

Southern California Edison's IDER Incentive Pilot

R.14-10-003

Advice Letter Workshop

July 10, 2017

Objective

- Provide an overview of SCE's Tier 3 Advice Letter, pursuant to decision D.16-12-036, requesting approval to procure a distributed energy resources solution for the Regulatory Incentive Pilot project
 - Project Selection & Prioritization Criteria
 - Selected Projects and Locations
 - Incrementality Methodology
 - Contingency Planning
 - Solicitation
 - Preliminary Request for Offers (RFO) Schedule
 - Evaluation Components
 - Cost-effectiveness Cap Refresh
 - Incremental Administrative Costs
 - Draft RFO Instructions and Pro Forma Agreements
- Address questions on Advice Letter filing

Background & Selection Screens

- A total of 101 projects from SCE's distribution capital plan based on 2017 distribution planning process were evaluated for project selection
 - New Circuits
 - Minor Substation Modification
 - Substation Modification
 - Major Substation Modification
 - New Substation
- SCE applied two combined screens to gather a list of viable candidate projects
- The screens yielded 6 projects for further prioritization

Screens	Description
Technical Screen	Determine whether DERs can meet the identified need <ul style="list-style-type: none">• Based on services identified in the IDER proceeding
Timing Screen	Determine whether the DER solution can be deployed before the need date <ul style="list-style-type: none">• Project type and complexity drive differing lead times• Need dates of 2020 and 2021 identified

Project Prioritization Metrics

Scoring Metrics	Higher Prioritization Score	Lower Prioritization Score
DER Attribute Requirements (Avg MW/MWh reduction)	<ul style="list-style-type: none"> • Less DERs required = more feasible to meet distribution needs • Less load reduction requirements gets a higher score 	<ul style="list-style-type: none"> • More DER required = more difficult to meet distribution needs • More load reduction requirements gets a lower score
Project Timing Certainty	<ul style="list-style-type: none"> • Project need closer to present day • Less historical volatility with load growth driving project need • Less historical volatility in project need date 	<ul style="list-style-type: none"> • Project need further away from present day • More historical volatility with load growth driving project need • More historical volatility in project need date
Financial Assessment (Capital Project Cost)	<ul style="list-style-type: none"> • Higher cost of traditional capital projects gets higher score because they provide higher deferral benefit opportunity 	<ul style="list-style-type: none"> • Lower cost of traditional capital projects gets lower score because they provide lower deferral benefit opportunity
Market Assessment (Customer Composition)	<ul style="list-style-type: none"> • Broad base of large customers contributing to peak load • Provides more load reduction opportunity without engaging many customers 	<ul style="list-style-type: none"> • Minimal amount of large customers contributing to peak load or highly residential customer base • Requires engaging many customers to reduce load enough to meet distribution needs
Distribution Topology	<ul style="list-style-type: none"> • Projects that solve substation needs • Provides a larger number of customers to potentially enroll in DER programs 	<ul style="list-style-type: none"> • Projects that solve specific circuit needs • Provides a more specific set and lower amount of customers to potentially enroll in DER programs

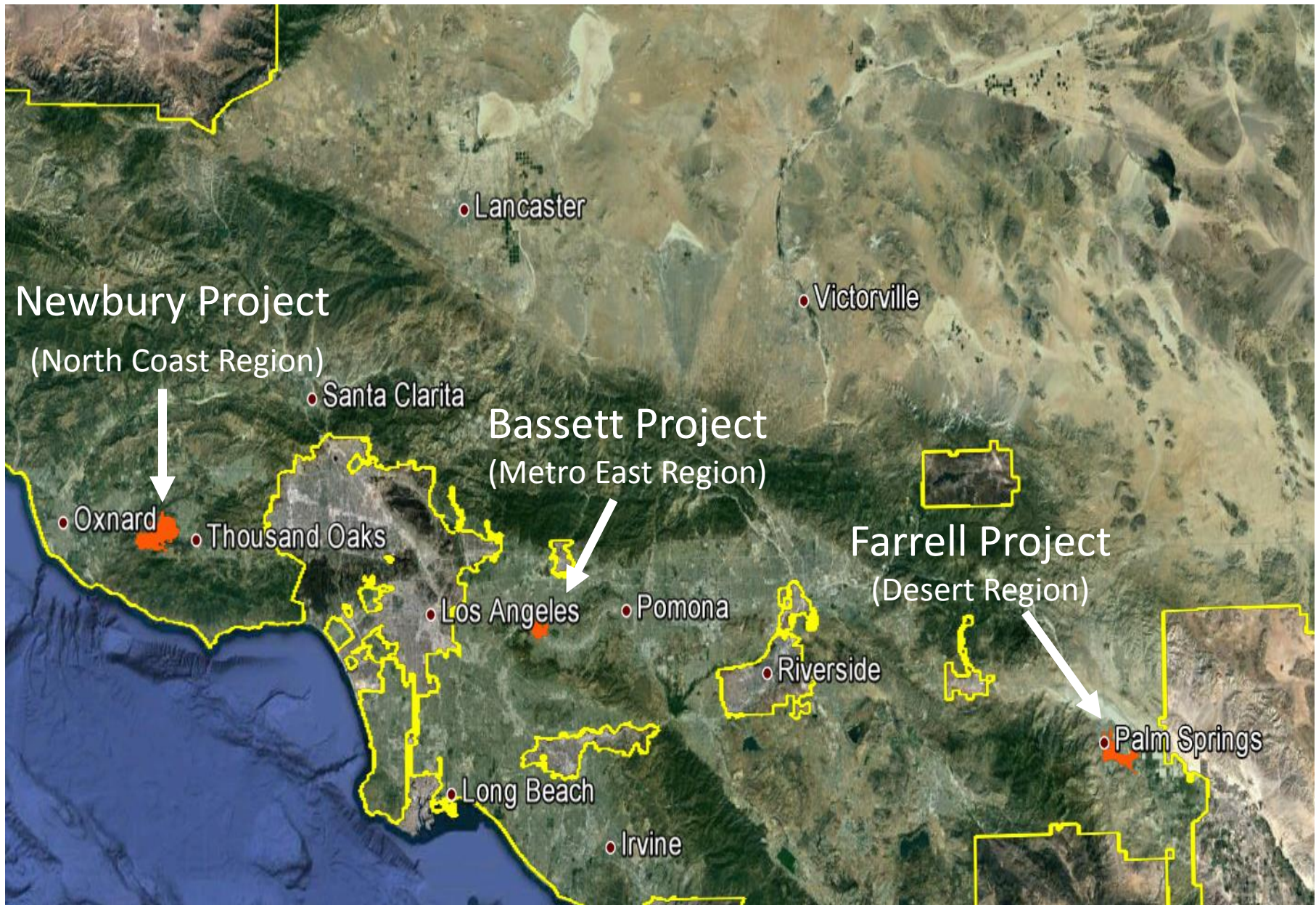
All prioritization metrics are weighted equally

