

## **Standard Contract Work Group Meeting 2: January 18, 2019**

### **Industry:**

Scott Miller – Western Power Trading Forum (WPTF)

Leah Bissonnette – Center for Sustainable Energy (CSE)

Lisa Laughner - (DERC)

### **Hawaiian Electric Attendees:**

Richard Barone

Yoh Kawanami

Dhruv Bhatnagar

Noa Dettweiler

Brendan Bailey

### **The PUC and Consumer Advocate attendees are:**

Jay-Paul Lenker PUC

Samantha Ruiz PUC

Marcey Chang CA

### **Navigant:**

Stuart Schare

Laura Manz

Radha Soorya

### Overview:

The Standard Contract Working Group provides a forum for open exchange of knowledge and ideas surrounding the procurement of grid services through a contracting mechanism between Hawaiian Electric and third-party providers of grid and other ancillary services. The Grid Service Purchase Agreement (GSPA) "Version 2" filing is due at the end of March.

The initial focus is around contract elements including:

- Structure – standard language sections combined with provider-appropriate attachments that may be customizable as needed
- Mechanisms – Legal terms plus components and features related to service- or provider-specific commercial and operational provisions
- Terms – details of mechanisms

The Working Group believes it is feasible to use a standardized contract approach to work across many different resources, using common components wherever possible. The Standardized Contract should lay the foundation for equal participation across different resource types and provide benefits related to the following attributes:

- **Volume of participating** providers and services - The ability to quickly negotiate with service providers based on standardized terms, conditions, and qualification requirements.

- **Risk** – The ability to include risk-averting language through the inclusion of indices, such as fuel adjusters which serve as guardrails against unnecessarily disrupting counterparties for items that may occasionally need to be negotiated without reopening an entire agreement. Working Group experts agreed that risk should be proportional to reward.
- **Customization** – The ability to contract across multiple services as needed, based on the type of service (Energy, Capacity or Ancillary Services) required for reliable grid operations.

A standardized contract becomes a living document for continued discussion and collaboration. The Working Group will continue to assess the key provisions that need to be included or adjusted. Tailored through the identification of certain parameters, a standardized contract can quickly be tailored for a particular resource type related to a grid service,

### **Meeting Highlights:**

Objectives:

The Working Group seeks to develop a majority opinion, ideally consensus, on a Structure that consists of discrete sections addressing Legal, Commercial and Operational mechanisms. All Working Group members approved this standardized Structure approach.

The Working Group received a presentation about Mechanisms which summarized the contract features that have been benchmarked across multiple contracts. Mechanisms represent contract features underneath the Structure categories of Legal, Commercial and Operations. Working Group members will have additional opportunity to provide comment and feedback on Mechanisms as they continue to review. Ratified Mechanisms will allow specific contract “terms” to be mapped to the GSPA standard contract framework as a key step toward developing materials for Stakeholder review.

The overarching aspiration is to contract with resources of third parties.

The GSPA will be a “living document” that can be adapted as industry needs become clearer and technology choices mature.

Discussion:

- The considerations for Maui Electric (MECO) and Hawaii Electric Light Company (HELCO) may be different from Hawaiian Electric. A standard contract may include services for Oahu, Maui and the Hawaii island separately.
  - In some cases, the delivery and operational requirements have been differentiated for each island for each service in recent Power Purchase Agreements (PPAs) in a “technical” section. For example, HELCO has different way of managing Fast Frequency Response ramp time needs.
  - There is a need to work across timeframes that could range from a 20-year energy PPAs to shorter term grid services procurement timeframes of 3-5 years.
- Benchmarking and Structure Comparison:
  - Navigant summarized the mechanisms by structure category for the EEI standard contract, Public Service of Colorado, IOU outside of ISO/RTO market, ERCOT, NYISO, GSPA and Renewable Dispatch Generation (RDG) PPA of Hawaii.
  - GSPA in its current form is a unified document with commercial terms contained in the articles.
  - In the context of unified contract, separation of the document into legal, commercial and operational fields will be helpful. It can be one unified agreement with flexibility of delineation between the mechanisms that works across for bilateral contracts. As the need for ancillary services change, and asset capabilities develop with technological changes, the ancillary services are being considered in windows ranging from three to five years.

## Mechanisms Discussion

- Legal Mechanisms:
  - The Hawaiian Electric team will review and adjust against the benchmarked “legal” mechanisms for the new GSPA to assure no gaps.
- Commercial Mechanisms:
  - Asset registration can vary widely.
  - Point of Interconnection and point of settlement are important factors
  - Offers will be in the form of an RFP response. It may come with the obligation for posting a form of credit, such as an offer bond or a letter of credit.
  - Obligations deliveries – Contractual Obligations are currently processed from aggregator side.
  - Technology Development and Remedies will be reviewed.
  - Indexing: WG to discuss whether a short-term contract would be a better approach compared to indexing within the context of a standard contract.
  - Performance Based Payment. GSPA and RDG have performance reductions.
  - Payment - for renewable energy, over delivery is not compensated. Battery has baseline cap on the export and could potentially be cut off when it exceeds export limits. Performance exceeding 110% is not compensated; a reference guide is needed.<sup>1</sup>
- Operational Mechanisms:
  - Technology –clarifying what is required for the delivery of service such as a particular type of router or other device is required for the delivery of grid service.<sup>2</sup>
  - Testing - in the GSPA currently
  - Metering and Verification
  - Data Requirement – may be unique to the service.<sup>3</sup>
  - Curtailment – GSPA should include caps that cannot be exceeded. For Aggregators this is kind of reduction may not apply.

### Next Steps –

Working Group Meeting #3 – Prepare for Stakeholder group meeting. Develop prototype structured document with legal, commercial and operational mechanisms. Concentrate on high priority areas and work done in these areas and compare differences from the previous GSPA.

Finalize “mechanisms” – Navigant will send updated matrix to Hawaiian Electric legal then will circulate draft for comment and any additions/deletions to mechanisms

Upon ratifying mechanisms, “terms” will be mapped from GSPA to new format based on language in articles and GSPA.

---

<sup>1</sup> Payment can be commercial, performance can be in operational.

<sup>2</sup> Can be part of protocol or business practice.

<sup>3</sup> Review rules for data

Suggested timeline for key activities: [Tentative & for discussion]

<b>Date</b>	<b>Deliverable</b>
<b>21-Jan</b>	Develop Outline for model GSPA
<b>28-Jan</b>	Review/Ratify Outline
<b>4-Feb</b>	Mapping of original GSPA to new outline
<b>11-Feb</b>	Legal review and start populating updated model GSPA document with detailed terms
<b>18-Feb</b>	WG #3 w/ terms for priority items for discussion
<b>25-Feb</b>	Fill in remainder of model GSPA document; outreach to SMEs
<b>4-Mar</b>	Revise/Review/Streamline draft model GSPA and post working draft
<b>11-Mar</b>	Stakeholder meeting to receive feedback
<b>18-Mar</b>	Revise/Review/Streamline with Hawaiian Electric Final Review
<b>25-Mar</b>	Filing