

# SCE Central Procurement Entity 2021 Local RA RFO Participants Webinar

Wednesday, June 9, 2021

## [Teams Webinar Link](#)

Please use the Q&A function to submit questions

This Webinar will be recorded and posted on the SCE CPE  
website

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# Agenda

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# Webinar Welcome

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# Introduction

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## Call Procedures

- Please use the Q&A function to submit questions
- There will be time at the end for Q&A. Please submit questions into the chat. These will not be public and SCE will attempt to answer all questions at the end of the presentation.
- After the webinar, a copy of this presentation, an audio recording, and a FAQ will be posted to the SCE CPE website at [www.sce.com/cpe](http://www.sce.com/cpe)

## Participation Procedures

- SCE will use PowerAdvocate® to host the SCE CPE Local RA RFO. All participants must register to participate in the event and all documents for the RFO can be found there. Participants can search for event ID 115166 or use the link below:
  - <https://www.poweradvocate.com/pR.do?okey=115166&pubEvent=true>
  - All offers must be submitted through the PowerAdvocate website
- Questions regarding the SCE CPE Local RA RFO can be directed to [CPE@SCE.com](mailto:CPE@SCE.com)

# Power Advocate – RFO Documents

Setup | Status | **RFX** | Submittals | Commercial | Technical | Pricing | Messaging

**Bid**

Download Selected Files | Add Document(s)

<input type="checkbox"/>	Document Type	Document Description
<input type="checkbox"/>	Commercial and Administrative	2021 SCE CPE Local RA RFO - RFO Instructionsv2
<input type="checkbox"/>	Commercial and Administrative	Ex A - CPE Non-Disclosure Agreement
<input type="checkbox"/>	Commercial and Administrative	Ex B1 - CPE Pro Forma RA Confirmation
<input type="checkbox"/>	Commercial and Administrative	Ex B2 - CPE Pro Forma RA Purchase and Sale Agreement
<input type="checkbox"/>	Commercial and Administrative	Ex B3 - CPE TNPF RA Only Term Sheet
<input type="checkbox"/>	Commercial and Administrative	Ex B4 - CPE Gas-Fired Tolling Term Sheet
<input type="checkbox"/>	Commercial and Administrative	Ex B5 - CPE TNPF Tolling Term Sheet
<input type="checkbox"/>	Commercial and Administrative	Ex B6 - CPE CHP UPF PPA Term Sheet
<input type="checkbox"/>	Commercial and Administrative	Ex B7 - CPE Pro Forma Showing Agreement
<input type="checkbox"/>	Commercial and Administrative	SCE_2021_CPE_LOCAL_RA_RFO-OFFER_WORKBOOK-Combined Heat and Power
<input type="checkbox"/>	Commercial and Administrative	SCE_2021_CPE_LOCAL_RA_RFO-OFFER_WORKBOOK-Energy Storage-IFOM
<input type="checkbox"/>	Commercial and Administrative	SCE_2021_CPE_LOCAL_RA_RFO-OFFER_WORKBOOK-Gas Fired Generation
<input type="checkbox"/>	Commercial and Administrative	SCE_2021_CPE_LOCAL_RA_RFO_OFFER_WORKBOOK-RA

# Background and Purpose of Webinar

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- SCE is issuing its 2021 Local Resource Adequacy Request for Offers (“RFO” or “Solicitation”) as a result of D.20-06-002 and D.20-12-006, where SCE has been ordered to serve as the Central Procurement Entity (“SCE CPE”) for multi-year local RA obligations in SCE’s distribution territory
- With this solicitation, SCE acting as the CPE is required to procure local capacity to meet the 2023 & 2024 multi-year local RA requirement on behalf of all CPUC jurisdictional LSEs (“CPUC LSEs”) within its electric distribution service area
  - In future solicitations, the 3-year forward local RA requirement will apply
- The purpose of this presentation is to provide potential participants of the 2021 SCE CPE Local RA RFO information on the schedule, offer submittal process, products solicited, terms and conditions of participation and provide an opportunity to ask questions of the SCE CPE team
- All procurement conducted by SCE CPE is distinct from procurement conducted by SCE for SCE’s bundled electric service customers

