

2018 DRAM RFO

Frequently Asked Questions (FAQs)

Demand Response (DR) Product Type Specific Questions:

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I. General/Request for Offers (RFO)/Evaluation

Please read the Frequently Asked Questions (FAQ) from the 2016 and 2017 DRAM RFO for more information, as many questions and answers still apply.

1. Did SDG&E issue one or two RFO's on March 10?

SDG&E issued two separate RFOs on March 10, so some participants may have received two notices. The other RFO is a specific 2018 RA RFO just for local RA. Please see SDG&E's website for more information. That is a different RFO than this DRAM RFO.

2. When will Q&A's be posted?

Questions will be answered by being posted to each IOU's website as soon as possible after they are received, reviewed by all IOUs, and approved by the IE. April 3 is just the last date possible to ask a question, after that the IOUs will not take further questions.

3. Should a DERP sign up as a DRP before bids are submitted as part of this RFO, or can they sign up after being awarded a contract?

The DRP designation is not required at the time of bidding. The Seller must register as a DRP, or contract with a DRP, to deliver product.

4. Is the DRAM budget for the entire 2018-2019 timeframe or per year? Could the budget change?

The budgets are for the entire 2018-2019 timeframe. The break out of funds between the years depends on the bids shortlisted. The budget is not expected to change, based on a CPUC proposed decision, filed March 28, 2017, in response to the filed Petition for Modification of D.16-06-029. The IOUs will post information on our websites when and if there is any change to the budget.

5. Must a respondent bid in August 2018?

Yes, the minimum bid requirement is for August 2018. If a respondent would additionally like to bid for 2019, they must bid August 2019. A respondent cannot just bid August 2019 though, they must bid August 2018 and August 2019 (if bidding for 2019).

6. Will a two-year bid submitted be awarded a one-year contract?

No, bids designated for either one or two years will be awarded in full, as they are submitted. However, a party can submit multiple offer variations, or mutually exclusive bids, for both a two-year and a one-year offer if it chooses, if both offers include capacity in August 2018. Bids are evaluated by net market value per unit, discounted by the utility's weighted average cost of capital (WACC), so that offers of various contract lengths can be compared on an apples-to-apples basis.

7. Number of offers is limited to 20, but why does PG&E's offer form have 55 lines?

PG&E allows a bidder to use multiple rows if a single offer contains multiple product types. For instance, if a bidder wanted an offer to consist of both Local RA for three distinct local capacity areas (i.e., Type of Product would be B1, B2, and B3), the bidder would display each product type on a separate row (i.e., Offer 1 - part a for Product Type B1, Offer 1 - part b for Product Type B2, and Offer 1 - part c for Product Type B3). The number of offers is still limited to 20.

8. For the qualitative criteria, if one defaults on a DRAM PA in one IOU (i.e. SCE), would the default qualitative criteria apply to the other IOUs (i.e. PGE and SDGE)?

The IOUs do not share confidential information so each IOU will only be able to assess prior experience with counterparties they have interacted with.

9. In the Net Market Value (NMV) calculation, how is the denominator calculated?

The denominator is the sum of the capacity in each month. The numerator is the Net Present Value (NPV) of the benefits minus the costs (costs multiplied by the qualitative criteria score). The NMV is the quotient of the two multiplied by 12 to put the result in a standardized \$/kW-year format.

10. Will the IOUs accept offers until their budgets are filled?

Yes, unless there are clear price outliers.

11. If two different bids that incorporate the same underlying customers have two different NMVs (for example, due to different pricing or differing amounts of flex/system/local), are there any circumstances in which the lower valued bid would be selected? For example, due to some specific, unmet need for flex or local that the lower bid meets whereas the higher ranked bid doesn't?

Generally, no. The proprietary RA values used as inputs for the calculation consider need as well as cost. The quantitative calculation gives the bid ranking that the IOUs use to solely determine the order in which contract offers will be granted. However, the IOUs reserve the right to take bids out of order as described in their RFO protocols. Some of those situations may be where a counterparty rejects their shortlist offer, RDRR bids hitting the cap, bids being rejected as price outliers or for non-competitive behavior, etc.

