December 29, 2012

Amanda Maxwell
Executive Director and Secretary
Washington Utilities and Transportation Commission
6221 Woodland Square Loop SE
Lacey, WA, 98504-7250

RE: Comments of NW Energy Coalition, Docket UE 210878, 2022 Draft Distributed Energy Resources Request for Proposals.

Dear Ms. Maxwell:

NW Energy Coalition (NWEC) thanks the Washington Utilities and Transportation Commission (UTC or Commission) for this opportunity to comment on Puget Sound Energy's (PSE's) Draft Distributed Energy Resources Request for Proposals (DER RFP).

NWEC is pleased to note this proposed RFP differs from past RFPS, in that this RFP is looking to do more than fill in gaps that PSE forecasts their existing centralized generation system might not be able to meet. To meet the 2030 and 2045 standards established in CETA, PSE will need to pivot away from existing fossil fueled resources to other energy and capacity resources; finding the least cost mix that attains CETA's goals will depend in part on well-crafted RFPs. We also commend PSE's first efforts to incorporate equity considerations in this RFP. Therefore, we offer comments on both Category A and Category B requirements in the RFP, in the spirit of improving the final RFP.

Category A: Turnkey Resource Acquisitions
The DER RFP is a complicated document, that becomes more complicated when the results end up being compared to an earlier RFP.

Predetermined options
We would recommend simplifying the DER/DR RFP to state how much energy and how much capacity will be needed, without limiting the responses to pre-determined options or preferred technologies, although those could be used as advisory levels or actions.

Ideally, an RFP should consider all sources at one time, to achieve through joint evaluation of all available bids the best mix of resources to meet the larger needs that comply with CETA. While there are reasons for the bifurcated RFPs, we are concerned that the creation of separate short lists in each RFP may eliminate from consideration proposals that might be particularly strong when combined with other types of types of resources. WAC 480-109-100(1) describes the process for pursuing all conservation; creating multiple short lists may end up ignoring proposals that would be cost-effective, reliable and feasible in a larger mix.

We also recommend that the RFP make clear how the requirements of 19.405.040(6)[1], which establishes a hierarchy of resource acquisition, is met with two separate acquisition processes, each of which eliminates alternatives before bringing all proposals together.

Clarifying the values DERs and DRs can bring to the system

It is important for the RFP bid assessment to find the right balance between winter peak value and the other benefits provided by a diverse array of DER resources. In particular, while the RFP emphasizes a winter peaking perspective, the contributions that can be made to summer peaking and to grid value generally should not be undervalued – this is particularly important in the context of a more constrained and volatile Mid-C market. For example, distributed solar can contribute very little by itself to winter peak reduction, but considered in combination with demand response and storage at the aggregate level, solar will provide considerable value across the year.

The RFP needs to clarify the individual and complementary benefits among DER and DR actions. NWEC has raised this issue for several years. We view DR measures as an adjunct of energy efficiency and conservation, as DR measures are employed to *reduce the amount of energy consumed* at specific times, while rooftop solar actually *generates additional energy*, and storage provides elements of both. Each affects the system in a different way. Furthermore, renewable resources provide power that does not necessarily follow PSE load shape. However, the energy it does provide can be called upon in place of centralized generation to meet energy load during the day, for example, allowing PSE to conserve other generation or reduce market purchases for peak periods when renewables may not be available. And if the renewables are paired with storage at the site level, then the additional electrons can be flexibly drawn on as needed. PSE should explain how synergies achieved from such combinations will be evaluated.

ELCC

Concerning the effective load carrying capability (ELCC) method for resource valuation, we expressed concerns with how the values were calculated and used in the IRP to choose generation resources. We would urge PSE to emphasize that listings of possible projects listed in Table 3 are just that, suggestions as to the kinds of types and mixes of programs that will be considered, not a limitation as to what can be proposed.

