

# Procurement Process and Bidding Framework

Competitive Procurement Working Group

August 2, 2019



**Hawaiian Electric**  
**Maui Electric**  
**Hawai'i Electric Light**

# Agenda

- ◆ Welcome
  - Ground Rules
  - IGP Objectives
  - CPWG Objectives and Meeting 2 Recap
  - CPWG Meeting 3 Objectives
- ◆ IGP Process Overview and Competitive Solicitation Drivers
- ◆ Overview & Observations on current Competitive Bidding Framework in the context of the IGP process
- ◆ Next Steps and Proposed Meeting Schedule



# Welcome and Objectives



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# Ground Rules

- ◆ Chatham House Rule will apply – no personal or organizational attribution will be made to any comments/feedback provided during the meeting by any participant nor in written documentation.
- ◆ Working group meetings, and other information exchanges are intended solely to provide an open forum or means for the expression of various points of view in compliance with antitrust laws.
- ◆ Under no circumstances shall engagement activities be used as a means for competing companies to reach any understanding, expressed or implied, which tends to restrict competition, or in any way, to impair the ability of participating organizations to exercise independent business judgment regarding matters affecting competition or regulatory positions.
- ◆ Proprietary information shall not be disclosed by any participant during any industry engagement meeting or information exchange. In addition, no information of a secret or proprietary nature shall be made available to industry engagement participants.
- ◆ All proprietary information which may nonetheless be publicly disclosed by any participant during any industry engagement meeting or information exchange shall be deemed to have been disclosed on a non-confidential basis, without any restrictions on use by anyone, except that no valid copyright or patent right shall be deemed to have been waived by such disclosure.



# IGP - Integrated Grid Planning

**IGP is a planning process that will:**

- ✓ appraise the total needs of the system
- ✓ consider all alternatives from customers, independent providers and the utility
- ✓ integrate market-based solutions
- ✓ determine the best resource and grid options for customers
- ✓ be inclusive through stakeholder review and input
- ✓ synchronize and unify resource, transmission, and distribution planning processes
- ✓ streamline processes that will optimize energy portfolio



# CPWG Purpose & Objectives

## Purpose:

The Competitive Procurement Working Group will establish a fair, efficient, streamlined procurement process that will facilitate the procurement of resources in alignment with Hawaiian Electric's grid plans as identified through the IGP process.

## Objectives:

- Provide strategic input and feedback on competitive procurement process development, activities and results, and aspects for improvement.
- Review current procurement practices in Hawai'i and in other jurisdictions.
- Develop competitive procurement best practices for application in Hawai'i.
- Develop an improved process and accelerated timeframe for procurements that align with broader IGP objectives.
- Foster collegial, balanced discussion to achieve shared understanding of the competitive procurement process, and to build common ground through iterative discussion and feedback.



# Meeting Objectives

- ◆ Continue overview and discussion of IGP process
- ◆ Examine and discuss the drivers for, and timing of potential competitive solicitations to procure products and services
- ◆ Review of existing Competitive Bidding Framework (CBF) in the context of IGP procurement needs and process
- ◆ Next two CPWG meetings to discuss application of and potential changes to CBF in the context of IGP
  - ◆ Stakeholder feedback and presentations
  - ◆ Initial proposals for application and modifications



