

Standard Contract Work Group Meeting 3: February 22, 2019

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. GSPA focuses on supplying grid services from qualified aggregators through a “slender” contract with exhibits with details for each grid services. Each exhibit forms the basis for developing an RFP that leads to a contract for that service. GSPA is the launch point for growing into a Standardized Contract for all resources due to the requirement to file an updated Model GSPA by the end of March 2019.

A Standardized Contract approach has been informed by industry experts and best practices. The Model GSPA is organized according to:

- Structure – A framework to organize standard language sections combined with service-appropriate exhibits that are customizable as needed
- Mechanisms – Legal terms, commercial components, and operational provisions that are applicable to all grid resources
- Terms – details of mechanisms that provide details related to each mechanism

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

- **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. Exhibits to a standardized contract can be tailored for a particular grid service or resource type to form the basis for an RFP process and ultimate purchase .

Working Group 3 Meeting Highlights:

The Working Group conducted its third and final meeting prior to the Stakeholder session. The purpose of the meeting was to prioritize terms as related to high-priority mechanisms. This lays the foundation to present a structured approach to develop a “Standard Contract” that begins with the GSPA to be filed. Mechanisms were grouped by priority – for immediate discussion; for

future discussion; not identified as a priority, laying the groundwork for Stakeholders to adjust priority items, and discuss details of related terms.

Of the 34 mechanisms identified only four were “not commonly found” based on benchmarking. Additional research led to the conclusion that these four were more specific to the relationship between aggregators and the end use customer and may not be applicable to other resources.

FEATURE	Description	Expert Comments
Branding and Marketing	Requirements for use of Company’s name and marks in conjunction with aggregators for marketing purposes	Commonly observed with aggregators as a way to demonstrate acceptance to participate as a qualified aggregator.
Participant Service Agreement.	Requires that an aggregator enroll participants under a contractual agreement; sets forth specific contractual elements and disclosures an aggregator must include in its PSA	Not commonly observed. Question whether this provision redistributed liability from the aggregator to the utility. Suggest reviewing ERCOT approach.
Standards of Conduct	Establishes a baseline for customer service that aggregator must achieve in the provision of the services	Not commonly observed as required by the utility. Suggest referencing PUC (or state mandates) through updatable reference if needed. Good idea to have these – business conduct, customer privacy, data confidentiality, etc. question around the utility setting these.
Source Code.	Requires the aggregator to place its source code into escrow for the benefit of Company in the event of a default.	Not commonly observed but useful. Protects program viability and overall reputation of aggregation of resources as a workable model.

Terms Discussion:

- Branding and Marketing:
 - There is value in vendors being able to identify themselves as qualified and verified vendors of grid services to Hawaiian Electric (HE).
 - HE needs a system for qualifying vendors and protocol for using Hawaiian Electric logos as reflecting this certification.
- Participant Service Agreement
 - The group discussed the Participant Service Agreement and its provisions and limitations.
 - “3.10....Supplier’s Participant Service Agreements shall be uniform for each Customer Class, with the only variations between Participants within each Customer Class being related to specific information regarding the Participant such as name and address.”
 - There was a concern over the limitation of sub-vendors for each customer class and this item will be included for further discussion.
- Letter of Credit
 - These terms will need to allow customization based on capacity, equipment, and other liabilities.
 - There must be transparency with the counter party during negotiations over the value and how it is calculated.

- Data Ownership
 - Data ownership hinges on the type of data being created: company, customer, vendor.
 - These terms may fall under Measurement & Verification or Advanced Metering Requirements, both of which are more technical requirements.
- Source Code
 - “Recreate GSDS” is now “Source Code”.
 - To continue program viability and reputation, Hawaiian Electric will continue managing across the gap created should a Supplier cease to exist.
 - Consideration for an escrow account for source code, which may be the majority of the IP/company value should a company fails and be sold off.
 - Further discussion to understand an escrow requirement that allows for a carve out of the most critical pieces so Hawaiian Electric can temporarily manage aggregator tasks while preserving the value of the complete source code?
- Standards of Conduct
 - PUC does not have a Standard Code of Conduct for market members.
 - There have been several changes in the terms associated with Standards of Conduct and other sections highlighted as similar to contractor language. These terms will be reevaluated for the Stakeholder Meeting.
- Terms and Conditions/Termination
 - This term may need to be recategorized as Commercial and the use of Exhibit structures could allow for flexibility.
 - Having longer periods improves recovery of investment, so Suppliers can offer lower prices to the utility.
 - Challenging to balance the changing market conditions and decreasing costs of technologies to contract duration.
- Exhibit I Service Level Agreement (Up Time)
 - The uptime requirement was changed to 85% in previous revisions.

Participants:

Hawaiian Electric

- Yoh Kawanami
- Richard Barone
- Dhruv Bhatnagar
- Noa Dettweiler
- Brendan Bailey

The PUC and Consumer Advocate:

- Jay-Paul Lenker – PUC
- Samantha Ruiz – PUC
- Marcey Chang – CA

Industry:

- Leah Bissonnette – Center for Sustainable Energy (CSE)
- Lisa Laughner – (DERC)

Navigant:

- Stuart Schare
- Laura Manz
- Radha Soorya
- Kathryn Collins