

R.11-05-005: RPS Procurement Reform

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Housekeeping

1. Workshop Logistics
2. Overview of Agenda
3. In-scope vs. out-of-scope
4. Objectives for Workshop
5. Next Steps

Agenda

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|-------------|---|
| 9:30-10:00 | Housekeeping
Opening Comments by Commissioner Ferron
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 |
| 1:00-2:00 | Standards of Review for Amended PPAs |
| 2:00-3:00 | Standards of Review for Bilateral PPAs |
| 3:00-4:00 | Standards of Review for PPAs Beyond the Scope of the Advice Letter Process |
| 4:00-4:30 | Wrap-up and Closing Comments |

RPS Procurement Continuum



Standards of Review for Shortlist

- Summary:
 - File IOU shortlist as a Tier 3 Advice Letter. This will put more emphasis on the review of the shortlist and expedite the contract review process.
- Rationale:
 - Ensure that shortlisting process results in potential contracts that reflect authorized need and appropriate value and viability
- 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

Agenda Items:

- 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
 - Contracts must be filed with the Commission for approval within one month from the execution date of the contract.
- Rationale:
 - Ensure that shortlisted projects and executed contracts reflect current market value and IOU portfolio need
- Issues Raised by Parties:
 - Does not account for extraneous circumstances that may cause delay
 - 30 day requirement for submission of executed PPAs is too short

Timeline for Submission of Contracts

Agenda Items:

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

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:
 - Streamlines the procurement review process for certain types of projects through the use of a standard non-modifiable contract
- Issues Raised by Parties:
 - Doesn't include existing resources, repowers and expansions for expedited review
 - Doesn't allow for slight modifications that provide ratepayer benefits that might not be captured with a 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 that change technology must be re-bid into next solicitation. Other material contract amendments need to meet SORs and be filed as a Tier 3 Advice Letter.
 - Non-material changes do not require rebidding or a T3 advice letter
- Rationale:
 - Projects requiring material modifications must re-bid into a solicitation to ensure that it remains competitive.
 - Deters speculative approach to solicitations.
- Issues Raised by Parties:
 - Modifications that provide ratepayer, developer, and IOU benefit should be allowed to file a T3 Advice Letter
 - Need clarification on what is a non-material change, i.e., modification that does not require a T3 advice letter

SOR for Amended Contracts

Agenda Items:

- What “changes in technology” require projects to be re-bid into the next solicitation?
- What “substantial changes” require projects to be re-submitted via a Tier 3 advice letter. What constitutes a “minimal change?”
- Should modifications that offer ratepayer benefit be submitted via a Tier 3 advice letter?
- Should an amended PPA be required to show better ratepayer value than the original PPA in order to be filed as a T3 advice letter?

SOR for Bilateral PPAs

- Summary:
 - Bilaterals are held to a higher standard of review and must meet minimum project development milestones in order to be considered for CPUC approval.
- Rationale:
 - Discourages bilateral contracts that circumvent the competitive solicitation process and ensures that bilateral contracts reflect authorized need and value/viability
- 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

Agenda Items:

- 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 via application.
 - Contract, including price, is made public
- Rationale:
 - T3 advice letter is not appropriate for contracts that do not meet SORs. Application process is more appropriate when dealing with disputed value/need or policy.
- Issues Raised by Parties:
 - Proposal is too permissive – reject all amendments
 - “Non-commercial technology” is not clearly defined
 - 1% threshold is arbitrary and does not 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 shouldn't there be a higher standard of review for contracts that don't align with SORs for need or value? Note: long-term fossil procurement is done via the application process.
- Is it appropriate to only use the advice letter approval process for technologies whose value/need has been quantified in a commission proceeding?
- Strengths and weaknesses of price discovery and associated changes to the PUC's confidentiality matrix?

Wrap-up and Next Steps