

Competitive Procurement Working Group Meeting #2

Tuesday, April 16, 2019

1:00pm – 4:00pm

ASB 2

Attendees

In-Person

Greg Shimokawa, HE
Isaac Kawahara, HE
Rebecca Dayhuff-
Matsushima, HE
Duke Oishi, HE
Lisa Giang, HE
Christopher Lau, HE
Robert Uyeunten, HE
Peter Young, HE

Amanda Yano, HE
Vladimir Shvets, HE
Dale Murdock, Newport
Consulting
Rocky Mould, CoC
Honolulu
Julie Yunker, Hawaii
Energy

Robert Harris, Hawaii PV
Coalition
Gerald Sumida, IPP
Developer Representative
Henry Curtis, LOL
Mike Wallerstein, PUC
Marcey Chang, DCA
Jay-Paul Lenker, PUC
Noe Kalipi, Progression HI

WebEx

Carlito Caliboso, EFCA
Dave Parsons, PUC
Dean Nishina, DCA
Maren Mahoney, CoH
Eric Kunisaki, HE

James Abraham, HE
Jason Prince, RMI
Maria Tome, PUC
Owen Sanford, Tesla
Steven Rymsha, Sunrun

Tricia Rohlfig, Hawaii
Pacific Solar
Will Giese, HSEA
Sean Mazelli, EDF RE

Objectives

Integrated Grid Planning (IGP) discussions are on-going, involving a number of stakeholder working groups. A key feature of IGP is using market tests through competitive solicitation to provide information on market-based solutions. The objective is to find the best options for optimized energy and services portfolios using an inclusive and streamlined process.

The purpose of the CPWG is to help the utility with ideas on procurement development as well as solicitation process. How can we apply the new IGP process approach and establish appropriate competitive procurement best practices that may be used in Hawaii? We want to build the new competitive procurement process to support the overall IGP process and objectives. Productive discussions are needed as part of the process and a tentative CPWG meeting schedule is laid out, with proposed topics for each meeting identified. The purpose of today's discussion is to talk about current procurement processes and a proposed IGP procurement process so that participants can see what is being considered. Furthermore, we would like to talk about how the group fits in the overall IGP process.

Discussion

I. IGP Process

- a. As can be seen from the IGP process flow diagram (Slide 13), many groups will need to work together to make the process work. The intention of IGP is to fold in Planning into the procurements process. The process is new but we are all here to see how everything fits into the context of the overall process.
- b. Looking at the yellow box (Slide 13, IGP process flow diagram), it is different from what we are currently doing now. We are proposing to use a two-part capacity and energy procurement: the initial capacity and energy portfolio evaluation that follows from RFP Part 1 will be used to identify T&D needs (for interconnection) that will better inform the total cost of a proposal in the RFP Part 2. Previously, the first part of the RFP shown on Slide 13 was proposed to be a request for information (RFI); in the new process it is called RFP Part 1 which would ask bidders for indicative pricing but be fairly firm on all other project characteristics.
 - i. How committed is the utility to this process? How much does the utility look at tariffs and program design? If someone is able to reduce load are they able to participate in addition to the resources that provide energy?
 - ii. The second box in the diagram (on slide 13) has room for other solutions.
 - iii. For the capacity and energy RFP, as long as resources can provide capacity and energy, they will be able to participate in the RFP.
- c. Have we taken into consideration trying to make the system more resilient? Does this process consider the resiliency aspect as well?
 - i. There is a resilience working group that will look into the resilience aspect of the grid and consider the points that are brought up.
 - ii. One thought suggests the future of the grid could be like grid cells connected together than one grid.
- d. The solicitation for T&D NWA is going to be on its own track. For example, if the need is to provide 24-hour energy, then a resource will be solely dedicated to that function.
- e. There seems to be a common theme on how the parts are related to one another. As we get feedback and concerns, these relationships will evolve. We want to continue conversations so we can roll the ideas into the discussion.
- f. Who would look at all the Working Groups' charters and objectives to get a better feel for how the information fits together
 - i. Comment that the interdependency among groups is very important. You can see it even on a very basic level.

II. Competitive Procurements Process

- a. Which groups review the RFP bids collectively to see if they meet the RFP requirements?
 - i. The evaluation groups within the Company review the proposals. The actual set of finalists will go to the Commission.

