30,000 MW split into 600 tranches. The load at auction is split into sections, one for customers on a fixed price service (the Fixed Price Section) and another for customers who take service priced to the hourly real-time market (the Hourly Price Section). NERA announces that the range of opening prices is \$75/MWh to \$104/MWh for the Fixed Price Section and \$231/MW-day to \$315/MW-day for the Hourly Price Section. These are opening prices: they do not represent a range of final prices that will result from the Illinois Auction; rather, they represent the point at which the Illinois Auction will begin. NERA believes that these starting prices will help attract the maximum number of suppliers to the Illinois Auction to drive prices down.

The volume in the Fixed Price Section – for customers on a fixed price service – is 25,474 MW split into 510 tranches. There are two customer types, smaller customers and larger customers.

The number of tranches available for each customer type, the contract term, and the sizes of the tranches are as follows:

Utility	Customer Type	Contract Term	Volume (MW)	Number of Tranches (by Product)	Size of Tranche (as % of Customer Type)	MW per Tranche
ComEd	0 – 400 kW	1/1/07 to 5/31/08	13,879	92	0.36%	49.92
		1/1/07 to 5/31/09		93	0.36%	49.92
		1/1/07 to 5/31/10		93	0.36%	49.92
	Generally 400 kW to 3 MW	1/1/07 to 5/31/08	4,376	88	1.14%	49.73
total	403					
Ameren	0 – 1 MW	1/1/07 to 5/31/08	5,366	35	0.93%	50.15
		1/1/07 to 5/31/09		36	0.93%	50.15
		1/1/07 to 5/31/10		36	0.93%	50.15
	Over 1 MW	1/1/07 to 5/31/08	1,853	37	2.70%	50.08
total	144					

There is a load cap of 35%, which is the maximum number of tranches that a bidder can bid and win for ComEd or Ameren. This means that a bidder can bid and win no more than 128 ComEd tranches (35% or 366 tranches) or 50 Ameren tranches (35% of 144 tranches) in the Fixed Price Section.

The volume in the Hourly Price Section – for customers that take service priced to the real-time hourly market – is 4,482 MW split into 90 tranches. The number of tranches available, the contract term, and the size of each tranche are as follows:

Utility	Contract Term	Volume (MW)	Tranches	Size of Tranche (%)	MW per Tranche
ComEd	1/1/07 to 5/31/08	2,629	53	1.89%	49.60
Ameren	1/1/07 to 5/31/08	1,853	37	2.70%	50.08
total		90			

There is a load cap of 35% for this section of the Illinois Auction as well. A bidder can bid and win no more than 18 ComEd tranches (35% of 53 tranches) and 12 Ameren tranches (35% of 37 tranches) in the Hourly Price Section.

To obtain more information on these topics please go the Illinois Auction Web site at <http://www.Illinois-Auction.com/index.cfm?fa=bid.rul>.

The Illinois Auction is the process by which Commonwealth Edison and Ameren's Illinois Utilities will procure power for their retail customers. The Illinois Commerce Commission has ordered that a statewide, descending clock auction be conducted in September 2006 for supply periods beginning January 2007. NERA will manage this competitive bidding process for the procurement of full requirements electric supply that will span multiple years.

To receive updates regarding the Illinois Auction, please register with the Illinois Auction Web site at <http://www.Illinois-Auction.com/register>.

For more information on the Illinois Auction Web site, please contact Georgina Martinez at 212 345-9899.

About NERA

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Additional press releases came out after key events of the Auction process: on June 8, 2006 the Auction Manager announced the level attendance to the bidder information sessions, on June 29, 2006 the Auction Manager issued a press release announcing the results of the part 1 application process and on August 3, 2006 announcing the results of the part 2 application process.

June 8, 2006/PRNewswire

Bidder Information Sessions summary of attendance:

NEW YORK, June 8, 2006/PRNewswire/ -- NERA Economic Consulting, the Illinois Auction Manager for the 2006 Illinois Auction, held two information sessions on the Illinois Auction on June 6 in New York City and on June 7 in Chicago. The goal of these information sessions was to acquaint prospective suppliers with the Illinois Auction opportunity and process as approved by the Illinois Commerce Commission. A total of 82 individuals representing 43 companies attended the sessions. More than 50 people attended the New York session and more than 30 people attended the Chicago session. The attendees included the most prominent energy marketers and traders in the PJM and MISO markets.

During these sessions the Auction Manager provided participants with a detailed description of ComEd and Ameren products available in the Fixed Price Section and the Hourly Priced

Section of the auction, an overview of the application process and credit requirements to participate in the Illinois Auction, and an overview of the Illinois Auction Rules. Attendees to the sessions had an opportunity to ask questions of the Auction Manager and ComEd and Ameren representatives. Additionally, attendees to the sessions were provided with information handbooks and Supplier Forward Contracts for the ComEd CPP products and Ameren BGS products. All materials presented and provided at the information session are now posted to the Illinois Auction Web site at <http://www.illinois-auction.com>. Also, all questions posed during the sessions will be posted to the FAQ section of the Web site.

The Illinois Auction is the process by which Commonwealth Edison and Ameren's Illinois Utilities will procure power for their retail customers. The Illinois Commerce Commission has ordered that a statewide, descending clock auction be conducted in September 2006 for supply periods beginning January 2007. NERA will manage this competitive bidding process for the procurement of full requirements electric supply that will span multiple years.

To receive updates regarding the Illinois Auction, please register with the Illinois Auction Web site at <http://illinois-auction.com/register>. For more information on the Illinois Auction Web site, please contact Georgina Martinez by email at georgina.martinez@nera.com.

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June 29, 2006/PR Newswire

Announcement on Part 1 application results:

NEW YORK, June 29, 2006/PR Newswire/ -- NERA Economic Consulting, the Illinois Auction Manager for the 2006 Illinois Auction, announces that more than 20 prospective suppliers have successfully completed the first of a two-step application process to participate in the Illinois Auction. Those prospective suppliers include some of the best known energy traders and marketers active in the PJM and MISO wholesale markets today.

The Part 1 Application was due on June 20, 2006 and prospective suppliers were notified of the results on June 25, 2006. In this Part 1 Application, prospective suppliers were required to pay an application fee of \$7,500, to submit to a review of their financial information, and to agree to the terms of participation of the Illinois Auction. Prospective suppliers that are successful in this first step are invited to submit a Part 2 Application by noon CPT on July 25, 2006. In the Part 2 Application, prospective suppliers will submit indicative offers that will be supported by financial guarantees. Prospective suppliers who are successful in both steps of the Application process become eligible to bid in the Illinois Auction.

The Illinois Auction is the process by which Commonwealth Edison and Ameren's Illinois

Utilities will procure power for their retail customers. The Illinois Commerce Commission has ordered that a statewide, descending clock auction be conducted in September 2006 for supply periods beginning January 2007. A total volume of 29,956 MW is expected to be procured through this auction. NERA will manage this competitive bidding process for the procurement of full requirements electric supply that will span multiple years.

To receive updates regarding the Illinois Auction, please register with the Illinois Auction Web site at <http://Illinois-Auction.com/register>. For more information on the Illinois Auction Web site, please contact Georgina Martinez by email at georgina.martinez@nera.com.

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August 3, 2006/PR Newswire

Announcement on Part 2 application results:

NEW YORK, August 3, 2006/PR Newswire/ -- NERA Economic Consulting, the Illinois Auction Manager for the 2006 Illinois Auction, announces that more than 20 prospective suppliers have successfully completed the second and last step of the application process to participate in the Illinois Auction. Those prospective suppliers include some of the best known energy traders and marketers active in the PJM and MISO wholesale markets today.

Prospective suppliers that were successful in the first step of the application process, which was completed on June 23, 2006, were invited to submit a Part 2 Application by July 25, 2006. In this Part 2 Application, prospective suppliers were asked to submit indicative offers, and to support these indicative offers with financial guarantees that are in the millions of dollars. Prospective suppliers were notified of the results on August 1, 2006. Prospective suppliers successful in this second step of the application process are registered to participate in the Illinois Auction, which will begin on September 5, 2006.

The Illinois Auction is the process by which Commonwealth Edison and Ameren's Illinois Utilities will procure power for their retail customers. The Illinois Commerce Commission has ordered that a statewide, descending clock auction be conducted in September 2006 for supply periods beginning January 2007. A total volume of 29,956 MW is expected to be procured through this auction. NERA will manage this competitive bidding process for the procurement of full requirements electric supply that will span multiple years.

To receive updates regarding the Illinois Auction, please register with the Illinois Auction Web site at <http://Illinois-Auction.com/register>. For more information on the Illinois Auction Web site, please contact Georgina Martinez by email at georgina.martinez@nera.com.

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On September 11, 2006, the Auction Manager announced the end of bidding in the Illinois Auction.

September 11, 2006/PR Newswire

End of Bidding in the Illinois Auction:

NEW YORK, Sept. 11 /PRNewswire/ -- NERA Economic Consulting, the Auction Manager for the Illinois Auction, announces that the Illinois Auction is now complete. More than 20 prospective suppliers, including some of the best known energy traders and marketers active in the PJM and MISO wholesale markets today, participated in the auction process.

The Illinois Auction was held to procure power for retail customers of Commonwealth Edison and Ameren's Illinois Utilities. The Illinois Commerce Commission (ICC) ordered in January that this statewide, descending clock auction be held starting on September 5, 2006. A volume of approximately 30,000 MW was up for bid. NERA manages this competitive bidding process and ICC Staff oversees the process.

In the Fixed Price Section of the Illinois Auction, prospective suppliers bid to serve retail customers on a fixed-price plan. Bidding in the Fixed Price Section ended on September 8, 2006, the fourth day of bidding. In the Hourly Price Section of the Illinois Auction, prospective suppliers bid to serve retail customers on a service priced to the hourly market. Bidding in the Hourly Price Section ended on September 8, 2006, the fourth day of bidding.

The ICC has commenced deliberations on the auction results. The ICC will receive the Confidential Reports from the Auction Manager and from the ICC Staff by September 12, 2006. A final decision on the results of each Section is expected by September 15, 2006.

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IV.A.1.c. Marketing Calls

Direct marketing means direct contact between the Auction Manager Team and prospective suppliers, either by telephone or by email.

Telephone calls were made between May 22, 2006 and June 5, 2006 to invite prospective suppliers to the bidder information sessions. The Auction Manager called registrants to the Illinois Auction Web site as well as members of PJM and of MISO who were not at that time registrants to the Illinois Auction Web site. For individuals that were not registered to the Web site, in addition to inviting them to the bidder information sessions, members of the Auction Manager Team provided general information about the Illinois Auction and assisted anyone interested in registering on the Web site to get regular updates regarding the Illinois Auction. In total, 88 companies were contacted.

Table IV-3. Companies Contacted During Direct Marketing Calls.

Companies Contacted in Direct Marketing by Telephone	
A.G. Edwards	Green Mountain Energy Company
Access Power Management	Invenergy
Accion Group Inc	JP Morgan
ACES Power Marketing	Kimball Power Company LLC
Adams Electric Cooperative	Lehman Brothers Commodity Services, Inc
Allegheny Energy Supply Co,LLC	Lincoln Generating Facility, LLC
Amerada Hess Corporation	LS Power Development, LLC
Ameren Energy Marketing	Macquarie
American Electric Power	Merrill Lynch
Aquila	MidAmerican Energy Company
Bank of America	Midwest Generation EME, LLC
Barclays Capital	Mirant Corporation
Bluestar Energy	Morgan Stanley Capital Group Inc
BP Energy Company	NIPSCO

Companies Contacted in Direct Marketing by Telephone	
Brookfield Power	NRG Power Marketing, Inc
CAM Energy, LLC	Old Lane Commodities, LP
Cargill Power & Gas Markets	PECO Energy
Cincinnati Gas & Electric Co	Peoples Energy Services
Cinergy Corp	PJM Interconnection
Citadel Investment Group	Powerex
Citigroup Energy Inc	PPL EnergyPlus, LLC
Commerce Energy	PPM Energy
Community Energy Cooperative	Prenova
Conectiv Energy Supply, Inc	Progress Ventures, Inc
ConocoPhillips	Promet Energy Partners LLC
Consolidated Edison Energy, Inc	PSEG Energy Resources & Trade
Constellation Energy Commodities Group, Inc	RCECA
Coral Power L.L.C.	Reliant Energy Services
Credit Suisse	RLD Resources
DE Shaw	SCE
Deutsche Bank	Sempra Energy Trading
Direct Energy	Shaw Group
Dominion Retail, Inc	Shell Trading
DTE Energy Trading	Southern California Edison
Duke Energy Corp	Soyland Power
Dynegy Inc	Suez Energy NA
Edison Mission Marketing & Trading, Inc	Summit Energy
Electric Energy, Inc	Susquehanna Energy Products
Entegra Power Group LLC	The Dayton Power and Light Company
Exelon Generation LLC - Power Team	UBS AG
First Commodities LTD.	University of Illinois
FirstEnergy Solutions Corp	Vanguard Energy Services
FPL Energy Power Marketing Inc	Westar Energy
Goldman Sachs	WPS Energy Services

IV.A.1.d. Comment Processes

Prospective suppliers were invited to provide one-time comments on some key auction documents as well as to provide on-going comments on the structure and content of the data room. Comment processes are a type of Auction promotion activities because they promote and make prospective suppliers aware of key auction documents and critical aspects of the Auction process. These comment processes also demonstrate to prospective suppliers that the Auction process is sufficiently flexible and open to address their concerns; this feature of the Auction process can promote and expand participation.

To serve as auction promotion activities, soliciting comments must be undertaken early enough in the Auction process. Engaging prospective suppliers early in this manner has two advantages. First, by understanding the auction opportunity early, prospective suppliers have more time to fully prepare their bids, which would tend to produce better bids in the Auction. Second, the Auction Manager, the Utilities and ICC Staff can have an opportunity to address any concerns that prospective suppliers may have concerning these documents, which may affect their level of participation.

Prospective suppliers were invited to submit comments on: Supplier Forward Contracts, Alternate Guaranty Review Process, and Data Room.

IV.A.1.e. Web site Announcements

Emails were sent automatically to individuals registered to the Web site whenever the Auction Manager Team posted a new announcement to the Web site. The announcements were targeted both to prospective suppliers, to promote the auction opportunity and keep them apprised of important deadlines and posting, and to all stakeholders, to provide continuous open communication about the progress of the Auction process. These announcements were the primary means by which the Auction Manager Team communicated effectively and quickly with all prospective suppliers on a fair and equal basis, and communicated with all stakeholders about the process. The Auction Manager Team diligently used this means of communication.

Below is a table with the list of announcements, including the date (in reverse chronological order) and the topic of the announcement.

Table IV-4. Announcements on the Web site.

Date and Topic of Announcements Made Through the Web site
09/08/2006 - Illinois Auction Complete
09/07/2006 - The Illinois Auction Continues
09/06/2006 - The Illinois Auction Continues
09/05/2006 - The Illinois Auction Started on Schedule
08/21/2006 - Rate Prisms, Data and MtM Information Update Posted
08/10/2006 - Update to Illinois Auction Rules Posted
08/09/2006 - Post-Auction Letter of Credit Modifications and Migration Rules Summary Posted
06/30/2006 - FAQs Posted Daily Due to High Volume
06/29/2006 - Revised Ameren Data Now Available
06/08/2006 - Bidder Information Session Presentation Posted
06/06/2006 - Range of Opening Prices, Tranche Targets, Volume, and Load Caps for the Illinois Auction
06/06/2006 - Final Part 2 Application Posted
05/26/2006 - Overview of the 2006 Illinois Auction Pre-Auction Credit Requirements Posted
05/15/2006 - Auction Documents Posted
05/01/2006 - New ComEd Data Posted
05/01/2006 - Application Materials Posted
05/01/2006 - Alternate Guaranty Process Finalized in Response to Supplier Comments
03/31/2006 - Illinois Auction Data Room Has Been Expanded
07/31/2006 - Final Reminder: Deadline for Final Data Comment/Request Opportunity is Tuesday, August 1, 2006
07/26/2006 - Final Opportunity for Prospective Suppliers to Submit Comments on the Illinois Auction Data Room
07/24/2006 - FINAL REMINDER: Part 2 Application Deadline is Tuesday July 25, 2006

Date and Topic of Announcements Made Through the Web site
07/20/2006 - Reminder: Pre-Auction Letters of Credit due at Auction Manager office on July 25, 2006
07/20/2006 - Reminder: Part 2 Application Deadline is Tuesday July 25, 2006
07/17/2006 - Part 2 Application Deadline is Tuesday July 25, 2006
07/05/2006 - Reminder: Proposed Modifications to the Letters of Credit Due Today, Wednesday, July 5th, 2006 at Noon.
06/26/2006 - REVISED: Reminder: Deadline for Prospective Suppliers to Submit Comments on the Illinois Auction Data Room is Friday, June 30, 2006
06/26/2006 - Thursday, June 29th in Chicago – Meeting for the General Public (Interested Parties) for the Illinois Auction
06/22/2006 - Reminder: Proposed Modifications to the Letters of Credit Due Wednesday, July 5th, 2006 at Noon.
06/15/2006 - Reminder: Part 1 Application Deadline is Tuesday June 20, 2006
06/15/2006 - Amendment to Registered Agent Requirement
06/09/2006 - Part 1 Application Deadline is Tuesday June 20, 2006
06/02/2006 - Final Reminder: Bidder Information Sessions on June 6 and June 7; Presentation from June 1 Meeting for the General Public Posted
05/31/2006 - Reminder: Deadline for Prospective Suppliers to Submit Comments on the Illinois Auction Data Room is Thursday, June 1, 2006
05/25/2006 - Reminder: Bidder Information Sessions on June 6 and June 7; Meetings for the General Public on June 1 and June 29
05/25/2006 - Reminder: Deadline for Comments on the Illinois Auction Data Room is Thursday, June 1
05/22/2006 - Thursday, June 29th in Chicago– Additional Meeting for the General Public (Interested Parties) for the Illinois Auction
05/13/2006 - Supplemental FAQs Posted: Alternate Guaranty Process
05/12/2006 - Final Reminder: Alternate Guaranty Submissions Due Monday, May 15th, 2006
05/08/2006 - Reminder: Alternate Guaranty Submissions Due Monday, May 15th, 2006
05/03/2006 – Scheduled Bidder Information Sessions
05/03/2006 - Thursday, June 1st in New York City – Meeting for the General Public (Interested Parties) for the Illinois Auction
05/01/2006 - Bid Participation Fee Announced
04/28/2006 - Reminder: Deadline for Prospective Suppliers to Submit Comments on

Date and Topic of Announcements Made Through the Web site
the Illinois Auction Data Room is Monday, May 1, 2006
04/17/2006 - Interim Draft Proposed Alternate Guaranty Process
04/12/2006 - Prospective Suppliers have the Opportunity to Submit Comments and Requests Regarding the Illinois Auction Data Room
04/11/2006 - Draft Auction Rules and Rate Prisms Posted to Illinois Auction Web Site
04/07/2006 - Reminder: Comments due Tuesday, April 11th on Proposed Alternate Guaranty Process
03/29/2006 - Invitation to Comment: Prospective Suppliers Invited to Comment on the Proposed Alternate Guaranty Process for the Illinois Auction
03/24/2006 - Updated Calendar and SFCs Posted
03/13/2006 - Interim SFCs Posted
03/03/2006 - The FAQ page has been launched!
02/28/2006 - Additional Information on Illinois Auction Web Site
02/23/2006 - Final Reminder: Deadline for Initial Comments on SFCs is February 24, 2006
02/17/2006 - Deadline for Initial Comments on SFCs is Friday, February 24, 2006
02/15/2006 - Additional Pages Added to Illinois Auction Web Site
02/10/2006 - Ameren SFCs Now Posted
02/06/2006 - Announcement on SFC Comment Process
02/02/2006 - ComEd Data
01/31/2006 - Illinois Auction Web site: Launch
01/31/2006 - ComEd SFCs are Now Posted
01/31/2006 - Ameren SFCs to be Posted

IV.A.1.f. Results of Promotion Activities

The Auction Manager believes that the promotion activities met their goals. By early June, all MISO and PJM participants, representing the pool of potential bidders, were registered to the Illinois Auction Web site with one exception. The Web site activities were increasing as the auction promotion activities were being undertaken. The activity on the data room section of the Web site, which is the portion of the Web site

that is most specifically targeted to prospective suppliers, showed increased activity up to the Part 1 Application, and again just before the Auction as Registered Bidders prepared their bids. This is shown in the table below.

Table IV-5. Summary of Data Room Web site Activity.

	# of Individual Downloads	# of Complete Set Downloads (.zip)	Ameren Data Descriptions	ComEd Data Descriptions	Unique Visitors
February-06	777	3	23	103	1,161
March-06	607	36	26	39	1,057
April-06	1,197	35	25	49	1,042
May-06	1,714	63	45	47	1,788
June-06	1,243	87	54	104	2,057
July-06	871	64	39	68	1,752
August-06	1,679	110	54	100	2,351

The diligent pursuit of these auction promotion activities enhanced the competitiveness of the Auction by helping to ensure that the pool of bidders was as large as possible, and by helping to stimulate potential bidders' awareness of, understanding of, and comfort with the Illinois Auction.

IV.A.2. Dissemination of Information

The Auction Manager used several means to disseminate information regarding the Auction to ensure that open and continuous communication was open to prospective suppliers and all stakeholders. The Auction Manager's main avenue for communication and for disseminating information regarding the Auction was the Illinois Auction Web site. Section IV.A.3 on Auction Administration discusses the development of the Web site and reviews how the structure of the Web site sought both to provided the detailed information necessary for prospective suppliers in formulating their bids as well as to provide a wealth of general information to all stakeholders so that they could follow the progress of the Auction. The Auction Manager's additional avenues for disseminating public information regarding the Auction were the issuance of press releases and the

placement of advertisements in trade publications as presented in the previous section. These activities were also part of the Auction promotion activities.

The Auction Manager's main activities aimed at disseminating public information regarding the Auction were the following:

- Posting of auction documents to the Web site, including key auction documents in accordance with the timeline in the CPP and MV Riders (the "Riders"), as well as announcements of various auction parameters either publicly or to Registered Bidders in accordance with the Riders;
- Posting of historical data to the data room, including enhancements throughout the Auction process based on feedback solicited from prospective suppliers;
- Providing answers to questions submitted by prospective suppliers and by other stakeholders through the Web site or by telephone;
- Holding information sessions, targeted specifically at prospective suppliers as well as information sessions aimed more generally at all stakeholders.

These information dissemination activities were aimed at keeping all stakeholders informed and providing as much information to prospective suppliers as possible. This is beneficial to the Auction process because information dissemination encourages participation in the Auction process of better informed bidders. These activities contributed directly to meeting the goals of the Auction process. In particular, these activities contributed directly to meeting the goal of providing information to all prospective suppliers and of promoting the participation of all market participants on a fair and equal basis (Goal 3), and the goal of providing continuous and open communications with all interested stakeholders (Goal 7).

IV.A.2.a. Web site

The Illinois Auction Web site was designed and developed by representatives from the Ameren Illinois Utilities, ComEd, and the Auction Manager through a

collaborative process. The team retained a professional Web site designer that was tasked with developing the look and feel of the site and that was tasked with making recommendations on architecture and design. Representatives from the ICC Staff were invited to comment on the Web site design and their comments were incorporated into the first major revision to the site. The parties developed the architecture and content of the site with the primary intent of disseminating auction information efficiently, on a fair and equal basis, to prospective suppliers and to all other stakeholders in the Auction process. Specifically, the architecture and content of the Web site were developed with the following more narrow goals in mind:

- To provide to all stakeholders the ability to ask questions of the Auction Manager via a web form;
- To provide a wealth of general information regarding the Auction to the general public;
- To the extent possible, to make available to everyone materials provided at information session;
- To provide notices of information sessions, deadlines and other important auction-related events;
- To provide key auction documents including Supplier Forward Contracts, credit documents, and application forms;
- To make accessible, through a single portal, key regulatory information including the ICC Orders, the Rate Prisms, and the CPP and MV Riders;
- To develop a data room that would provide to prospective suppliers historical data essential to developing bids;
- To make accessible useful links for prospective suppliers, including links to relevant web pages from PJM and MISO.