# Document Conflicts

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- To the extent that there are any inconsistencies between the information provided in this presentation and the requirements established in the RFO materials, the RFO materials shall govern
- SCE CPE encourages participants to carefully review the applicable RFO instructions prior to participating in this RFO
- Capitalized terms used but not defined in these slides are defined in the RFO materials

# Independent Evaluator (IE)

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- What's the IE's role?
  - The IE performs an independent review of the offers and provides a detailed review of the utility evaluation and selection process
  - The IE monitors communications between SCE CPE and Offerors and is copied on all correspondence
  - The IE has access to all bid and self shown data
- Sedway Consulting has been retained as the IE for this solicitation:
  - Alan Taylor: [Alan.Taylor@sedwayconsulting.com](mailto:Alan.Taylor@sedwayconsulting.com)
  - **All offers must be sent separately to the IE**

**Offerors must include IE on email correspondence to SCE**



# RFO Submittal Instructions

Requirements of a complete offer (See RFO instructions for more details)

1. A fully completed Offer Workbook
2. A partially executed NDA (unless offeror has an NDA in place with SCE already)
3. A completed pro forma confirmation, agreement or term sheet
4. Up to six offers per resource ID with varying delivery periods and contract options are allowed
5. If offeror is a government entity, an executed Certificate of Authority is required
6. The CalEnviroScreen score of the resource location (if unavailable, the pollution burden of the resource location), the facility age, heat rate (if applicable), start-up time and ramp rate

SCE CPE will only consider offers that have been submitted by the submission deadline and constitute a complete and conforming offer based on the criteria above

**Respondents must submit RFO documents via PowerAdvocate and must separately email a copy of all RFO documents to the IE ([Alan.Taylor@sedwayconsulting.com](mailto:Alan.Taylor@sedwayconsulting.com)). Please do not copy SCE CPE on the email submittal package to the IE as this must be a separate email communication. SCE will extract all offers directly from Power Advocate. Offers from SCE's offer development team must be submitted to the CAM PRG as outlined in D.20-06-002.**

# Solicitation Schedule

TIMELINE	EVENT
May 27, 2021	RFO Launch
June 9, 2021	RFO Bidders Conference
June 23, 2021, at 12 pm PPT	<b>SCE Offer Development Team Submission Deadline</b> Including compensated / non-compensated Self-Shown resources and compensated offered resources
June 28, 2021, at 12 pm PPT	<b>All Other Respondent's Offer Submission Deadline</b> Including compensated / non-compensated Self-Shown resources and compensated offered resources
June 28, 2021 thru Mid-August 2021	<b>Selection Notification Period</b>
No Later than September 16, 2021	<b>Execution Deadline</b>

# Background

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# Overview of CPUC D.20-06-002 and D.20-12-006

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## D.20-06-002 (“CPE Decision”)

- On June 17, 2020, the CPUC issued the CPE Decision, identifying Southern California Edison Company (SCE) as the central procurement entity in its electric distribution service area
- Beginning in 2021, SCE as the CPE (“SCE CPE”), is required to procure local capacity to meet the 3-year forward multi-year local RA requirement on behalf of all CPUC jurisdictional LSEs within its electric distribution service area
- SCE CPE can meet its local RA requirements by (a) procuring local RA capacity through an all-source competitive solicitation process and (b) having local RA capacity committed (“Self-Shown”) to SCE CPE by load serving entities (“LSEs”)

## D.20-12-006 (“LCR RCM Decision”)

- Certain preferred, energy storage or hybrid resources that are self-shown to the SCE CPE are eligible for compensation up to a pre-determined local RA premium