12. Depending on the outcome of this RFO, will the IOUs also have a follow-on DRAM 2019 RFO?

No, the results of the RFO will be final and there is no anticipated 2019 DRAM RFO at this time. However, a secondary auction may occur if either of the following conditions are met for their company: (1) if three or more Sellers terminate at least one contract prior to the end of the stated contract length if, as a result of Commission or CAISO rule changes, their DR resources would no longer meet Commission or CAISO requirements without penalty; or, (2) if, following Commission or CAISO rule changes that create the same conditions, Sellers terminate contracts representing a minimum of twenty five percent of the August 2018 or 2019 contracted capacity (MW).

13. Is the NPV separate or combined for a two-year bid?

Combined.

14. Do the offer limits include inclusive/exclusive offers?

Yes, each offer, offer variation, mutually exclusive offer, and inclusive offers count towards the maximum total of 20.

15. How much of each IOU's authorized DRAM budget will be allocated to administrative costs, and how much to capacity payments?

Costs will be comparable to DRAM 2017 pilot admin costs, although the IOUs are evaluating additional necessary costs due to updated rules (e.g., enforcement of Prohibited Resources rules).

16. Can the entity awarded a DRAM contract (the Seller) and the entity that delivers the contracted capacity (the DRP) be separate, but affiliated, corporate entities? For example, can "ABC Company, LLC" be the Seller and "ABC Company, Inc." be the DRP, where the former is a wholly-owned subsidiary of the latter?

Yes. The Seller can have affiliated or non-affiliated agents acting on its behalf as the DRP, SC, etc., as long as those agents qualify to perform those roles (e.g. meeting CPUC and/or CAISO rules). The Seller remains fully responsible for performance under the contract.

17. Can the entity awarded a DRAM contract (the Seller) and the entity that delivers the contracted capacity (the DRP) be unaffiliated? For example, can "ABC Company, LLC" be the Seller and "XYZ Company, Inc." be the DRP, where the latter is under contract with the former to deliver its DRAM capacity?

Yes. The Seller can have affiliated on non-affiliated agents acting on its behalf as the DRP, SC, etc., as long as those agents qualify to perform those roles (e.g. meeting CPUC and/or CAISO rules). The Seller remains fully responsible for performance under the contract.

18. Would the IOUs recommend bids for shortlisting out of order so that the residential set-aside of 20% is maintained?

Yes, non-residential bids may need to be rejected if it is necessary to achieve the residential set-aside requirement and there are residential bids available, subject to any applicable exclusions related to price outliers.

- 19. How are MW counted for the residential set-aside? For example, if a 2018 residential bid is entered as 10 MW in July and 1 MW for each month August-December? Are non-residential MWs counted in the same way as residential?**

Only the MW in August 2018 are counted for the residential set aside purposes. Both residential and non-residential are counted the same way.

- 20. On the “benefits” side of the evaluation equation, do you value May-October offer less than a January-December offer?**

See Answer #1 in the “Supply Plan / RA / Local / System / Flex” Section.

II. Purchase Agreement

III. Capacity Demonstration and Must Offer Obligation

- 1. Is demonstrated capacity performed using 5-minute dispatch data?**

The language in the demonstrated capacity form exhibit uses maximum hourly reduction for System and Local RA, and is not tied to the notification time of the dispatch. The Maximum hourly load reduction will be calculated by summing up the 12 5-minute sub-interval times during each hour. If there is no load reduction or dispatch for a given 5-minute interval, that will be treated as 0 load reduction for that 5-minute sub-interval.

- 2. Capacity testing looks to be required every 6 months, for 2 hours or more. Is that correct? Which hours is testing required for?**

Yes, testing is required roughly every six months, if there are no qualifying dispatches. DRAM AL (SCE 3466-E et al) Section 3 provides more information in addition to the contract (SCE AL 3466-E). Testing must be done during the availability assessment hours.

- 3. Must a capacity test be done in August?**

Yes, if there is otherwise no actual dispatch.

IV. Supply Plan / RA / Local / System / Flex

- 1. Can the IOUs provide an illustrative example of weightings between different types of RA and how bid rankings are calculated?**

The IOUs will not disclose what weights are being used as inputs to calculate bid rankings as that is proprietary information. However, there are hypothetical calculation examples on PG&E and SDG&E’s websites for how the bid rankings are calculated. PG&E has posted an evaluation calculation example within their offer form using publicly available data; however, this is not what will be used for evaluating bids. SDG&E has also posted a calculation example on their website using randomly generated numbers. SCE has not posted an example but is using the same methodology as PG&E and SDG&E and directs bidders to look at the examples on the other IOU websites.