The development process of the Web site is described in more detail in section IV.A.3 on Auction Administration.

IV.A.2.b. Data Room Portion of the Web site

A major information dissemination activity for the Auction Manager was the posting of historical data to the data room, including enhancements throughout the Auction process based on feedback solicited from prospective suppliers.

Before the Auction, the data room provides extensive historical information on the hourly load shapes of the auction products. Prospective suppliers can use these data series to gain information on the estimated energy obligation they will likely bear if they become winning suppliers. Historical hourly load is available in the data room for both ComEd and the Ameren Illinois Utilities from June 2003 to May 2006. The data room provides information on switching statistics. Prospective suppliers can use these statistics to help evaluate migration risk. The data room provides information on peak load shares, which prospective suppliers can use to estimate a winning supplier's capacity obligation.

The data room also provides other useful information for prospective suppliers such as load profile information to estimate different rate class characteristics, ancillary services cost information to estimate the cost of full requirements power, and qualified facility generation data to estimate the load obligation associated with the products in the Hourly Price Section of the Auction. More information on the exact nature and extent of this information is available in the data room through the description document found in Appendix A.

More detail on data room development and posting is provided in section IV.A.3.c on Auction Administration.

IV.A.2.c. FAQ Process

An important information dissemination activity for the Auction Manager is to provide answers to questions submitted through the Web site and by telephone by

prospective suppliers and by other stakeholders. This process is called the “FAQ process” because each time the Auction Manager provides information to a stakeholder in answer to a question, the question and the answer is posted to the FAQ page of the Web site for the benefit of all stakeholders and bidders. FAQ stands for “Frequently Asked Question”.

The FAQ process proceeded as follows. Once a question was received, the Auction Manager logged the question and assigned a reference number. The Auction Manager sent an email to the questioner to acknowledge receipt of the question, and provided a reference number for future inquiries regarding the question, and informed the questioner of the expected response time for an answer. The questioners were typically asked to expect a two-day turn around. If expertise from the Utilities and/or from ICC Staff was required, the Auction Manager sent the question (and if possible a draft answer) to the Utilities and/or ICC Staff. The identity of the questioner was redacted. The Auction Manager would typically request the Utility or the ICC Staff to review in time to provide an answer within the two-day turn around. Once an answer for the question was finalized, the Auction Manager emailed the answer directly to the questioner. The question and answer are then prepared for posting to the FAQ page of the Illinois Auction Web site. Prospective suppliers, law firms, outside consultants, and members of the public at large all contributed to a substantial flow of questions to the Auction Manager.

More detail on the FAQ answering process and summary statistics of how many questions were answered and posted is provided in section IV.B.3 on Auction Administration.

IV.A.2.d. Auction Documents

An important part of the Auction Manager’s information dissemination activities is to post auction documents to the Web site. This includes posting key auction documents, in accordance with the timeline in the Riders. This also includes making announcements of various auction parameters either publicly or to Registered Bidders in accordance with the Riders. The Auction Manager also posted additional

explanatory documents for the benefit of prospective suppliers. This sub-section lists the final auction documents, describes key updates for updates of which multiple versions were posted, lists explanatory documents and examines adherence to the calendar set forth in the CPP and MV tariff Riders.

A number of documents are explicitly named in the Riders and it is part of the Auction Manager's duties to provide these documents according to the timeline provided therein. The table below shows announcements that are explicitly named in the Riders, the latest date at which the document can be provided according to the Riders, and the date at which these documents were provided.

Table IV-6. Documents Required from Riders to be Posted to the Illinois Auction Web site.

Document Posting	No Later Than (from Riders)	Date Posted
Final Part 1 Application Form posted	May 8, 2006	May 01, 2006
Sample Part 2 Applications posted	May 8, 2006	May 01, 2006
Posting of Illinois Auction Rules, SFCs and Rate Prisms	May 19, 2006	May 15, 2006 (Ameren prism on May 16)
Final Part 2 Application posted	June 12, 2006	June 6, 2006
Information regarding possible values of the target eligibility ratio and circumstances under which a second volume cutback could occur	August 10, 2006	August 10, 2006

IV.A.2.e. Information Sessions (and other information dissemination activities for the General Public)

Information sessions targeted to prospective suppliers or bidder information sessions establish the role of the Auction Manager, promote the business opportunity associated with the Auction, explain key auction documents, establish the evaluation process, and inform bidders of the role of the Auction Manager, the Utilities, and ICC Staff. Information sessions also provide an efficient way for the Auction Manager to prepare prospective suppliers thoroughly for the application process. Bidder information sessions are truly the last major auction promotion activity before the

qualification process and an opportunity to entice prospective suppliers to apply and participate. Information sessions targeted to the general public are also important to keep all interested parties and stakeholders informed about the Auction process. Dissemination of information to the general public differs from the information provided to prospective suppliers in the sense that this is general information to understand the process without dealing with technical details and information that is only of interest to prospective suppliers.

The bidder information sessions and information sessions targeted to the general public are described in more detail in the next section on Interface with Stakeholders.

IV.A.3. Development of Illinois Auction Web site

To provide information more quickly, the team decided to develop the Illinois Auction Web site in stages. This would allow a launch of the Illinois Auction Web site to be made earlier, which was seen as more desirable than making a later launch with a more complete version of the Web site.

IV.A.3.a. Web site Phase I (January 31, 2006)

“Phase I” of the Web site was launched on January 31, 2006. Phase I provided essential information on the Auction and allowed the Auction Manager to make announcements to prospective suppliers and to all other stakeholders regarding upcoming deadlines and new information provided on the Web site. The following pages were available:

- Home page: Contained announcements and an overview of the Auction process;
- Data room: Contained historical load characteristics for the benefit of prospective suppliers;
- Registration page: Allowed visitors to submit contact information to be able to receive announcements from the Auction Manager on an on-going basis.

IV.A.3.b. Web site Phase II (February 15, 2006)

Phase II of the Web site was launched on February 15, 2006. Phase II allowed visitors to ask the Auction Manager questions through a web form and introduced auction documents and descriptions of comment processes related to those documents. Additional pages were added for Phase II, including:

- Ask a Question: Allowed stakeholders to pose questions to the Auction Manager;
- FAQs: Questions posed by stakeholders and answered by the Auction Manager were posted to provide information to all stakeholders in a fair and equal basis;
- Calendar: The calendar kept visitors informed of upcoming events, deadlines and information sessions.

The basic architecture of the Web site is to provide specific and often technical information to prospective suppliers on one section of the Web site and to provide on another section of the Web site a wealth of general information geared specifically toward other (non-supplier) stakeholders. The General Information section of the Web site provided general materials in the following topics:

- Regulatory background (including the Post 2006 Initiative and Final Report, the ComEd and the Ameren Illinois Utilities ICC Filings and ICC orders);
- Rate Information;
- Auction Format (including a general presentation of the product structure and the descending clock bidding process).

In addition, all stakeholders (not just prospective suppliers) had access to more detailed and technical information regarding the Auction process, including:

- Auction Documents including applications, contracts and credit documents;

- Invitations to comment on the Alternate Guaranty Process, the Letters of Credit, the data room and the Supplier Forward Contracts;
- Presentations and handouts from bidder information sessions and the Meetings for the General Public.

The structure of the Web site remained stable after the launch of Phase II. The Web site was regularly updated to provide documents in accordance with the timeline in the Riders, to update the data room on the 26th of each month, to provide additional explanatory documents for suppliers, to post FAQs, and to post announcements to keep all stakeholders informed. Document versions were clearly noted and the most recent versions were placed above other versions. The Web site did undergo minor modifications late in the Auction process when a password-protected backup bidding page was launched. This page provided portions of the Bidder Information Packet that were confidential because they provided material related to the Auction Software and backup bidding materials that were only made available to bidders.

IV.A.3.c. Data room (opened on February 2, 2006)

The initial data room for the Illinois Auction Web site was modeled after the New Jersey BGS Auction data room. The design of the data room was tailored to the products and concerns of prospective suppliers for Illinois. The data room was first populated in early February 2006. The initial set of data items posted to the data room was revised and expanded as the data system capabilities of ComEd and the Ameren Illinois Utilities enabled them to provide expanded data. The data room was fully populated with data items on April 28, 2006.

Following this date, a data room comment process was initiated through which prospective suppliers were given the opportunity to comment on the data already posted to the data room and the opportunity to request additional data, as explained in section IV.B.4. Additional items were added to the data room on the basis of this feedback. The additional items that were provided as a result of the data room

comment process are provided in section IV.B.4, and are summarized here for convenience:

- PJM Billing Data
- MISO Cost Data
- Load Profile Methodology Description
- More Detailed Switching Statistics
- Additional QF Data for the Ameren Illinois Utilities
- FERC 714 Load Data
- Unprotected Rate Prism Documents
- Expanded descriptions of various data items

Announcements and/or notes to the text displayed in the data room were made when there were major revisions, updates, and expansions of the data room. The following are the announcements made regarding the data room during the Auction process.

Table IV-7. Data Room Announcements.

Date and Announcement	Description
02/02/2006 ComEd Data	ComEd hourly load, switching, and peak load share data posted
03/31/2006 Illinois Auction Data Room Has Been Expanded	The ComEd portion of the Illinois Auction data room now has peak load share data for each load category, and the Ameren portion now has switching statistics and customer count data by various size categories.
05/01/2006 New ComEd Data Posted	<p>The following new data items have recently been added:</p> <ul style="list-style-type: none"> • Detailed Switching Statistics, Customer Counts, and Size Distributions • Historical Custom

	<ul style="list-style-type: none"> • Historical Small Qualified Facility Hourly Generation • Inadvertent Energy • Active Load Management Characteristics
06/29/2006 Revised Ameren Data Now Available	The Ameren data room has been revised. This is a special one-time revision meant to resolve certain issues that have been discovered during the ongoing Ameren data validation process.
08/21/2006 Rate Prisms, Data and MtM Information Update Posted	The Illinois Auction Web site has been updated with revised Rate Prisms, new and updated data, and Mark-to-Market (“MtM”) information

Below is a table of all data items currently available in the data room along with the date at which these items were first posted.

Table IV-8. Data Items Available in the Data Room as of September 1, 2006.

ComEd	Date Added	Ameren’s Illinois Utilities	Date Added
Total Retail Hourly Load	2/2/2006	Total Eligible BGS Hourly Load	2/2/2006
Total Retail Peak Load Share	3/30/2006	Total Eligible BGS Monthly Peak Load	2/2/2006
Total CPP Hourly Load	2/2/2006	Total BGS Hourly Load	2/2/2006
Total CPP Peak Load Share	3/30/2006	Total BGS Monthly Peak Load	2/2/2006
Switching Statistics	2/2/2006	Switching Statistics	2/2/2006
Detailed Switching Statistics, Customer Counts, and Size Distributions	2/2/2006	Detailed Switching Statistics, Customer Counts, and Size Distributions	2/14/2006
Primary CPP-A Hourly Load	2/2/2006	Eligible BGS-LFP Hourly Load	2/2/2006
Primary CPP-A Peak Load Share	3/30/2006	Eligible BGS-LFP Monthly Peak Load	2/14/2006
CPP-A Hourly Load	2/2/2006	BGS-LFP Hourly Load	2/2/2006
CPP-A Peak Load Share	3/30/2006	BGS-LFP Monthly Peak	2/14/2006

ComEd	Date Added	Ameren's Illinois Utilities	Date Added
		Load	
Primary CPP-H Hourly Load	2/2/2006	Non-Qualified BGS-LFP Hourly Load	7/26/2006
Primary CPP-H Peak Load Share	3/30/2006	Eligible BGS-LRTP Hourly Load	2/2/2006
CPP-H Hourly Load	2/2/2006	Eligible BGS-LRTP Monthly Peak Load	2/14/2006
CPP-H Peak Load Share	3/30/2006	BGS-LRTP Hourly Load	2/2/2006
Primary CPP-B Hourly Load	2/2/2006	BGS-LRTP Monthly Peak Load	2/14/2006
Primary CPP-B Peak Load Share	3/30/2006	Eligible BGS-FP Hourly Load	2/2/2006
CPP-B Hourly Load	2/2/2006	FP Hourly Load. Eligible BGS-FP Monthly Peak Load	2/14/2006
CPP-B Peak Load Share	3/30/2006	BGS-FP Hourly Load	2/2/2006
Historical Customer Supply Group Load Profiles and Methodology	4/20/2006 8/15/2006	BGS-FP Monthly Peak Load	2/14/2006
Historical Small Qualified Facility Hourly Generation	4/20/2006	Historical Rate Class Load Profiles and Methodology	5/09/2006 8/15/2006
Inadvertent Energy	4/20/2006	Qualified Facility Generation Characteristics	3/30/2006
Active Load Management Characteristics	4/20/2006	MISO Cost Data	8/10/2006
PJM Billing Data	5/26/2006	FERC 714 Hourly Load	5/27/2006
FERC 714 Hourly Load	5/26/2006	FTR Allocation Data	7/27/2006
		CpNode-EpNode Relationships	8/02/2006

IV. B. Interface with Stakeholders

IV.B.1. Comments on the Supplier Forward Contracts (January 31)

ComEd posted its draft SFCs to the Illinois Auction Web site on January 31, 2006 and the Ameren Illinois Utilities posted their draft SFCs to the Illinois Auction Web site on February 10, 2006. On February 6, 2006, the Illinois Auction Manager invited prospective suppliers to submit their comments regarding the draft SFCs. The SFCs specify the terms and conditions under which winning bidders in the Illinois Auction would supply power to ComEd and Ameren's Illinois utilities. This comment process was initiated pursuant to the process approved by the ICC on January 24, 2006. ComEd posted its draft SFCs to the Illinois Auction Web site on January 31, 2006 and the Ameren Illinois Utilities posted their draft SFCs to the Illinois Auction Web site on February 10, 2006. Comments were reviewed and evaluated by a committee consisting of representatives from ComEd, the Ameren Illinois Utilities, the Auction Manager, and the ICC Staff. Prospective suppliers were advised that any comment that would put in jeopardy the SFCs' compliance with the ICC Orders would not be considered.

Prospective suppliers were given until noon CPT on February 24 to submit their initial comments. Six prospective suppliers submitted comments on the draft SFCs. The Auction Manager posted interim draft SFCs on March 13, 2006 that incorporated comments from prospective suppliers. The prospective suppliers who submitted initial comments on the SFCs then had until March 20 to provide clarifications to their initial comments on the SFCs. Two prospective suppliers submitted clarifying comments. Final SFCs incorporating all approved changes were posted to the Illinois Auction Web site on March 24, 2006.

Information provided to prospective suppliers through the responses to their comments was also provided to all prospective suppliers by the posting of questions and answers to the FAQ portion of the Web site. These questions and answers summarized the information provided while taking care not to identify particular prospective suppliers.

IV.B.2. Comments on Alternate Guaranty Process (March 29)

On March 29, 2006, the Auction Manager posted a Proposed Alternate Guaranty Process to the Web site. The objective of the Alternate Guaranty Process is to provide an opportunity for any prospective supplier who cannot use the standard guaranty form due to internal corporate policies to demonstrate that its alternative guaranty form contains adequate protections for the Utilities and their customers. The Alternate Guaranty Process seeks to broaden the scope of participation in the Illinois Auction to include suppliers that cannot use the standard guaranty form. The Auction Manager invited prospective suppliers to provide comments on:

1. The criteria for accepting and rejecting alternate forms of guaranty. The criteria are intended to assure that the guaranteed parties have adequate protections, while being requirements that prospective suppliers and their guarantors can meet;
2. The process and proposed dates. The process and dates are intended to provide sufficient time for prospective suppliers and their guarantors to respond, while providing a prompt response to prospective suppliers so that prospective suppliers will be informed of the decision on their proposed alternate guaranty form prior to the Part 1 Application due date.

Comments received were reviewed and evaluated by a committee consisting of representatives from the Utilities and from the Auction Manager. The identity of each commenter was redacted prior to providing the comments to the Utilities. Responses from the committee to prospective suppliers were reviewed by the ICC Staff and additional input was sought from ICC Staff. Comments were reviewed with the goal of accepting any request for modifications that would improve the process while recognizing that the criteria for alternate guaranty approval must provide adequate protections for the guaranteed parties, and recognizing that the Utilities, Auction Manager and Staff must work within the framework of the ICC Order.

The initial deadline for prospective suppliers to provide initial comments was Tuesday April 11, 2006. Six prospective suppliers submitted initial comments. The Auction

Manager provided responses to these prospective suppliers on April 17, 2006. These responses were drafted by the Auction Manager and the Utilities, and incorporated comments by ICC Staff. On this date, an interim draft Proposed Alternate Guaranty Process, incorporating initial comments that would improve the process was posted to the Web site. Prospective suppliers who made initial comments were invited to respond to the interim draft Proposed Alternate Guaranty Process, and the Auction Manager provided responses to these prospective suppliers on April 26, 2006. These responses were drafted by the Auction Manager and the Utilities and incorporated comments by ICC Staff. Three of the original six prospective suppliers provided clarifying comments. These clarifying comments were reviewed by the Auction Manager and the Utilities. Responses were drafted by the Auction Manager and the Utilities and reviewed by ICC Staff. The comments submitted provided useful information to the Auction Manager, the Utilities and ICC Staff regarding the concerns of prospective suppliers and the features of the Alternate Guaranty Process of importance to them, and allow the Auction Manager to modify the Alternate Guaranty Process to respond to these concerns. The Auction Manager provided final responses to prospective suppliers on April 26, 2006. These final responses incorporated comments by ICC Staff. The final Alternate Guaranty Process, incorporating prospective suppliers' comments that improved the process, was posted in final form on May 1, 2006.

Information provided to prospective suppliers through the responses to their comments was also provided to all prospective suppliers by the posting of questions and answers to the FAQ portion of the Web site. These questions and answers summarized the information provided while taking care not to identify particular prospective suppliers.

IV.B.3. FAQ Process (started on March 2, 2006)

The Auction Manager Team started posting FAQs to the Web site on March 2, 2006. FAQs were posted weekly on Thursdays until June 30, 2006. Starting on that date, due to high volume, FAQs were posted daily. The volume of questions was an early indication of the seriousness of bidders and of their strong interest in the Auction process. As of September 4, 2006, the day before the Auction started, 793 FAQs had been posted to the

Web site. These FAQs represent not only questions submitted to the Auction Manager by telephone or by email, but also questions answered during information sessions, questions to provide information regarding accepted modifications to the Letters of Credit, and questions and answers posted by the Auction Manager to clarify aspects of the auction rules or the Auction process in general.

Table IV-9. FAQ Summary by Source.

Source	Number of FAQs
From Web site and telephone	531
Information sessions	100 (approximately)
Letter of Credit Modifications	66
Clarifications posted by the Auction Manager	65 (approximately)

The bulk of the questions received from prospective suppliers by telephone and through the Web site related to Supplier Forward Contracts, to the application process, and to obligations of suppliers to the PJM and/or MISO. An approximate breakdown of FAQs by topic is provided in the table below.

Table IV-10. Number of Questions by Category.

Number of FAQs (Approximate)	
Association and Confidential Information Rules	58
Application	26
General	198
Payment and Rates	121
Supplier Forward Contracts	128
Credit	43
Data	83
Auction Rules	70
Letter of Credit Modifications	66
Total	793

A majority of questions were answered within the promised two business days. About three-quarters of the questions were answered within three business days. Questions that took longer to answer generally required either research into PJM or MISO rules, or required legal review, or information/consultation from the Utilities and/or ICC Staff. The Auction Manager endeavored to let questioners know when the answer was going to be late and to provide an alternate date by which an answer could be expected. Timeliness statistics are provided in the table below.

Table IV-11. FAQ Timeliness Statistics as of September 8, 2006.

Business Days	Count	Percent	Timeliness	
0	59	11.17%	58.14%	2 business days or less
1	126	23.86%		
2	122	23.11%		
3	97	18.37%	35.98%	3-5 business days
4	54	10.23%		
5	39	7.39%		
6	21	3.98%		
7	8	1.52%		
8	2	0.38%	5.87%	more than 5 business days
9	0	0.00%		
10 +	0	0.00%		

The volume of questions was heavy from the Part 1 Application onward, showing strong interest in the Auction and seriousness by prospective suppliers in preparing their bids:

Table IV-12. FAQ Statistics by Time Period.

Time period	Number of questions answered	Number of business days	Number of questions answered per business day
March 2 to June 1	125	65	1.7
June 1 – August 1 (application period)	454	42	5.2
August 1 – September 12	214	24	8.0

To enhance timeliness and to ensure that information was provided to Registered Bidders, starting on August 31, 2006 questions from Registered Bidders were answered first, before questions from other stakeholders. Other stakeholders were informed that their questions might only be answered after the Auction. In actual fact, all questions asked before and during the Auction were answered before the end of the Auction.

IV.B.4. Comments on the Data Room (started in May)

In addition to comment processes on auction documents, prospective suppliers also had an opportunity to comment on the data room. The data room is a portion of the Illinois Auction Web site where historical data series for ComEd and for the Ameren Illinois Utilities are posted. Prospective suppliers were invited to comment on the format of the data room as well as to request additional data items.

In contrast to other comment processes, which were one-time only, the comment process for the data room was conducted on an on-going basis. Starting in May, prospective suppliers were asked to submit comments to the Auction Manager by the first of each month. A comment data form was posted to the data room for the convenience of prospective suppliers. The Auction Manager provided the comments received to the Utilities and to ICC Staff with the identity of the commenters redacted. Representatives from the Auction Manager Team and from the Utilities discussed the comments and the requests for additional data and drafted responses. In responding, the Auction Manager and the Utilities considered the prospective supplier's explanations as to the need for the data to prepare a bid and the feasibility of providing the additional data. The draft responses were discussed and reviewed with ICC Staff. The Auction Manager provided final responses, incorporating ICC Staff input, to the commenters generally by the 15th of the month. In May, there was a two-day delay to formulate final answers. The update to the data room on or before the scheduled monthly data update on the 26th of each month would incorporate any request for additional data that had been accepted.

The data room comment process for May and June was primarily an auction promotion activity. As with the comment process for the Proposed Alternate Guaranty Process, the data room comment process demonstrated to prospective suppliers that the Auction

process is sufficiently flexible and open to address their concerns, which is a feature of the Auction process that can promote and expand participation. Further, the early data room comment process served to engage prospective suppliers early in the Auction process so as to maximize the time that prospective suppliers have to prepare their bids and so as to provide the Auction Manager, the Utilities and ICC Staff with an opportunity to address any concerns that prospective suppliers may have concerning the data in order to promote participation.

The comments submitted provided useful information to the Auction Manager, the Utilities and ICC Staff regarding the data most useful by prospective suppliers to formulate their bids, a topic on which there was some disagreement before hearing directly from prospective suppliers. The Auction Manager, working with the Utilities, was able to expand the set of data series in response to comments received.

The data room comment process in July and August was of a different nature. By then, prospective suppliers were already engaged through the qualification process: the data room comment process was not at that point an auction promotion activity as much as a means for the Auction Manager to communicate with prospective suppliers regarding their need for data. Providing prospective suppliers with an organized and recurring process to take data requests created the incentive for prospective suppliers to concentrate early on preparing their bids and on providing data requests in a timely fashion in order to maximize the likelihood that such requests could be accommodated. The final opportunity for prospective suppliers to request additional data through this process was on August 1, 2006, for posting on August 26, 2006, the last update to the data room before the Auction.

The table below shows the additional data items requested by prospective suppliers through the data room comment process and an indication of whether the data was supplied:

Table IV-13. Additional Data Items Requested by Prospective Suppliers.