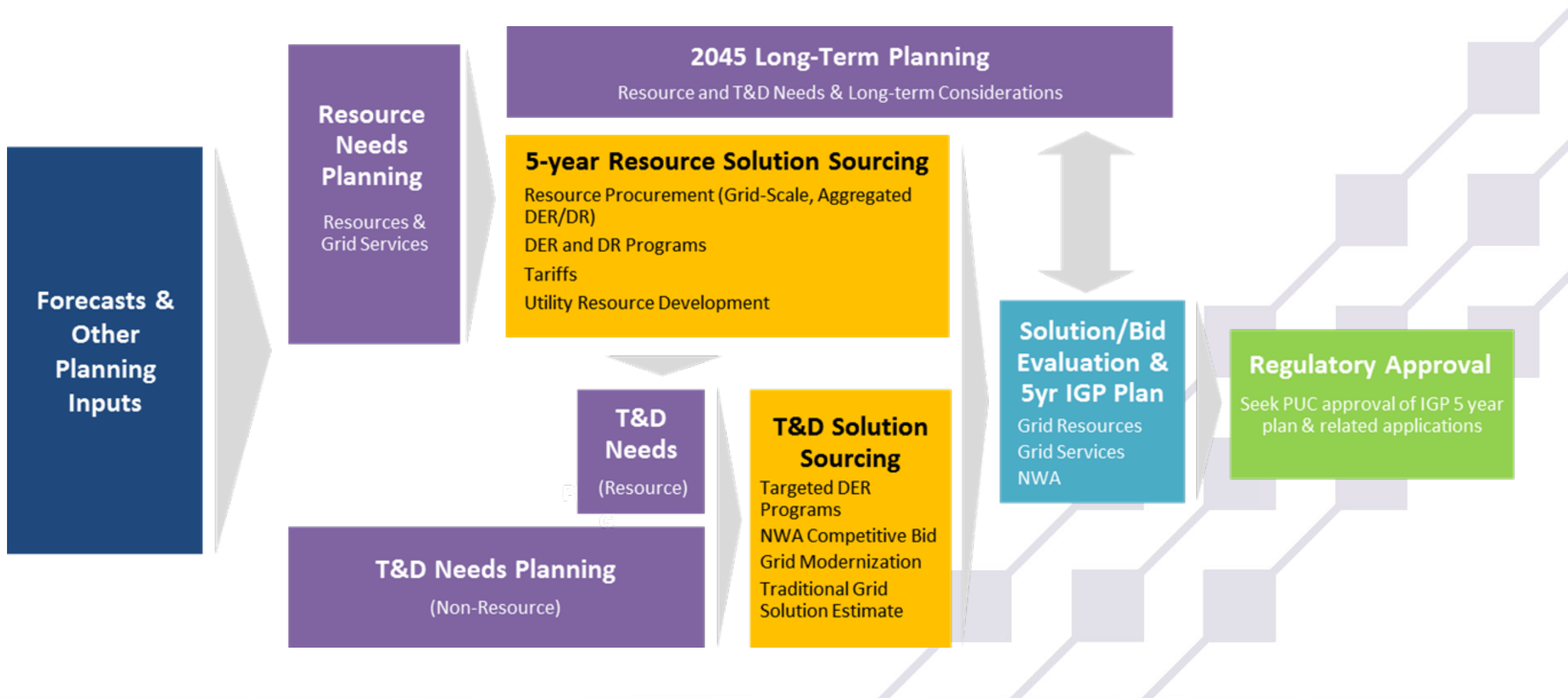
# IGP Process Overview & Competitive Solicitation Drivers



