

## Competitive Procurement Working Group Meeting #3

Friday, August 2, 2019

1:00pm – 4:00pm

ASB 1

### Attendees

#### In-Person

Greg Shimokawa, HE

Dale Murdock, Newport

Consulting

Isaac Kawahara, HE

Rebecca Dayhuff-

Matsushima, HE

Christopher Lau, HE

Robert Uyeunten, HE

Peter Young, HE

Nohea Hirahara, HE

Yoh Kawanami, HE

Amanda Yano, HE

Vladimir Shvets, HE

Rocky Mould, CoC

Honolulu

Julie Yunker, Hawaii

Energy

Gerald Sumida, IPP

Developer Representative

Henry Curtis, LOL

Jay-Paul Lenker, PUC

Wren Wescoatt,

Progression Energy

#### WebEx

Dave Parsons, PUC

Dean Nishina, DCA

Marcey Chang, DCA

Emily Erickson, Hawaii

Energy Strategists

Hashim Al Hassan,

Switched Source

Jason Prince, RMI

Riley Saito, County of

Hawaii

Steven Rymsha, Sunrun

Tricia Rohlfig, Hawaii

Pacific Solar

Marisa Chun, HE

Eric Kunisaki, HE

### 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

### Discussion

- I. IGP Process Overview & Competitive Solicitation Drivers (slides 9 – 15)
  - a. Questions and Comments about Slides 11 and 12:
    - i. How will we know when the RFP is issued?
      - We will post on our website, file the RFP with the Commission, and send out an email to relevant parties and people who are interested.
    - ii. Can a project bid into RFP part 1 in 2020 and part 2 in 2022?

- In this scenario, a bidder must bid into the 2022 RFP part 1 if they want to bid into the 2022 RFP part 2.
- iii. The city has a vendor prequalification list. Would you have a similar bidder prequalification step?
  - We don't currently have a prequalified vendor list. However, we do qualify bidders as part of the RFP process.
  - Next steps for this group will include discussion about what pre-qualification (in the context of IGP solicitations) is intended to do and what it would look like.
- iv. Suggestion to create a prequalified list to reduce the amount of time Hawaiian Electric staff spends reading.
  - Possibly have a list and do a refresh for each RFP.
  - Suggestion to have a list that qualifies certain bidders that always apply and just ask for specific items that need to be refreshed.
- v. How do you do the planning and fold it into the 5-year plan? How do you prevent locking yourself into a 5-year term?
  - The procurements are on an iterative process, the resource needs are on a 2-year cycle and the distribution needs are on an annual cycle.
    - a. You could be halfway through the planning cycle while you are receiving inputs from the previous cycle?
      - i. Those are distribution-level projects that happen on a more frequent (annual) basis.
- vi. Why do an RFI, since the developers do not receive any feedback after bids are submitted?
  - This is a process that leads to further discussion, to get information on location, technology, and indicative pricing from the market. It will help us to identify the transmission upgrade costs.
  - As with the prequalification topic, this Working Group will address RFP Part 1 (which has some similarity of an RFI) specifics, what is envisioned and what is trying to be accomplished in the context of the IGP solicitation process
- vii. Suggestion to add dates to the IGP Sourcing graphics as well as numeric coding to reference each process step on explanation slides.
- viii. Discussions about the estimated timing of procurements and understanding how long it may take to bring various project capacities and services online:
  - Resource Needs Procurement
    - a. Planning cycle about 18-months (~2 years)
    - b. IPPs may take about 4-5 years to bring online
  - Distribution Needs Procurement
    - a. Planning cycle about 1 year

- b. NWAs may take about 1-2 years to bring online
- ix. The System Level Market Test
  - The initial evaluation is not meant to screen anyone out. Based on the locations of the projects, we can determine transmission constraints.
  - Comment that this step is key for developers, to know where HECO would let them interconnect.
- x. Looking for predictability in the process of when RFPs will be issued.
  - If developers have a longer view of when to expect Hawaiian Electric to release an RFP with consistent timing, they can plan ahead. Developers can be better prepared to submit their proposals, i.e., getting land, permitting, and design work ready.
  - Don't mind if the capacity "ask" changes as a result of the NWA RFP and evaluation. Just need to know when to expect the next procurement opportunity.
  - Recommendation to have a longer lead time for developers to obtain land especially if three developers are talking to the same land owner.
  - Certain technologies take longer to build. But it seems like in the IGP process, you can bid in once the proposal is ready into one of the predictable 2-year IGP cycles.
  - Developers would prefer exclusive agreements with the landowner and predictability of the RFPs helps with that.
  - When everyone hears the RFP has been issued, they need upfront cash to secure the land.
- xi. Pricing
  - Developers may be hesitant to give financial pricing ahead of time. Need an NDA and to know who exactly will be able to see that information, and what will you be doing with it?
- xii. Who determines the transmission costs?
  - The developer builds it into their proposal. Hawaiian Electric then does an analysis to develop its costs.
  - Suggestion for multiple developers bidding into the same transmission line to share the costs.
- xiii. Procurement types suggestion
  - From a stakeholder perspective, would at least include three categories – IPPs, transmission solutions (3-5-10 years), and NWAs (short-term 1-2 years)
  - Example: 100 MW offshore wind project
    - a. How to interconnect it?
    - b. What are the utility's costs?