Month	Request	Data Supplied?
May	PJM billing data and ancillary services costs by ComEd load categories	Yes
May	Five years of hourly and peak load data for each hourly load and peak load data series in the data room	Partial; Five years of control area load, i.e., FERC 714 data
July	MISO billing data and ancillary services costs	Yes
July	Load data by post-2006 rate class/customer supply group for ComEd and Ameren load categories	No, not feasible
July	Preliminary settlement data for ComEd hourly load categories	No, not feasible
August	ComEd historical next day forecasts and 5-day forecasts for each load category	No, as ComEd does not have a forecast. Prospective supplier pointed to PJM forecast
August	Ameren and ComEd customer counts by rate class/customer supply group	Data series already had requested information; statistics were updated
August	Hourly Qualified Facilities generation data for the Ameren Illinois Utilities	Yes (monthly data)
August	The methodologies used to create the ComEd and Ameren load profiles available in the data room	Yes
August	Unprotected rate prism files	Yes
August	Ameren Firm Transmission Rights revenue/charge data.	Yes, provided method to calculate these using data room and MISO site

In some cases, the comments provided through the data room comment process were questions *about* the data rather than requests for *additional* data. In those cases, prospective suppliers were provided with responses to their questions through the data room comment process; the questions and answers were then posted to the FAQ portion of the Web site.

Prospective suppliers were encouraged to use the data room comment processes for all requests for additions or modifications to the data room. However, certain requests submitted through the Web site asked for data that did not seem to fit squarely within the ambit of the type of historical data series posted to the data room. The following FAQs resulted in additional data being added to the Web site.

Table IV-14. FAQs Resulting in Additional Data Being Provided.

FAQ Number	Date	Topic
642	8/17/2006	Enrollment information for ComEd's CPP-A customers and Ameren's greater than 1 MW customers
631	8/16/2006	Transmission and distribution loss factors
604	8/9/2006	ARR source, sink, MWs bid and MWs cleared
603	8/9/2006	Transmission system information
589	8/2/2006	New CpNode-EpNode relationships
111	5/11/2006	Estimates of previous day CPP-A and CPP-B load (after 1/1/2007)
111	5/11/2006	Hourly zonal load update (after 1/1/2007)
109	7/26/2006	Results of Ameren's greater than 3 MW customer survey
98	5/4/2006	Loss factors by rate class for each Ameren Illinois Utility
61	4/6/2006	Ameren Firm Transmission Rights allocation data

IV.B.5. Posting of Auction Documents

The Auction Manager also posted additional explanatory documents for the benefit of prospective suppliers. This sub-section lists the final auction documents, describes key updates to documents lists explanatory documents, and examines adherence to the calendar set forth in the CPP and MV tariff Riders.

A number of documents are explicitly named in the Riders and it is part of the Auction Manager's duties to provide these documents according to the timeline provided therein.

The table below shows these announcements that are explicitly named in the Riders, the latest date at which the document can be provided according to the Riders, and the date at which these documents were provided.

Table IV-15. Documents Required from Riders to be Posted to the Illinois Auction Web site.

Document Posting	No Later Than (from Riders)	Date Posted
Final Part 1 Application From posted	May 8, 2006	May 01, 2006
Sample Part 2 Applications posted	May 8, 2006	May 01, 2006
Posting of Illinois Auction Rules, SFCs and Rate Prisms	May 19, 2006	May 15, 2006 (Ameren prism on May 16)
Final Part 2 Application posted	June 12, 2006	June 6, 2006
Information regarding possible values of the target eligibility ratio and circumstances under which a second volume cutback could occur	August 10, 2006	August 10, 2006

IV.B.6. Information Sessions (and other information dissemination activities for the General Public)

IV.B.6.a. Bidder Information Sessions

Bidder information sessions were held in early June, two weeks before the Part 1 Applications were due. The first bidder information session was held in New York, NY on June 6, 2006 and the second was held in Chicago, IL on June 7, 2006. Two different locations were chosen for the convenience of potential suppliers. Both locations are close to offices for prospective suppliers and widely accessible by train and plane. Bidder information packets covering a wide array of topics were distributed at each of these sessions. The topics covered in the bidder information packet included regulatory background information, an overview of the Auction and the auction rules, the Utilities and the Regional Transmission Organizations (“RTOs”), other auctions of interest, references to public sources of information that may be of interest to bidders, and a description of the application process to

participate in the Auction. The final versions of the SFCs were also provided to bidders at the session.

There were 52 attendees representing 29 companies present for the bidder information session held in NY on June 6, 2006. There were 32 attendees representing 25 companies present for bidder information session held in Chicago on June 7, 2006. A total of 46 companies participated in the bidder information sessions; eight companies attended both the June 6th and the June 7th sessions.

Two representatives from the Attorney General were present at both meetings. A representative from the Citizen Utilities' Board, as well as a representative from the Lieutenant Governor's Office, were present at the Chicago session. These sessions accomplished their purpose to promote the Auction and to inform bidders of the auction opportunity.

IV.B.6.b. Information Sessions for the General Public

The Auction Manager held two information sessions that were aimed at providing an overview of the Auction to the general public. The presentation for these information sessions included a section on regulatory background, a section presenting the Utilities, a section describing the auction products, a section describing the bidding process, a section on the timeline for the remainder of the Auction process including the ICC review of the auction results, a section on the relationship of Auction results and retail prices, a section on auction administration, and a presentation on competitive safeguards and contingency plans. Written materials and handouts were developed specifically for the meetings for the general public; one handout provided an "At A Glance" overview of the Auction, while the other provided general information on all aspects of the Auction process in Q&A format. The presentations and handouts were posted to the Web site.

The first meeting was held in New York on June 1, 2006. This meeting had a dual purpose; the first was to explain the Auction process to the general public; the second was to encourage the press (and potentially energy traders that had not traditionally

considered such auction opportunities) to come to the session. New York City was chosen as it remains the base to many energy traders and press. Coverage by the press of the Auction could encourage additional suppliers to participate and the first meeting for the general public therefore served a dual purpose as an activity for information dissemination as well as an activity for auction promotion.

The second meeting was held on June 29, 2006 in Chicago. By that time, the Part 1 Application process had been completed. At the meeting of the general public, it was announced that more than 20 prospective suppliers had qualified to participate in the Auction. The presentation was updated to account for the passage of time and to clarify certain aspects that had led to questions in the first session. The handouts provided at the second meeting were identical to the handouts provided at the first meeting.

Fifty people attended the first meeting in New York City and twenty-nine people attended the session in Chicago. The meetings were successful in reaching a broad cross-section of stakeholders. Attendees included members from the press, industry analysts, prospective suppliers, representatives from customer groups, and members of the general public. The meetings generated a healthy question and answer period. About sixty questions from these information sessions were posted to the Web site on the FAQ page.

The Auction Manager undertook other activities that contributed significantly to keeping all stakeholders informed about the Auction process. These activities included:

- Making the Web site available to all, except for specific documents containing confidential information regarding the Auction Software and the backup bidding procedure;
- Issuing press releases available generally to the press;

- Providing announcements that were emailed to all registrants to the Web site including members of the general public; and
- Responding to questions from the general public that were submitted through the Web site or by telephone.

Section IV.A.2.a details the development of the Web site and explains that the Web site was set up for the purpose of providing general information to the public and for the purpose of providing detailed, often technical information to prospective suppliers. The Auction Manager took care to provide information on all key aspects of the Auction process in the section aimed at the general public. Section IV.A.1.b details the auction promotion activities related to the media and provides a detailed description of press releases. Members of the public that were registered to the Web site could receive announcements of major developments and postings directly from the Auction Manager. In this way, the Auction Manager could keep registrants informed appropriately. Finally, the Auction Manager, until August 31, 2006, answered all questions from prospective suppliers and from members of the general public using the same process. The Auction Manager in one instance referred a customer question to ICC Staff; in another instance, the Auction Manager sought from the Utilities the appropriate contact number for a customer question.

In total, 31 questions from members of the public were received through the Web site or by telephone. The timeliness statistics for questions from the public are provided below and are similar to questions from prospective suppliers, with about 71% answered within three business days.

Table IV-16. FAQ Statistics Concerning Questions by General Stakeholders.

Business Days	Count	Percent	Timeliness	
0	5	16.13%	54.84%	2 business days or less
1	7	22.58%		
2	5	16.13%		
3	5	16.13%	38.71%	3-5 business days
4	4	12.90%		
5	3	9.68%		
6	2	6.45%	6.45%	more than 5 business days
7+	0	0%		

IV. C. Qualification Process

This application process in the Illinois Auction is in two steps. In the first step, the “Part 1 Application,” prospective suppliers submit basic information and submit financial information to be subject to a creditworthiness assessment. In the second step, the “Part 2 Application,” prospective suppliers that have been successful in the first step submit indicative offers, financial guarantees, and make a number of certifications regarding associations and the handling of confidential information.

In addition, prospective suppliers may participate in two additional steps in the application process. Before the Part 1 Application, prospective suppliers may submit an alternate form of guaranty. The objective of the Alternate Guaranty Process is to provide an opportunity for any prospective supplier who cannot use the standard guaranty form due to internal corporate policies to demonstrate that its alternative guaranty form contains adequate protections for

the Utilities and their customers. After the Part 1 Application, Qualified Bidders (i.e., prospective suppliers that have been successful in the Part 1 Application process) may submit modifications to the standard forms of the Letters of Credit. There are two Letters of Credit: one for submitting pre-auction security with the Part 2 Application, and one that is appended to the SFCs for posting security during the term of the contract. Qualified Bidders may submit modifications on one or on both forms.

This section of the report discusses all four steps of the Application process, namely the Alternate Guaranty Process, the Part 1 Application, the Process for Letter of Credit Modifications, and the Part 2 Application.

IV.C.1. Alternate Guaranty Process

As explained in section IV.B.2, prospective suppliers had an opportunity to comment on the schedule and on the criteria that would be used to consider alternate forms of guaranty. The process used to evaluate alternate form of guaranty is the Final Alternate Guaranty Process, as posted to the Web site on May 1, 2006, which integrated comments from prospective suppliers.

Three prospective suppliers submitted alternate forms of guaranty for consideration by the deadline at noon CPT on May 15, 2006. One prospective supplier withdrew its submission after deciding to use the standard form of guaranty appended to the SFCs. A committee of representatives from the Auction Manager, the Utilities, and ICC Staff evaluated the proposed alternate forms of guaranty (along with all required supporting documentation) and provided individual responses to each proposing party by noon CPT on May 19, 2006. Each individual response detailed the specific changes to the proposed alternate forms of guaranty that would be required in order for the forms to be acceptable to the Utilities. The parties who submitted alternate forms of guaranty then had until noon CPT on May 24, 2006 to submit revised alternate forms of guaranty and supporting documentation that met the requirements set forth in the responses. Two parties submitted revised documentation. The revised documentation was evaluated by representatives from the Auction Manager, the Utilities, and ICC Staff. Both parties were informed of the final evaluation on May 31, 2006. One alternate form of guaranty was

accepted for use in the 2006 Illinois Auction, and one alternate form of guaranty was rejected because the revised documentation still did not meet the minimum requirements set forth in the Final Alternate Guaranty Process document. All representatives agreed on the decision and the evaluation of the alternate forms of guaranty and the supporting documentation.

IV.C.2. Part 1 Applications

The Part 1 Application Form was posted to the Illinois Auction Web site on May 1, 2006. The volume of questions received through the Web site as the Part 1 Application deadline approached increased notably. The Auction Manager gave priority to questions critical for the completion by prospective suppliers of the Part 1 Application.

During the first week of June, the Auction Manager became aware of an issue in regards to the Part 1 Application requirements. The Auction Manager received feedback from several prospective suppliers about the length of the process to appoint a Registered Agent in Illinois for an entity that does not already have authority to conduct business in Illinois. This would apply particularly to prospective suppliers that were relying on the strength of a guarantor as both the prospective supplier (who would eventually be required to get authorization to do business in Illinois) and the guarantor (who would not be required under the SFC to get authorization to do business in Illinois) were required to name a Registered Agent under the terms of the SFCs.

The Auction Manager took the following steps:

- The Auction Manager consulted with counsel for the Utilities to determine that the prospective supplier (but not its guarantor) would be required to get authorization to conduct business in Illinois under the SFC;
- The Auction Manager consulted with counsel for the Utilities to determine that a business that did not have authorization to conduct business in Illinois could nevertheless have a Registered Agent in Illinois;

- The Auction Manager contacted entities that offered services as Registered Agents to establish whether they had a process to offer these services for entities that did not have authorization to conduct business in Illinois. While most did not offer the service, the Auction Manager established that some would.

The Auction Manager recommended to the Utilities and to ICC Staff that the deadline by which prospective suppliers were required to demonstrate that they (and their guarantor, if applicable) had appointed a Registered Agent in Illinois be extended to the Part 2 Application deadline, and that the Auction Manager be allowed to pass along names of entities that were able to provide Registered Agent services to entities not yet authorized to conduct business in Illinois. The Utilities and the ICC Staff agreed with these recommendations. The Auction Manager made an announcement and answered FAQs on June 15 to that effect. Three of the applicants in the Part 1 Application postponed the appointment of the Registered Agent to the Part 2 Application.

There were no additional generalized issues with the Part 1 Application. The Part 1 Application was due at noon CPT on June 20, 2006. No late Part 1 Applications were received. The processing of the Part 1 Applications proceeded as follows:

1. As Part 1 Applications were received, these were assessed by the Auction Manager for completeness. All Part 1 Applications had minor deficiencies, being incomplete or requiring clarification. Applicants were advised of these deficiencies, which were remedied within the timeframe required by the Auction Manager.
2. On the day of the Part 1 Application deadline, the Auction Manager briefed by telephone selected personnel from the Utilities and ICC Staff concerning the number of applications received and the types of deficiencies that were encountered.
3. On the day after the Part 1 Applications were received, representatives from the Auction Manager, the Utilities and ICC Staff met at the Auction Manager office to evaluate the creditworthiness of the entities (i.e., the applicants or their guarantors, depending on whether the prospective supplier relied on its own financial standing or on that of a guarantor). Each entity was assigned an unsecured credit limit, based on

its tangible net worth and credit rating, following the criteria set forth in the SFCs. All decisions were unanimous and there was no disagreement between the ICC staff, the Utilities, and the Auction Manager.

4. Certain applicants were applying under agency agreements. Representatives from the Utilities, ICC Staff, and the Auction Manager met to decide on requirements that would allow these applicants to participate on a fair and equal footing with other suppliers. In a situation where an applicant acts as an agent for a principal that would be the supplier under the Supplier Forward Contract, additional requirements are necessary to make the assurances equivalent to the assurances provided by other applicants. The applicants were asked to provide a copy of the agency agreement between the applicant and the principal. Applicants were also asked to provide certifications that would assure that the applicant could bind the principal and that the principal was accepting the terms of the SFC at the Part 1 Application stage. These requirements were met by the applicants who were applying under an agency agreement. Bidder questions had been received prior to the Part 1 Application and an FAQ on the topic had been posted on June 15, 2006 and had put applicants on notice that additional requirements would be in force.
5. Two applicants were affiliated entities. The Auction Manager had provided information to prospective suppliers through answering of bidder questions on this possible situation. The Auction Manager had indicated that there were two possibilities. In a first possible case, if each entity does not know for a fact that the other is preparing a Part 1 Application for a Section, each entity should submit a separate application and indicate that it is bidding independently of the other. Upon qualification, each entity will be provided the list of Qualified Bidders and learn that the other affiliated entity has also qualified. The association between the affiliated entities would then be resolved in the Part 2 Application. In a second possible case, each entity is aware that the other is preparing a Part 1 Application and these entities have communicated their intention to bid to each other. In that case, each entity should indicate in its Part 1 Application that it is bidding as part of a bidding agreement or arrangement; each entity should specify the nature of the arrangement.

For the two applicants in question, it was unclear to the Auction Manager whether the two applicants could bid independently or whether an agreement existed. The Auction Manager undertook the following additional steps:

- The Auction Manager requested additional information from the two applicants. In particular, the Auction Manager requested information concerning the corporate structure of the entities, the officers that were appointed to both entities, codes of conduct, and personnel that were assigned to participate in the bidding team.
 - The Auction Manager conducted independent research on the regulatory situation faced by the two applicants. The Auction Manager discussed the situation with ICC Staff. The Auction Manager discussed with ICC Staff the criteria under which affiliated entities could bid independently in the Auction and discussed the treatment of affiliated entities under the Association and Confidential Information Rules. The Auction Manager provided to ICC Staff drafts of requests for additional information made to the applicants and provided the applicants' responses.
 - On the basis of the information received, the Auction Manager asked the applicants to make changes to their bidding teams and to resubmit their application materials on that basis. When the applicants complied, the applicants were allowed to continue in the application process as separate (yet affiliated) bidders.
6. On June 23, 2006, the date at which applicants would be notified whether or not they would be successful in the Part 1 Application, the Auction Manager briefed selected personnel from the Utilities and ICC Staff on the results of the Part 1 Applications. The Utilities were provided only with the appropriate application information.
 7. No Part 1 Application was rejected. Notifications of Qualification were sent to all applicants on June 23, 2006.

8. In considering the list of successful Part 1 applicants (“Qualified Bidders”), the Auction Manager noted to ICC Staff that it was public knowledge that two pairs of applicants were involved in two separate potential mergers. Further, it was public knowledge that operations from another applicant were being sold. The Auction Manager advised ICC Staff that the Auction Manager would ask for additional undertakings from these applicants and that these applicants would be advised of these additional undertakings through their Notification of Qualification. The applicants involved in potential mergers were required to provide with their Part 2 Application assurances that each applicant was managing its businesses independently and had not combined in anticipation of the merger. The applicant whose operations could be sold was referred to FAQs concerning the requirement for a Qualified Bidder not to substitute, transfer, or assign its rights as a Qualified Bidder to another entity, and told that the sale of its operations may violate this requirement. All such applicants were also referred to FAQs concerning associated bidders and bidders who may become associated during the Auction process through a merger.

IV.C.3. Requests for Modifications to Letters of Credit

On May 9, 2006, the Auction Manager posted the process for the submission of modifications to the Letters of Credit. There are two Letters of Credit: one for submitting pre-auction security with the Part 2 Application, and one that is appended to the SFCs for posting security during the term of the contract. Qualified Bidders may submit modifications to one or to both forms.

The process for submission of modifications to the Letters of Credit was set up as follows. The deadline to submit proposed changes to the forms of Letters of Credit was July 5, 2006. The Auction Manager agreed to provide the proposing parties with written notice of the decisions on modifications to the Pre-Auction Letter of Credit made by ComEd and the Ameren Illinois Utilities on or before July 10, 2006, and on modifications to the Post-Auction Letter of Credit made by ComEd and the Ameren Illinois Utilities on or before July 12, 2006. The Auction Manager agreed to post to the Illinois Auction Web

site (www.illinois-auction.com) all changes that proved acceptable to ComEd and the Ameren Illinois Utilities.

ComEd and the Ameren Illinois Utilities allowed any Qualified Bidder to request non-material changes to the Pre- and Post- Auction Letters of Credit prior to the Part 2 Application deadline. Non-material changes were limited to changes that clarified the intent of the language in the Letters of Credit. No other changes were accepted. This position preserved the safe harbor of the standard Pre-Auction Letter of Credit included in the Part 2 Application materials and the standard Post-Auction Letter of Credit appended to the BGS and CPP SFCs. Participants in the Illinois Auction were able to satisfy the pre-auction security requirements using the standard Pre-Auction Letter of Credit and be assured that the standard Pre-Auction Letter of Credit would be acceptable to ComEd and the Ameren Illinois Utilities, and also to use the standard forms of the Post-Auction Letters of Credit and be assured that these standard forms of the Post-Auction Letter of Credit were acceptable to ComEd and the Ameren Illinois Utilities.

On June 8, 2006, the first submission of modifications to the Letters of Credit was received. A team including representatives from the Auction Manager, representatives from ComEd, representatives from the Ameren Illinois Utilities, and representatives from ICC Staff was formed to review the submissions. The submissions were reviewed weekly until the deadline, and more often as necessary. All submissions were reviewed by July 10, 2006. Each Qualified Bidder was provided with an individual assessment by the Auction Manager, explaining whether each proposed modification was accepted. Rejected modifications weakened the terms of the standard form, or went beyond clarifying the intent of the standard form. All decisions were consensus decisions among representatives from the Utilities, the Auction Manager Team and ICC Staff.

The process for submission of modifications to the Letters of Credit provided that a modification that was submitted by one prospective supplier and that was accepted for that supplier could be used by all other prospective suppliers. To communicate to prospective suppliers in the most timely fashion which modifications to the Letters of Credit had already been deemed acceptable, the Auction Manager posted FAQs to the

Auction Web site. Each FAQ provided a proposed change and stated whether or not the modification was acceptable. In total, 36 such FAQs were posted regarding the Pre-Auction Letter of Credit, and 62 such FAQs were posted regarding the Post-Auction Letter of Credit.

In order to assist prospective suppliers in preparing their Pre-Auction Letters of Credit for the Part 2 Application, the Auction Manager also prepared a document that summarized all acceptable modifications to the Pre-Auction Letter of Credit. For each paragraph in the standard form of the Pre-Auction Letter of Credit, this document showed the original form of the paragraph, followed by all acceptable changes to that paragraph in redline format. This document was posted to the Web site on July 18, 2006.

A similar document was prepared for the Post-Auction Letter of Credit and was posted to the Web site on August 9, 2006 and included in the Bidder Information Packet distributed at the August 23, 2006 training session.

IV.C.4. Part 2 Applications

The Part 2 Application Form was posted to the Illinois Auction Web site in draft form on May 1, 2006 and in final form on June 6, 2006. Only Qualified Bidders (i.e., prospective suppliers that were successful in the Part 1 Application stage) were invited to submit Part 2 Applications. The Auction Manager gave priority to questions critical for the completion of the Part 2 Application by Qualified Bidders.

No generalized issues with the Part 2 Application required special attention by the Auction Manager or required a change to the Part 2 Application requirements.

The Part 2 Application was due at noon CPT on July 25, 2006. No late Part 2 Applications were received. The processing of the Part 2 Applications proceeded as follows:

1. As Part 2 Applications were received, these were assessed by the Auction Manager for completeness. The Auction Manager checked that each Qualified Bidder's financial guarantee was in the name of the Qualified Bidder and was sufficient to

support its indicative offer at the maximum starting price. The Auction Manager made copies of all credit instruments used as financial guarantees and redacted from these copies the name of the Qualified Bidder, the name of the Qualified Bidder's Guarantor (if applicable), and any amounts mentioned in the documents.

2. On the day of the Part 2 Application deadline, a credit team including representatives from the Auction Manager Team, the Utilities and ICC Staff met at the Auction Manager office to review the credit instruments provided by the Qualified Bidders as financial guarantees for their indicative offers. The credit team was provided with the redacted copies of the credit instruments. The credit team verified that each Qualified Bidder had either used the standard form for the Pre-Auction Letter of Credit or had used modifications that had been approved through the modifications to the Letters of Credit process. If the Qualified Bidder did not comply, the credit team listed the required changes to the submitted Pre-Auction Letter of Credit. The credit team checked that each Qualified Bidder that submitted a particular additional credit instrument (a Letter of Intent to Provide a Guaranty or a Letter of Reference) had either used the standard form of this credit instrument or had made modifications that did not weaken protections inherent in such instruments. If the Qualified Bidder did not comply, the credit team listed the required changes to the submitted credit instruments. All decisions were arrived at by consensus of the credit team.
3. The Auction Manager provided the Utilities with the application information to which they should have had access. One financial institution that prepared the Pre-Auction Letter of Credit for two separate Qualified Bidders sent a fax of the Pre-Auction Letter of Credit to a representative from ComEd and a representative from the Ameren Illinois Utilities named on the Letter of Credit. The Auction Manager instructed the utility representatives to shred the fax and not to disclose either the name of the Qualified Bidder or the amount. Aside from this incident, the Utilities were provided only with the application information to which they should have had access.