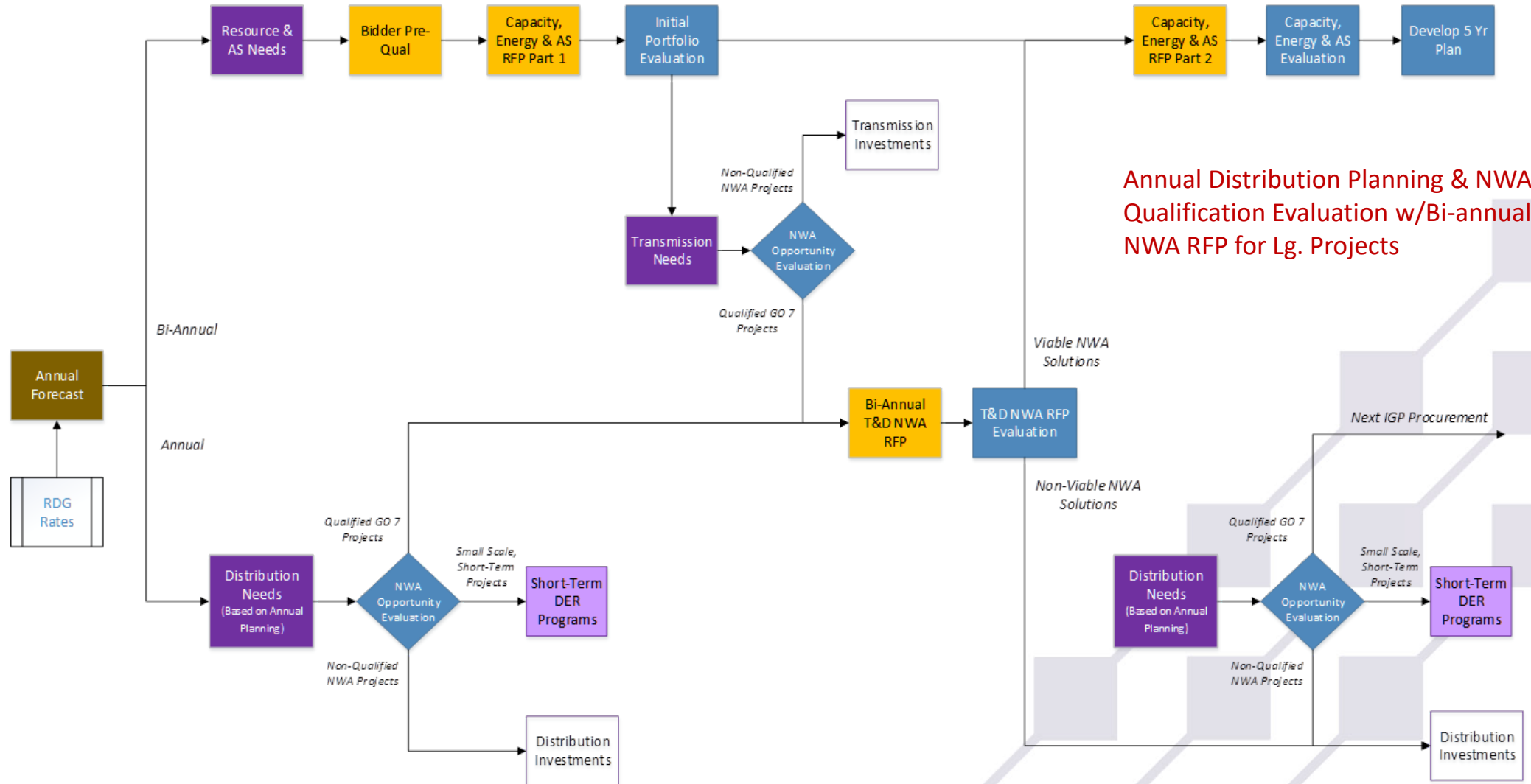
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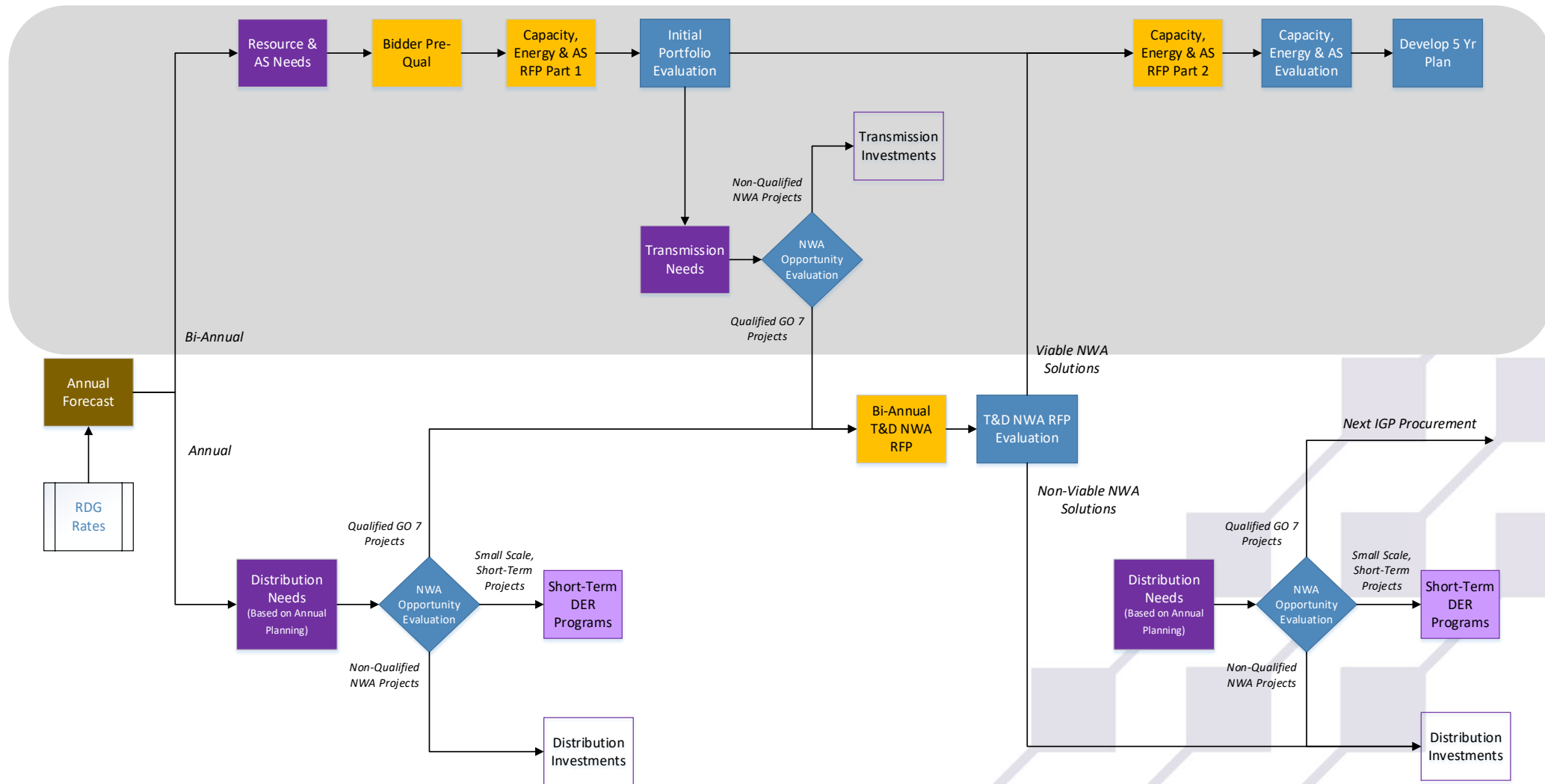
# IGP Overview