- If there is validity in the approach of bucketing procurements into these three categories, how do all of these fold into your planning process?
- xiv. Regarding the Soft Launch, how do you compare that if you also have to look at other terms like GHG emissions and RPS
  - The Soft Launch project is a line extension so there are no GHG emissions to measure, however there could be a case for energy.
- xv. If you knew you had a 10-year project that you wanted, how do you know where it goes into the planning process? How is this project affected by the NWA process?
  - The distribution needs evaluation could result in a NWA or a distribution investment or even short-term DER. These are folded into the Resource Needs and overall plan.
  - There is a feedback loop from the Distribution Needs up to part 2 of the RFP.
- xvi. How are we aligned to bring in more customer participation? Where are the programs for DERs coming on?
  - DER programs, pricing and tariffs can apply to two categories:
    - a. In forecast planning assumptions for the resource needs (e.g., DER forecast)
    - b. As part of the solution as an NWA
- xvii. In favor of the Distribution Needs being fulfilled every year, otherwise they can't keep up. Like the iterative process of the IGP.
- xviii. A four-year rate case cycle would match up with the IGP 2-year planning cycle, is there any correlation?
  - An interesting observation, but there is no correlation.
- xix. How is resiliency criteria incorporated? Will the utility identify specific cases when generation is preferred and how will this affect scoring?
  - To be addressed by the Resilience Working Group.
- xx. The short-term DER programs in slide 14 provide feedback to the forecast and to procurement assumptions. The programs are also a type of solution.
- xxi. Can the RFP incorporate community outreach? It's hard to know when or if a project will have community pushback. Is community engagement part of the evaluation?
  - Yes, for example, there is non-price evaluation criteria in Stage 2 RFP that includes community engagement.
- xxii. A lot of money will be spent just to develop indicative pricing. Indicative pricing will be fairly close to final pricing.
- xxiii. You mentioned an example on the North Shore of Oahu – one obvious solution is to upgrade that line and the other approach is to not upgrade that line but to develop some kind of micro-grid with additional generation coupled with DR, which creates another generation source in

case something bad happens. The net result will be an NWA and will not need upgrades in that area. Much of this is going to be location-specific. There are going to be limitations and seeing what kind of things are going to be more viable.

- One way is to target the generation where the load is. The idea is that we are trying to find the least-cost solution.

xxiv. Suggestion to combine the two-part RFPs into one RFP for simplicity.

## II. IGP Solicitation Needs & Challenges (slide 16)

- a. Bidder Prequalification Process
- b. RFP Part 1 – Capacity, Energy & Ancillary Services (CEAS)
  - i. Indicative pricing
  - ii. Proposed contract structure
  - iii. Proposed Operational, Performance & Commercial Requirements
  - iv. Proposed T&C's
  - v. Qualified bidders with conforming Part 1 responses may participate in CEAS part 2
- c. T&D NWA RFP for larger projects (potentially simultaneous multiple RFPs)
  - i. Must be completed before issuing CEAS RFP Part 2; outcome may modify needs in CEAS RFP Part 2
- d. Questions and Comments
  - i. Are you going to do bilateral procurements?
    - No, we are moving away from that process to competitively procure on the IGP schedule
  - ii. The list (a. through c.) is more of an agenda.
    - Suggestion to add project description to the list
    - Suggestion to add site control to the list (e.g. easements, long turnaround time for community buy-in)
  - iii. In terms of the evaluation, how does it work?
    - What do we need? What are the available options? Do you compare the options based on a time-basis?
      - a. We look at avoided costs for not doing a traditional wires solution.
      - b. Load relief – is the project's forecast able to meet the need?
      - c. Timing for commercial operations date (COD)
      - d. Does it meet suitability criteria?
  - iv. Distribution needs are changing too frequently
  - v. Is the timeframe for obtaining site control flexible? Lowering the standard for site control requirements would be helpful.
  - vi. Why does the procurement process take so long? There needs to be a box as part of the process to identify which projects are going to get in trouble with the community in the early stages

- Sometimes you do not know when people are going to oppose projects until the very end.
- vii. Do you have a community risk criteria that you see when the projects come in before you start the process?
  - Yes, we do have that as part of our process.