4. All Part 2 Applications had some type of deficiency, either in terms of an item missing in the Application itself or in terms of a modification required to a credit instrument.
5. On the day of the Part 2 Application deadline, the Auction Manager briefed by telephone selected personnel from the Utilities and ICC Staff concerning the number of applications received and the type of deficiencies that were encountered.
6. The Auction Manager and ICC Staff met several times before the Part 2 Application deadline to consider the pool of Qualified Bidders, to consider the situations that could arise with respect to possible associations, and to analyze decisions with respect to these possible associations within the ambit of the Illinois Auction Rules. The day after the Part 2 Application deadline, selected personnel from the Auction Manager Team and selected personnel from ICC Staff met to review association issues. The Auction Manager made copies of all Part 2 Applications for which Qualified Bidders had been unable to make all certifications required by the Association and Confidential Information Rules and provided these to Staff. The ICC Staff and Auction Manager agreed on the following:
 - The Auction Manager requested additional information from one Qualified Bidder regarding possible associations. Upon receipt of the additional information, the Auction Manager reached the conclusion that there were no associated bidders among the pool of Part 2 Applicants and that no action was required with respect to problematic associations.
 - The Auction Manager noted that all Qualified Bidders that had been required to submit additional certifications in response to their own unique situation (e.g., possible merger, as detailed in section IV.C.2) had complied.
 - The Auction Manager required additional information from one Qualified Bidder in regards to handling of confidential information. Upon receipt of this information, the Auction Manager, as a condition for the Qualified Bidder to continue in the Part 2 Application process, required that the Qualified Bidder

agree to additional undertakings. These additional undertakings were to avoid the possibility of the Qualified Bidder having access to the confidential information of another Qualified Bidder. The Qualified Bidder complied with the additional undertakings.

7. The Pre-Auction Letter of Credit required that the Utilities signify in writing their agreement to any amendments. After all amendments to the Pre-Auction Letters of Credit were received, on July 31, 2006, a representative from ComEd and a representative from the Ameren Illinois Utilities each signed a document to be returned to the Qualified Bidder's bank signifying their agreement with the amendment. The Auction Manager ensured that the representatives from the Utilities did not see the name of the Qualified Bidder or the amount. The Utilities were provided only with the application information to which they should have had access.
8. The Auction Manager provided indicative offer data to the Utilities and to ICC Staff. The indicative offers provided strong interest and were sufficient to support a full volume in round 1 of the Auction for both the Fixed Price Section and the Hourly Price Section.
9. On July 31, 2006, the day before applicants would be notified whether or not they were successful in the Part 2 Application, the Auction Manager briefed selected personnel from the Utilities and ICC Staff on the results of the Part 2 Applications, including the name of the Registered Bidders and the initial eligibility in each Section.
10. No Part 2 Application was rejected. Notifications of Registration were sent to all twenty-one applicants on August 1, 2006.

IV. D. Preparation of Auction Manager Team and Bidder Training

IV.D.1. Finalization of Auction Parameters

The Auction Manager proposed detailed methodologies for the setting of auction parameters, namely:

- The setting of the range of opening prices (the “minimum and maximum starting prices”);
- The setting of the auction volume should the volume be reduced (the “auction volume guidelines”);
- The setting of price decrements;

and in accordance with the ICC Orders, these methodologies were finalized by agreement between ICC Staff and the Auction Manager.

Methodologies for the setting of all auction parameters were developed and presented to ICC Staff in February and March 2006. The presentation and rationale for each of these methodologies was discussed during meetings or conference calls involving ICC Staff, the Auction Manager, as well as selected personnel from the Utilities. All personnel involved in discussions of the minimum and maximum starting prices and the setting of the auction volume were required to execute a separate confidentiality agreement and to agree to procedures to preserve the utmost confidentiality for these procedures and discussions.

The price decrement formulas were developed so that bidders would be unable to make inferences about excess supply on a product toward the end of the Auction. The price decrements were developed separately for the Fixed Price and the Hourly Price Sections, and for the ComEd and the Ameren products. The Auction Manager further developed and expanded the price decrement method that had been first proposed in Dockets 05-0159, 05-0160, 05-0161, and 05-0161. The price decrements at the end of the Auction included a random element that precluded direct inference about excess supply by bidders. The Auction Manager, selected personnel from the Utilities, and ICC Staff agreed that the formulas for the price decrements were to be included in the Illinois Auction Rules. The price decrement formulas were provided in the Draft Illinois Auction Rules posted to the Web site on April 11, 2006 and the same price decrement formulas were in the Final Illinois Auction Rules posted to the Web site on May 15, 2006. The price decrement formulas were revised on the basis of the final tranche targets and

released on June 6, 2006. ICC Staff was consulted prior to the decrement recalibration. The Auction Manager confirmed and announced to Registered Bidders on August 10, 2006 that the decrement formulas provided on June 6 were the final decrement formulas and that no further re-calibration was necessary.

The Auction Manager, the Utilities, and the ICC Staff set a minimum starting price and a maximum starting price for each Section (i.e., separately for the Fixed Price Section and the Hourly Price Section). Bidders submitted indicative offers at the minimum and at the maximum starting prices. The Auction Manager, the Utilities and the ICC Staff then set the opening prices for round 1 of the Auction within this range. The range of opening prices were set high enough to encourage participation in the Auction so that competition would tick prices down to their final levels. The range of opening prices was developed considering recent market data.

The methodology for setting the minimum and maximum starting prices was finalized in May 2006. The essentials of the methodology were discussed with ICC Staff in February and March; details of the methodology, following input from ICC Staff, was completely specified several weeks later. The methodology that was agreed to was followed in setting the range of opening prices that were announced on June 6, 2006.

The Auction Manager would use the auction volume guidelines to cut back the volume in the Auction if necessary to ensure a competitive bidding environment. Any volume not obtained through the Auction is procured through PJM/MISO-administered markets. This measure is a safety net whose sole purpose is to address a situation where interest is lower than expected and where, in the absence of a volume cutback, auction prices may not reach competitive levels.

The auction volume guidelines were first discussed with ICC Staff in March 2006. The volume guidelines can only be effective if they are kept confidential from bidders. The Auction Manager, selected personnel from the Utilities, and ICC Staff all agreed on the purpose for the auction volume guidelines and on the general principles behind these guidelines, including the imperative for strict confidentiality. ICC Staff had questions

regarding the empirical and theoretical underpinnings of the proposed auction volume guidelines. The Auction Manager and ICC Staff discussed the method via conference calls and the Auction Manager answered questions from the ICC Staff regarding the theoretical underpinnings of the proposed method. The Auction Manager made several adjustments to the method on the basis of ICC Staff input and concerns. The Auction Manager finalized the proposed methodology at the end of July 2006. The auction volume guidelines used during the Auction were those agreed to with ICC Staff.

IV.D.2. Testing of Bidding Procedures

In the Illinois Auction, online bidding is the norm. The backup bidding procedure is by fax. Numerous tests were performed by the Auction Manager Team to test specific aspects of the bidding procedures through the Auction Software as well as backup bidding procedures. The testing of specific bidding procedures, backup bidding procedures, and any subsequent or associated revisions to the Auction Software occurred throughout the month of August 2006 on almost every business day.

Bidders submit bids using specialized Auction Software developed for the Illinois Auction. The Auction Manager was in contact with the software developer throughout the development phase. Starting in the second week in July, the Auction Manager established a weekly conference call with the software developer, Optimal Auctions, with at least one follow-up call on an as-needed basis. During these calls, the testing timeline and a schedule of deliverables were developed, software development progress was discussed and issues were resolved.

Testing of the online bidding procedure consisted of three main activities.

In the first activity, test cases were finalized. Test cases are a comprehensive library of situations from the Auction Rules that the software must be designed to handle as well as a library of features of the bidder and administrator interfaces that the software must be designed to handle. Optimal Auctions developed the test cases. The Auction Manager audited the test cases. The Auction Manager requested additional test cases on the basis of the special features of the Illinois Auction Rules. The Auction Manager requested

corrections to test cases to ensure conformance with the Illinois Auction Rules. The Auction Manager provided approval of test cases on an individual basis once Optimal Auctions had provided corrections or additions requested by the Auction Manager.

In a second activity, the Auction Manager performed targeted tests of key functions of the Auction Software, including the solver, the schedule, and the user interface. The table below is a partial list of such functions that were tested by the Auction Manager.

Table IV-17. Key Auction Functions Targeted for Auction Manager Testing.

Bidder Interface	Administrator Interface	Solver
Submitting simple bids	Creating schedules	Denying switches out of priority order
Switching and naming priorities	Schedule changes	Regime change
Exiting and setting exit prices	Annulling Rounds	Outbidding of retained exits
Requesting extensions	Closing Auctions	Group load cap calculations
Revising bids	All Reports	Retained exit and denied switch releases
Viewing and sending messages	Ability of Monitor to view report	Use of random numbers in retained exit and denied switches
Viewing reports	Messaging function	Volume reductions
Validation of bids within load cap	Volume reductions	Decrement calculations
Ability to call extensions and recesses		
Ability to view reports		
Ability to export reports in CSV format		

After targeted testing, in a third activity, the Auction Manager commenced full trials designed to emulate actual auction conditions. Each trial lasted for at least half a business day and involved no less than 4 rounds of fully simulated bidding involving the entire

Auction Manager Team. Auction Manager Team members were assigned bidder and observer roles and followed bidding scripts designed to test the solver, to test administration functions, and bidder interface functions. ICC Staff participated in this phase of the testing by assuming roles of Auction Monitor, Viewer and Bidder. Representatives from the Ameren Illinois Utilities and ComEd participated in one such test as well. The Auction Manager sought feedback on the bidder interface from testers. The Auction Manager reported any problems encountered to Optimal Auctions. The Auction Manager would re-test whenever Optimal Auctions reported having fixed the problem that had been reported. The schedule for full trials is provided below. The test on August 22, 2006 was preceded by a software demonstration for representatives from ComEd and from the Ameren Illinois Utilities. The test of August 24, 2006 led to a request by the Auction Manager for load testing by Optimal Auctions to ensure that the settings on the server were optimized for the load expected at the Auction.

It was mentioned above that the full trials conducted by the Auction Manager had two aims, namely to conduct software testing in conditions that emulate auction conditions and to rehearse backup bidding procedures. These full trials also had a third aim, namely to acquaint ICC Staff with the administrative reports available from the Auction Software, and to put the necessary programs in place to provide ICC Staff with the data they required during the Auction. The ICC Staff and the Auction Manager worked together to provide ICC Staff all needed data, and to practice the execution of the programs to provide data to ICC Staff at the earliest possibility during the Auction.

Table IV-18. Schedule of Trial Auctions Performed by Auction Manager Team.

Date	Participants	Emulate auction conditions	Rehearse backup bidding procedures
August 10	<ul style="list-style-type: none"> • Auction Manager Team 	X	X
August 14	<ul style="list-style-type: none"> • Auction Manager Team 	X	X
August 17	<ul style="list-style-type: none"> • Auction Manager Team 	X	X
August 20	<ul style="list-style-type: none"> • Auction Manager Team 	X	X
August 22	<ul style="list-style-type: none"> • Auction Manager Team • ICC Staff and their Advisor as bidders and monitors 	X	
August 24	<ul style="list-style-type: none"> • Auction Manager Team • ICC Staff and their Advisor as Monitors • ComEd and the Ameren Utilities as Bidders and Viewers 	X	X

The full trials described above were also designed to test and rehearse the backup or secondary bidding procedure, as set out in the table above. The backup bidding procedure is the method by which a bidder who is unable to use the Auction Software to submit a bid (due to technical difficulties) may do so by other means. The backup method is to submit a bid by fax to the Auction Manager – the backup to the backup is to submit the bid over the telephone.

The members of the Auction Manager Team who serve as Technical Assistants (“TAs”) are responsible for entering backup bids into the Auction Software. To minimize the chance for any errors in this process, the TAs practiced carrying out all aspects of the backup bidding procedure in advance of the Auction. In addition to individual training and lessons on the procedures, the TAs practice during the full trials, with members of the Auction Manager Team or other testers asking questions and submitting backup bids.

IV.D.3. Training of Bidders on Bidding Procedures

The Auction Manager trained bidders in the use of the primary bidding procedure (i.e., submitting bids online) and in the use of the secondary bidding procedure (i.e., submitting bids by fax) through three main activities:

- Held a bidder training session including a detailed presentation of the bidding procedures;
- Provided materials to bidders including a manual for the Auction Software and memos with recommendations for preparedness;
- Held a full trial auction (or “dress rehearsal”) during which Registered Bidders had full opportunity to practice both the primary and the secondary bidding procedures.

A training session was held for Registered Bidders on August 23, 2006 at the Marriot O’Hare Hotel in Chicago, Illinois. The presentation started with an overview of the auction rules and information updates related to the Auction. The bulk of the presentation concentrated on training bidders how to use the Auction Software and explaining the backup bidding procedure. Most possible bid sequences were covered during the presentation, with a slide for each screen that the bidder would see using the Auction Software. Recommendations were provided to minimize the chance of having problems with the primary bidding procedure and having to use the backup bidding procedures. Bidders were also given the opportunity to ask questions throughout the session. Bidders had many detailed practical questions about participation in the Auction. ICC Staff was present at the meeting, along with the ICC Staff Advisor. ICC Staff provided clarifying comments during the presentation. All questions and responses were provided on the Illinois Auction Web site as FAQs. The presentation was also posted to the Web site.

At the bidder training session, the Auction Manager provided bidders with training materials in the form of a bidder information packet. The bidder information packet provided a guide to the Illinois Auction Rules, an Auction Software manual, a guide to

the fax-based backup bidding procedures, as well as other informational updates and an overview of post-auction credit requirements. The bidder information packet was posted to the Illinois Auction Web site.

All Registered Bidders were actively encouraged to participate in the training session through calls from the Auction Manager. The bidder information packet distributed to all bidders at the session was shipped to Registered Bidders that were unable to attend the session via FedEx for overnight delivery. Calls were also made after the event to these Registered Bidders to inform them of the supplier fees that were announced during the bidder training session, to inform them that materials were posted to the Illinois Auction Web site, and to follow up with them on any questions they might have.

A trial auction was planned for Registered Bidders on August 28, 2006 to provide them with an opportunity to practice the electronic and backup bidding procedures. The trial auction was conducted between 10 a.m. and 5 p.m. on August 28, 2006, and ran for 8 rounds. The schedule was chosen so that it would mimic the schedule used in the actual Auction. ICC Staff representatives, as well as representatives from the ICC Staff Advisor were present at the Auction office during the trial auction. The Auction Manager solicited comments from Registered Bidders after the trial auction. Most of the comments were questions regarding the schedule and the backup bid forms. The Auction Manager responded to these comments before the start of the Auction. The Auction Manager and ICC Staff finalized the additional data to be provided to ICC Staff during the Auction following the trial auction for Registered Bidders.

On September 1, 2006, the Auction Manager sent final reminders to Registered Bidders as well as a schedule for the first day of bidding. Follow up calls were made to all Registered Bidders to follow up on any questions they may have had on the bidding procedures.

IV. E. Conduct of the Auction

IV.E.1. Bidding in the Auction

Twenty-one entities, including portfolio owners, energy marketers and traders, as well as financial players, successfully completed the two-part application process to participate in the Illinois Auction. The Fixed Price Section attracted greater bidder interest than the Hourly Price Section: all twenty-one entities registered to bid in the Fixed Price Section while only eight of these entities registered to bid in the Hourly Price Section. The diversity in the bidder pool in the Fixed Price Section brought diversity in business plans and outlook to the Auction. Bidders with a variety of preferences vied for the fixed-price products, resulting in all products and both Utilities benefiting from a healthy level of competition.

The Auction Manager conducted the Illinois Auction in September 2006. Staff of the Illinois Commerce Commission, as well as members of its Advisor, constantly monitored the activities of the bidders and the actions taken by the Auction Manager Team.

Bidding started at 7:25 a.m. on September 5, 2006. In the Fixed Price Section, bidders competed to bring prices down over the course of 39 rounds and four days; bidding closed at 11:25 a.m. on September 8, 2006. The Auction procured the full volume in the Fixed Price Section. Prices for the residential and small business customers ticked down between 33.95% and 36.67% over the course of the Auction; prices for larger commercial and industrial customers ticked down between 13.35% and 18.32%. The Auction Manager declared a Successful Result in that Section after the Illinois Commerce Commission remarked on the competitiveness of the results. In the Hourly Price Section, after receiving bids in round 1, the Auction Manager reduced the volume by 19 tranches or 21.11% of the required tranches. The volume cutback addressed the fact that interest in round 1 was lower than expected. The volume cutback succeeded in spurring bidders to bid on the remaining tranches over the course of 38 rounds of bidding and four days. Bidding in the Hourly Price Section closed at 9:55 a.m. on September 8, 2005. Prices ticked down 39.53% (for the ComEd hourly product) and 10.91% (for the Ameren hourly product). The ICC decided to investigate the results of the Hourly Price Section.

This section of the report provides a comprehensive overview of the Auction, as well as statistical results including round-by-round prices, the range of excess supply per round, and the products that each winner will serve.

IV.E.1.a. Bidding in the Fixed Price Section

At 7:25 a.m. on September 5, 2006, the first day of bidding started. The Auction Manager had informed all bidders of the going prices for round 1 (i.e., the prices at which bidders would state the quantities that they wanted to supply) three days prior to the start of the Auction. Bidding started at \$100.00/MWh on the products for the residential and small business customers (the “B” products for ComEd and the “FP” products for the Ameren Illinois Utilities) and the bidding started at \$104.00/MWh on the products for the larger commercial and industrial customers.

Bidding was very active on the products for residential and small business customers on the first day of bidding. Generally, the more active is the bidding on a product, the greater is the excess supply, and the greater is the price decrease or “tick down” on that product. Prices of all six products for residential and small business customers decreased each and every round on the first day, showing great interest and competition among the bidders. The Auction Rules prescribe that a price would decrease by no less than 0.5% and no more than 5%, depending on the amount of excess supply. For these six products, the average decrease during the first day of bidding was 3.03%. The first day of bidding is summarized in Table IV-19.

Table IV-19. Fixed Price Section – Summary Information for Day 1-Rounds 1-10.

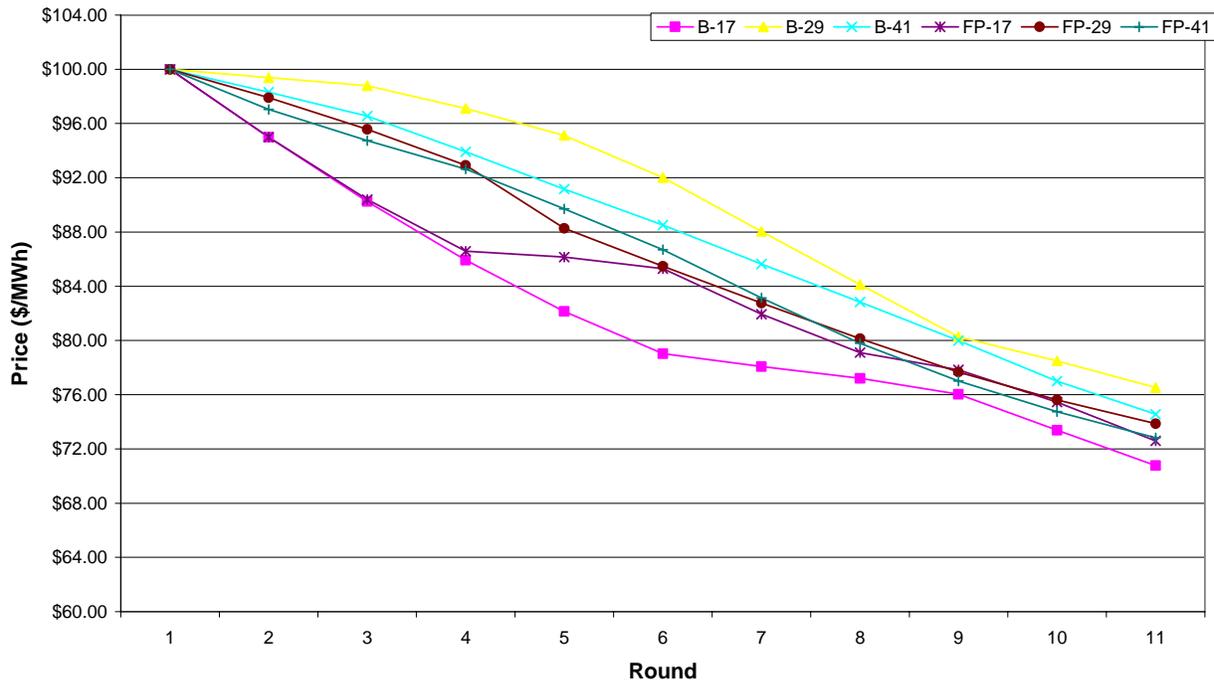
		Day 1		Total Number of Rounds		10	
				Product with greatest % Price decrease		B-17	
				Lowest Priced Product (End of Day)		B-17	
				Reduction in Excess Supply Range		210 tranches	
	Product	Initial Day Price	Final Day Price	Decrease in Price (%)	Number of Rounds of decrease	Gap to B-17	ComEd Ameren Gap
ComEd	B-17	\$100.00	\$70.78	29.22%	10	\$0.00	-\$1.82
	B-29	\$100.00	\$76.54	23.46%	10	\$5.76	\$2.68
	B-41	\$100.00	\$74.55	25.45%	10	\$3.77	\$1.73
	A-17	\$104.00	\$103.48	0.50%	1	\$32.70	\$7.83
Ameren	FP-17	\$100.00	\$72.60	27.40%	10	\$1.82	\$1.82
	FP-29	\$100.00	\$73.86	26.14%	10	\$3.08	-\$2.68
	FP-41	\$100.00	\$72.82	27.18%	10	\$2.04	-\$1.73
	LFP-17	\$104.00	\$95.65	8.03%	9	\$24.87	-\$7.83

As can be seen from Figure IV-1, early bidding drove the prices of the B-17 and the FP-17 products – the shorter term products for the residential and small business customers – below the prices of longer term products for these customers, the B-29, B-41, FP-29, and FP-41 products. Both the FP-17 and B-17 products started the Auction by recording three consecutive price decreases at or near 5%, the maximum allowable under the Auction Rules, while other products recorded more modest decreases. At the start of round 4, the going prices for the B-17 and FP-17 products were \$85.93/MWh and \$86.58/MWh respectively, approximately \$11/MWh below the going price for the B-29 product, and approximately \$7.50/MWh below the going price for the B-41 product, the two most expensive products for residential and small business customers to that point. Bidders responded by switching their bids out of the shorter term products and into longer term products. Bidders responded to the

decrease in all prices by reducing the amount that they were willing to supply across all products. By the end of the first day of bidding, prices for the products for residential and small business customers had dropped from \$100/MWh to the low to mid \$70/MWh. As a result of bidders switching, at the end of the first day the prices for five of the six products for residential and small business customers were within \$3.77/MWh of each other, with one product (B-29) lagging somewhat with a price \$5.76/MWh higher than the lowest price product (B-17). The range of excess supply in the Section started with a range of 501-510 tranches in round 1, and ended with a range of 281-300 tranches in round 10, for a reduction in supply of approximately 210 tranches.

Figure IV-1

**Fixed Price Section (B & FP Products Only)
Prices: Day 1**



By contrast, the products to serve the larger commercial and industrial customers eligible for a fixed price service did not attract much interest in the first day of bidding. Both opening prices for the A-17 product (ComEd customers over 400kW)

and the LFP-17 product (customers from the Ameren Illinois Utilities 1MW or above) were \$104/MWh. The price for the A-17 ticked down only once during the first day, in round 7. For nine of the ten rounds, the tranches bid at the going price for A-17 did not exceed the target of 88 tranches. The final price on the first day was \$103.48/MWh. The price of the LFP-17 product ticked down consistently but very slowly. In five of the ten rounds, the decrease in price was at or near the minimum of 0.5%. At the end of the bidding day, the price of the LFP-17 product was \$95.65/MWh. Two substantial gaps in prices had opened up. The first gap, of \$7.83/MWh, was between the ComEd product and the product of the Ameren Illinois Utilities for the larger commercial and industrial customers. The second gap was between the prices for products to serve the larger commercial and industrial customers and the prices for products to serve the residential and small business customers: the A-17 and LFP-17 products were \$32.70 and \$24.87 above the lowest price product (B-17) at the end of the day.

