

Agenda Date: March 25, 2021  
Item Number: A7

**Docket:** UE-200413  
**Company:** Puget Sound Energy

**Staff:** Kyle Frankiewicz, Regulatory Analyst

## **Recommendation**

Issue an order granting Puget Sound Energy's petition to amend Order 04 to require PSE to file a draft request for proposals targeted at distributed energy resources by November 15, 2021.

## **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.<sup>1</sup> On May 5, 2020, PSE filed two draft requests for proposals (RFPs), one for all sources (filed to Docket UE-200414) and one targeted at demand response (DR) resources (Docket UE-200413, collectively, the 2020 RFPs).

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 DR-focused 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, PSE filed this 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.

## **Discussion**

### *Factors leading up to PSE's petition*

PSE's Grid Modernization Roadmap appears to have been organized based on the assumption that system-wide DR and other DER resources would not be adopted on a system-wide scale until after the implementation of an advanced distribution management system, which is projected to occur in 2023.<sup>2</sup> However, PSE's IRP efforts have yielded results that do not align with this roadmap. As of March 5, 2021, PSE's integrated resource planning process has identified the need for significant amounts of DER, including DR, to meet system-wide needs.

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<sup>1</sup> RCW 19.405.040(6)(a).

<sup>2</sup> Docket UE-200413, Puget Sound Energy's Petition for Amendment of Order 04 in Docket UE-200413 (March 15, 2021), at ¶23.

The IRP results have caused the company to revisit whether other grid management tools would be needed. The company states, “PSE has reevaluated whether the 2021 RFP process is well-situated to fill that substantial volume of distributed energy resources and demand response resources identified in the 2021 Draft IRP.”<sup>3</sup>

PSE sees a need for a virtual power plant (VPP) platform, an enabling technology which would allow system-wide DR and other DERs to be integrated into PSE’s dispatch system. Including technical details regarding this platform in the DER-focused RFP will allow bidders to tailor their bids to fit PSE’s system, likely resulting in more competitive bids. Delaying the DER-focused RFP into November will give PSE the time it needs to “develop the technical and operational requirements for a virtual power plant platform in mid-2021.”<sup>4</sup>

*Lament for lost time*

In paragraph 22 of its petition, the company states, “PSE has identified a need to build a solid foundation for distributed energy resources and demand response resources. A proper foundation will help PSE identify and acquire suitable resources to deliver a clean, reliable, equitable energy future for all customers.” From staff’s perspective, any debate over whether the company had this need was dispelled when CETA was passed. It is puzzling and regrettable that this need was not identified earlier, especially in view of the aborted 2020 RFP process.

Grid edge technologies such as advanced distribution management systems, distributed energy resource management systems and VPP platforms are relatively new compared to many other tools used to manage PSE’s system. There are advantages to waiting on newer technologies, letting others incur the costs involved in determining which technologies work well and in developing best practices for implementation. However, there are also costs and risks in deferring the possible benefits that come with these advanced tools. As with conservation, DR and other DER resources grow slowly over time. It seems to staff that the company’s focus on enabling technology for DERs could reasonably have started almost two years ago, and could have prevented this petition.

*Caution on further lost time*

Opposing this petition would require staff to assert that PSE should move forward in absence of VPP platform requirements because acting quickly has more advantages than taking the time to develop these requirements. Staff is not prepared to make such an assertion. It is PSE’s responsibility to consider the risks of adding this extra step on the front end, and compare those risks with the benefits of a cleaner, more accessible bidding process with a higher likelihood of lower costs and smoother implementation. At this time, due diligence applied later seems more reasonable than skipping due diligence in favor of urgency.

The company contends that granting this proposal would result in “no overall delay for demand response programs than under the current timeline.”<sup>5</sup> The company’s proposed schedule may not

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<sup>3</sup> *Ibid.*, at ¶21.

<sup>4</sup> *Ibid.*, at ¶45.

<sup>5</sup> *Ibid.*, at ¶48.

be unreasonably long, but it also does not reflect a sense of urgency. Fundamentally, however, PSE's capacity resource crunch is a risk the company must manage, and staff trusts that PSE has balanced this and many other factors into its timelines for both RFPs.

*Positive considerations and mitigating circumstances*

Staff believes that taking this intermediate step will allow the company to issue a DER-targeted RFP which will yield better results. That the IRP yielded surprising but convincing results is a credit to the company. That the IRP's surprising results prompted the company to shift priorities and adaptively manage based on new information are also reasons to see this petition in a positive light. If the company *did not* take this step and the RFP resulted in the acquisition of a disjointed collection of redundant platforms, all of which must be integrated, staff might have asked why the company did not take steps to avoid such an outcome with some due diligence earlier in the process.

Staff notes that the IE's expertise helped the Company to arrive at the decision to submit this petition by acting as a sounding board. Staff appreciates the IE's assistance in providing timely responses to questions on technical details and industry practices. Staff has already found the IE to be an invaluable resource, and appreciates the Company's actions bringing the IE aboard in time to contribute to the draft RFPs. In staff's view, the IE is fulfilling its role to the long-term benefit of the company and ratepayers. The IE will continue to be engaged in the review of the DER RFP.

While this petition might have been avoided with earlier action, staff is convinced that establishing details for the VPP platform prior to issuing an RFP will improve the outcomes of the RFP. Staff also supports the company's expansion of the targeted RFP to include DERs, as the RFP should be targeted at any resource bids that would benefit from the additional VPP platform details.

**Stakeholder Comments**

Staff solicited initial reactions from interested stakeholders. Due to the shortened timeline between this petition's filing and its consideration, multiple stakeholders may make comments at the open meeting. In its exchanges with staff, Renewable Northwest expressed disappointment with PSE's slow pace in considering DR and DER platforms, but agreed that developing VPP platform requirements could lead to a stronger bidding process. The Sierra Club expressed concern that the lack of earlier action combined with a significant and imminent resource need may result in acquisition of new thermal capacity, which would be unacceptable. Staff understands from PSE that prospective vendors supported the company's petition.

**Conclusion**

Staff recommends that the commission issue an order amending Order 04 to require PSE to file a draft request for proposals targeted at distributed energy resources by November 15, 2021.