### III. Competitive Bidding Framework (slides 17 – 20)

#### a. Current Competitive Procurement Process

##### i. CPWG Meeting 2 Recap

- Proposed IGP procurements are 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
  - a. The proposed Soft Launch will not – it is a learning opportunity that will inform potential CBF requirements and updates
  - b. Soft Launch and future T&D NWA RFPs will likely be seeking products and services not addressed in existing CBF

#### b. Questions

- i. As we are looking at CBF, who are we looking at for vendors?
  - Aggregators, and battery add-ons to existing PV. Aggregators may include DR – air conditioning companies, electric vehicles, etc.
- ii. How do you get direct customer participation?
  - We currently don't do a self-build option at the distribution level or system level for DR although this could change in the future. If a commercial franchise wanted to aggregate their power (kW) they could propose that or if a campus wanted to aggregate their PV or usage and produce a 5 kW load reduction, but if we don't see it across the meter (reducing their own load but not reducing the load on the feeder) then it doesn't count.
- iii. Would you use smart meters to track that?
  - Yes
- iv. Can a bunch of customers create their own program and propose it as a NWA solution?
  - Yes, because we are technology agnostic, but we need to keep it a competitive process. Therefore, we would see if there are any comparable solutions on the market.
- v. It seems very difficult to get a NWA solution done within a year. Your NWA RFP is going to blow up your resource needs assessment.
- vi. When would the RFP Part 1 start? Would it start after the Soft Launch?

- Not yet. We would need to know what projects and capacity is procured in the Stage 2 RFP. That goes into the assumptions for the first IGP cycle.
    - vii. Would CBRE program continue to move forward?
      - Yes.
    - viii. So, we're looking at IGP starting in roughly a year from now?
      - Potentially. The Stage 2 RFP is a fairly large procurement of energy.
- IV. Summary Observations (slides 22 – 24)
- a. What goes into the bidder pre-qualification step? Is it capability to do the project and financial wherewithal?
    - i. Yes, those are part of the eligibility requirements.
  - b. What are you not asking in RFP part 1 that you're not asking in for in RFP part 2?
    - i. Pricing and changes to the project
  - c. If you bid into the first RFP, is there any penalty for pulling out?
    - i. No
  - d. The concept is we make a wise decision at the transmission needs step and see if the procurement can move forward.
  - e. A developer won't want to spend money unless they get a confirmation from the utility that they've passed the prequalification step. Then they'd be happy to apply for part two.
  - f. What do you not want to do in Part One?
    - i. Three-line diagrams
    - ii. Detailed engineering
    - iii. IRS related information
  - g. The two-step process seems to be longer than usual
    - i. True, it may be longer due to the assessment of transmission needs from part 1 of the RFP.
  - h. Concerns that NWA RFP will delay Part 2 RFP.
  - i. Are you giving preference to NWAs and NTAs? Was that a Commission directive?
    - i. We are trying to see where and how we can incorporate NWAs and NTAs in an appropriate and cost-effective manner to defer system upgrade costs. The Commission has stated in the past that we should allow NWAs and NTAs to participate in the market solicitation.
  - j. Suggestion to separate the pricing into the RFP part 2, no pricing in the RFP part 1.
  - k. What are you doing with the indicative pricing?
    - i. Need a price gauge to compare with the NWA solution
  - l. Have you thought about placing the IPPs and NWAs against each other?
    - i. It's difficult to do since the NWAs are specific to a location whereas an IPP in the CEAS RFP can be located anywhere
  - m. Could a system-level bidder be at the IPP and NWA levels?
    - i. Yes

- n. If you're not going to do a detailed evaluation at Part One of the RFP, then recommend taking it out of the requirements.
- o. What would you like to see in the next meeting?
  - i. Example CBFs
  - ii. Developers perspective of how to submit a bid
  - iii. Example bid into the RFP part 1 – what should go into it?

### 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)