2nd ACR RPS Procurement Reform

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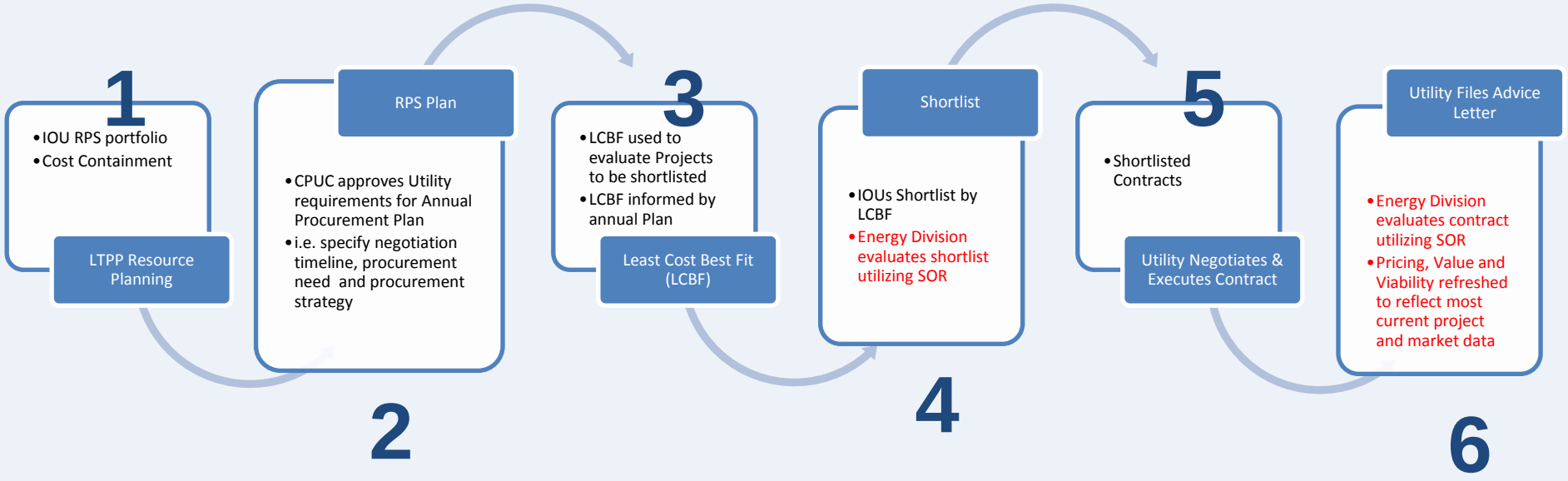
Agenda

9:30-10:00	Opening Comments by Commissioner Ferron Brief Discussion on the Importance of RPS Procurement Reform
10:00-11:00	Standards of Review for Shortlist
11:00-11:30	Timeline for Submission of Contracts
11:30-12:00	Expedited Review of Purchase and Sale Contracts
1:00-1:30	Afternoon Workshop Overview
1:30-2:30	Standard of Review for Amended PPAs
2:30-3:30	Standard of Review for Bilateral PPAs
3:30-4:00	Standard of Review for PPAs Beyond the Scope of the Advice Letter Process
4:00-4:30	Clean-up and Closing Comments

Housekeeping

1. In-scope vs. out-of-scope
2. Format of the Workshop
3. Expectations
4. Next Steps

RPS Procurement Continuum



Standards of Review for Shortlist

- Summary: Change from Tier 2 to Tier 3 Advice Letter
  - Must adhere to RNS, LCBF, IE verified, consistent with procurement expenditure limitation
- Rationale:
  - Shortens the shortlist approval process for worthy contracts
- Issues Raised by Parties:
  - Timeline must be established for commission approval of shortlist
  - More projects may be shortlisted than are needed for RPS compliance

Standards of Review for Shortlist

<u>Agenda Items</u>

- Merits of escalating shortlist to a Tier 3 Advice Letter
- Merits of limiting shortlist to a ratio of annualized need

Timeline for Submission of Contracts

- Summary: Contracts must be executed within one year after the approval of an IOU's shortlist and filed with the Commission for approval within one month from the execution date of the contract.
- Rationale:
  - Keeps price considerations current and relevant
- Issues Raised by Parties:
  - Doesn't account for extraneous circumstances that may cause delay
  - 30 day requirement for submission of executed PPAs is too short