# SCE CPE Local RA RFO Goal

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- SCE CPE seeks to procure local RA in the Los Angeles Basin (“LAB”) and Big Creek-Ventura (“BCV”) local areas for delivery periods starting January 1, 2023 to December 31, 2026, with a focus on meeting the RA compliance obligations in 2023 and 2024
- SCE CPE will consider offers of Local RA from the following eligible resources:
  - Existing local LAB or BCV resources without a contract which can meet the RFO requirements;
  - New local LAB or BCV resources that can be brought online to meet the RFO requirements; or
  - Load-Serving Entities (“LSEs”) or third-parties with existing local LAB or BCV RA contracts
- Final SCE CPE local RA target will be provided by CPUC in June 2021

# Resource Categories

## Self-Shown Resources

- LSEs with existing contracts or owned resources located in LAB and BCV can commit (“Self-Show”) the local RA of those resources to SCE CPE
- LSEs who Self-Show can retain those resources to meet their system and flexible RA obligations
- Self-Shown commitments will reduce the total amount of local RA that SCE CPE will need to procure

## Procured Resources

- All market participants can participate in SCE CPE’s all-source competitive solicitation process by bidding their resources
- SCE CPE can use local RA from procured resources to meet its local RA procurement obligation

# Solicitation Process

Process	Resource Category	Participant Type
Non-Compensated Self-Shown Commitment Process	<b>Non-Compensated Self-Shown resources</b>	LSEs
Competitive Offer Process	<b>Compensated Self-Shown resources</b> <ul style="list-style-type: none"> <li>LSEs may include back up offer to Self-Show for no compensation</li> </ul>	LSEs
	<b>Compensated Offered resources</b> <ul style="list-style-type: none"> <li>LSEs may include back up offer to Self-Show for no compensation</li> </ul>	All market participants

# Products

Non-Compensated Products	Description
Self-Show Local RA Resource	LSEs Self-Show local RA Capacity to the CPE for no compensation
Compensated Products	Description
Local RA Capacity (“RA-Only”)	Local RA Capacity with all RA attributes (local, system, and if applicable, flex) from generators with an NQC
Tolling Products with Local RA Capacity	<p>Tolling agreement with generation which will include all attributes from the resource. SCE CPE will consider only the following resource types for tolling products:</p> <ul style="list-style-type: none"> <li>• Gas Fired Generation (GFG)</li> <li>• In Front of the Meter Energy Storage (IFOM ES)</li> <li>• Combined Heat and Power (CHP)</li> </ul>
Self-Show Local RA Resource	LSEs Self-Show local RA Capacity to the CPE from certain preferred, energy storage, and hybrid resources for a premium



# Local RA Capacity

**Table 4.1: Local RA Capacity (Jan 2023 – Dec 2026)**

<b>Product</b>	<b>Local RA Capacity</b> (including any system and flex RA)
Delivery Point	LAB or BCV
Flexible Attribute	With or Without
Eligible Resources	All existing resources with an NQC or new resources with an estimated NQC
Minimum Volume	1 MW
Delivery Period	Monthly (min 1 month, max 48 months)
Earliest Start Date	January 1, 2023 but no later than December 1, 2024
Latest End Date	December 31, 2026
Offer Limitation	Offers that include 2025 and/or 2026 delivery must include delivery for part or all of 2023 or 2024. The monthly maximum capacity (MW) offered in 2025 or 2026 cannot exceed the monthly maximum capacity (MW) offered in 2023 and/or 2024

# RA-Only Offer Limitation – Example

Offer Limitation	Offers that include 2025 and/or 2026 delivery must include delivery for part or all of 2023 or 2024. The monthly maximum capacity (MW) offered in 2025 or 2026 cannot exceed the monthly maximum capacity (MW) offered in 2023 and/or 2024
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Example 1

