

Appendix 11 – Additional Information Concerning Maximum Willingness to Supply

A Bid is a price, in \$/MWh rounded to the nearest cent, for a block of a Product or for a block of a Combination. In addition to submitting its Bids, a Bidder may provide a maximum willingness to supply for each month and each Segment. Unless a maximum willingness to supply for a Segment of a month is specified by the Bidder, it will be assumed that a Bidder is willing to supply up to the minimum of: (i) the Target for that Segment of that month; and (ii) the number of blocks bid for that Segment of that month, which is the sum of the number of blocks bid for the Product corresponding to that Segment and that month and the number of blocks bid on any Combination that includes that Segment and that month. If a Bidder specifies a maximum willingness to supply for a Segment of a month, that maximum willingness to supply must be strictly less than the Target for that Segment of that month and the maximum willingness to supply must be strictly less than the number of blocks bid for that Segment of that month (which is the sum of the number of blocks bid for the Product corresponding to that Segment and that month and the number of blocks bid on any Combination that includes that Segment and that month). The maximum willingness to supply for a Segment of a month must be an integer number of blocks. The Bidder cannot win, across all Products and Combinations, more blocks of a Segment of a month than the Bidder has specified as its maximum willingness to supply for that Segment of that month.

This document explains further the concept of the maximum willingness to supply by using illustrative Bids. We consider the Bids placed on on-peak blocks by Company A for the period from June 2014 to May 2015. Company A submitted Bids for each Product and for each Combination available during that period. (We will omit the term “on-peak” and the year specification for the remainder of this document). The Bids are presented in Table 1 below.

Please note that this Table 1 does **NOT** follow the format of the Bid Form exactly and has been designed for the purposes of this example.

Table 1 below has each month as a column. The Bids on individual Products (i.e., the Bids for each specific month) are placed in the rows 3-8 of Table 1, followed by the Bids on Combinations in rows 10-14. In the rows with Bids on Combinations, grey shading of a cell indicates that a particular month is not part of the Combination. For example, in column D, which corresponds to the month

of July, the cells in rows 10 to 13 that correspond to the Jul/Aug combination are white while the cells in row 14 is grey because July is not a component of the January/February combination.

Table 1. Illustrative Bids and Maximum Willingness to Supply

	A	B	C	D	E	F	G	H	I	J	K	L	M	N
1			Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
2	Blocks bid on single products													
3	1		50.00	51.00	52.00				53.00	52.00	55.00			
4	2		50.01	51.01	52.01				53.01	53.00				
5	3			51.02	52.02									
6	4				52.03									
7	5													
8	6													
9	Blocks bid on combination products													
10	1	Jul/Aug		50.50										
11	2			50.51										
12	3			50.52										
13	4			50.53										
14	1	Jan/Feb								53.50				
15														
16	Number of Bids placed		2	7	8	0	0	0	2	3	2	0	0	0
17	TARGETS		3	6	4	0	0	0	2	2	1	0	0	0
18														
19	Max Willingness to Supply (default)		2	6	4	0	0	0	2	2	1	0	0	0

Company A is placing Bids on every Product, as well as on every Combination. Absent Company A specifying a maximum willingness to supply for a given Segment of a month, that maximum willingness to supply would be set as the minimum of (i) the Target for that Segment of that month; and (ii) the number of blocks bid for that Segment of that month, which is the sum of the number of blocks bids for the Product corresponding to that Segment and that month and the number of blocks bid on any Combination that includes that Segment and that month. We will call this the “Default Max Willingness to Supply”, which appears in row 19 of the table above.

For example:

- *Month of June:* The Target for June is three (3) blocks, and the Bidder has placed bids on two (2) blocks. The Default Max Willingness to Supply for June is two (2) blocks.
- *Month of July:* The Bidder has placed seven (7) bids for July, which is which is the sum of the three (3) bids on the month of July alone and the four (4) bids placed on the Combination Jul/Aug. The Target for July is six (6) blocks. The Default Max Willingness to Supply for July is six (6) blocks.

- *Month of August:* The Bidder has placed eight (8) bids for August, and the Target for August is four (4) blocks. The Default Max Willingness to Supply for August is four (4) blocks.

Taking July as an example, six (6) blocks are needed to fill the Target so that the evaluation will only consider the packages that contain at most six (6) of the seven (7) bids placed (considering the Bids on July and the Bids on the July/August Combination). The evaluation could consider three (3) Bids on July and three (3) Bids from the July/Aug Combination; or two (2) Bids on July and four (4) Bids from the July/Aug Combination.

Company A may specify a maximum willingness to supply. The maximum willingness to supply specified by a Bidder must be less than the Default Max Willingness to Supply calculated by the Bid Form and if so will supersede the Default Max Willingness to Supply calculated by the Bid Form. Table 2 below provides illustrative entries that specify a maximum willingness to supply less than the Default Max Willingness to Supply.

Table 2. Illustrative Bids and Bidder Determined Maximum Willingness to Supply

	A	B	C	D	E	F	G	H	I	J	K	L	M	N
1			Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
2	Blocks bid on single products													
3	1		50.00	51.00	52.00				53.00	52.00	55.00			
4	2		50.01	51.01	52.01				53.01	53.00				
5	3			51.02	52.02									
6	4				52.03									
7	5													
8	6													
9	Blocks bid on combination products													
10	1	Jul/Aug		50.50										
11	2			50.51										
12	3			50.52										
13	4			50.53										
14	1	Jan/Feb								53.50				
15														
16	Number of Bids placed		2	7	8	0	0	0	2	3	2	0	0	0
17	TARGETS		3	6	4	0	0	0	2	2	1	0	0	0
18														
19	Max Willingness to Supply (bidder determined)		2	5	4	0	0	0	2	1	1	0	0	0

The Default Max Willingness to Supply for July in Table 1 above is six (6) blocks. In Table 2, Company A specifies a maximum willingness to supply for July of five (5) blocks, which is strictly less than the Target of six (6) blocks and strictly less than the total number of seven (7) blocks bid. The evaluation would then only consider packages that contain at most five (5) of the seven (7) bids placed (considering the Bids on July and the Bids on the July/August Combination).

Similarly, the Default Max Willingness to Supply for January in Table 1 above is two (2) blocks. In Table 2, Company A specifies a maximum willingness to supply for January of one (1) block, which is strictly less than the Target of two (2) blocks and strictly less than the total number of three (3) blocks bid. The evaluation would then consider at most one (1) Bid for January: either the lowest price Bid for January or the Bid for the January/February Combination. Note that in this instance, the Bidder has placed a Bid for January (the higher priced Bid for January) that cannot possibly be part of the least-cost package. The Bidder cannot win, across all Products and Combinations, more blocks of a Segment of a month than the Bidder has specified as its maximum willingness to supply for that Segment of that month.