Each project received a score from 1 – 5 based on rank in the specific prioritization metric

Incentive Pilot Selected Projects

- SCE selected three deferral projects for the Incentive Pilot based on the screens and prioritization metrics
- These projects will determine the interconnection and location eligibility for SCE's Incentive Pilot solicitation

Project	Location	Customer Type	Scope	Timing	Distribution Need	Description
Bassett 66/12 (Metro East)	City of Industry	Commercial & Industrial	1 – 28 MVA Transformer 1 – 12 kV Circuit	2021 Summer	Substation	<ul style="list-style-type: none"> • Project will provide capacity at Bassett 66/12 kV substation and distribution circuitry needed to reduce load currently served by the neighboring Proctor 66/12 kV substation
Farrell 115/12 (Desert)	Cathedral City & Palm Springs	Commercial /Residential Mix	1 – 12 kV Circuit	2020 Summer	Circuit	<ul style="list-style-type: none"> • Project will provide distribution circuit capacity to enable customers currently served by neighboring Desert Outpost 33/12 kV and Eisenhower 115/12 kV substations to be transferred Farrell 115/12 kV substation
Newbury 66/16 (North Coast)	Thousand Oaks	Residential	1 – 16 kV Circuit	2020 Summer	Circuit	<ul style="list-style-type: none"> • Project will relieve the Intrepid 16 kV, Hooligan 16 kV, and Belpac 16 kV circuits that are projected to exceed duct bank temperature and capacity limits



Newbury Project
(North Coast Region)

Bassett Project
(Metro East Region)

Farrell Project
(Desert Region)

Incrementality Methodology

- SCE proposes a hybrid methodology of methods #4 and #5 from the Competitive Solicitation Framework Working Group Report. Offers are divided into three tranches:

Tranche	Description
Wholly Incremental	Offers which provide technologies and services not already being sourced or reasonably expected to be sourced through another utility procurement, program, or tariff, and that meet specific identified distribution needs. These offers will be assessed full incremental value.
Partially Incremental	Offers in which some portion of the technology or service is already incentivized through another authorized utility procurement, program, or tariff, and that meet specific identified distribution needs. Only the portion of the offer that provides material enhancements to the existing project (e.g., locational, temporal, or increased performance certainty) will be considered incremental.
Not Incremental	Offers which provide technologies or services already sourced under another authorized utility procurement, program, or tariff, that meet the identified distribution need, and that provide no clearly discernable incremental value beyond current offerings. These offers are not incremental and will not be included in the valuation and selection process.