- 2. Are weightings different for the various DR products that support flexible, local and system needs?**

Yes. Each IOU has different needs and each territory is different, therefore each has different

weightings. It is generally true in the RA market that local is worth more than system and generally true that Category 1 Flex is the most valuable. The actual weightings used in the evaluation are confidential.

3. The 2018-2019 DRAM allows for offers to be combined into a single contract using the weighted average bid price of all winning bids of the same type and Sub-LAP. Can a respondent set the capacity to 0 if RA rule change? Will the IOU set each bid to 0 or entire contract to 0?

Yes, the capacity for the whole contract that is affected by RA rule changes can be set to zero. If multiple bids are selected from a single respondent in this RFO, they will be aggregated into a single contract by product type. It is important to note that the contract price averaging is limited to offers within a specific RA product type, and that it is the seller's option to reduce contract capacity. For example, if local RA rules change, that wouldn't necessarily affect contracts with system or flex RA products. If the seller is unable to deliver a portion, the weighted average contract price is not recalculated.

4. For PG&E and SCE: Based on Section I.D.g of PG&E's RFO Solicitation Protocol, and the approved MW-weighted contract pricing for the 2018-2019 DRAM, if a bidder has multiple offers selected, would the bidder receive a single purchase agreement that combines all those selected bids under one contract number? If a bidder decides they do not want to accept one of their selected offers, can you confirm that the purchase agreement will be reissued with the recalculated MW-weighted price for all remaining selected offers?

If multiple offers from a bidder are shortlisted, the bidder will be notified in a shortlist notification letter on May 24, and will be asked to sign the shortlist letter indicating the intent to sign contracts on the awarded offers. Bidders are expected to have read and understand the Purchase Agreement and attest to being able to perform all obligations under the Purchase Agreement and Protocols. Any refusal to sign a Purchase Agreement will be evaluated on a case-by-case basis. If a bidder decides at that time that they are unable to accept the shortlisted offers, the bidder will at that time notify the Buyer. Once signed shortlist letters are received, PG&E and SCE will draft contracts with the weighted average contract pricing applied, so there is no need to reissue the purchase agreement. Please see the response for Question 3 in this section for more information about how contracts will be divided when using weighted average contract pricing.

5. We are having trouble mapping our installations with SCE Sub-LAPs. Can you provide a list which includes the ZIP codes for the corresponding Sub-LAP?

SCE does not have a list of ZIP codes that correspond to each Sub-LAP as a single ZIP code may reside in multiple Sub-LAPs. SCE has a tool available at the following website: <http://on.sce.com/mapview>, for mapping of addresses to Sub-LAPs. We recommend that you select all the blocks first to determine the geographic coverage of each Sub-LAP, and then enter a ZIP code or street address to pinpoint the Sub-LAP where that zip code or address resides. This is also helpful in identifying areas that fall outside of SCE territory (e.g., Pasadena Water and Power, LADWP).

Information for mapping all IOUs' Sub-LAPs can be found in question 5 of the file: "2016 Demand Response Auction Mechanism – Q & A" on SCE's DRAM website.

V. PDR/RDRR

1. Are bids in any way scored differently for PDR vs. RDRR?

They are scored quantitatively the same way. Due to the CPUC rules on the reliability cap, RDRR bids above the reliability capacity cap will receive no RA value for SCE and SDG&E's evaluation.

2. If there is not enough room under PG&E's reliability cap to award a 2018-19 DRAM RDRR bid in rank order, will the bid be rejected, or will the bidder be given the opportunity to change the bid to PDR?

PG&E will not change the quantitative scoring or evaluation due to the application of the reliability cap. There will only be an extra step to qualify RDRR bids for the first come, first served treatment. Once the available room under the cap has been exhausted, the remaining RDRR bids (in rank order) will be rejected. A bidder will not be given the opportunity to change its RDRR offer to a PDR offer after the bids are submitted. PG&E suggests that if a bidder can offer both an RDRR product and PDR product using the same customers, then the bidder should offer variations to its bids and designate the offers "exclusive".

