

Agenda Date: September 8, 2016
Item Numbers: A1 and A2

Dockets: UE-160808 and UE-160809

Company: Puget Sound Energy

Staff: David Nightingale, Sr. Regulatory Engineering Specialist

Recommendation

Issue orders approving Puget Sound Energy's proposed Requests for Proposals in Dockets UE-160808 and UE-160809.

Background

On April 1, 2016, based on Puget Sound Energy's (PSE or company) 2015 Integrated Resource Plan (2015 IRP), PSE was granted a waiver for the Request for Proposals requirement for demand response resource acquisition.¹ The order required PSE to file a "proposed Request for Proposals by June 15, 2016, for demand response resources, pursuant to WAC 480-107-015(3)(b)." On June 15, 2016, PSE filed two proposed demand response Requests for Proposals (RFPs) in these dockets, in compliance with that order.

Notice of the opportunity to provide written comments on these RFPs was published on June 29, 2016, with written comments due by 5:00 p.m., August 15, 2016. Notice was also given regarding this open meeting.

Discussion

These RFPs reflect recognition by PSE and the Northwest Power and Conservation Council that the near-term capacity needs can be met by a combination of demand response and conservation resources. Although PSE has run pilot demand response programs in the past, this is the first time that a system-wide demand response program has been proposed and RFPs submitted for review.

Staff's review of the RFPs found them to match the level of demand response resources called for in PSE's 2015 IRP. The IRP and RFPs call for a total of at least 121 MW of demand response capacity by the year 2021. Consistent with the IRP, the two RFPs solicit 70 MW of capacity by the winter of 2021 from residential and small to medium sized commercial customers (Docket UE-160808) and an additional 51 MW of capacity by the winter of 2021 from large commercial and industrial customers (Docket UE-160809).

¹ Docket UE-160387, Order 01, Granting Petition for Exemption from Filing Certain Request for Proposal Requirements under WAC 480-107-015(3)(b), May 27, 2016.

On September 2, 2016, PSE is expected to submitted to these dockets a letter responding to written public comments and providing some editorial, non-material clarification and technical changes to the proposed RFP. Staff had the opportunity to review a draft version of this letter.

The structure of the RFPs clearly delineates the relationship between PSE and potential vendors. The RFPs provide for a great amount of flexibility in the breadth and quantity of demand response resources allowed to be proposed by vendors. Staff is satisfied that PSE has thoughtfully created a set of comprehensive solicitations that will maximize the range of responses to responsively meet PSE's resource capacity needs. Additional details regarding the form and substance of the RFPs is contained in Attachment A to this memo.

Matching the RFPs to Vendor Experience

There are few vendors that have the experience or breadth of operation to encompass the full range demand response for all PSE customer classes. To address this, PSE created two RFPs, one for residential and small commercial accounts, typified by peaks under 150 kW demand, filed in Docket UE-160808, and the other demand response RFP, in Docket UE-160809, for large commercial and industrial customers with demand at or exceeding 150 kW.

Public Comments on Proposed RFPs

In addition to the commission's publishing the notice of opportunity to comment, PSE broadly solicited comments on the proposed RFPs as demonstrated by the August 12 update letter submitted to this docket. PSE leveraged multiple industry websites and direct email lists to provide notices of the opportunity to comment on their proposed RFPs. Five comments were received by the commission by the written comment deadline of August 15, 2016. An additional comment was submitted to these dockets by EQL Energy on August 29, 2016. Comments were received from two public interest groups, the Northwest Energy Coalition and the Coalition of Eastside Neighborhoods for Sensible Energy (CENSE). Four potential vendors submitted comments, EnerNOC Inc., UMC Energy & Environments and Enwave Seattle (joint comments), and Energy Hub. EQL Energy is a consultant to vendors.

In general, the public written commenters were positive about the level of detail and form of the proposed RFPs. Each commenter made specific suggestions for improvement or had questions about details in the proposed RFPs. Some comments are due to a misreading of the RFP documents. Otherwise, the various questions and comments in the docket will be addressed during the RFP solicitation process which includes a period of formal questions and answers between PSE and potential vendors or interested parties. Given that process yet to come, PSE has adequately addressed each timely commenter in their letter expected to be filed on September 2, 2016, in these dockets. The late comments from EQL Energy largely overlapped with the timely commenters and did not persuade PSE to make any changes to their proposed RFPs. Staff agrees with their letter regarding the lack of need to make any material changes to the proposed RFP.

Staff notes that PSE has gained significant knowledge regarding demand response programs in their service area from their pilot projects. Furthermore, many vendors likely to make proposals have more experience with deregulated energy markets and outside the region with more expensive energy. Consequently, it is not clear that every experience from other markets will be transferable to a demand response program in PSE's territory. None of the comments point to any deficiency related to the requirements in rule. Furthermore, staff is not persuaded that there are any changes required in the proposed RFP based on the comments received.

Staff Comments on the Draft RFPs

Overall the two proposed RFPs are well-constructed and comprehensive. The proposed RFPs clearly outline in detail the responsibilities and expectations of the vendor and PSE going forward.

PSE will remain the primary point of contact for their customers for existing services as well as support and integrate additional outreach for demand response with the vendor. The selected vendor(s) will work with PSE to provide marketing materials, technical know-how, recruitment of demand response participants, management systems and other related services to PSE to enable the realization of demand response resources. All new technology, equipment, software, and enabling resources will be provided by the vendor.

PSE's proposed RFPs allow for a very broad range of possible responses from potential vendors. It allows various sizes of resources, multiple vendors to be selected, and bids to include more or less than the total estimated need for demand response resources. The proposed RFPs are also flexible in allowing proposals for year-round demand response as well as winter-only demand response. In addition, the ability for the demand response resource to provide additional utility by shorter than one-hour call up, provides the ability of PSE to leverage demand response resources for balancing and load following benefits. The overall proposed RFPs' design facilitates the likelihood of a broad and competitive set of forward-looking proposals submitted by vendors.

Staff has concluded that the current proposed RFPs satisfy the requirements of WAC 480-107, and therefore recommends that the commission approve the current proposed RFPs.

Conclusion

The proposed RFPs meet both the intent and letter of the commission rule and there are no revisions or changes needed to approve them.

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Attachment