Day 2 of the Auction started with round 11 at 7:25 a.m. on September 6, 2006. The Auction Manager had informed all bidders of the going prices for round 11 (i.e., the prices at which bidders would state the quantities that they wanted to supply) at the end of the previous bidding day. Bidding for Day 2 started at prices in the low to mid \$70/MWh for the products for the residential and small business customers, and at prices in the mid \$90/MWh and low \$100/MWh on products for the larger commercial and industrial customers. The excess supply range entering the day was 281–300 tranches.

Day 2 saw a change in bidders' strategy that would tend to prevent the gap between the products for the residential and small business customers on the one hand, and the products for the commercial and industrial customers on the other hand, to widen further, and that would eventually tend to reduce that gap. In the first three rounds of the day, from round 11 to round 13, the price of LFP-17 decreased an average of 2.34% per round, while the price of A-17 an average of 1%. Bidders were switching their bids into the products for the larger commercial and industrial customers. For the first time during bidding in this Section, bidders showed interest in the A-17

product and systematically created excess supply over the 88 tranches needed. The open, multiple round format allowed bidders to take time to revise their bidding strategies on the evening of the first day of bidding and to get ready to bid on those products during the second day of bidding. Products for residential and small business customers continued to attract strong interest in the early rounds of the first day. The price decreases for these products was on average 2.39% per round.

Bidders' willingness to supply continued to contract as prices decreased. By round 14, the going prices of the products for the residential and small business customers had decreased to the \$66-70/MWh range; the price for the A-17 product had dropped below \$100/MWh and the price for the LFP-17 product had decreased below \$90/MWh. For the first time in round 14, excess supply in the Section reached the threshold of 0 to 175 tranches. The Auction Rules prescribe that at that level of excess supply, the formulas used to calculate the decreases in prices change. The price of a product with excess supply will tick down between 0.25% and 2.5% instead of between 0.5% to 5% as in earlier rounds. Furthermore, although the amount of a price decrease is still related to the excess supply on the product, it also incorporates a random element, as described in section IV.D.1. From this point on, bidders are given no further information regarding the excess supply in the Section: they are informed at this point and in every round until the end of bidding in the Section that the excess supply is between 0 and 175 tranches.

For the remaining rounds of Day 2, rounds 15 to 22, the price of the LFP-17 decreased at the minimum value of 0.25% in every round. The price of the A-17 continued to decrease steadily and comparatively more quickly. As they did at the end of the first day of bidding, bidders continued to show interest in the longer term products for the residential and small business customers. For the first time, from rounds 15 to 19, the price of B-17 held firm at \$66.05, indicating that the number of tranches bid at the going price was at or below the target of 92 tranches; the price of FP-17 decreased at the minimum of 0.25% from rounds 14 to 20. In most of these rounds, the price of one of the longer term product decreased more than the price of the 17-month products.

At the end of the day, the B-29 product had registered the largest price decrease but the B-41 product was the lowest priced. Day 2 is summarized in Table IV-20. All the products for the residential and small commercial customers were within \$2.48 of each other, further narrowing the gap that had opened during the first day of bidding. The gap between the prices for products to serve the larger commercial and industrial customers and the prices for products to serve the residential and small business customers also narrowed, with the A-17 and LFP-17 products \$28.64 and \$22.18 above the lowest price product at the end of the day. The gap between the ComEd product and the product of the Ameren Illinois Utilities for the larger commercial and industrial customers also narrowed to \$6.46/MWh.

Table IV-20. Fixed Price Section – Summary Information Day 2-Rounds 11-22.

Day 2		Total Number of Rounds		12			
		Product with greatest % Price decrease		B-29			
		Lowest Priced Product		B-41			
		Reduction in Excess Supply Range		105 tranches			
	Product	Initial Price	Final Price	Decrease in Price (%)	Number of Rounds of decrease	Gap to B-41	ComEd Ameren Gap
ComEd	B-17	\$70.78	\$65.40	7.60%	8	\$0.47	-\$1.00
	B-29	\$76.54	\$64.96	15.13%	12	\$0.03	-\$2.09
	B-41	\$74.55	\$64.93	12.90%	12	\$0.00	-\$2.48
	A-17	\$103.48	\$93.57	9.58%	11	\$28.64	\$6.46
Ameren	FP-17	\$72.60	\$66.40	8.54%	12	\$1.47	\$1.00
	FP-29	\$73.86	\$67.05	9.22%	12	\$2.12	\$2.09
	FP-41	\$72.82	\$67.41	7.43%	12	\$2.48	\$2.48
	LFP-17	\$95.65	\$87.11	8.93%	12	\$22.18	-\$6.46

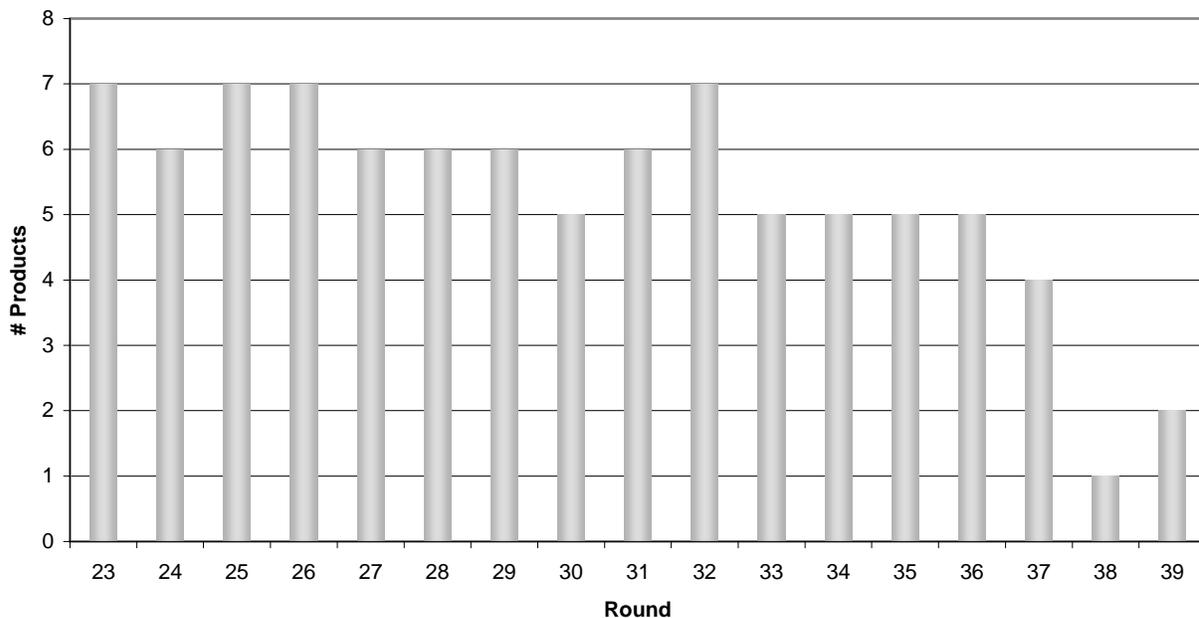
Day 3 of the Auction started with round 23 at 7:25 a.m. on September 7, 2006; Day 4 of the Auction started with round 35 at 7:25 a.m. on September 8, 2006. Bidding for

Day 3 started at prices in the mid-\$60/MWh for the products for the residential and small business customers and at prices in the high \$80/MWh and low \$90/MWh for the products for the larger commercial and industrial customers.

During the final two days of bidding, bidding was mostly steady across all products. Figure IV-2 shows the number of products (out of the 8 products for the Section) for which the price decreased in each round. Until the last three rounds, a majority of prices decreased each round. Bidders continued to show broad interest in all products and to provide healthy competition for each product.

Figure IV-2

of Products with Decrements



During these rounds, the narrow range in the prices of products for the residential and small business customers was maintained. The gap between the products for the residential and small business customers and the products for the larger commercial and industrial customers closed a bit more. On the last day of bidding, the A-17 product registered the most important decrease in price from among all products in the Section. Table IV-21 and Table IV-22 provide summaries for these two days.

Table IV-21. Fixed Price Section – Summary Information Day 3, Rounds 23-34.

		Day 3		Total Number of Rounds		12	
				Product with greatest % Price decrease		FP-29	
				Lowest Priced Product		B-41	
	Product	Initial Price	Final Price	Decrease in Price (%)	Number of Rounds of decrease	Gap to B-41	ComEd Ameren Gap
ComEd	B-17	\$65.40	\$64.12	1.96%	8	\$0.47	-\$0.65
	B-29	\$64.96	\$64.00	1.48%	6	\$0.35	-\$1.06
	B-41	\$64.93	\$63.65	1.97%	8	\$0.00	-\$2.57
	A-17	\$93.57	\$90.80	2.96%	9	\$27.15	\$6.06
Ameren	FP-17	\$66.40	\$64.77	2.45%	10	\$1.12	\$0.65
	FP-29	\$67.05	\$65.06	2.97%	12	\$1.41	\$1.06
	FP-41	\$67.41	\$66.22	1.77%	7	\$2.57	\$2.57
	LFP-17	\$87.11	\$84.74	2.72%	11	\$21.09	-\$6.06

Table IV-22. Fixed Price Section – Auction Detail Information for Day 4-Rounds 35-39.

		Day 4		Total Number of Rounds		5	
				Product with greatest % Price decrease		A-17	
				Lowest Priced Product		B-41	
	Product	Initial Price	Final Price	Decrease in Price (%)	Number of Rounds of decrease	Gap to B-41	ComEd Ameren Gap
ComEd	B-17	\$64.12	\$63.80	0.50%	2	\$0.63	-\$0.97
	B-29	\$64.00	\$63.84	0.25%	1	\$0.67	-\$0.90
	B-41	\$63.65	\$63.17	0.75%	3	\$0.00	-\$2.88
	A-17	\$90.80	\$90.11	0.76%	3	\$26.94	\$5.37
Ameren	FP-17	\$64.77	\$64.77	0.00%	0	\$1.60	\$0.97
	FP-29	\$65.06	\$64.74	0.49%	2	\$1.57	\$0.90
	FP-41	\$66.22	\$66.05	0.26%	1	\$2.88	\$2.88
	LFP-17	\$84.74	\$84.74	0.00%	0	\$21.57	-\$5.37

Overall, bidding in the Fixed Price Section was very competitive. The diversity of interest created strong competition for each and every product. Each product had multiple winners. Table IV-23 provides the opening and closing prices for each product, the overall decrease in prices, the number of rounds with a price decrease and the number of winners.

Table IV-23. Opening and Closing Prices.

Product	Opening Price	Closing Price	% Decrease	# Winners	#Rounds with decrease
B-17	\$100.00	\$63.96	36.04%	10	28
B-29	\$100.00	\$64.00	36.00%	8	29
B-41	\$100.00	\$63.33	36.67%	4	33
A-17	\$104.00	\$90.12	13.35%	8	24
FP-17	\$100.00	\$64.77	35.23%	3	32
FP-29	\$100.00	\$64.75	35.25%	4	36
FP-41	\$100.00	\$66.05	33.95%	3	30
LFP-17	\$104.00	\$84.95	18.32%	5	32

The steady level of interest across the board led to large decreases in prices from their starting levels as shown in Table IV-23. Prices for the products for the residential and small business customers showed very similar large decreases, between 34% and 37%. Prices for the products for the larger commercial and industrial customers were down 13% and 18% respectively over the course of the Auction.

At the end of bidding in the Section, prices for the products for residential and small business customers were within a narrow band, closing within \$2.72/MWh of each other. Products for the Ameren Illinois Utilities in this category (FP-17, FP-29 and FP-41) were overall were about \$1/MWh higher in price. This is despite the fact that MISO energy markets were \$1/MWh to \$2/MWh lower than the corresponding PJM energy markets. This difference can be attributed to the fact that MISO still lacks a capacity market and historical ancillary service data, which makes valuing the products for the Ameren Illinois Utilities more difficult for bidders.

The difference between the prices of products for the residential and small business customers and the prices of products for the larger commercial and industrial

customers remained at the end of the Auction. These two types of products have inherently different risk profiles. Bidders would expect that, even if some of the residential and small business customers have competitive options, most would remain on utility service. RESs typically find it less economic to market to these customers. Customers eligible for the A-17 and LFP-17 products face an enrollment window of between thirty and fifty days during which they can elect to take these services from ComEd or from the Ameren Illinois Utilities respectively. Bidders would expect marketing activity to be strong during this window (as indeed it was). Bidders are offering a free option for customers to elect utility service. During the Auction, bidders must develop their offers without knowing the load that they will be serving, and without historical data regarding the behavior of customers in this situation and at true market prices. Further, bidders must analyze the rules of enrollment for the various customer classes that they would have to serve and make estimates regarding the results. Bidders priced this optionality into their bids. The A-17 product closed \$26.16/MWh above the B-17 product, and the LFP-17 product closed \$20.18/MWh above the FP-17 product.

The fact that the gap between the A-17 and FP-17 was maintained to the end of the Auction at \$5.17/MWh lends further support to the view that prices for the larger commercial and industrial customers reflect this optionality. Indeed, ComEd's A customers have additional flexibility that adds to the risk borne by the suppliers. A customers who default into that service can extend the option provided by the suppliers as these customers can leave the service at any time to take service from a RES. This is in contrast to the LFP customers from the Ameren Illinois Utilities, who must stay on the service for the full 17-month term, whether they elect or default to the service. The results are consistent with the prices for the A-17 and LFP-17 products being competitively determined, but based on their inherent characteristics, bidders required additional reward to provide the optionality of these products. It is expected that A and LFP customers should have competitive supply opportunities whereby they could obtain lower prices from RESs by agreeing to less optionality.

IV.E.1.b. Further Analysis and Consistency with Market Prices.

This section presents further details and analysis regarding the results of the Fixed Price Section. Table IV-24 below provides the number of tranches won of each product for each winning bidder.

Table IV-24. Fixed Price Section Winners.

	B-17	B-29	B-41	A-17	FP-17	FP-29	FP-41	LFP-17	TOTAL
Ameren Energy Marketing Company	0	0	0	0	6	15	15	10	46
American Electric Power Service Corporation	3	0	0	5	0	0	0	2	10
Conectiv Energy Supply, Inc	0	6	1	3	0	0	0	0	10
Constellation Energy Commodities Group, Inc	0	3	0	22	0	10	18	12	65
DTE Energy Trading, Inc	3	4	0	3	0	0	3	0	13
Dynegy Power Marketing, Inc	0	0	0	0	24	4	0	0	28
Edison Mission Marketing & Trading, Inc	19	22	0	0	0	0	0	0	41
Energy America, LLC	4	0	0	0	0	0	0	0	4
Exelon Generation Co, LLC	0	38	89	1	0	0	0	10	138
FPL Energy Power Marketing, Inc	6	0	0	9	0	0	0	0	15
J. Aron & Company	15	10	0	0	5	0	0	0	30
J. P. Morgan Ventures Energy Corporation	27	4	1	0	0	7	0	0	39
Morgan Stanley Capital Group, Inc	6	0	0	37	0	0	0	3	46
PPL EnergyPlus, LLC	6	6	2	0	0	0	0	0	14
Sempra Energy Trading Corp	0	0	0	8	0	0	0	0	8
WPS Energy Services, Inc	3	0	0	0	0	0	0	0	3

Detailed information regarding prices per round and the ranges of excess supply are displayed below in three ways. Table IV-25 provides the going prices for each round

as well as the range of excess supply. There were 12 different ranges of excess supply reported to bidders. The last range of excess supply reported to bidders was of 0-175 tranches, which occurred in rounds 14 to 39 of the Auction. The information on prices and excess is displayed graphically as well in Figure IV-3 This figure displays the actual range of excess supply as well as a linear approximation of how excess supply would have decreased over rounds 14-39, when excess supply was reported each round as being in the range 0 – 175 tranches. Finally, Table IV-26 displays the reductions in price for each product in each round. In this table, the reductions in prices in round 2 were applied to round 1 prices to calculate round 2 prices, the reductions in round 3 were applied to round 2 prices to calculate round 4 prices, etc.

Table IV-25. Fixed Price Section Going Prices and Excess Supply Ranges.

Round	Excess Supply Range	B-17	B-29	B-41	A-17	FP-17	FP-29	FP-41	LFP-17
1	501 – 510	100.00	100.00	100.00	104.00	100.00	100.00	100.00	104.00
2	451 – 460	95.00	99.39	98.30	104.00	95.00	97.90	97.04	104.00
3	441 – 450	90.25	98.79	96.55	104.00	90.40	95.57	94.73	103.48
4	411 – 420	85.93	97.11	93.91	104.00	86.58	92.92	92.64	102.37
5	411 - 420	82.14	95.13	91.17	104.00	86.15	88.27	89.70	101.86
6	381 - 390	79.03	92.02	88.51	104.00	85.29	85.47	86.70	101.35
7	381 - 390	78.07	88.05	85.64	103.48	81.94	82.76	83.14	100.84
8	341 - 350	77.20	84.12	82.84	103.48	79.11	80.13	79.80	100.27
9	331 - 340	76.04	80.28	79.99	103.48	77.84	77.67	77.02	98.87
10	281 - 300	73.38	78.50	77.00	103.48	75.45	75.62	74.74	97.42
11	256 - 280	70.78	76.54	74.55	103.48	72.60	73.86	72.82	95.65
12	226 - 255	68.61	74.16	71.83	102.96	70.96	72.57	71.55	93.71
13	176 - 225	67.30	70.76	69.69	102.45	69.57	71.25	70.97	92.13
14	0 - 175	66.22	69.36	68.10	100.39	68.09	68.58	69.81	89.09
15	0 - 175	66.05	67.80	66.57	99.89	67.92	68.41	69.64	88.87
16	0 - 175	66.05	66.27	66.24	98.52	67.75	68.24	69.29	88.65
17	0 - 175	66.05	66.10	66.07	96.30	67.58	68.07	68.94	88.43
18	0 - 175	66.05	65.93	65.90	94.98	67.41	67.90	68.60	88.21
19	0 - 175	66.05	65.77	65.74	94.51	67.24	67.73	68.26	87.99
20	0 - 175	65.88	65.44	65.58	94.04	67.07	67.56	67.92	87.77

Round	Excess Supply Range	B-17	B-29	B-41	A-17	FP-17	FP-29	FP-41	LFP-17
21	0 - 175	65.72	65.28	65.42	93.80	66.90	67.39	67.75	87.55
22	0 - 175	65.56	65.12	65.09	93.57	66.57	67.22	67.58	87.33
23	0 - 175	65.40	64.96	64.93	93.57	66.40	67.05	67.41	87.11
24	0 - 175	65.24	64.96	64.77	93.57	66.23	66.88	67.24	86.89
25	0 - 175	65.08	64.96	64.61	93.34	66.06	66.71	67.07	86.67
26	0 - 175	64.92	64.80	64.45	93.34	65.89	66.54	66.90	86.45
27	0 - 175	64.76	64.80	64.29	93.34	65.73	66.37	66.73	86.23
28	0 - 175	64.76	64.80	64.13	93.11	65.57	66.20	66.56	86.01
29	0 - 175	64.76	64.80	63.97	92.64	65.41	66.03	66.39	85.79
30	0 - 175	64.76	64.64	63.97	92.18	65.25	65.86	66.39	85.58
31	0 - 175	64.60	64.48	63.97	91.72	65.09	65.70	66.39	85.37
32	0 - 175	64.44	64.32	63.81	91.49	64.93	65.54	66.39	85.16
33	0 - 175	64.28	64.16	63.81	91.26	64.93	65.38	66.39	84.95
34	0 - 175	64.12	64.00	63.81	91.03	64.93	65.22	66.39	84.74
35	0 - 175	64.12	64.00	63.65	90.80	64.77	65.06	66.22	84.74
36	0 - 175	63.96	63.84	63.49	90.57	64.77	64.90	66.22	84.74
37	0 - 175	63.80	63.84	63.33	90.34	64.77	64.74	66.22	84.74
38	0 - 175	63.80	63.84	63.33	90.11	64.77	64.74	66.22	84.74
39	0 - 175	63.80	63.84	63.17	90.11	64.77	64.74	66.05	84.74
Final Price		63.96	64.00	63.33	90.12	64.77	64.75	66.05	84.95

Figure IV-3

Fixed Price Products Prices

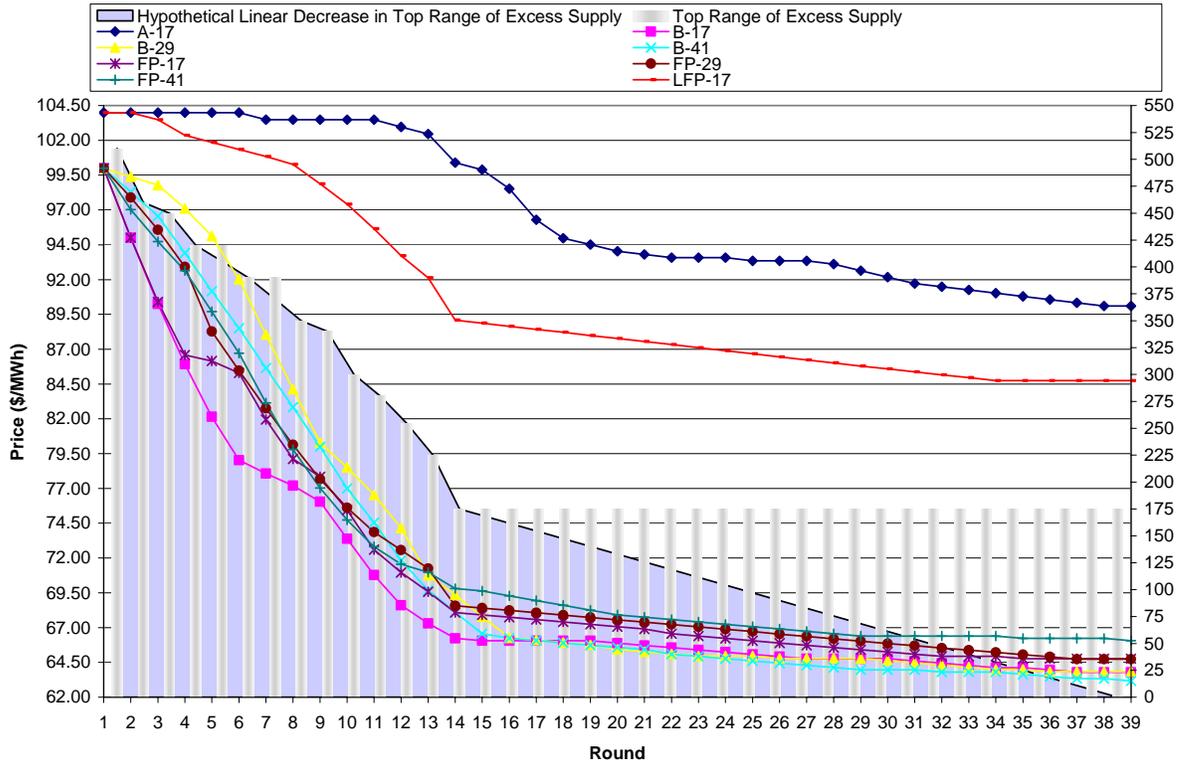


Table IV-26. Fixed Price Section Round Decrements.