- b. Which Working Group has an understanding of and determines whether the selected full set of procurements meets the needs?
 - i. There is a separate group that works on the needs aspect. The purpose of this group (CPWG) is to decide how the resource would be procured.
- c. The thought is to look at the current procurement process as the starting point and see how well it fits with the procurement needs (volume and timing) anticipated for the IGP.
- d. Regarding the Stage 1 RFPs, we had 6 approved PPAs as part of the procurement process. We are trying to make the sourcing and solicitation process as efficient as possible.
- e. We currently have a 13-month timeframe from opening the docket to moving to procuring projects. As we move forward with the IGP process, we may identify the need to reshape the existing Competitive Bidding Framework (CBF). To further inform the discussion we are moving beyond to the IGP process and trying to think how to make it as efficient as we can.
- f. The next slides (18-21) are from the filed RFPs to help us see the steps that are mandated and outlined in the current Framework. We need to be in sync on all the steps. The next slide (22) is the overview of the existing CBF. As it was intended to be for new generation, the current CBF does not cover NWA and storage. If the goal is to have all IGP procurements conform with the CBF, then the current governing document and process (CBF) may need to be modified in some way to specifically address it. Perhaps a good approach is to identify what is currently working and not working.
- g. What are examples for waivers from the Competitive Bidding Framework?
 - i. Waivers may be obtained under the current waiver process rules. Another example would be if not all the requirements in the process are met. The process calls out the specific time when you can seek the waiver. The commission would determine if you meet the waiver requirements.
 - ii. The waiver is a topic that we come back to a lot. The CBF goes into details on what is part of the RFP process.
- h. Is it a goal of the CPWG to redo the Competitive Bidding Framework?
 - i. It does not mean we have to, but it is on the table. To the extent that we are trying to come up with an improved process, either we come with something entirely new or we modify the existing CBF to work better with the new procurement needs of the IGP.

III. Example Solicitations (Slides 26-30)

- a. The intent of providing the example solicitations is to get an idea of and discuss what other companies are trying to do in their solution sourcing. Procuring an individual solution to address a need vs. procuring a combination of solutions (a portfolio) that address a need.
- b. Con Edison – when New York was looking at the needs, they had to take into consideration that a lot of their distribution system is networked (versus a more typical utility radial feeder design). When a need was identified within a network area, the impact of a project was highly dependent on where it was located on the distribution network. They were explicitly looking for competitive DER solutions. They are technology agnostic – which means they define what was needed in specific terms for load relief or other services. Considered a portfolio of solutions and suppliers. Diversity in technology and suppliers was seen as a risk mitigation advantage. Con Edison has developed solution evaluation methodologies to be able to select a portfolio of proposals that best meet the need at the best benefit/cost ratio.
- c. Southern California Edison (SCE) – preferred resource RFO pilot. They were more specific in what they were looking for in their RFP process, in stating which pieces they wanted. They had interesting approaches that test out the ways to address the need, and had learned many things throughout the process.
- d. Both in New York and California, the utilities discussed looked at greenhouse gases and figured out how they are a part of the processes.
- e. There are many opportunities and challenges in New York City. Opportunities – there were a lot of opportunities for DER/DR/EE because of the many buildings and substantial load. There were challenges - for example, energy storage had the potential to meet some distribution needs in the city, however locating energy storage in a high-density area was a challenge in terms of space (footprint) as well as safety requirements being developed by NYFD.
- f. In the California and New York example RFP's, bidders were allowed (under defined conditions and constraints) to seek additional revenue streams for products and services that the proposed solutions might be capable of providing but the utilities were not necessarily interested in. The additional revenues most likely could have come from wholesale market opportunities.
- g. The situation is different in Hawaii (no wholesale market). One situation to monitor may be Nevada, where they are looking into NWA solutions to address distribution system needs. While Nevada is interconnected to other states in the west, the utility is vertically integrated; there exists no comparable wholesale ISO markets.