# IGP Sourcing Approach



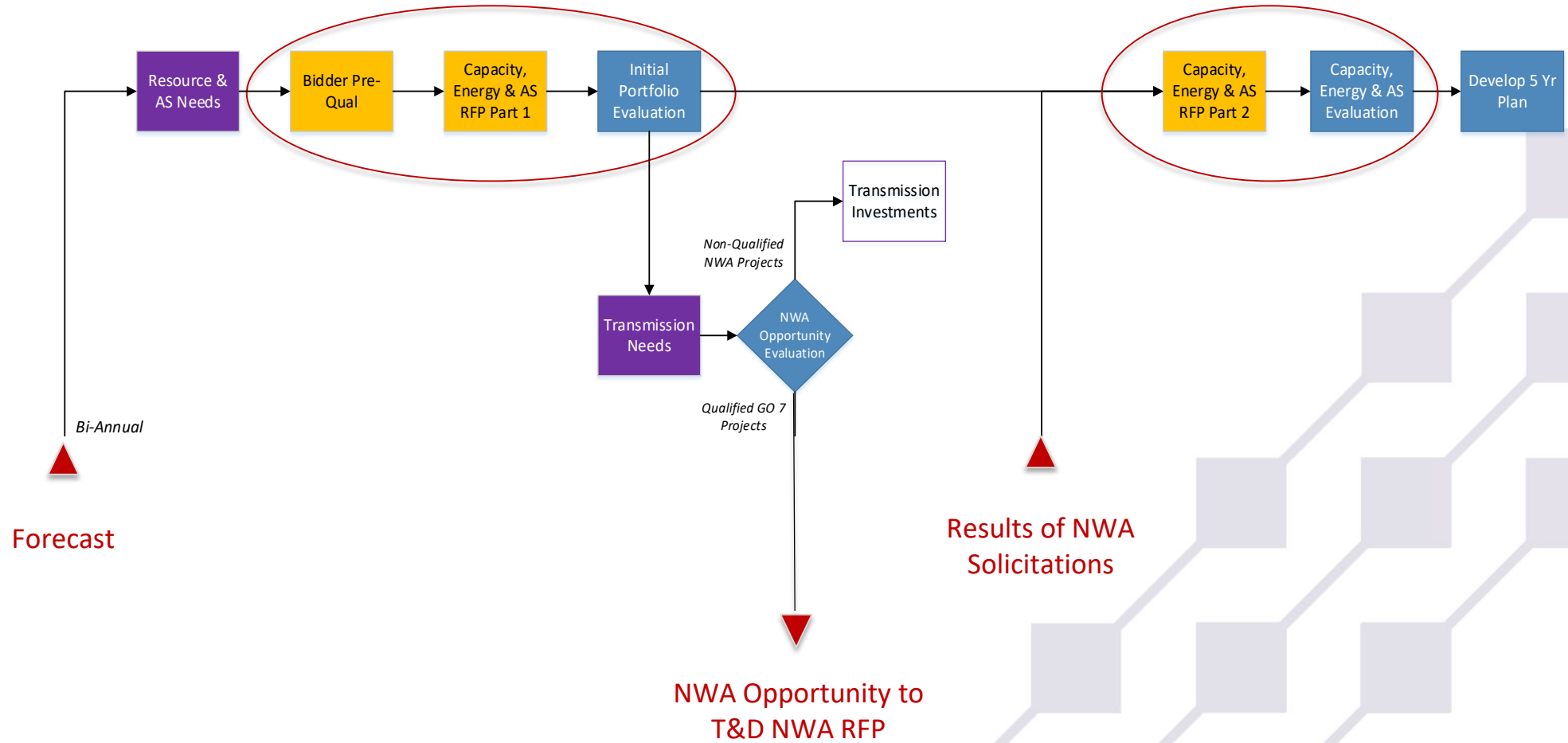
# IGP Sourcing – System Level Procurements