Round	B-17	B-29	B-41	A-17	FP-17	FP-29	FP-41	LFP-17
2	5.00%	0.61%	1.70%	0.00%	5.00%	2.10%	2.96%	0.00%
3	5.00%	0.60%	1.78%	0.00%	4.84%	2.38%	2.38%	0.50%
4	4.79%	1.70%	2.73%	0.00%	4.23%	2.77%	2.21%	1.07%
5	4.41%	2.04%	2.92%	0.00%	0.50%	5.00%	3.17%	0.50%
6	3.79%	3.27%	2.92%	0.00%	1.00%	3.17%	3.34%	0.50%
7	1.21%	4.31%	3.24%	0.50%	3.93%	3.17%	4.11%	0.50%
8	1.11%	4.46%	3.27%	0.00%	3.45%	3.18%	4.02%	0.57%
9	1.50%	4.56%	3.44%	0.00%	1.61%	3.07%	3.48%	1.40%
10	3.50%	2.22%	3.74%	0.00%	3.07%	2.64%	2.96%	1.47%
11	3.54%	2.50%	3.18%	0.00%	3.78%	2.33%	2.57%	1.82%
12	3.07%	3.11%	3.65%	0.50%	2.26%	1.75%	1.74%	2.03%

Round	B-17	B-29	B-41	A-17	FP-17	FP-29	FP-41	LFP-17
13	1.91%	4.58%	2.98%	0.50%	1.96%	1.82%	0.81%	1.69%
14	1.60%	1.98%	2.28%	2.01%	2.13%	3.75%	1.63%	3.30%
15	0.26%	2.25%	2.25%	0.50%	0.25%	0.25%	0.24%	0.25%
16	0.00%	2.26%	0.50%	1.37%	0.25%	0.25%	0.50%	0.25%
17	0.00%	0.26%	0.26%	2.25%	0.25%	0.25%	0.51%	0.25%
18	0.00%	0.26%	0.26%	1.37%	0.25%	0.25%	0.49%	0.25%
19	0.00%	0.24%	0.24%	0.49%	0.25%	0.25%	0.50%	0.25%
20	0.26%	0.50%	0.24%	0.50%	0.25%	0.25%	0.50%	0.25%
21	0.24%	0.24%	0.24%	0.26%	0.25%	0.25%	0.25%	0.25%
22	0.24%	0.25%	0.50%	0.25%	0.49%	0.25%	0.25%	0.25%
23	0.24%	0.25%	0.25%	0.00%	0.26%	0.25%	0.25%	0.25%
24	0.24%	0.00%	0.25%	0.00%	0.26%	0.25%	0.25%	0.25%
25	0.25%	0.00%	0.25%	0.25%	0.26%	0.25%	0.25%	0.25%
26	0.25%	0.25%	0.25%	0.00%	0.26%	0.25%	0.25%	0.25%
27	0.25%	0.00%	0.25%	0.00%	0.24%	0.26%	0.25%	0.25%
28	0.00%	0.00%	0.25%	0.25%	0.24%	0.26%	0.25%	0.26%
29	0.00%	0.00%	0.25%	0.50%	0.24%	0.26%	0.26%	0.26%
30	0.00%	0.25%	0.00%	0.50%	0.24%	0.26%	0.00%	0.24%
31	0.25%	0.25%	0.00%	0.50%	0.25%	0.24%	0.00%	0.25%
32	0.25%	0.25%	0.25%	0.25%	0.25%	0.24%	0.00%	0.25%
33	0.25%	0.25%	0.00%	0.25%	0.00%	0.24%	0.00%	0.25%
34	0.25%	0.25%	0.00%	0.25%	0.00%	0.24%	0.00%	0.25%
35	0.00%	0.00%	0.25%	0.25%	0.25%	0.25%	0.26%	0.00%
36	0.25%	0.25%	0.25%	0.25%	0.00%	0.25%	0.00%	0.00%
37	0.25%	0.00%	0.25%	0.25%	0.00%	0.25%	0.00%	0.00%
38	0.00%	0.00%	0.00%	0.25%	0.00%	0.00%	0.00%	0.00%
39	0.00%	0.00%	0.25%	0.00%	0.00%	0.00%	0.26%	0.00%
Total percentage decrement	36.04%	36.00%	36.67%	13.35%	35.23%	35.25%	33.95%	18.32%

Strong competition and the dynamic of the open auction could be seen repeatedly over the course of the Auction. As detailed above, consistent with competitive bidding, switching worked to close any price gap higher than the market perceived was needed to reflect the inherent risks of the products. The switching into the higher priced product, by increasing the excess supply on the product, would in turn decrease the price for that product inducing the price gap to close. The strong competition in the Section combined with the product decrement formulas used to determine each round's price decrease allowed for a "soft landing" with regards to the final auction prices. Bidders taken together reduced supply as going prices decreased. This is a pattern that is consistent with competitive bidding.

Levels of final auction prices appear consistent with underlying markets. The unshaped non load-following energy alone, as measured by the around-the-clock forward electricity prices (derived from peak and off-peak market quotes from the New York Mercantile Exchange on the last day of bidding) at the Northern Illinois Hub for the 17-month period was approximately \$48.50/MWh. The full requirements product is a load-following product. The approximately \$15/MWh price should reflect the cost of providing the load-following product and include all other component of costs needed to provide full requirements service, and compensate the supplier for risk. These components of providing full requirements service would include converting block energy to load-following energy, purchasing ancillary services, and purchasing capacity. The risks that a bidder faces include the risks of customers switching due to market conditions, risks of customers returning, weather risks, volatility in fuel markets, utility credit risk, risk of market changes, and regulatory risk. The small amount to cover the additional services and risks appears to indicate that bidders aggressively competed down concerns over these risks. It would appear that bidders largely discounted the possibility of future tightening of the capacity market, market changes, or regulatory uncertainty. This may in fact be attributable to the open auction format, whereby suppliers could see how their competitors were in the aggregate valuing risk and were able to see that in order to win, they needed to find better ways to deal with the risks that they perceived. Prices

for the B products and FP products appear not only to be priced consistently with the market, but very favorably from the customer’s perspective with respect to the market.

It is difficult to determine the value of the risk associated with the products for the larger commercial and industrial customers; there are no easy formulas. These customers are large and can be easily targeted by RESs. If bidders hedge and subscription levels are lower than expected, bidders bear the risks of a decrease in market price. If bidders do not hedge and subscription levels are higher than they thought bidders bear the risks of an increase in market price. An adverse risk profile is created by the fact that customer inclination not to subscribe rises as prices fall and vice versa. This difference between larger customer full requirements products and smaller customer full requirement product is reflected in bidder behavior. This has been observed in other jurisdictions in two ways. First, there is not always sufficient participation in solicitations for larger customers for the solicitation to be successful. Two utilities (Pennsylvania Power Company and Delmarva in Delaware) had to hold residual bids for larger customers after the initial solicitation failed to produce sufficient bids. Second, even when solicitations attract sufficient bids, some did yield differences in prices in the range of \$20/MWh. These are provided in Table IV-27 and Table IV-28 below.

Table IV-27. Average Winning Bids in Maryland Full Requirements RFP.

	Residential	Type I (Smaller customers)	Type II A (Larger Customers)	Average Difference
Allegheny	N/A	82.17	86.03	3.86
Pepco	101.1	102.43	127.95	25.52
BG&E	97.57	95.61	115.88	20.27
Delmarva	98.85	100.25	97.92	-2.33

Table IV-28. Average Winning Bids in Delaware Full Requirements RFP.

	Average Winning Bids	
	<i>Summer</i>	<i>Winter</i>
RSCI - 13 month	103.1	99.4
MGS - Secondary	115.4	100.1
LGS – Secondary	124.5	113.7
GS - Primary	123.6	107.9
Average Premium of Large Customers vs. RSCI-13 month	11.4	7.93

Overall, the Auction Manager believes that bidding was very competitive in the Fixed Price Section. The diversity of bidder interest worked to create a competitive environment for each product. An additional summary of the results of the Auction for ComEd, including the target procurement level for each product, the achieved procurement level, the closing price by product, the number of winning bidders, the maximum number of tranches won by a single bidder, the Auction starting price, the number of rounds, are provided in Table IV-29. The same information is provided for the Ameren Illinois Utilities in Table IV-30.

Table IV-29. Statistical Summary Fixed Price Section: ComEd Products.

	B-17	B-29	B-41	A-17	Total
Peak load share (MW)	13,879			4,376	18,255
Tranches needed	92	93	93	88	366
Quantity procured (%)	100%	100%	100%	100%	100%
Tranche size (%)	0.36%			1.14%	
Tranche MW-measure	49.92			49.73	
Load cap (#tranches)	128				
Number of rounds	39				
# Winning Bidders	10	8	4	8	14
Maximum tranches procured from any one bidder	27	38	89	37	128
Minimum and maximum starting prices (\$/MWh)	\$75.00 and \$104.00				
Round 1 price (\$/MWh)	\$100.00	\$100.00	\$100.00	\$104.00	
Final auction price (\$/MWh)	\$63.96	\$64.00	\$63.33	\$90.12	
Percentage decrement from Round 1 price.	36.04%	36.00%	36.67%	13.35%	

Table IV-30. Statistical Summary Fixed Price Section: Ameren Products.

	FP-17	FP 29	FP-41	LFP-17	Total
Peak load share (MW)	5,366			1,853	7,219
Tranches needed	35	36	36	37	144
Quantity procured (% load)	100%	100%	100%	100%	100%
Tranche size (%)	0.93%			2.70%	
Tranche MW-measure	50.15			50.08	
Load cap (#tranches)	50				
Number of rounds	39				
# Winning Bidders	3	4	3	5	9
Maximum tranches procured from any one bidder	24	15	18	12	46
Minimum and maximum starting prices (\$/MWh)	\$75.00 and \$104.00				
Round 1 price (\$/MWh)	\$100.00	\$100.00	\$100.00	\$104.00	
Final auction price (\$/MWh)	\$64.77	\$64.75	\$66.05	\$84.95	
Percentage decrement from Round 1 price	35.23%	35.25%	33.95%	18.32%	

IV.E.1.c. Bidding in the Hourly Price Section

Eight bidders registered for the Hourly Price Section. Bidding started at 7:25 a.m. on September 5, 2006. The Auction Manager had informed all bidders of the going prices for round 1 (i.e., the prices at which bidders would state the quantities that they wanted to supply) three days prior to the start of the Auction. Bidding started at \$290.00/MW-day on the ComEd product (the H-17 product) and at \$310.00/MW-day on the product for the Ameren Illinois Utilities (the LRTP-17 product). On the basis of the indicative offers and the starting prices in the Section, the full volume was up for bid. At the start of bidding, there were 53 tranches for the H-17 product (ComEd's

customers 3 MW and above whose service had been declared competitive, as well as ComEd’s customers choosing this service tied to the hourly market) and there were 37 tranches for the LRTP-17 product (the Ameren Illinois Utilities’ customers 1 MW and above not choosing the fixed price option), for a total volume of 90 tranches.

Bids in round 1 showed that bidder interest for products in this Section was lower than expected on the basis of the indicative offers. In accordance with the auction volume guidelines (see section IV.D.1), the Auction Manager cut back the volume in the Hourly Price Section from 90 tranches to 71 tranches. The number of tranches in the H-17 product was cut back from 53 to 42 tranches while the number of tranches in the LRTP-17 product was cut back from 37 to 29 tranches. The excess supply range after the volume cutback was 41–50 tranches. The load caps were not revised. The Auction Rules prescribe that the load caps are only revised if the tranche target for a product falls below the load cap for that product, which was not the case. ICC Staff and their Advisor reviewed these decisions. Auction Manager called a time-out and advised bidders that a volume cutback was being considered. This information is displayed in Table IV-31.

Table IV-31. Volume Reduction: Before and After Tranche Targets.

	H-17 (ComEd)	LRTP-17 (Ameren)
Tranche Target at the Beginning of Round 1	53	37
Tranche Target at the End of Round 1	42	29
Load Caps	18	12

In rounds 1 to 5, both products had excess supply, but bidders were concentrating their interest on the H-17 product. The price for the H-17 product decreased at or near the maximum of 5% in each of these rounds. The price for the LRTP-17 ticked down in each of these rounds at or near the minimum of 0.5%. The prices of the two

products, which had started at a differential of \$20/MW-day, saw this differential widen to \$71.56/MW-day at the end of round 5. Bidders responded to the decrease in the price of the H-17 product by reducing the amount supplied. For the first time at the end of round 5, excess supply in the Section reached the threshold of 0 to 30 tranches. The Auction Rules prescribe that at that level of excess supply in the Hourly Price Section, the formulas used to calculate the decreases in prices change. The price of a product with excess supply will tick down between 0.25% and 2.5% instead of between 0.5% to 5% as in the earlier rounds. Furthermore, although the amount of a price decrease is still related to the excess supply on the product, it also incorporates a random element, as described in section IV.D.1. From this point on, bidders are given no further information regarding the excess supply in the Section: they are informed at this point and in every round until the end of bidding in the Section that the excess supply is between 0 and 30 tranches.

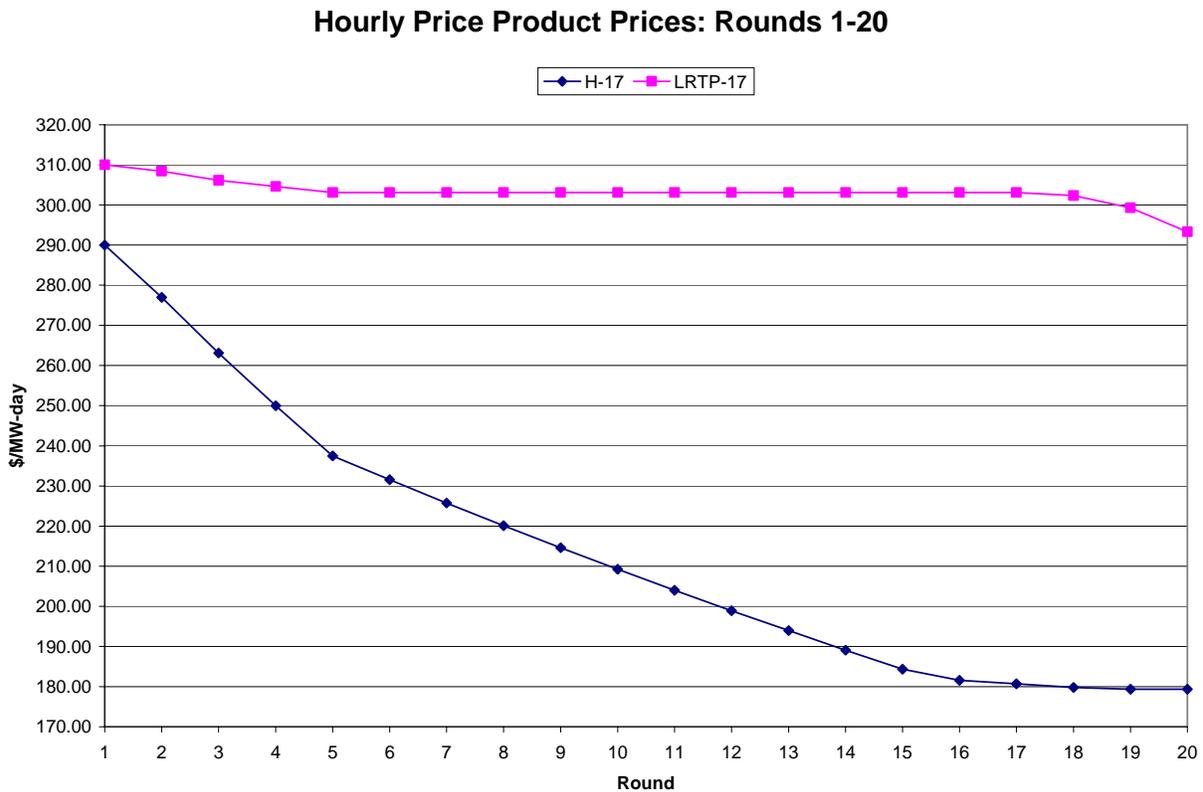
In the remaining five rounds on the first day of bidding, bidders concentrated their bids on the H-17 product. In rounds 6 to 10, the price of the H-17 product ticked down at the maximum of 2.5% while the price of the LRTP-17 did not change. In these rounds, the number of tranches bid on LRTP-17 did not exceed the 29 tranches needed. At the end of the first day of bidding, which is summarized in Table IV-32, the price differential between the H-17 and LRTP-17 products was just under \$100/MW-day.

Table IV-32. Hourly Price Section – Summary Information for Day 1-Rounds 1-10.

Day 1		Total Number of Rounds			10
		Product with greatest % Price decrease			H-17
		Lowest Priced Product (End of Day)			H-17
Product	Initial Day Price	Final Day Price	Decrease in Price (%)	Number of Rounds of decrease	H-17/LRTP-17 Price Differential
H-17	\$290.00	\$204.01	29.65%	10	\$0.00
LRTP-17	\$310.00	\$303.09	2.23%	4	\$99.09

Day 2 of bidding started at 7:25 a.m. on September 6, 2006. The pattern of bidding observed in the first day of bidding continued. In rounds 11 to 17, the price of the H-17 product ticked down, with decreases at the maximum of 2.5% for the first five rounds, while the price of the LRTP-17 did not change. The price for the H-17 product fell below \$180.00/MW-day, and the price differential to the LRTP-17 product reached approximately \$120/MW-day. In round 17, bidders switched back to the LRTP-17 product. The price of the LRTP-17 ticked down for the remainder of the day, with round 20 being the first round where the price of the LRTP-17 decreased but the price of the H-17 product did not.

Figure IV-4



Day 2 of bidding, which is summarized in Table IV-33, closed with the prices of both product ticking down at the minimum of 0.25%, and with prices at \$177.98 for the H-17 product and at \$291.13 for the LRTP-17 product.

Table IV-33. Hourly Price Section – Summary Information for Day 2-Rounds 11-22.

Day 2		Total Number of Rounds			12	
		Product with greatest % Price decrease			H-17	
		Lowest Priced Product (End of Day)			H-17	
Product	Initial Day Price	Final Day Price	Decrease in Price (%)	Number of Rounds of decrease	H-17/LRTP-17 Price Differential	
H-17	\$204.01	\$177.98	12.76%	11	\$0.00	
LRTP-17	\$303.09	\$291.13	3.95%	6	\$113.15	

The bidding started at these prices on the next day, at 7:25 a.m. on September 7, 2006. In the first three rounds of the day, rounds 23 to 25, there was excess supply for both products and the prices for both products ticked down at the minimum of 0.25%. In round 26, the price for LRTP-17 product decreased but the price for H-17 did not. This situation persisted for another two rounds. In round 29, bidders switched tranches from LRTP-17 to H-17; the price for the H-17 decreased while the price of the LRTP-17 product did not. However, this situation was immediately reversed in round 30, with bidders switching tranches back into LRTP-17. Bidders continued to concentrate their interest in the LRTP-17 product in rounds 31 to 34 and only the LRTP-17 price ticked down during these rounds.

Day 3 of bidding is summarized in Table IV-34. Bidders, which started to switch to the LRTP-17 product from the H-17 product in round 17 when the price differential was over \$120/MW-day, continued bidding on LRTP-17 throughout Day 3, closing the differential to about \$100.00/MW-day.

Table IV-34. Hourly Price Section – Summary Information for Day 3-Rounds 23-34.

Day 3		Total Number of Rounds			12
		Product with greatest % Price decrease			LRTP-17
		Lowest Priced Product			H-17
Product	Initial Day Price	Final Day Price	Decrease in Price (%)	Number of Rounds of decrease	H-17/LRTP-17 Price Differential
H-17	\$177.98	\$175.78	1.24%	4	\$0.00
LRTP-17	\$291.13	\$276.88	4.89%	11	\$101.10

On the last day of bidding, the price of the LRTP-17 product was reduced twice more at the minimum of 0.25% while the price of the H-17 product was reduced once. Bidding closed in round 38 with roughly a \$100/MW-day difference between the two prices. This is summarized in Table IV-35.

Table IV-35. Hourly Price Section – Summary Information for Day 4-Rounds 35-38.

Day 4		Total Number of Rounds			4
		Product with greatest % Price decrease			LRTP-17
		Lowest Priced Product			H-17
Product	Initial Day Price	Final Day Price	Decrease in Price (%)	Number of Rounds of decrease	H-17/LRTP-17 Price Differential
H-17	\$175.78	\$175.34	0.25%	1	\$0.00
LRTP-17	\$276.88	\$275.50	0.50%	2	\$100.16

At the end of bidding in the Section, the final prices were \$175.35/MW-day and \$276.19/MW-day for the H-17 and LRTP-17 products respectively. The LRTP-17 received little interest at the start of the bidding, despite the fact that its starting price had been set \$20/MW-day higher than the H-17 product. However, as the H-17 price declined and the price differential grew, bidders switched their tranches into the

LRTP-17 product, as one would expect from competitive bidding. Despite the small number of bidders, bidding and excess supply persisted over 38 rounds.

Bidders in the Section were vying for the right to provide full-requirements service to customers on an hourly-priced plan. Suppliers were to be paid the local hourly spot market for energy cost and the Auction price for providing capacity, some ancillary services, certain fixed transmission services, and bearing a number of risks. Chief among these risks is the risk of migration from customers that come on and off the hourly-priced product with minimal restrictions. Bidders would likely want to hedge capacity; all else being equal, customers will tend to leave when these costs decrease and return when these costs rise, compounding the risk with adverse selection. Final price levels indicate that bidders perceived these risks to be real. Bidders may have perceived that the migration risks were difficult to evaluate in the absence of migration data where customers were exposed to similar market prices. A further non trivial risk is the risk of significant enough volumes to recover set-up, administrative costs and tranche fees. As will be explained below, it is possible that volumes could be so low for hourly service that the supplier would lose money on the fixed per tranche costs.

The final Ameren LRTP-17 product price closed approximately \$100/MW-day over the final price for ComEd's H-17 product. This differential could have been demanded by bidders for a number of reasons. The most likely reason is the fact that only one customer would have been required to elect LRTP service from Ameren if it did not choose service from an RES¹. All other large Ameren customers were eligible for a fixed-price service (under the LFP-17 product) if they did not choose service from an RES. This means that the load associated with the LRTP-17 product could realistically be zero or very small, especially since the output of qualified facilities

¹ Before May 2006, all customers above 1 MW were eligible to take both LFP and LRTP. In May 2006, the Ameren Illinois Utilities conducted a survey of customers with demand greater than 3 MW. These customers had to declare whether they wanted to remain eligible for LFP service. If a surveyed customer elected not to be included in the LFP product or did not respond to the survey, the customer would then only be eligible for LRTP service. All but one customer, who was in the AmerenIP service territory, returned the survey and elected to be eligible for LFP service.

was subtracted from load. In contrast, an entire class of ComEd customers are only eligible for H service, which makes it much more unlikely that load would realistically be zero or very small. Bidders would need to be compensated for bearing this risk of zero or little load, which could potentially fail to generate enough revenue to recover the bidders' auction and administration costs. Bidders did not have any revenue certainty through the SFCs, even for the relatively small amount that would be needed to recover the bidders' auction and administration costs.

Other factors that could have contributed to the observed differential in Hourly Price Section product prices were differences in how capacity is treated in PJM and MISO. PJM has a visible capacity market, in the form of periodic capacity auctions, while MISO participants use bilateral transactions to meet capacity and/or resource adequacy requirements. This, as well as other fundamental differences between PJM and MISO, could also have contributed to the observed differential.

IV.E.1.d. Further Analysis and Statistical Presentation of the Hourly Price Section

This section presents further details and analysis regarding the results of the Hourly Price Section. Table IV-36 below provides the number of tranches won of each product for each winning bidder.

Table IV-36 Hourly Price Section Winners.

	H-17	LRTP-17	TOTAL
Ameren Energy Marketing Company	0	2	2
Constellation Energy Commodities Group, Inc	4	5	9
DTE Energy Trading, Inc	6	0	6
Dynegy Power Marketing, Inc	16	12	28
Exelon Generation Co, LLC	4	10	14
FPL Energy Power Marketing, Inc	12	0	12

Detailed information regarding prices per round and the ranges of excess supply are displayed below. Table IV-37 provides the going prices for each round, the range of excess supply, as well as the decrements. There were 3 different ranges of excess supply reported to bidders. The last range of excess supply reported to bidders was of 0-30 tranches, which occurred in rounds 5 to 38 of the Auction. The information on decrements is displayed graphically as well in Figure IV-5 and Figure IV-6. These figures display the decrements for each product over the course of the Auction.

