

COMMISSION STAFF COMMENTS REGARDING PUGET SOUND ENERGY'S REQUEST FOR INFORMATION FOR DISTRIBUTED ENERGY RESOURCES

DOCKET UE-200413

Background

In May of 2019, the Washington legislature passed the Clean Energy Transformation Act (CETA). Among other requirements, CETA requires utilities to acquire all cost-effective demand response resources.¹ On May 5, 2020, Puget Sound Energy (PSE or Company) filed two draft requests for proposals (RFPs), one for all sources (filed to Docket UE-200414) and one for system wide electric demand response (DR) resources filed to this docket. After some delays and discussion of PSE's system need, the 2020 RFP process concluded on October 15, 2020, with the Commission's issuance of Order 04. The order granted PSE's request to withdraw its 2020 RFPs and granted a waiver of the WAC requirement to issue an RFP, with two conditions: (1) that PSE work with Commission staff (Staff) and other stakeholders to address issues raised over the course of the two dockets, specifically identifying the proposal to use an independent evaluator (IE), and (2) that PSE file an all-source RFP and demand response RFP by April 1, 2021.

PSE filed a petition for approval of the Company's preferred IE for both RFPs on January 19, 2021, under Docket UE-210037. The Commission issued an order approving the Company's selection on January 28, 2021. On March 15, 2021, PSE filed a petition asking for two things: (1) to expand the scope of the DR RFP to distributed energy resources (DER), and (2) to extend the filing date for the DER RFP to November 15, 2021. In this petition, the Company committed to issuing a request for information (RFI) to gather information about DERs, including, without limitation, DR resources, by April 1, 2021. PSE filed this RFI as a draft on April 1, 2021, and solicited comments from other stakeholders by April 30, 2021. Staff responds to this request for comments on the draft RFI with these comments.

Overview of Draft Request for Information (RFI)

The purpose of an RFI is to gather current information about a service or product in a formal and structured way. PSE intends to use the learnings obtained through this RFI to better inform its resource acquisition process, particularly the RFP for DERs, where a draft must be filed with the Commission on or before November 15, 2021.² Staff supports PSE's efforts to increase its knowledge base regarding this dynamic product segment and believes that this RFI is a reasonable way to build a knowledge base and improve the DER RFP due later this year. Staff also notes that this RFI is one of many methods for PSE to increase the Company's knowledge of DERs. Staff supports PSE engaging in bilateral conversations with prospective vendors, collaborating with other utilities further down the path in implementing systemwide DERs, and organizing a conference focused on new developments in the DER industry.

¹ RCW 19.405.040(6)(a).

² Docket UE-200413, Order 05, ¶ 17. Filed March 25, 2021.

While there are no commitments made or implied by the Company, it appears that RFIs present an opportunity for prospective bidders to start a productive dialogue with the utility earlier in the process – indeed, prior to the beginning of the actual RFP process. This approach will likely improve the quality of these responders' prospective bids. Staff expects that the RFI will provide useful information for the upcoming RFP specifically for a virtual power plant platform, which PSE indicated is scheduled to be issued on September 1, 2021.³

Staff assessment of Draft RFI

Generally, Staff believes PSE's draft RFI is a reasonable approach to gathering useful information. In Staff's view, PSE strikes an appropriate balance between granting bidders flexibility to provide added information and encouraging them to keep responses concise and relatively comparable.

Note on Exhibit A – Prototype Clean energy PPA Term Sheet

Staff trusts that other stakeholders who are more knowledgeable regarding term sheets for DER resources will provide more useful feedback for the template terms offered as guidance to RFI respondents and prospective RFP bidders.

Below, Staff offers a few ideas and suggestions focused on the general tenor and nature of the RFI's approach.

1. *Consider adjusting the RFI to accommodate respondents unable to invest significant resources in responding:* Responding to an RFI requires for a non-trivial amount of time and resources invested by respondents; some prospective respondents may not be able to invest the time required to provide comprehensive responses to all questions. PSE's draft RFI appears to borrow liberally from its RFP efforts by asking for detailed information, including sensitive information such as details on proposed pricing structures. Staff suggests adding language to the RFI assuring respondents to provide as much details as possible, but also assuring respondents that RFIs which are thin on some details would still be welcomed and appreciated.
2. *Include references to modeling inputs for 2021 Integrated Resource Plan (IRP) and request vetting of proxy resource assumptions:* This RFI is an opportunity to invite DER experts to vet the Company's IRP inputs representing DERs. Staff encourages PSE to include specific references to those parts of the Company's IRP which describe the Company's understanding and modeling of DERs, and which could be improved by the respondents' subject matter expertise. For example, PSE should ask RFI responders whether DER modeling assumptions align with their industry knowledge and product offerings.