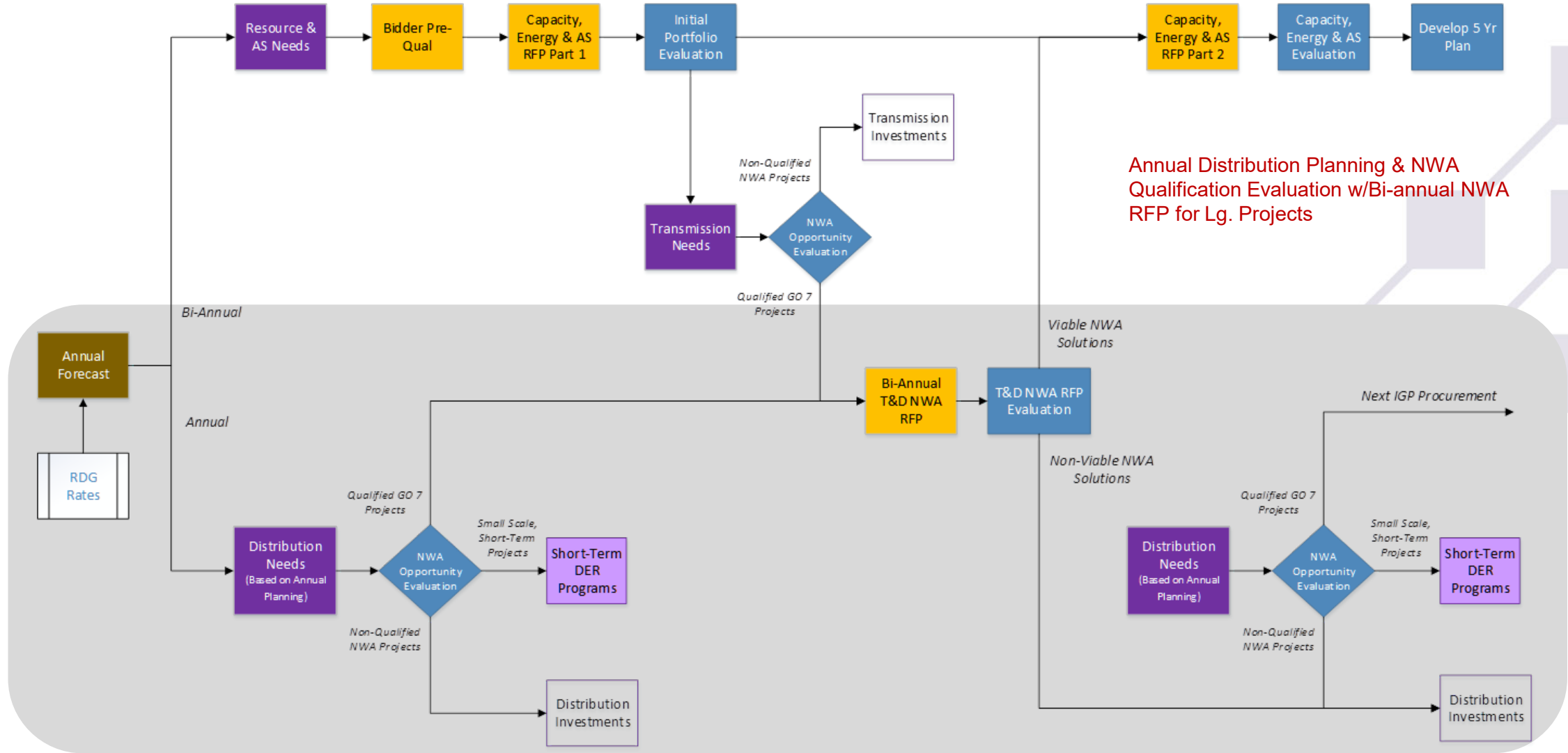
# IGP Sourcing - System Level Procurements