Table IV-37. Hourly Price Section Going Prices and Excess Supply Ranges.

Round	Excess Supply Range	H-17	LRTP-17	Price Decrements H-17	Price Decrements LRTP-17
1	41 - 50	290.00	310.00	--	--
2	31 - 40	276.98	308.45	4.49%	0.50%
3	31 - 40	263.13	306.14	5.00%	0.75%
4	31 - 40	249.97	304.61	5.00%	0.50%
5	0 - 30	237.47	303.09	5.00%	0.50%
6	0 - 30	231.53	303.09	2.50%	0.00%
7	0 - 30	225.74	303.09	2.50%	0.00%
8	0 - 30	220.10	303.09	2.50%	0.00%
9	0 - 30	214.60	303.09	2.50%	0.00%
10	0 - 30	209.24	303.09	2.50%	0.00%
11	0 - 30	204.01	303.09	2.50%	0.00%
12	0 - 30	198.91	303.09	2.50%	0.00%
13	0 - 30	193.94	303.09	2.50%	0.00%
14	0 - 30	189.09	303.09	2.50%	0.00%
15	0 - 30	184.36	303.09	2.50%	0.00%
16	0 - 30	181.59	303.09	1.50%	0.00%
17	0 - 30	180.68	303.09	0.50%	0.00%
18	0 - 30	179.78	302.33	0.50%	0.25%
19	0 - 30	179.33	299.31	0.25%	1.00%
20	0 - 30	179.33	293.32	0.00%	2.00%
21	0 - 30	178.88	292.59	0.25%	0.25%
22	0 - 30	178.43	291.86	0.25%	0.25%

Round	Excess Supply Range	H-17	LRTP-17	Price Decrements H-17	Price Decrements LRTP-17
23	0 - 30	177.98	291.13	0.25%	0.25%
24	0 - 30	177.54	290.40	0.25%	0.25%
25	0 - 30	177.10	289.67	0.25%	0.25%
26	0 - 30	176.66	288.95	0.25%	0.25%
27	0 - 30	176.66	286.06	0.00%	1.00%
28	0 - 30	176.66	283.20	0.00%	1.00%
29	0 - 30	176.66	280.37	0.00%	1.00%
30	0 - 30	175.78	280.37	0.50%	0.00%
31	0 - 30	175.78	279.67	0.00%	0.25%
32	0 - 30	175.78	278.97	0.00%	0.25%
33	0 - 30	175.78	278.27	0.00%	0.25%
34	0 - 30	175.78	277.57	0.00%	0.25%
35	0 - 30	175.78	276.88	0.00%	0.25%
36	0 - 30	175.78	276.19	0.00%	0.25%
37	0 - 30	175.78	275.50	0.00%	0.25%
38	0 - 30	175.34	275.50	0.25%	0.00%
Final Price		175.35	276.19	39.53%	10.91%

Figure IV-5

Price Decrements by Range of Excess Supply for H-17

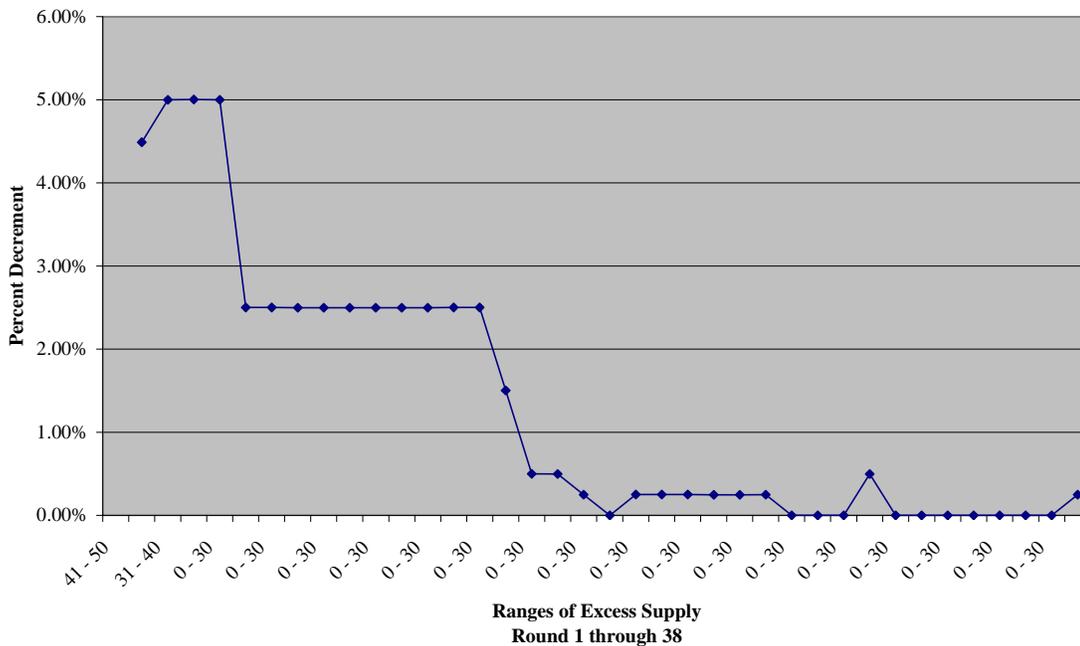
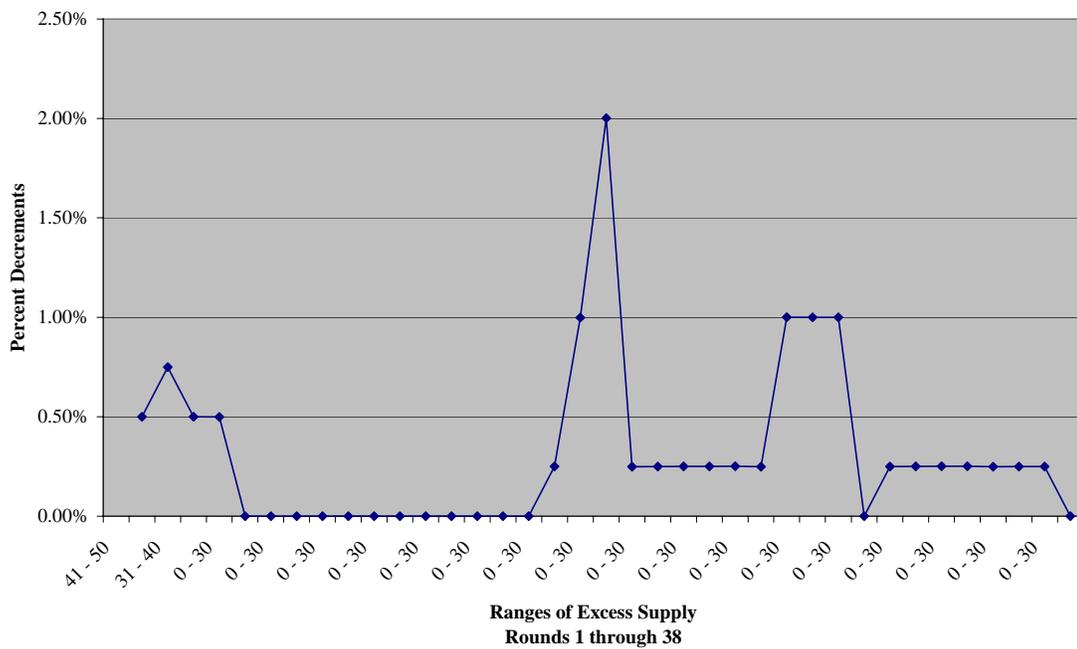


Figure IV-6

Price Decrements by Ranges of Excess Supply for LRTP-17



Overall, the Auction Manager believes that bidding patterns were consistent with competitive behavior and that final prices reflected the risks as perceived by bidders. The bidder pool was not as large or diversified as in Fixed Price Section but bidding nevertheless continued over 38 rounds. An additional summary of the results of the Hourly Price Section, including the target procurement level for each product, the achieved procurement level, the closing price by product, the number of winning bidders, the maximum number of tranches won by a single bidder, the Auction starting price, the number of rounds, are provided in Table IV-38.

Table IV-38. Statistical Summary Hourly Price Section: ComEd and Ameren Products.

Product	H-17	LRTP-17	Total
Peak load share (MW)	2,629	1,853	
Total tranches needed	53	37	90
Final tranche target in auction	42	29	71
Tranche size (%)	1.89%	2.70%	
Tranche MW-measure	49.60	50.08	
Load cap (#tranches)	18	12	
Number of rounds	38		
Quantity procured (#tranches)	42	29	71
Quantity procured (% load)	79.25%	78.38%	
# Winning Bidders	5	4	6
Maximum tranches procured from any one bidder	16	12	28
Minimum and maximum starting prices (\$/MW-day)	\$231.00 and \$315.00		
Round 1 price (\$/MW-day)	\$290.00	\$310.00	
Final auction price (\$/MW-day)	\$175.35	\$276.19	
Percentage decrement from Round 1 price.	39.5%	10.9%	

IV.E.2. Auction Monitoring Process

After each round the Auction Manager checked the results produced by the Auction Software against the final Auction Rules and found conformance to the Auction Rules in bids entered and the solutions. During the Auction, the Auction Manager performed all calculations required by the auction volume guidelines. The development of this methodology is described in section IV.D.1. Each time calculations were performed and a decision point was reached, ICC Staff and its Advisor were advised, the calculations were provided to them, and no action was taken by the Auction Manager until ICC Staff and its Advisor concurred with the Auction Manager's assessment and calculations. All calculations followed the auction volume guidelines agreed to with ICC Staff prior to the Auction.

Calculations of the round results by the Auction Software were double-checked and reproduced off-line by the Auction Manager in the calculating phase of each round. The Auction Manager checked during the calculating phase of each round that the proper decrement calculation was being performed by the Auction Software.

Once the bidding for a round closed, the Auction Manager independently performed the calculations of the round results on the basis of the raw bid data. The Auction Manager independently calculated the results, including the price decrements (using the random number generated by the Auction Software when needed), the new prices, the excess supply and its range, each bidder's eligibility, the subscription for each product, the number of withdrawals (allowed and retained), the number of switches (allowed and denied), the amount of free eligibility. Whenever possible, the Auction Manager performed any calculation using two independent methods to check the results.

The ICC Staff and Staff Advisor had real time access as Auction Monitors to all bid activity and system mail that was available to the Auction Manager. They were able to observe the Auction in real time. Further, they were also provided with additional data, reports, and analysis. Prior to the Auction, ICC Staff and the Auction Manager had discussed the data that the Auction Manager would provide ICC Staff, the timing and frequency of delivery of this data. The Auction Manager had practiced during the full

trials to improve the speed with which data was delivered to ICC Staff. Deliveries of the data and reports were consistent with the schedule agreed upon in these discussions. These reports were provided for the most part in electronic form as soon as technically feasible, usually within the first minute of the calculating phase. These included precise data on various types of bids, such as bids at the going price, switches and withdrawals. Further, various reports created and utilized by the Auction Manager to confirm results from the Auction Software were also provided in hard copy to ICC Staff prior to the next round. Reports and analyses created at ICC Staff's request were also produced, usually twice daily, and provided to ICC Staff electronically. These reports analyzed the data in various ways, presenting charts and tables of the bids for the Auction up to that point. Reports and analyses that the Auction Manager created to monitor the bids and to monitor auction progress were also provide to ICC Staff in hard copy twice daily. Some of these reports tracked bidding patterns against prices, other reports provided indicators that would alert the Auction Manager and ICC Staff to the possibility that bidders were coordinating their behavior. The Auction Manager or its antitrust expert discussed the results of these reports with ICC Staff usually on a daily basis. The Auction Manager and its antitrust expert concluded that there was no evidence of collusion.

At the conclusion of the last round of bidding in each Section, the Auction Manager called a time-out and checked the final auction prices and the final allocation of tranches to bidders for the Section against the submitted bids and the Illinois Auction Rules. The Auction Manager reviewed the calculation of final prices and the allocation of tranches with the ICC Staff and its Advisor, who concurred with the Auction Manager's verifications. The Auction Manager checked all reports that would be provided to the bidders by the Auction Software in this final round. All calculations performed by the Auction Software were determined to be correct by these independent checks. Final Auction results were only released after review with the ICC Staff and its Advisor.

The Illinois Auction Rules specify that in the reporting phase of each round, all bidders receive the going prices for the next round, and a range of excess supply left in each Section. Further, each bidder receives privately specific information regarding its

individual bids. Each bidder was provided all the information specified in the Illinois Auction Rules and only the information specified in the Illinois Auction Rules.

The Auction Manager promptly communicated schedule changes to bidders. The Auction Manager changed the schedule strictly to accommodate extensions called by bidders while otherwise endeavoring to keep the schedule as announced. The Auction Manager reminded bidders often to consult the schedule tab to view all details of the schedule. Schedule updates made by the Auction Manager were typically communicated during the reporting phase; they were not communicated to bidders during the bidding or extended bidding phase so as to not distract bidders and they were often not sent during the calculating phase as the Auction Manager is performing verifications of the results during that phase. There were no instances where bidders missed a bidding window because of a change in the schedule. There was one instance where a change in the schedule was communicated but not put in effect in a timely fashion.

IV.E.3. Monitoring of Markets for Extraordinary Events

The occurrence of outside events that may have had a material adverse impact on the auction and that appears to be short-lived may be a reason for the ICC to want to investigate the results of the Auction. Throughout the auction process, the Auction Manager has kept abreast of events related to or affecting the various energy markets underlying the Auction. This monitoring has allowed for a review of whether outside events could have a material impact on the participation of bidders and on the auction.

A summary of the findings for the period from February 1, 2006 to August 31, 2006 is as follows:

- a) Average peak² forward electricity prices at the three hubs for delivery during the various product supply periods relevant to the auction, namely the 17-month (January 1, 2007 to May 31, 2008), 29-month (January 1, 2007 to May 31, 2009), and 41-

² Peak forward electricity prices refer to the price of electricity delivered during the 16 “peak” hours in a day, typically 7 a.m. to 11 p.m. 5 days a week, typically Monday to Friday. Average peak electricity prices are generally above the average price for electricity delivered during every hour or in the off-peak hours.

month (January 1, 2007 to May 31, 2010) periods, have all been stable with movements significant, but gradual. There have been no observed sudden or sharp fluctuations in the prices. This can be observed from Figure IV-7, Figure IV-8 and Figure IV-9, which show the average forward electricity prices from February 2006 for electricity delivered during the three supply periods for the relevant trading hubs.

Figure IV-7
Average PJM West Forward Electricity Prices.

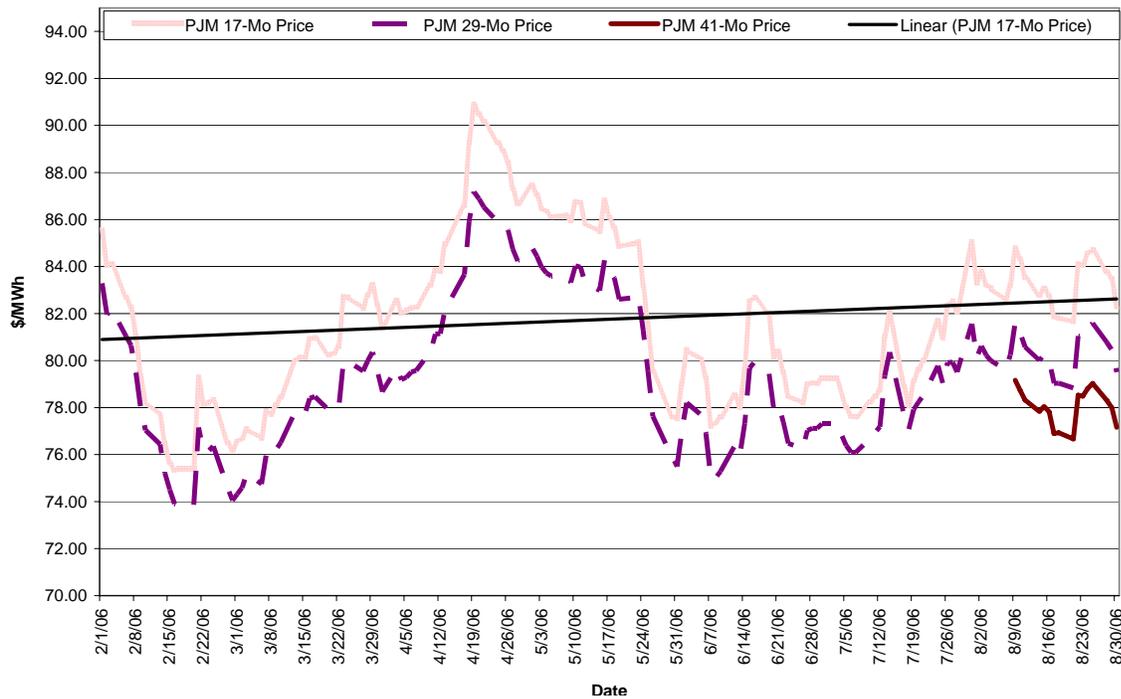


Figure IV-8
Average NiHub Forward Electricity Prices.

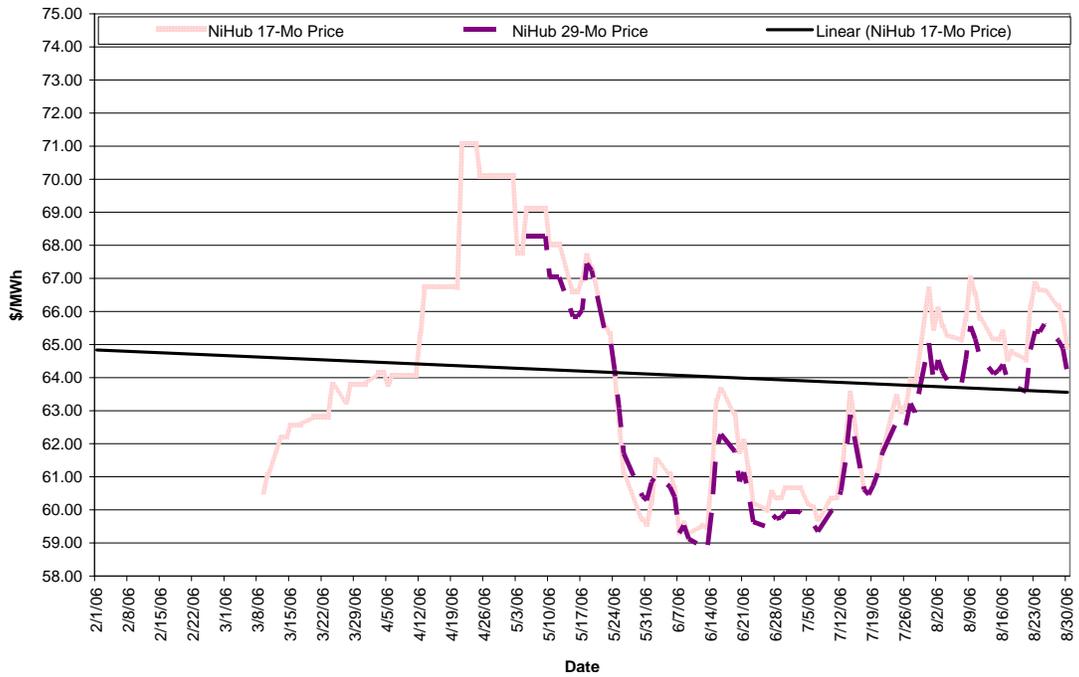
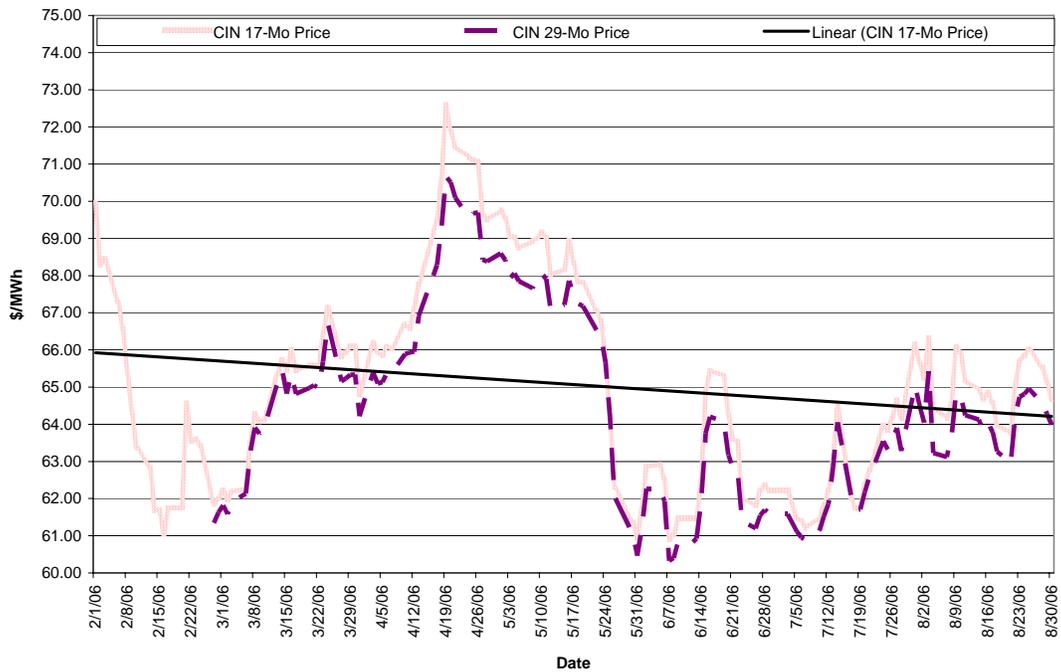


Figure IV-9
Average Cinergy Forward Electricity Prices.



b) Forward electricity prices at these three relevant hubs have maintained a consistent relationship for 2006. This can be observed from Figure IV-10 and Figure IV-11.

Figure IV-10
Average 17-month PJM West, NiHub, and Cinergy Forward Electricity Prices.