Conforming				
	2023	2024	2025	2026
January	50	50	50	50
February	50	50	50	50
March	50	50	50	50
April	50	50	50	50
May	50	50	50	50
June	50	50	50	50
July	50	50	50	50
August	50	50	50	50
September	50	50	50	50
October	50	50	50	50
November	50	50	50	50
December	50	50	50	50

Example 2

Non-Conforming				
	2023	2024	2025	2026
January	100	100	100	100
February	100	100	100	100
March	100	100	100	100
April	100	100	100	100
May	100	100	100	100
June	50	100	100	100
July	50	100	100	100
August	50	100	100	100
September	50	100	100	100
October	50	100	100	100
November	50	100	100	100
December	50	100	100	100

Example 3

Non-Conforming				
	2023	2024	2025	2026
January	100	100	100	100
February	100	100	100	100
March	100	100	100	100
April	100	100	100	100
May	100	100	100	100
June	100	100	100	100
July	100	100	100	100
August	100	100	100	100
September	100	100	100	100
October	100	100	100	100
November	100	100	100	100
December	100	100	100	100

# Gas Fired Generation (GFG)

**Table 4.2: GFG Tolling Agreement (Jan 2023 – Dec 2026)**

<b>Product(s)</b>	<b>Dispatchable GFG Toll</b> Dispatchable capacity, energy, ancillary services, and RA Capacity
Delivery Point	LAB or BCV
Minimum Volume	5 MW
Eligible Sources	All existing GFG resources with an NQC
Delivery Period*	Minimum 12 months delivery, max 48 months
Earliest Start Date	January 1, 2023 but no later than January 1, 2024
Latest End Date	December 31, 2026
Offer Limitation	Offers that include 2025 and/or 2026 delivery must include delivery for part or all of 2023 or all of 2024. The monthly maximum capacity (MW) offered in 2025 or 2026 cannot exceed the monthly maximum capacity (MW) offered in 2023 and/or 2024
Agreement(s)	CPE Gas-Fired Tolling Term Sheet as a working template (Exhibit B4)
<b>Toll Offer Parameters</b>	
Offer Workbook Requirement	Respondents must complete both the RA Offer Workbook and Tolling Offer Workbook

\* Delivery Period must be 12-consecutive months

# In Front of the Meter Energy Storage (IFOM ES)

**Table 4.3: IFOM ES Dispatchable Toll (Jan 2023 – Dec 2026)**

<b>Product(s)</b>	<b>IFOM ES Dispatchable Toll</b>
	Dispatchable capacity, energy, ancillary services, and RA Capacity attributes
Delivery Point	LAB or BCV
Minimum Volume	5 MW
Eligible Sources	All existing IFOM ES resources with an NQC or new resources with an estimated NQC
Delivery Period*	Minimum 12 months delivery, max 48 months
Earliest Start Date	January 1, 2023 but no later than January 1, 2024
Latest End Date	December 31, 2026
Offer Limitation	Offers that include 2025 and/or 2026 delivery must include delivery for part or all of 2023 or all of 2024. The monthly maximum capacity (MW) offered in 2025 or 2026 cannot exceed the monthly maximum capacity (MW) offered in 2023 and/or 2024.
Agreement(s)	CPE TNPF Tolling Term Sheet as a working template (Exhibit B5)
<b>Toll Offer Parameters</b>	
Offer Workbook Requirement	Respondents must complete both the RA Offer Workbook and Tolling Offer Workbook