IV. Additional Comments/ Suggestions

- a. We looked at RFPs from multiple states and in some ways it is similar to the approach that we are taking. The scale and level of RFPs are different. How can we take the best from different places and meet the specific need that we have?
- b. Another observed “best practice” suggestion is to include the draft contract early so that bidders can get familiar with contract requirements, terms and conditions early in the solicitation process.
- c. How about bonding requirements? Was there a standard or similarity across utilities for what was required and how that was specified in the contract?
 - i. The industry is still looking at development and performance bonds. Things are evolving but these two bonding requirements are becoming quite common.
- d. For example, if there was a solar farm that tried to sell its energy to an entity other than the utility, is this allowed? What if the entity would like to use that energy for something else when it is not needed by the utility (for example produce hydrogen)?
 - i. The utility would reserve the first right to the energy according to the PPA, an IPP for example may be looking for additional source of revenues. How do you balance the two?
 - ii. Our current contract does not allow for that.
- e. Participants were invited to provide any comments on things that worked and did not work in past procurements. Any feedback on positive things that currently exist in the process?
 - i. In regards to the Stage 2 Renewable RFP, the eight milestones of the process begin on April 1 and end June 10. Is there anything that could be done to shorten the timeline? The current schedule is pretty tough for Hawaiian Electric. Any feedback to shorten or improve the schedule?
 - ii. We need another step describing when the fully executed contract will be submitted to PUC because this will put pressure on both developer and utility.
 - iii. Suggestion to have greater stakeholder involvement into the IGP process.
 - iv. Another comment asked about the length of the contract.
 - The company is always open to simplifying things as appropriate.
- f. Suggestion to create a lessons-learned feedback loop.
 - i. That is something that we will try to fold into the IGP process. This is also highlights how many of the working groups are interrelated.
- g. The goal is to get as many bidders as quickly as possible.
 - i. Suggestion to have better targets and goals for the procurement. Greater specificity in the procurement as a whole. We will continue to see how we can be as open and inclusive as we can. There has been feedback on a level of predictability in the process (upcoming projects and procurement targets).

- ii. Suggestion to select more projects than we thought out in the development process. How would there be a way to have backup in case more generation is needed later?
- h. Comment that it would be more beneficial to put projects all in place than putting them on a queue.
 - i. Some uncertainty around if an IPP would like to be there on contingency basis.
 - ii. Taking excess IPPs is better than putting them in a queue.
 - iii. You don't win at RFP level, you win at COD level. Factors such as community engagement are important to consider.
- i. What non-price factors are being looked at?
 - i. The split in the Stage 1 Renewable RFPs has been 60 percent price and 40 percent non-price. We are cognizant about non-price factors such as community engagement. If there is more of a shift from price to non-price, then there is a chance that the cheapest projects are not necessarily the winners.
 - ii. Performance standards experience
 - iii. Qualification of developers
 - iv. Financial stability
- j. What non-pricing criteria would you prioritize over cost?
 - i. In our current Stage 2 procurement, within the 40% weighting assigned to non-price criteria, there are three areas of non-price that have a double-weighting (Community Engagement and Cultural Resource Impacts, State of Project Development and Schedule, and Performance Standards).
- k. In trying to make the process faster, how do we make sure that we get other community-related efforts done correctly? From previous RFPs there were some concerns raised at later stages of the process. How can we have those points raised earlier in the process?
- l. How can we improve the community engagement efforts so that we have genuine outreach and more actual community engagement?
 - i. An interested party under a confidentiality seal could identify the community related concerns before the application is being filed.
 - ii. How will we consider similar community related points with utility-scale projects?
- m. Is there any thought about the projects that may or may not be considered in the future? Some projects require time for permitting and interconnection. How will the full range of resources be considered? Will we limit the scope of things considered?
 - i. That is a good point to keep in mind as we go through the process.
- n. When you have a RFP situation, it imposes the structure upon that procurement, if the utility says "we want this type of result". By getting the development community involved early on, may allow for diversity for new technologies that can meet utility needs.

- i. Finding out what utility does not know is part of the IGP process. It is contemplated to address that. How do we meet the need without being too prescriptive on how we do it?
 - ii. Working with solution and evaluation team will help to address this.
- o. How would longer lead time/ interconnection be considered in the process?
- p. It would be nice to have the website organized with all the meeting dates in one place.
- q. Next meeting is June 25, 2019.