- SCE will discuss its plan for assessing incrementality in more detail with the Independent Evaluator (IE) prior to the launch of the RFO
- SCE also plans to provide materials prior to launch of the solicitation to help bidders to self-assess incrementality

Contingency Planning

- Contingency solutions are influenced by the timing of the distribution need and the lead time required to implement the contingency solution or set of solutions

Scenario	Contingency Plan
<ul style="list-style-type: none"> No cost-effective DER bids meet the distribution needs, or contracts not approved by CPUC 	<ul style="list-style-type: none"> Build traditional project intended for deferral
<ul style="list-style-type: none"> DER bids meet most of the distribution need but not all of the need required for deferral 	<ul style="list-style-type: none"> Develop short lead time mitigation alternatives that supplement the DER portfolio for total solution, where feasible If cost-effective solution does not exist, pursue construction of traditional project intended for deferral
<ul style="list-style-type: none"> DER provider(s) is unable to install DERs according to contract 	<ul style="list-style-type: none"> Develop short lead time mitigation alternatives that supplement the DER portfolio for total solution, where feasible If cost-effective solution does not exist, pursue construction of traditional project intended for deferral or short lead time mitigation until ultimate solution can be implemented
<ul style="list-style-type: none"> DER fails during commissioning, or underperforms during operations (based on commissioning and performance verification protocols agreed to in the contract) 	<ul style="list-style-type: none"> Determine emergency limitations if applicable and work with system operations on potential temporary grid reconfiguration or load drop (for all scenarios) Determine reason for DER underperformance Assess if new mitigation is required and determine expedited solution options

- If a selected DER developer is unable to meet its contract obligations, SCE may consider negotiating a bilateral contract with bidders who were not selected to fulfill the need, dependent on timing, bid availability, updated need analysis (if any), and expedited Commission approval at least 12 months before need date

Solicitation Process and Products

- The RFO will be a two-step process
 - Sellers submit indicative Offers, SCE short-lists Offers and then negotiate terms and conditions of the contract, after which there is a final price refresh
- Seeking in-front-of-the-meter (IFOM) and behind-the-meter (BTM) resources, including:
 - Demand Response (DR)
 - Energy Efficiency (EE)
 - Permanent Load Shift (PLS)
 - Energy Storage (ES)
 - Renewable Distributed Generation (DG)
 - Renewable DG paired with ES
- Fossil fuel or biofuel resources are not eligible to participate
- Projects may provide renewable energy, energy storage, capacity, load reduction, Resource Adequacy, ancillary services, and/or green attributes (as applicable for each product)
- SCE will maintain a public website that will include information potential bidders might need to navigate the RFO process

Preliminary RFO Schedule

Event	Date*
Market Awareness Webinar	August 30, 2017 (Wednesday)
RFO Launch	October 16, 2017 (Monday)
Bidders' Conference	October 19, 2017 (Thursday)
Indicative Offer Receipt Deadline	October 27, 2017 (Friday)
Shortlisting Notification	December 1, 2017 (Friday)
Negotiation Deadline	January 19, 2018 (Friday)
Final Offer Receipt Deadline	January 26, 2018 (Friday)
Proposed Contract Selection Submitted to PRG for review	February 16, 2018 (Friday)
PRG Consultation and Final Selection Notification	Week of February 19-23, 2018

*The schedule is preliminary and subject to change. The draft timeline assumes that the Commission will approve a resolution on the Advice Letter on October 12, 2017 and issue a resolution by October 16, 2017. The schedule will be adjusted accordingly based on actual resolution issuance, and may be adjusted as SCE develops the details of the RFO and the timing for all required steps.

Offer Evaluation

- Least cost, best fit (LCBF) principles
- Three step process:
 - 1) Initial screen
 - Completeness and conformity of offers
 - Reasonable cure period for bidders to remedy deficiencies
 - 2) Quantitative valuation
 - Net present value (NPV) calculations are performed for complete and conforming bids
 - Benefits include: RA value, energy value, ancillary services value, renewable energy credit benefit, reduced GHG emissions benefit, renewable integration cost/reduced cost, and distribution deferral value
 - Costs include: contract payment, debt equivalents, and transmission and distribution network upgrade costs
 - 3) Qualitative factors
 - Such as: project viability, voltage and other power quality services, portfolio diversity, technology/end use diversity to help market transformation, and other factors

Cost-effectiveness Cap Refresh

- An initial cost-effectiveness cap based on best available cost estimates was provided in Confidential Appendix C
 - Costs based on historical averages and unit costs of similar upgrades to those identified for the Incentive Pilot deferral projects
 - Costs include overhead contingencies consistent with SCE's GRC filings and historical variance based on differences between actual recorded costs and initially projected costs of upgrades
- SCE is proposing to refresh the cost-effectiveness cap with more refined cost estimates prior to the evaluation of final bids, if time allows
 - To be reviewed with the IE and PRG
 - Cost estimates would be refined via technical specialist input
 - These estimates will be used for evaluation of final bids

Incremental Administrative Costs

- Per D.16-12-036, SCE provided a forecast of the incremental administrative costs in Confidential Appendix D
- SCE proposes that, for the purposes of comparing the final costs of the DER solution with the deferral value of distribution project, only administrative costs incurred after the launch of the Incentive Pilot solicitation be included in the cost-effectiveness calculation (i.e., along with the cost of DER solution and the utility incentive)

Draft RFO Instructions and Pro Forma Agreements

- SCE included draft RFO Instructions (Appendix A) and draft Pro Forma Agreements (Appendices B.1-B.8) in the Advice Letter filing
 - The information and documents are preliminary and are still under development
 - The documents will be finalized prior to launch of the solicitation
 - SCE will maintain consistency with all requirements of the competitive solicitation framework and D.16-12-036

Questions?