3. For SCE: their 2018 offer letter does request that each bid identify resource type (PDR vs RDRR). If there is 0 headroom under the cap for RDRR today, is it safe to assume that, without a change to this headroom number, SCE will be purchasing 0 RDRR resource?

SCE will procure bids based on their NMV ranking. An RDRR bid above the reliability headroom may still be selected, based on its ranking. The headroom will be tracked during the RFO and updated accordingly.

4. For PG&E: What does it mean to "give preference" to customers that are already in an RDRR contract?

Under first come, first serve, if a customer is already within the reliability cap today (Categories 1 and 2 customers), they can keep their place within the reliability cap through the 2018-2019 DRAM, if their offer is shortlisted. For instance, if an offer is shortlisted that is planning to use all existing BIP customers (i.e., an aggregator in BIP is trying to switch to DRAM for 2018-2019), a contract would be awarded, and prioritized above, for example, another offer that is shortlisted, but is planning to use entirely new customers, if the reliability cap has been exhausted.

5. For PG&E: Can only PG&E have Category 1 customers? If not, how should those customers be designated on the offer forms?

DRAM bidders could use Category 1 customers and would provide the same information as is necessary for Category 2 or 4 customers.

6. For PG&E: Does the RDRR preference occur before or after the quantitative evaluation?

It occurs after the quantitative ranking and would only be used to qualify shortlisted RDRR bids to ensure the bid fits within the reliability cap.

7. For PG&E: would you adjust the category 1 volumes if you have customers that move from BIP to DRAM?

Yes, they would be adjusted appropriately and will be tracked throughout the evaluation process.

8. If there's no room under the RDRR cap, how will RDRR bids be treated?

PG&E: It will be rejected.

SCE and SDG&E: If the RDRR cap is met, all additional RDRR bids will have their benefits set to 0 in the quantitative calculation. They will then be considered based on their NMV rank order, and may be given a shortlist offer.

9. If there is no room under RDRR, can an offer be switched from RDRR to PDR?

No; however, respondents can submit offer variations that are mutually exclusive for both an RDRR and PDR designation using the same customers.

VI. CAISO Registrations

VII. Scheduling Coordinator

VIII. Prohibited Resources/Back-Up Generators

1. Per the CPUC: Update on timing prohibited resources issue: the CPUC hopes to mail a draft resolution on DR prohibited resources on March 28 (Tuesday), with a Commission decision scheduled for April 27 (Thursday)

A draft resolution was issued on March 27. The IOUs will try to post relevant regulatory updates on our websites as they become available.

IX. Customer Eligibility

1. Are Net Energy Metering (NEM) customers eligible?

Yes.

2. Does the Optional Binding Mandatory Curtailment (OBMC) program conflict with DRAM?

Yes, customers may not dual participate with DRAM and Optional Binding Mandatory Curtailment (OBMC) program.

3. Can ADR customers on CBP transition to DRAM?

Yes, CBP customers (who have received ADR incentives and are within the first three years of their ADR commitment) may transition to DRAM. CBP and DRAM both qualify for ADR. For example, please see page 4 of this attachment on the 2018-2019 DRAM RFO website for details on participating in DRAM with ADR: https://www.pge.com/pge_global/common/pdfs/save-energy-money/energy-management-programs/demand-response-programs/2018-demand-response/2018-demand-response-auction-mechanism/DRAM-Set-Aside-2017.pdf.

4. The CAISO Business Practice Manual for Metering (Version 15) states that “Meter data intervals in which there is a net export of energy at any underlying PDR or RDRR location must be set to zero”. Does this still apply to the DRAM 2018-19 pilot?

Yes, respondents and their Scheduling Coordinators must follow all CAISO rules.

X. CISR-DRP/Green Button

1. Do the IOUs anticipate that the Click-Through Process will be completed

prior to the 2018 delivery year?

The IOUs filed advice letters on January 3, 2017, describing specific requirements and timelines for the implementation of the Click Through Process. As of yet, the Commission has not issued a final resolution on the advice letter. Only after the resolution is issued, will the IOUs be able to incorporate the ordered requirements and provide updates on the timeline.