\* *Delivery Period must be 12-consecutive months*

# Combined Heat and Power (CHP)

**Table 4.4: CHP UPF Dispatchable Toll PPA (Jan 2023 - Dec 2026)**

<b>Product(s)</b>	<b>CHP UPF Dispatchable Toll</b>
	Dispatchable capacity, energy, ancillary services, and RA Capacity
Delivery Point	LAB or BCV
Minimum Volume	5 MW
Eligible Sources	All existing CHP UPF with a NQC
Delivery Period*	Minimum 12 months delivery, max 48 months
Earliest Start Date	January 1, 2023 but no later than January 1, 2024
Latest End Date	December 31, 2026
Offer Limitation	Offers that include 2025 and/or 2026 delivery must include delivery for part or all of 2023 or all of 2024. The monthly maximum capacity (MW) offered in 2025 or 2026 cannot exceed the monthly maximum capacity (MW) offered in 2023 and/or 2024
Agreement(s)	CPE CHP UPF PPA Term Sheet as a working template (Exhibit B6)
<b>CHP Offer Parameters</b>	
Offer Workbook Requirement	Respondents must complete both the RA Offer Workbook and Tolling Offer Workbook
Capacity Pricing & Other Applicable Items	See Applicable Offer Workbook

\* Delivery Period must be 12-consecutive months

# Tolling Offer Limitation - Example

## Offer Limitation

Offers that include 2025 and/or 2026 delivery must include delivery for part or all of 2023 or all of 2024. The monthly maximum capacity (MW) offered in 2025 or 2026 cannot exceed the monthly maximum capacity (MW) offered in 2023 and/or 2024

Example 1

Conforming				
	2023	2024	2025	2026
January		50	50	50
February		50	50	50
March		50	50	50
April		50	50	50
May		50	50	50
June		50	50	50
July		50	50	50
August		50	50	50
September		50	50	50
October		50	50	50
November		50	50	50
December		50	50	50

Example 2

Non-Conforming				
	2023	2024	2025	2026
January			50	50
February			50	50
March			50	50
April			50	50
May			50	50
June		50	50	50
July		50	50	50
August		50	50	50
September		50	50	50
October		50	50	50
November		50	50	50
December		50	50	50

Example 3

Non-Conforming				
	2023	2024	2025	2026
January			100	100
February			100	100
March			100	100
April			100	100
May			100	100
June			100	100
July			100	100
August			100	100
September			100	100
October			100	100
November			100	100
December			100	100

# Self-Shown Local RA Resource – No Compensation

*Table 4.5: Self-Shown Local RA Resource for no compensation (Jan 2023–Dec 2026)*

<b>Product</b>	<b>Self-Shown Local RA Resource</b>
Delivery Point	LAB or BCV
Eligible Resources	Local RA resource with an existing contract with an LSE
Minimum Volume	1 MW
Delivery Period	Monthly (min 1 month, max 48 months)
Earliest Start Date	January 1, 2023
Latest End Date	December 31, 2026
Pricing	No compensation
Agreement Type	CPE Pro Forma Showing Agreement (Exhibit 7)

- LSEs will retain resources to meet their system and flexible RA obligations
- Self-Shown resources will reduce the total procurement cost/need that SCE CPE incurs/procures on behalf of all LSEs
- LSEs are responsible for submitting the Multi Year-Ahead, Year-Ahead and Month-Ahead compliance filings for any Self-Shown resources

# Self-Shown Local RA Resource – Local Capacity Requirement Reduction Compensation Mechanism (LCR RCM)

*Table 4.6: Self-Shown Local RA Resource via LCR RCM (Jan 2023 – Dec 2026)*

<b>Product</b>	<b>Self-Shown Local RA Resource via LCR RCM</b>
Delivery Point	LAB or BCV
Eligible Resources	A new preferred resource or energy storage resource with a contract executed with the LSE on or after June 17, 2020; also includes: <ul style="list-style-type: none"> <li>• hybrid resources (new hybrid resource or only the new added energy storage co-located to existing preferred resource) and</li> <li>• utility-owned generation (approved by CPUC via Advice Letter on or after June 17, 2020)</li> </ul>
Minimum Volume	1 MW
Delivery Period	Monthly (min 1 month, max 48 months)
Earliest Start Date	January 1, 2023
Latest End Date	December 31, 2026
Pricing	Fixed Price (\$/kW-month) up to the LCR RCM cap as determined by the CPUC
Agreement Type	CPE Pro Forma Showing Agreement (Exhibit 7)

  