Timeline for Submission of Contracts

<u>Agenda Items</u>

- Importance of limiting the timing of contract negotiations
- Parameters to allow an extension of the contract execution timeline

Expedited Review of Purchase and Sale Contracts

- Summary:
  - (Purchase and Sale) Contracts < 5 years are eligible to file T1 Advice Letters instead of T3 Advice Letters given SOR are met
  - (Purchase Only) Contracts > 5 years that use commercially proven technology can file T2 Advice Letters instead of T3 Advice Letters given SOR are met
- Rationale:
  - Expedites review of worthy PPAs that meet SOR
- Issues Raised by Parties:
  - Doesn't include existing resources, repowers and expansions for expedited review
  - Doesn't allow for slight modifications that provide ratepayer benefit to pro forma contracts
  - Some SORs are hard to obtain for contracts with later CODs

Expedited Review of Purchase and Sale Contracts

Agenda Items

- Allowing non-material modifications for standard offer contracts greater than five years in length.
- Adding a 5-year RPS procurement product in the list of pre-authorized LTPP bundled procurement products for IOUs.
- Relaxing the requirement for short-term contracts to come online within one year.
- The adequacy of the proposed viability hurdles for expedited review of contracts greater than 5-years in length. Are they presumptive? A good starting point? Acceptable?

SOR for Amended Contracts

- Summary: PPAs with changes in product technology must be re-bid into next solicitation. Any other contract amendments that substantially change the contract should be filed as a Tier 3 Advice Letter.
- Rationale:
  - A project that must make critical modifications must re-bid into future solicitations to ensure that it remains competitive
  - Deters speculative approach to solicitations and eliminates secondary market for winning bidders to sell their PPAs
- Issues Raised by Parties:
  - Modifications that offer ratepayer, developer, and IOU benefit are required to file a T3 Advice Letter
  - Modifications that are allowed in order to avoid a T3 Advice Letter filing aren't clearly defined

SOR for Amended Contracts

<u>Agenda Items</u>

- Define what a “change in technology” is for requiring a project to re-bid into the next solicitation.
- Define what “substantial changes” to a contract are for requiring a project to be re-submitted as a Tier 3 advice letter. What constitute “minimal changes?”
- Should modifications that offer ratepayer benefit be allowed to file as a Tier 2 advice letter?
- Must amendments show better ratepayer value than the original PPA?

SOR for Bilateral PPAs

- Summary: Must meet the following criteria:
  - 1) RNS 2) Compares favorably to cohorts 3) Minimum Development Milestones 4) Update info within 1 week of AL filing 5) monthly updates of project milestones, compliance delays, PVC, project risk, RNS
- Rationale:
  - Discourages bilateral contracts and amendments that circumvent the competitive solicitation process
- Issues Raised by Parties:
  - Doesn't define the process/requirements for IOUs to justify execution of a bilateral contract that could provide substantial benefits

SOR for Bilateral PPAs

<u>Agenda Items</u>

- Defining the parameters that constitute a legitimate need for bilateral contracts.
- The merits of disallowing the execution of a bilateral contract without an annual RPS solicitation.

SOR for PPAs Beyond the Scope of the Advice Letter Process

- Summary: Contracts greater than 1% of bundled sales and contracts not comparable on value, price, viability, or using a non-commercial technology must be filed as an application.
  - Requirements are: 1) RNS 2) Application including price is public 3) Reasonable price, NMV, viability compared to cohorts.
- Rationale:
  - Prevents IOUs from seeking contracts outside competitive solicitation in order to support untested technology
- Issues Raised by Parties:
  - "Non-commercial technology" isn't clearly defined
  - 1% threshold is arbitrary and doesn't accurately mitigate risk associated with larger projects
  - Public price discovery breaches confidentiality rules

SOR for PPAs Beyond the Scope of the Advice Letter Process

Agenda Items

- Why should RPS contracts, submitted through the advice letter process, be treated differently than projects filed via application in fossil procurement?
- Is utilizing the application process “stifling” to market innovation?
- Merits and disadvantages of price discovery and proposed changes to the compliance matrix related to price discovery.

End