³ Docket UE-200413, PSE 2021 Distributed Energy Resources RFI (draft), page 6. Filed April 1, 2021.

3. *Include references to CETA's customer benefit provisions and encourage respondents to link DER offerings to prospective customer benefits:* Staff anticipates that CETA's mandate to "ensure that all customers are benefiting from the transition to clean energy,"⁴ may result in a Clean Energy Implementation Plan (CEIP) which differs from the Company's preferred portfolio as described in its IRP. PSE is actively honing its proposed customer benefit indicators, and, to Staff's knowledge, has not yet fully considered how a given resource option may deliver a given type or collection of customer benefits. Input from RFI respondents could significantly aid PSE in this challenging task. Staff encourages PSE to offer more detail in its references to these requirements, found on page 5 of the RFI.
4. *Provide more information on PSE's system needs related to secondary use cases:* On page 5 of the RFI, PSE lists nine different secondary use cases which could provide meaningful value to the utility's system. However, the RFI does not provide a more thorough description of these use cases and does not guide prospective respondents to other resources that could provide context and background. Staff encourages PSE to provide some additional description for these use cases, and to add references to the IRP in cases where the IRP contains descriptions of the Company's need for these use cases. Staff strongly encourages the Company to provide a reference to the RFP filed in Docket UE-210220, specifically that RFP's Exhibit I – Energy Storage System Location Study. This framework could be useful to respondents as they describe the potential benefits of DERs to PSE's system.
5. *Continual optionality and futureproofing of DER investment:* Adopting DERs at scale will require the Company to integrate a wide variety of evolving information technologies into PSE's operations, which is an incredible challenge. PSE's RFI should ask respondents about the operational flexibility that can be offered to PSE. Some technologies, products and services will be more capable of offering this continual optionality in the coming years; such a trait would reduce the risk of stranded assets and early obsolescence.
6. *Social cost of greenhouse gas and DERs:* CETA requires that PSE incorporate the social costs of greenhouse gas emissions when "evaluating and selecting intermediate term and long-term resource options."⁵ Staff understands this to mean that the evaluating the emissions impacts of DERs must be a part of the Company's resource acquisition process. The question of how this requirement should be folded into bid evaluation is a complicated one and would benefit from the perspective of the RFI respondents.

Next, Staff provides suggestions and feedback related to specific, cited parts of the RFI. Staff offers the following observations:

⁴ WAC 480-100-610(4)(c).

⁵ RCW 19.280.030(3)(a)(iii).

- Page 3, footnote to Table 1: Upfront, it may be worth noting that PSE intends to issue a DER-focused RFP soon, with a draft due for Commission review on November 15, 2021. This is noted later in the RFI, but without that context this footnote may be misunderstood.
- Page 3, I. A. a. and elsewhere: Staff did not locate a clear or technical definition of “distribution system.” This may be intentional and appropriate, or it may be understood well enough by potential respondents to not require a definition. Still, if PSE has a simple or universally applicable definition, it could be worth including.
- Page 4, I. A. e.: “...to identify candidates for participation.” – This language might be understood to mean that PSE may in some way limit the eligibility of those who are permitted to respond to the Company’s upcoming DER-focused RFP. Staff encourages rephrasing to avoid this possible miscommunication.
- Page 4, I. B. a. and elsewhere: Staff suggests replacing bulleted formatting of requirements and considerations with some other more identifiable formatting (e.g., A.1.a.ii.). Later references to secondary use cases, for example, may be easier to track when each use case is given a unique label.
- Page 9, question 4: PSE uses the word “section” to talk about two separate sections – one within the RFI document, and another describing the three sections comprising the RFI response as Attachment 1. Staff suggests varying the terminology such to avoid possible confusion.
- Page 9, question 4: Staff recognizes that there may be benefit to limiting the RFI’s description of secondary use cases to encourage respondents to offer their own interpretation of valuations. Staff suggests providing valuable references to the 2021 Integrated Resource Plan to the extent that these concepts are explored and perhaps given avoided cost-based value estimates. Staff also encourages PSE to consider including added description or guidance as in some cases more specific prompting from PSE may elicit more beneficial responses. Staff offers select guiding questions below:
 - What is meant by “load flexibility”?
 - How does PSE value “summer peak capacity”?
 - What is a useful estimate or minimum localized capacity size that would be useful for PSE, and how might PSE value that particular secondary use case?
- Page 13, 2.3 Pricing Structure, 2.: The topic of contract terms prompted some consideration of end-of-life costs and possible obsolescence concerns, particularly for technology that is not yet proven. This topic may be worth including in some part of the RFI questions.

Conclusion

Staff looks forward to reviewing the results of PSE's RFI, and appreciates this opportunity to provide some input on the draft.