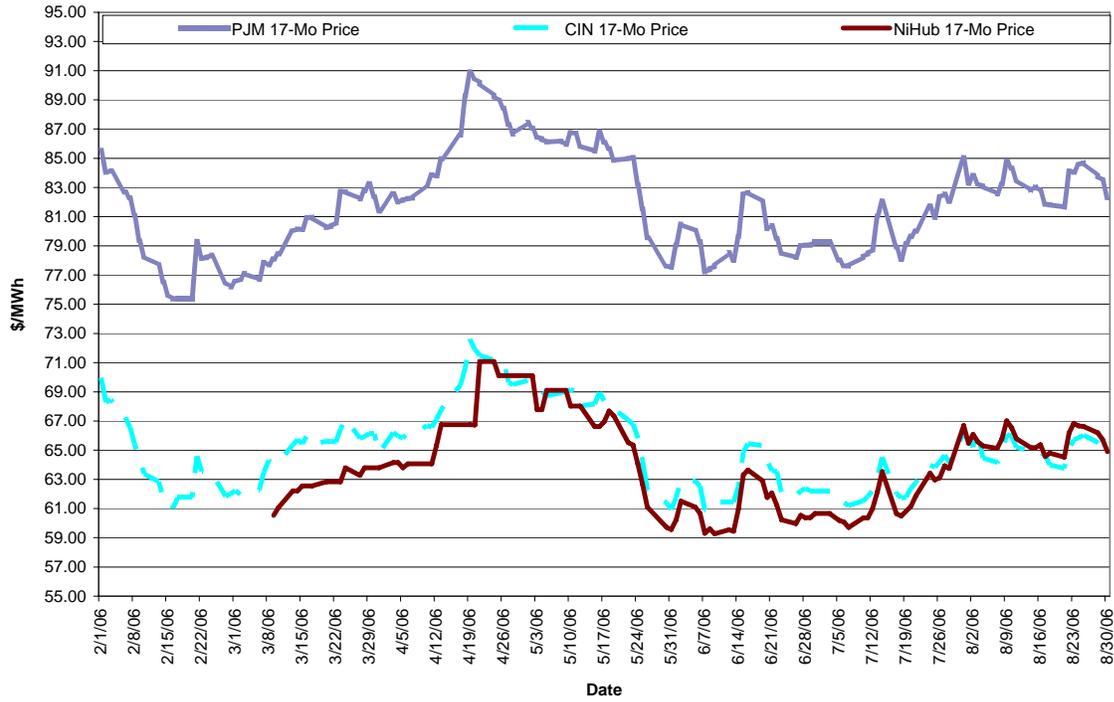
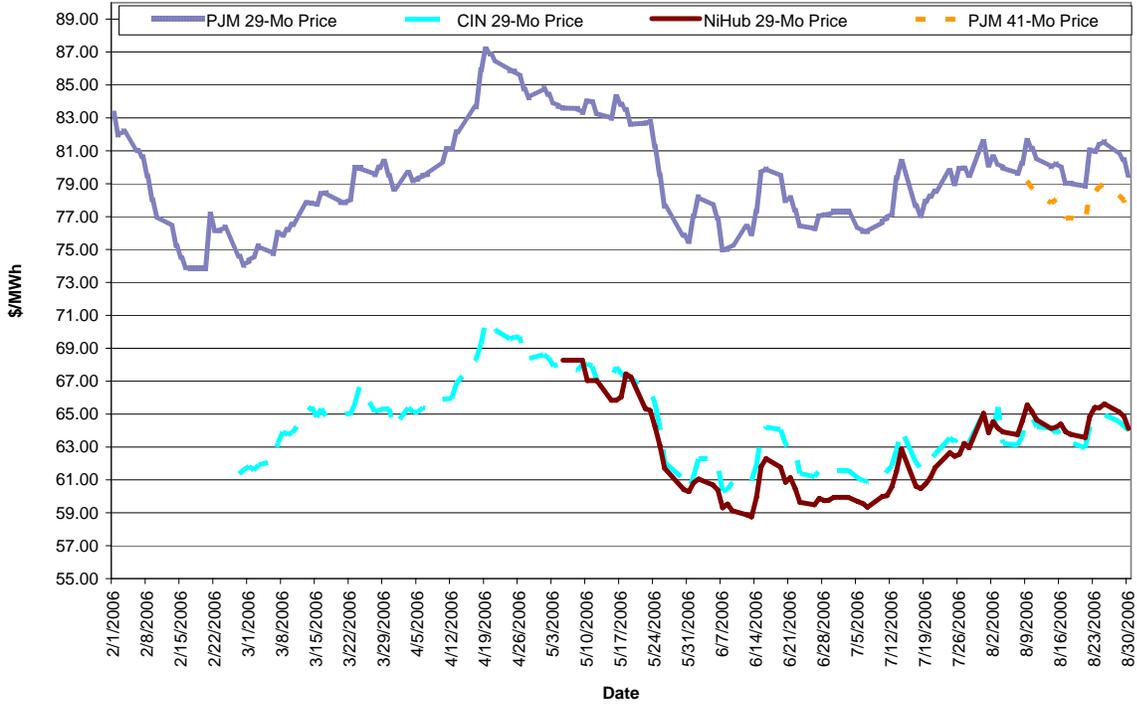


Figure IV-11

Average 29-month and 41-month PJM West, NiHub, and Cinergy Forward Electricity Prices.

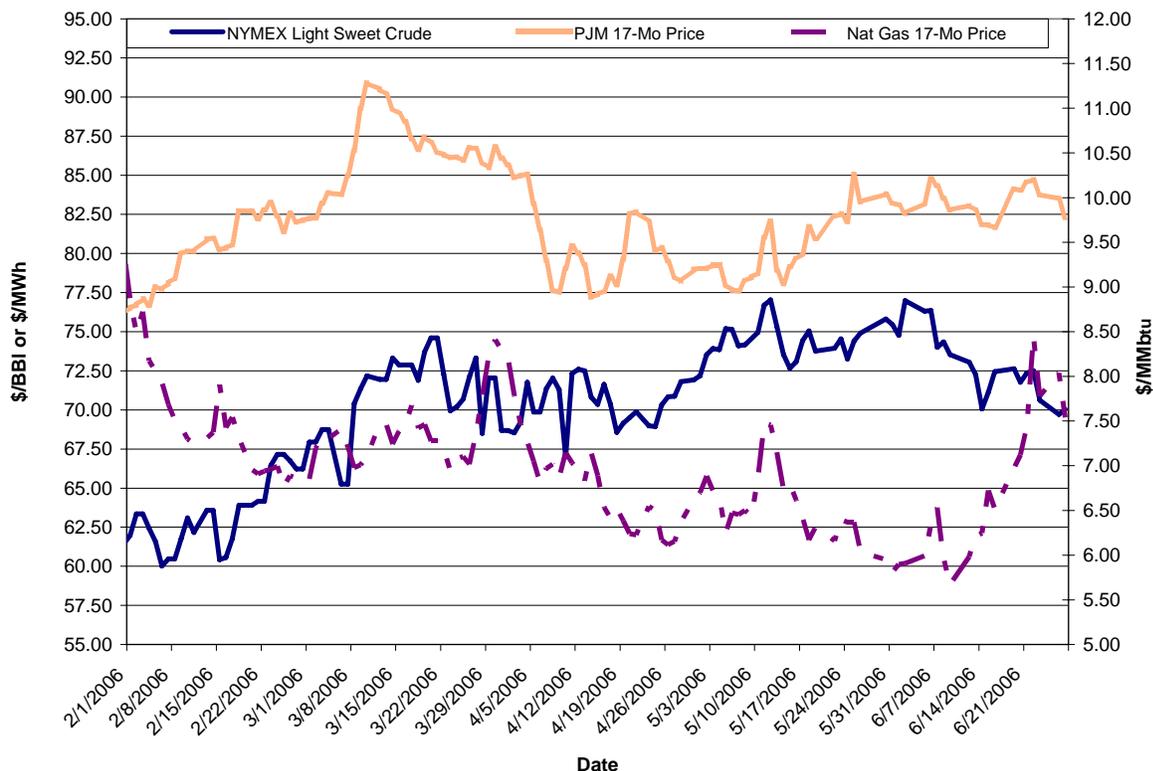


There were no significant movements observed in the electricity markets in the two weeks prior to the auction.

Lastly, movements in the electricity market prices appear to have been consistent with changes in world energy markets, such as the markets for oil and natural gas. Please see Figure IV-12 below.

Figure IV-12

Light Sweet Crude Oil, 17-month PJM West, and 17-month Henry Hub Natural Gas Prices.



Based upon these data and information, the Auction Manager does not believe that there is any concern that there were disruptions in energy markets that have influenced bidders' participation in the auction process.

The Auction Manager continued to monitor the energy markets during the auction. Table IV-39 shows the percent change in forward power at each of the three electricity hubs of primary interest from the first day of the auction to the closing day of the auction. As can be seen, the prices displayed an average change of less than 1.0 percent, and therefore were not a cause for concern.

Table IV-39. Change in 17-month PJM West, NiHub, and Cinergy Forward Electricity Prices.

	PJM West	NiHub	Cinergy
Day 1	0.02%	0.35%	0.95%
Day 2	1.18%	1.57%	1.30%
Day 3	-0.53%	-1.35%	-0.66%
Day 4	-1.82%	-1.79%	-1.22%
Avg. Change	-0.29%	-0.31%	0.09%

IV.E.4. Security of Auction Office

The Auction office was properly secured throughout the Auction. Access to the Auction office was restricted only to authorized personnel, and there were no breaches of security.

The building restricts access to commercial floors only to authorized personnel who were provided with a building electronic card key. Card keys are required to access the building. Auction Manager Team members were provided with electronic card keys which provided free access to the building at all times. All other personnel authorized to be in the Auction office during the Auction, namely the ICC Staff and its Advisor, were required to register at the front desk each day.

The following additional security measures were taken by the Auction Manager:

- **Professional Security Guard:** The Auction Manager Team engaged the services of an independent security company during the Auction. An unarmed security guard was positioned outside the Auction Manager’s office throughout the duration of the Auction.
- **Security system:** During the initial setup of the office, the Auction Manager Team contracted a professional electronic security company who installed electronic-key-access security doors on the Auction Manager’s office.
- **24-hour Video Monitoring System:** A 24-hour video monitoring system was also installed by the electronic security company during the setup of the office.

- **Security Sweeps for Electronic Transmission Devices:** In late July, the Auction Manager engaged the services of an electronic device detection security company to conduct an electronic sweep of the office for electronic transmission devices, including electronic bugs, telephone taps, etc.
- **Office Safe:** A safe was installed in the secure electronic-key-access storage room of the office. The safe operates with a manual key and an electronic number combination. Only Auction Manager Team members have access to the safe. The safe is used for sensitive information related to the Auction. Each night, the Auction Manager Team ensures the office safe is locked and the electronic-key-access room door is secured.
- **Locked Cabinet:** A 3' x 5' cabinet dedicated to store confidential information resides in the secure electronic-key-access storage room.
- **Network Security:** Network and server security monitoring were performed for the entire duration of the Auction. A host-based intrusion prevention system (IPS), which scans all traffic hitting the server and denies malicious traffic, resides on the auction servers
- **Data Backup and Security:** The auction data consisted of a database, which contained all of the auction data up to that point in time.

IV. F. Post-Auction Activities (September 2006 – December 2006)

IV.F.1. Auction Manager Report to the ICC

The Auction Manager provided the ICC with a confidential report that reviewed and analyzed the Illinois Auction process. The outline of the final report of the Auction Manager was established in the procurement proceeding. The context of this report was set forth and accepted (i.e., not challenged or modified) by any party. In this final report to the ICC, the Auction Manager certified that the Auction was appropriately promoted, that information was properly disseminated, that ICC Staff was kept informed of activities during the pre-Auction phase and during the Auction, that no evidence was

found of collusion, and that Auction results were consistent with competitive bidding. This final confidential report of the Auction Manager consisted of four sections.

In Section I of the report, the Auction Manager provided the ICC with a comprehensive description of all the pre-auction activities. These included promotion, dissemination of information, the review of applications, qualification, and registration with ICC Staff, the setting of auction parameters with ICC Staff, and bidder training.

In Section II, the Auction Manager provides a statistical overview of the Auction and answers a series of questions concerning the conduct of the Auction.

In Section III, the report examines external events. No external market events or non-market events occurred during the Auction that provides a reason to believe that results were other than consistent with fundamental market conditions.

In Section IV, the report specifically examined the Auction goals put forth in the procurement proceedings against criteria set forth in the proceedings. Section IV explained how the Auction met the required goals.

IV.F.2. ICC Review of the Results³

The ICC commenced deliberations on the Auction results on September 11, 2006. The ICC received a confidential report of the Auction Manager and a confidential report from the ICC Staff that were due on September 12, 2006. If the ICC did not take action to investigate the results of a Section by close of business on Friday, September 15, 2006, the Auction Manager would declare the results of that Section successful.

After reviewing the confidential reports of the Auction Manager and the ICC Staff, on September 14, 2006 the ICC determined that it would not investigate the results of the Fixed Price Section. The Commission stated that the first power auction proceeded “smoothly and efficiently,” and that “the auction was very competitive.” The Commission also added that the rules and safeguards designed to protect the integrity of

³ News from the Illinois Commerce Commission, September 14, 2006.
<http://www.icc.illinois.gov/docs/en/060914ecAuctionPR.pdf>

the Auction, which are a crucial step in the development of a truly competitive marketplace for electricity in Illinois, worked well.

The Auction Manager declared a Successful Result for the Fixed Price Section on September 15, 2006. The Utilities and the winning suppliers proceeded to execute the Supplier Forward Contracts for the Section. On September 21, the Utilities made their Retail Supply Charge Informational Filing. This filing provides the calculation of electricity charges for each rate class. New electric rates for all utility customers will apply to electricity usage beginning January 2, 2007. The new rates would be the first rate increase since before 1997.

The ICC decided to investigate the auction results from the Hourly Price Section. In doing so, the ICC declared the results of the Hourly Price Section null and void. The winning bidders did not execute Supplier Forward Contracts and the Utilities procured supply through means other than the Auction.

V. Recommendations for Future Auctions

The Auction Manager believes that this first Auction for electricity procurement in the State of Illinois was overall a resounding success. The Auction process, as ultimately set out by the Commission's Order on the basis of the proposal by the Utilities, laid the groundwork for this success. The auction format chosen by the ICC was built to elicit competitive bidding and to obtain reliably supply at prices that are competitive and reflective of market conditions. The auction format provided an objective way and clear method to determine winning suppliers and final prices. Additional safeguards ensured protection against anti-competitive behavior. Small customers were protected from the volatility of the short-term markets by a longer term contract of three years. The ICC through its Staff had extensive involvement and oversight. The Auction Manager kept all stakeholders informed through postings to the Web site and information sessions. The Auction Manager kept an open line of communication with the ICC Staff throughout the entire process. The ICC Staff was actively involved in monitoring the application review process and the Auction itself. The Utilities, the Auction Manager and the ICC Staff collaborated throughout the Auction process, to coordinate promotion activities, finalize documents, and specify various auction methods. Prospective suppliers responded by showing interest in the Auction through their questions, through their participation in comment processes, through their applications to the process, and finally by providing competitive bids throughout the four days of bidding.

The success of the auction format, of the promotional efforts, of the strategies to disseminate information, as well as the collaboration of all parties to build a competitive process, were evident throughout the Auction process and for both Sections. However, while this success translated into broad participation from a diverse set of entities in the Fixed Price Section, in the Hourly Price Section participation was noticeably thinner and this affected the results. The ICC rejected the results of the Hourly Price Section; the hourly product, combined with the price resulting from the Auction, did not provide sufficient value for Illinois customers. One focus of looking ahead to the next Auction will undoubtedly be to review alternative designs for the hourly product and to seek the best product design to provide value for customers choosing such an option.

Aside from such a review, the Auction Manager does not believe that there are any fundamental aspects of the Auction process that the ICC set out in its Order that must be changed. This section of the report makes several suggestions. Some of these suggestions are to recommend explicitly that a particular aspect of the Auction process be continued because of its success in the first Auction. Some of these suggestions are further reflections on the results of the Auction. Some of these suggestions are in the nature of improvements to the current process. None of these recommendations envisages a fundamental change of the Auction process. All of these recommendations look ahead to build on the success of the first Auction and provide an even better process to determine the suppliers of Illinois customers and to determine their retail rates. These recommendations are provided within the review below of some of the main elements of the Auction process.

V. A. Product Design

As mentioned above, the lack of interest displayed by prospective suppliers in the hourly product, and the price resulting from the Auction means that one focus of looking ahead to the next Auction is to review alternative designs for the hourly product. The Auction Manager believes that one reason for the lack of interest is that prospective suppliers faced the possibility of zero or little load. This means that prospective suppliers did not have a prospect certain for even a modest revenue. Yet, prospective suppliers faced a prospect certain of a number of costs, including the costs of participating in the Auction, the costs of paying the Supplier Fee, and any costs from hedging to be ready to serve customers that would migrate to the service during the supply period. Prospective suppliers could be paying to become suppliers of the hourly service and not necessarily expect anything in return. The Auction Manager believes that alternatives for product design should either provide some revenue certainty for prospective suppliers even when no customers are on the service or should provide a more certain customer base.

One feature of the results of the Fixed Price Section that was extensively discussed in this report is the differential in final prices between the products for the residential and small business customers and the final prices between the products for the large commercial and industrial customers. There was little interest in the products for large commercial and

industrial customers at the start of the Auction because at comparable prices, products for the residential and small business customers were more attractive to bidders. The products for the large commercial and industrial customers produced active bidding in the Auction, but only once their prices incorporated a sufficient reward for optionality and risk compared to the products for the residential and small business customers. The Auction Manager views the difference in prices between these products as representing the price of the option that prospective suppliers provided customers who were eligible to take the service.

The Auction Manager believes that the price of the option may go down in future Auctions as prospective suppliers obtain data on customer behavior at market prices and as prospective suppliers better understand the switching rules for customers and the requirements of serving these customers. Nevertheless, now that the price of the option is known, it is possible to examine whether the level optionality combined with the Auction price provide the best value for customers. There is an inherent trade-off between optionality and price. It may be that other alternatives would deliver better value, either by reducing the optionality and providing a price that could be expected to be lower, or by further increasing the optionality in exchange for a price that could be expected to be higher.

Any modification to the product design is first and foremost reflected in the Supplier Forward Contracts, which provide the details of what suppliers must provide, of their obligations and rewards. Modifications in the product design are also reflected in the Auction Rules, in the CPP Rider and in the MV Rider, which all describe the product. Modifications in the product require changes to the data provided to suppliers and may require a re-definition of the tranche size.

V. B. Auction Format

The bidding in this first Auction provided a clear illustration of the advantages of the clock auction format. This auction format allows bidders to respond to the market information that they obtain during the course of the Auction. Bidders that see a product with a price that is not being reduced know that the product is receiving little interest. Bidders can revise their bidding strategies if they had not anticipated this lack of interest and if they believe that they can take advantage of the opportunity. Bidders that see a price differential between two

products and that believe this differential to be larger than is warranted by the difference in costs or in risk among the two products, can then switch tranches to the higher priced product. The switching into the higher priced product, by increasing the excess supply on the product, in turn decreases the price for that product, inducing the price differential to close to the market perception of differences in costs and risks between the products. Bidders that see excess supply in the Auction still high even when the Auction reaches price levels at which they initially believed the Auction would close may revise their estimates of the risks and rewards of the products and continue bidding.

The experience in this first Auction only reinforces the Auction Manager's view that there is no other auction format that could deliver a better result for customers. The Auction Manager recommends that there be no change to the auction format. To be sure, there will need to be adjustments to the parameters of the Auction, such as the formulas to calculate the decreases in price, because the number of tranches needed will be lower and the number of products in the second Auction is expected to be different. However, these are adjustments designed to optimize the existing framework, rather than changes in the auction format.

V. C. Confidentiality of Bidder Information

This report is the first time that certain information is released regarding the Illinois Auction. While the Auction Manager released the names of the winners and the final auction prices when a Successful Result could be declared in the Fixed Price Section, no information was released before now regarding the exact number of tranches of each product won by a given supplier. Further, information regarding participants that did not win at the Auction was not released during the Auction process and is, to the extent possible, not released in this report.

The Auction Manager continues to believe that keeping the confidentiality of bidder information is important to getting the best prices for customers by attracting strong and healthy participation to the Auction and by allowing these suppliers to assemble the lowest cost package possible to bid in the Auction. The Auction Manager recommends that the practice established in the first Auction to maintain the confidentiality of bidder information be continued in future Auctions.

The confidentiality of the exact tranches won by a bidder is important in allowing a winning supplier to hedge and make supply arrangements at the lowest possible cost. If what a supplier had won at the Auction were made public shortly after the Auction, the supplier would be in a poor negotiation position. Any counterparty would know the obligations faced by the supplier and the timeframe during which the supplier must make supply arrangements. This lack of bargaining position can only increase the supplier's costs and increase prices for customers. The confidentiality of a supplier's status in the auction (whether it has qualified to bid, for example) is important for the same reason. Some suppliers will make supply arrangements to bid before the Auction; the negotiating position of any such supplier can only be harmed by making its participation in the Auction public. Lastly, the confidentiality of bidder information matters to the reputation and business position of suppliers. The fact that a supplier is participating in the Auction may reveal something about their business plan and outlook, and may be considered sensitive business information by the supplier.

V. D. Promotion and Dissemination of Information

The Auction Manager worked with ICC Staff and with the Utilities to promote the auction opportunity to prospective suppliers and to provide information about the Auction process to all stakeholders. This Auction was the first for Illinois, and these promotion and information dissemination activities were developed with this fact in mind. An important focus of the effort was to ensure that the widest possible range of prospective suppliers were aware of the opportunity and knew where to obtain more detailed information. Another important focus was to ensure that the information regarding the Auction was available not only to prospective suppliers but to all stakeholders.

The Auction Manager believes that these activities were undertaken with considerable success. A wide range of prospective suppliers became aware and are now aware of the Illinois Auction. Stakeholders are aware of the Illinois Auction through these activities and also through wide coverage in the press. The Auction Manager notes that promotion and activities to disseminate information in subsequent Auctions can build on this success and need not replicate all activities undertaken in the first Auction.

In particular, the Auction Manager recommends adjusting the strategy for promotion to take into account that prospective suppliers and stakeholders are already aware of the opportunity. The Auction Manager also recommends taking time up front in the process to develop materials and provide an information session for all stakeholders, so that activities for promotion and dissemination of information can focus on prospective suppliers as the time for qualification draws near. Such a strategy could include:

- Holding an information session several weeks before applications are due that would be aimed at acquainting prospective suppliers that did not participate in the first Auction with the process and at providing general information to stakeholders;
- Preparing several weeks before applications are due additional materials (additional to what is currently on the Web site) aimed at all stakeholders and at the press;
- Focusing promotional efforts aimed at prospective suppliers away from press releases and ads, which were very effective at simply making prospective suppliers aware of the opportunity, and toward direct marketing;
- Continuing to focus bidder information sessions on providing detailed information of interest to prospective suppliers;
- Considering additional events, such as web casts or conference calls, where the Auction Manager and ICC Staff can present to stakeholders a progress report on the Auction process once the application process has begun.

The Auction Manager believes in having an Auction process that provides as much information as possible to all stakeholders while preserving the confidentiality of bidder information necessary to promote participation. The Auction Manager believes that promotion activities and activities to disseminate information should still be central to the Auction Manager's role in future Auctions. These activities in the future can aim to provide general information early in the process to all stakeholders and to prospective suppliers, and then to focus activities on prospective suppliers once the time for applications draws near.

V. E. Auction Timeline

A strict timeline provides certainty for prospective suppliers and allows them to plan to get ready to bid. The timeline should afford prospective suppliers sufficient time to consult final documents before deciding whether to bid and before deciding the extent of their interest in the Auction. The timeline for the Illinois Auction, as summarized in the Rider CPP and Rider MV, does provide ample time for bidders to consider final documents and to prepare for the Auction.

The timeline is necessarily very intricate, with one event typically depending on the completion of another. It is really only through following the timeline once, as was done in this first Illinois Auction, that one becomes aware that improvements may be possible. The Auction Manager believes that improvements are possible to facilitate the management and conduct of the Auction. These improvements would also be aimed at ensuring that there is sufficient time to modify key auction documents that may be required to take into account of changes that the ICC may order with respect to the Auction process.

The Auction Manager recommends that the timeline be reviewed with these considerations in mind. Further, the Auction Manager offers some more specific observations regarding the timetable. It may be possible to incorporate these in a review of the timeline:

- Under the current timeline, the Auction Rules are made available in final form before the tranche targets are final. The tranche targets may affect various parameters of the Auction, which would be discussed and included in the Auction Rules. Finalizing the Auction Rules only after the tranche targets are final would facilitate the management of the auction documents and the Auction process.
- Under the current timeline, information regarding the tranches won by each supplier is not made public by a time certain (it is made public as part of the public report, “no earlier” than 30 days before the supply period). This information is needed to set up various accounts at PJM and MISO. Providing this information by a date certain would facilitate the management of the contract.

- Certain certifications that are required of bidders in their Part 1 and Part 2 Applications are tied to the timeline. The period of time during which these certifications apply should be reviewed, for example to ensure that they accord with any change in the timeline.
- Under the current timeline, the time between the registration of bidders (i.e., the end of the Part 2 Application process) and the Auction is several weeks. This length of time may not be necessary for the second and future Auctions for an auction administration perspective and may impose a burden on bidders who may be ready to bid earlier. The ability to compress this time period could be taken into account if incorporating changes into auction documents required additional time early in the process.