

The proposed terms in the "Prototype capacity and/or energy agreement term sheet" are not properly aligned with mass market residential demand response (DR) programs built from customer resources designed to not negatively impact customers while also delivering grid value. The proposed terms are more oriented towards commercial & industrial (C&I) customers whose energy behaviors and risk profiles vary significantly from residential customers. Specifically the following proposed terms are also overly onerous for residential programs:

- Inclusion of liquidated damages tied to a Guaranteed Commercial Operation Date and Development Milestones is problematic due to both being partly dependent on timely feedback and input from PSE on program launch activities. As such, it is not entirely in the vendors control when the program is operational.
- Inclusion of liquidated damages tied to the Final Nameplate Capacity being less than 100% of the Planned Nameplate Capacity is problematic due to PSE desiring control over program design components such as DER control strategy. As the RFP and term sheet are currently written, the vendor would not have full control over the performance of the DERs, but would have significant financial exposure based on how PSE decided to leverage the DERs. Additionally, pursuing this approach will result in a higher price charged to PSE due to performance risk having to be added into the commercial terms.

An alternative approach that will provide PSE with maximum program and resource control flexibility while also ensuring resource performance is a Software as a Service (SaaS) licensing model with Service Level Agreements (SLAs) and variable per-DER pricing to ensure resource performance while maintaining more flexibility with key program design elements and control parameters. If the current term sheet is maintained, vendors will require the ability to maintain control over the program design including aspects such as marketing strategy, program terms and conditions, and DER control strategy so the vendor can ensure delivery of performance commitments.

The RFP scope detail includes requirements related to equipment installation and operations & maintenance. It's noted that these program delivery components are typically only relevant to DER program designs that include field services and are focused on enabling new DERs. "Bring Your Own Device" or BYOD programs that leverage existing, customer-owned DERs do not require equipment installation, and due to the DER being customer-owned, operations and maintenance is typically the responsibility of the customer (with support from the DER manufacturer). As such, it's recommended to include these program components as optional, or "if applicable", in the final RFP.

Regarding Requirement 1.03 "Respondent must use PSE branding or co-branding when sending notifications to customers"; it's noted that not all residential DER device manufacturers that support event notifications support the ability to co-brand that notification. It's suggested to change this requirement to "Nice to have" if PSE would like to maximize the number of DERs eligible for the program.

Regarding Requirement 1.20 "Respondent must have the ability to have rate schedules managed by the VPP"; it's noted that rate schedules (e.g. time of use rates) do not appear to be within scope in the rest of the RFP and it's unclear what the specific use cases and requirements are. It's suggested to change this requirement to "Nice to have" and/or provide additional detail on what is intended by the requirement.

Regarding Requirement 1.26 "Respondent must support settlement process with both DER owners and PSE"; it's noted that DR program best practices for residential mass market programs typically do not include performance-based settlement for DER owners. It's suggested to differentiate this requirement between C&I and residential programs, and allow for a flat incentive structure, as opposed to performance or settlement-based incentives, for residential programs.

Regarding Requirement 2.03 "Respondent requested to provide geographical information (LAT/LON) to feed into the VPP's geographical/mapping interface"; it's recommended to either allow for Address, as opposed to LAT/LON, be sufficient to meet the requirement, or change the requirement to "Nice to have". The conversion from Address to LAT/LON is an incremental step that may add complexity and cost.

Regarding Requirement 4.05 "Respondent must provide price of dispatch with generation forecast"; it's recommended to include additional detail on the use cases and specific requirements. Such a

requirement seems to be most relevant to market-based programs, which is only considered in the secondary requirements in Exhibit J. If that is the case, it's suggested to change the requirement to "Nice to have".

Regarding Requirement 5.04 "Respondent must enable control of DER assets from the VPP on a 15 second interval"; assuming this intends to require DER dispatch within 15 seconds of receiving a dispatch signal from the VPP, it's noted that for vendors that enable aggregations of residential, WiFi-connected DERs through cloud-based integrations, this is technically not possible due to latency in the dispatch signal path (VPP > DER aggregator cloud > DER manufacturer cloud > DER). As such, it's recommended to change this requirement to "Nice to have".

Regarding Requirement 5.05 "Respondent requested to provide consumption and production data at 15 second intervals to the VPP"; the same comment above on Requirement 5.05 applies.

Regarding Requirement 5.06 "Respondent must be able to provide confirmation of opt-out of events to the VPP"; it's recommended to change this to "Nice to have" for residential mass market programs due to the opt-out rate being relatively consistent across events. This requirement may be more impactful for C&I programs/customers, where a single customer opting out may have a significant impact on the event performance.

Regarding Requirement 5.18 "Respondent requested to provide DER status, performance, and configuration data to the VPP"; it's recommended for residential mass market programs to allow for aggregated DER status, performance, and configuration data, as opposed to DER-specific status, performance, and configuration data.