## System Level Market Test

## System Level Competitive Solicitation

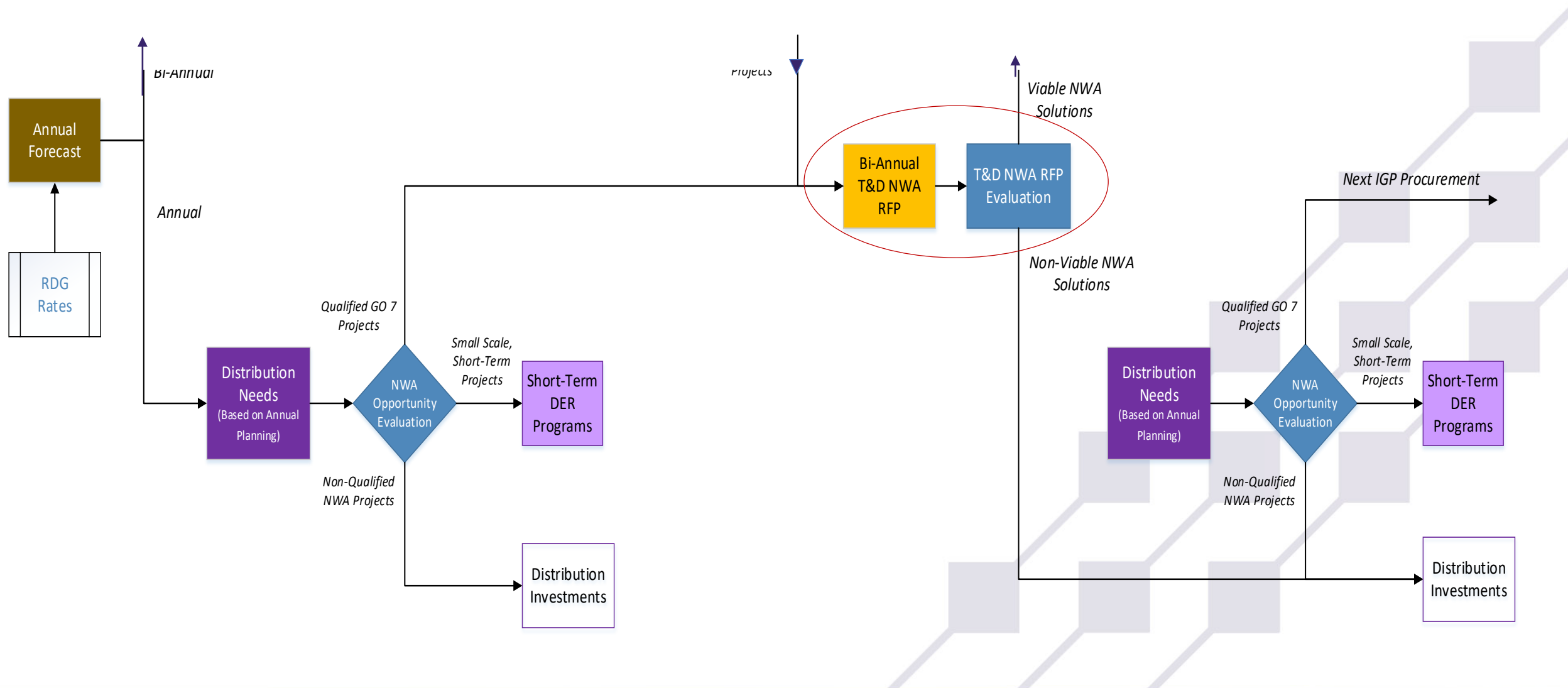


# IGP Sourcing Approach

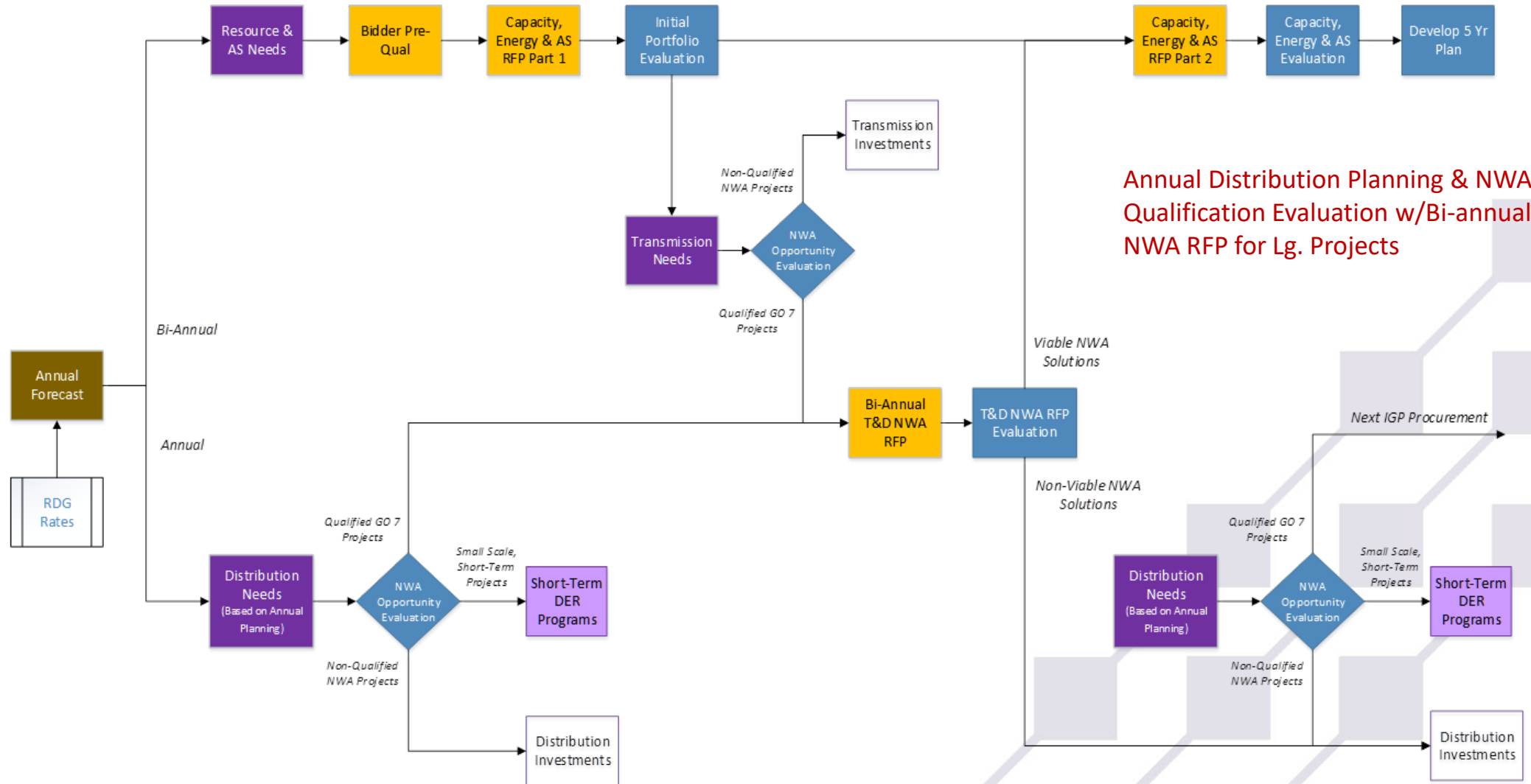


Annual Distribution Planning & NWA Qualification Evaluation w/Bi-annual NWA RFP for Lg. Projects

# Annual Distribution Planning & NWA Qualification Evaluation with Bi-Annual IGP NWA RFP for Larger Scale Opportunities



# IGP Sourcing Approach



# IGP Solicitation Needs & Challenges

- ◆ Bidder Prequalification Process
- ◆ RFP Part 1 – Capacity, Energy & Ancillary Services (CEAS)
  - ◆ Indicative pricing
  - ◆ Proposed contract structure
  - ◆ Proposed Operational, Performance & Commercial Requirements
  - ◆ Proposed T&C's
  - ◆ Qualified bidders with conforming Part 1 responses may participate in CEAS Part 2
- ◆ T&D NWA RFP for larger projects (potentially simultaneous multiple RFPs)
  - ◆ Must be completed before issuing CEAS RFP Part 2; outcome may modify needs in CEAS RFP Part 2





# Competitive Bidding Framework



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# Current Competitive Procurement Process

## During CPWG Meeting 2 we discussed:

- ◆ Proposed IGP Procurements materially different from previous CEAS solicitations
- ◆ IGP will require multiple RFPs in sequence and within 18 month planning cycle
- ◆ Current Stage 2 and Grid Services RFP will conform with Competitive Bidding Framework (CBF)
  - ◆ Proposed that Soft Launch will not – learning opportunity that will inform potential CBF requirements and updates
  - ◆ Soft Launch and future T&D NWA RFPs will likely be seeking products and services not addressed in existing CBF



# Current Competitive Procurement Process

## Key Requirements / Provisions of the Current CBF:

- ◆ “Competitive bidding, unless the Commission finds it to be unsuitable, is ... the required mechanism for acquiring a future generation resource or a block of generation resources...” (Sec. II.A.3) *Focus is on generation resources*
- ◆ Sets forth roles of PUC, Utility and Independent Observers (IOs) and requires development of a Code of Conduct
- ◆ Self-Build allowed; requires development of “Parallel / Contingency Plan”
- ◆ Commission review and approval of RFPs
- ◆ As written, CBF doesn’t cover:
  - Non-wire, grid services, storage
  - Generating units sized <1% of a utility’s total firm capacity, or 5 MW or less



