Distributed Energy Resources Procurement Framework (DPF)

Proposed Concept

August 4, 2016

Objective & Concept Introduction

- Objective of a Distributed Energy Resources Procurement Framework (DPF):
  - Streamline the Commission's process to approve DER procurement for near-term distribution deferral opportunities
  - Provide certainty to the IOUs of cost recovery for DER transactions in compliance with Commission-approved framework

- DPF Concept :
  - Similar concept to the AB 57 Bundled Procurement Plan
  - IOUs to seek a <u>pre-approved Distributed Energy Resources Procurement Framework (DPF) authorization</u> to procure DERs for near-term distribution deferral opportunities (e.g., attributes needed in <5 years)
  - DPF <u>establishes the procurement rules</u>, aka, "<u>up-front standards</u>"

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High-Level Summary

- DPF submitted every 2 years for Commission approval

- Once the DPF is approved, actual procurement need would be identified via Tier 1 advice letters submitted pursuant to the DPF

- DPF will allow IOUs to conduct RFOs to solicit bids for needed attributes
  - Procurement Review Group (PRG) and Independent Evaluator (IE) would provide oversight
  - An Independent Professional Engineer (IPE), from the to-be-formed Distribution Planning Advisory Group (DPAG), would also participate in the DER RFOs

- Transactions would be filed for Commission's review of compliance with the DPF via semi-annual advice letters

- Public participation
  - IOUs to host a public workshop when they submit their DPFs for Commission approval
  - IOUs to also look into potential options of notifying end-use customers in the affected area of competitive solicitations

DPF Describes How Deferral Opportunities Are Identified

- DPF would describe how IOUs plan to identify distribution deferral opportunities
  - Potentially create a "deferral framework" concept, based on certain screens

- Deferral opportunities are translated to corresponding DER attributes, representing procurement "need"
  - DPF applies to DER attributes needed in 5 years or less

- CPUC is notified of deferral opportunity, needed attributes, and IOU's intent to launch an RFO via a Tier 1 Advice Letter

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DPF Includes Up-front Procurement Standards

- List of DER attributes that might be needed

- List of DER technologies, including mapping to attributes
  - Including a concept of DER technology adjustment factors, to normalize different DER technologies in their respective efficacy to deliver needed attributes

- List of DER products authorized to be purchased for needed attributes
  - e.g., aggregated EE, traditional DR, DR backed by energy storage, renewable DG capacity/energy, and energy storage
  - Products not on the pre-approved list (e.g., complex solar/ES hybrids or EVs) could be procured but would need to go through approval via advice letter

- Potential need to establish a list of pre-qualified bidders in the event that open solicitations become too administratively difficult to manage as a result of a large number of bidders
  - Prequalification based on criteria such as credit and collateral requirements; vendors stay on the list based on performance

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Upfront Standards   Contd…

- Authorized transaction methods include Request for Offers (RFO), Electronic Solicitations, and Bilateral Transactions
  - RFOs would be the preferred approach
  - However, IOUs can also design Electronic Solicitations for attributes that can be met through standardized, non-negotiable contracts
  - Bilaterally negotiated transactions would be allowed with a "strong showing" of price competitiveness

- Need identified via Tier 1 Advice Letters represents the "DER volume limit" that the Commission would allow the IOU to procure in that RFO
  - DER technology adjustment factors apply to the volume limit

- RFOs are open to all listed DER technologies

- RFOs pursuant to the DPF would be reviewed with the existing Procurement Review Groups (PRG)
  - Continued role of an Independent Evaluator (IE)
  - Added role of an Independent Professional Engineer (IPE) from Distribution Planning Advisory Group (DPAG)

Valuation, Selection & Risk Management

- Least cost + best fit principles apply

- IOU to present the precise approach to be used for valuation and selection in a particular RFO to the PRG, IE, and IPE prior to the receipt of final offers

- IOU to provide its PRG a decision rationale for its proposed selection and seek feedback before contracts are executed

- Transactions to be submitted to the Commission for procurement plan compliance review once executed

- IOU's risk management approaches, similar to wholesale energy markets transactions, would be captured in the DPF, such as:
    - Creditworthiness of approved vendors
    - Credit limits
    - Collateral requirements
    - Development security deposits
    - Counterparty concentration limits

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Cost Recovery Process

- IOU submits DER transactions for Commission's review of DPF compliance via advice letter filings (every six months)

- DER costs would be recovered through the IOU's base rate adjustment mechanisms, such as SCE's Base Revenue Requirement Balancing Account (BRRBA) and/or Energy Resource Recovery Account (ERRA)
    - If transaction is found out of compliance with DPF, then the IOU has an obligation to justify the transaction's reasonableness

- DER costs will be allocated to customers based on the underlying trigger for the need
    - Cost of DER services to defer distribution upgrades would be allocated to all distribution customers
    - Value of services consumed by bundled customers would be credited towards total cost, and recovered separately from bundled customers

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This Concept Requires Further Discussion

- SCE recommends that the Commission should add this concept to the scope of the IDER proceeding and invite stakeholders to submit comments

- The DPF can be adopted by the Commission to allow IOUs to source DERs needed for near-term distribution deferral opportunities, and/or when the dollar amount of the likely procurement is not large enough to justify extensive front-end and back-end Commission approval processes

- This framework should be modeled on the well-established AB 57 Bundled Procurement Plan concept