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[1] *(6)(a) In meeting the standard under subsection (1) of this section, an electric utility must, consistent with the requirements of RCW 19.285.040, if applicable, pursue all cost-effective, reliable, and feasible conservation and efficiency resources, and demand response. In making new investments, an electric utility must, to the maximum extent feasible:*
(i)Achieve targets at the lowest reasonable cost, considering risk;
(ii) Consider acquisition of existing renewable resources; and
(iii) In the acquisition of new resources constructed after the effective date of this section, rely on renewable resources and energy storage, insofar as doing so is consistent with (a)(i) of this subsection.
(b) Electric utilities subject to RCW 19.285.040 must demonstrate pursuit of all conservation and efficiency resources through compliance with the requirements in RCW 19.285.040.

NWEC does not object to the use of ELCC in the DER RFP, but we feel that the overall limitations of the method are becoming more apparent, as shown in the vigorous technical discussion relating to the use of ELCC in the All-Source RFP. The recommendations provided by PSE's technical consultant E3 at least provide some assurance for the current All-Source and DER RFPs, but the method may not be robust enough to provide good guidance going forward, as clean energy resources rapidly expand in the PSE resource mix. These concerns should be given much more attention in the forthcoming IRP update cycle.

Avoided Costs

Because of its central importance in setting DER provider compensation, NWEC is very concerned about the projections for avoided cost described in Appendix E, particularly the 2021 IRP projections of Mid-C market prices (Table E-1) determined more than a year ago as prescribed in WAC 480-106-040 and filed with the Commission in Docket No. UE-190665. These are wholly out of line with developments since then. While the introduction to Appendix E notes, "The schedule only provides general information to potential respondents about the avoided costs," the schedule clearly this creates expectations among PSE, potential bidders and the Commission.

PSE raised substantial concerns about market access near the end of the IRP process, and further discussed the issues in the All-Source RFP technical workshop on market reliance on September 30, 2021. Overall, the volume of Mid-C transactions has fallen dramatically in recent years, and increased price volatility has been observed.

In addition, the underlying driver for the Mid-C market, natural gas commodity prices, has undergone a complete transformation during the second half of 2021, as indicated by the escalation in monthly average prices at the Sumas, WA trading hub:

2021	$/mmBtu
Jan	2.64
Feb	5.42
Mar	2.47
Apr	2.60
May	2.72
Jun	3.08
Jul	3.55
Aug	3.75
Sep	5.18
Oct	5.68
Nov	4.96
Dec	5.47

Data source: California ISO OASIS, through December 27, 2021.

Technical analysis of supply and demand trends both in North America and globally suggests that a transition to a new "price deck" for natural gas has now occurred. However, even if current higher prices do not persist, a more realistic assessment of the range of future market prices is needed to encourage bidders to provide balanced offers rather than underbidding in order to secure contractual agreements.

NWEC recommends that PSE provide an additional alternate set of Mid-C price projections with the DER RFP to reflect ongoing changes in commodity gas prices as well as other factors.

In future DER RFPs, it may also be appropriate to allow for an alternate valuation method based on projected Energy Imbalance Market or other price proxies for energy value.

Category B: Vendor Service Components

As stated earlier, we commend PSE for expanding the RFP to include opportunities for "local and diverse firms that specialize in providing specific types of services, and may not be equipped to offer turnkey solutions for deployment of DERs under Category A." We would hope in the future that such bidders would be encouraged to participate in *all* resource acquisition processes, not just in DER programs.

Category B requirements did raise some questions that we urge be clarified in the final RFP. For example, we do not understand what is meant by "value fit" and how that is considered in any evaluation; clarity in the final RFP would be appreciated. There is also a requirement that DER contracts be for a minimum of five years; Category B contract periods should more clearly align with DER contract periods. How are labor standards to be evaluated? How are Consumer Benefit indicators (CBIs) narratives provided by bidders to be evaluated?

Reviewing comments submitted by EnergyHub and from informal discussions with other potential bidders, NWEC has learned of a number of technical concerns that should be addressed in the final DER RFP to remove potential hurdles to bidders and provide the most competitive and productive process for bidding and subsequent delivery. An informal stakeholder and bidder discussion with PSE and Commission staff during January 2022 prior to final approval could help clarify these concerns and lead to beneficial refinements in the RFP.

Finally, we would find it helpful to have a simple flow chart that illustrates each step a Category A or B bidder must take, and a similar chart for a bidder submitting in both categories.

Respectfully,

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