# Comparison to Other “Frameworks”

Hawai‘i Framework for Competitive Bidding consistent with others

Similar governing documents reviewed in other jurisdictions

- ◆ California, Connecticut, Rhode Island, Georgia, Illinois
- ◆ Variety of levels of detail in documents (9 pgs – 130 pgs)
- ◆ Utility Self-Build bids permitted



# Key Questions / Challenges for CPWG Consideration

- ◆ Application of CBF to IGP process
  - ◆ Does the intent and objective of the current CBF align with the IGP process
  - ◆ How does it fit
  - ◆ How does it not fit
- ◆ Given objectives and the processes associated with the IGP what outcomes are we trying to achieve by application of the CBF (existing or modified):
  - ◆ Fairness? Transparency? Other?
- ◆ Given these outcomes/objectives for applying the CBF to the IGP competitive sourcing process
  - ◆ How should the original CBF be modified or revised to guide the IGP competitive solicitation process



# Summary Observations

Observations from review of the current CBF within the context of the proposed IGP competitive procurement process:

- ◆ As written, CBF is strictly for generation resource acquisitions. Would need to broaden to be applicable to System and T&D products, services and resources
- ◆ Keep the intent and spirit of the CBF which calls for competitive solicitations for procuring system needs; consistent with intent of IGP (i.e. market-based solutions)
- ◆ Proposed IGP Commission review points should lessen/negate need for Commission review of CEAS and NWA RFPs
- ◆ NWA procurements may be smaller than the current CBF RFP thresholds; should there be a threshold?
- ◆ Current RFP draft and review process may be overly cumbersome for multiple RFPs for different products and services

# Summary Observations (con't)

Observations from review of the current CBF within the context of the proposed IGP competitive procurement process:

- ◆ Need for/appropriate use of an Independent Observer. Participate for all solicitations or only those with a utility affiliate participating OR utility self build?
- ◆ For NWA, “traditional solution” is not same as a self build option as defined in current CBF
- ◆ Continued need for utility contingency/parallel project plan
- ◆ Code of Conduct establishes and governs the competitive solicitation process
  - ◆ Utility affiliate bids should be treated the same as any other bidder
- ◆ Current CBF recognizes that solicitation processes may vary by resource type (II.B.4)
  - ◆ Applicable to CEAS v. NWA



# Summary Observations (con't)

Observations from review of the current CBF within the context of the proposed IGP competitive procurement process:

- ◆ Modify RFP process description in CBF to reflect the two-part IGP CEAS solicitation process
  - ◆ Transmission level NWA an outcome from CEAS solicitation Part 1
  - ◆ Distribution level NWA outcome from Distribution Needs assessment
  - ◆ T&D NWA (potential for multiple, location-specific RFPs) are an input to CEAS RFP Part 2
- ◆ Current CBF requirements for bid evaluation & selection criteria to be updated to reflect IGP process and broader potential resource types to be acquired.
  - ◆ Evaluation criteria and weighting; price and non-price considerations





# CPWG Proposed Meeting Topics & Schedule

## **Meeting 1 – March:**

*Kick-off Meeting, CPWG Composition/Participation & Overview of Current procurement processes, challenges and issues*

## **Meeting 2 – April:**

*CPWG Scope, Deep Dive on Current Procurement Processes, examine examples of other utility competitive procurement processes; identify any “best practices” trends and learning*

## **Meeting 3 – August:**

Examine and discuss relevant feedback and learnings from other Working Groups; review IGP planning and procurement process; review of the CBF in the context of the IGP procurement process

## **Meeting 4 – September:**

Examine and discuss relevant feedback and learnings from other Working Groups; solicit stakeholder feedback based on August meeting and supplementary materials; discuss composition of framework structure and details

## **Meeting 5 – November:**

Review first draft of recommendations, discuss and capture feedback

## **Meeting 6 – December:**

Review second draft of recommendations, finalize



# Next Steps and Schedule

## Next Meeting

Date: Wednesday, September 11, 1-4pm (tentative)

◆ Location: ASB 1

◆ Topics:

- ◆ Examine and discuss relevant feedback and learnings from other Working Groups
- ◆ Stakeholder Feedback on CBF in the context of IGP Procurement Process
  - ◆ Stakeholder presentations welcome and open discussion
- ◆ Please send any additional comments on today's discussion to:  
[IGP@hawaiianelectric.com](mailto:IGP@hawaiianelectric.com)