<b>Local Area</b>	<b>LCR RCM Cap</b>
LAB	\$0.03 / kW-month
BCV	\$0.00 / kW-month



# Self-Shown Local RA Resource – LCR RCM (cont'd)

- Pursuant to Ordering Paragraph 5 of D.20-12-006 , any new preferred resource or energy storage resource with an original contract executed on or after June 17, 2020, shall be eligible for the LCR RCM:
  - Resources include: (1) preferred resource, (2) energy storage resource, (3) hybrid resource or only the new energy storage co-located to an existing preferred resource, and (4) for utility-owned generation (UOG) any resource approved by CPUC via Advice Letter on or after 6/17/2020
- LSE bid price should not exceed the pre-determined local price
  - If LSE submits an offer utilizing the LCR RCM, then they cannot submit an offer to the CPE for bundled RA compensation, but can submit a self-show back-up offer for no compensation

Local Area	Capacity (MW-month)	% of Total Capacity	Weighted Average Price (kW-month)	Local Premium
Bay Area	50,304	24.2%	\$6.28	\$0.00
Big Creek-Ventura	41,551	20.0%	\$6.20	\$0.00
Fresno	9,231	4.4%	\$6.41	\$0.00
Humboldt	296	0.1%	\$8.23	\$1.78
Kern	2,220	1.1%	\$8.01	\$1.56
LA Basin	41,511	20.0%	\$6.48	\$0.03
NCNB	3,514	1.7%	\$6.82	\$0.37
Sierra	2,916	1.4%	\$8.20	\$1.75
Stockton	1,162	0.6%	\$6.57	\$0.12
System	55,020	26.5%	\$6.45	-

# Other Offer Considerations & Limitations

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- Respondents are allowed to submit Offers for more than one product and up to six Offers for the same resource ID
- For RA-Only and Tolling Products, any Offer that includes 2025 and 2026 delivery must also be accompanied by a separate Offer for the compliance period of 2023 and 2024 only
- Offers that include 2025 and/or 2026 delivery must include delivery for part or all of 2023 or all of 2024. The monthly maximum capacity (MW) offered in 2025 or 2026 cannot exceed the monthly maximum capacity (MW) offered in 2023 and/or 2024
- Mutually inclusive Offers across generating units but within the same product category are allowed. If making a mutually inclusive Offer across generating units, Respondent must also submit discrete Offers for those generating units. SCE CPE will have the option to either select the mutually inclusive Offer or the discrete Offers separately
- No contracts awarded in this solicitation shall be greater than 48-months in duration
- Respondents are required to include in their bids, the following attributes for each resource: the CalEnvironScreen score of the resource location (if unavailable, the pollution burden of the resource location), the facility age, heat rate (if applicable), start-up time and ramp rate. This information is required in the RA Offer Workbook. CalEnvironScreen 3.0 can be found here:
  - <https://oehha.ca.gov/calenviroscreen/report/calenviroscreen-30>

# Agreement Types

RFO Instructions Section	Exhibit	Contract Form	Applicable Product Type
4.1	B1	CPE Pro Forma RA Confirmation	<ul style="list-style-type: none"> <li>SCE CPE purchases Local RA Capacity and shall be a unit specific, capacity-only product and does not include energy or ancillary services associated with the unit</li> <li>Respondents submitting Offers to sell RA Capacity to SCE CPE must either own or have a contractual right to the qualifying and deliverable RA Capacity for the delivery period specified in the applicable agreement.</li> </ul>
	B2	CPE Pro Forma RA Purchase and Sale Agreement	<ul style="list-style-type: none"> <li>Same as above, however, this agreement is for Respondents who, prior to the launch of the RFO, do not have an executed EEI Agreement with SCE, Offers for SCE CPE to purchase RA Capacity from existing generation shall be transacted through the terms described in the RA Capacity Purchase and Sale Agreement.</li> </ul>
	B3	CPE TNPf RA Only Term Sheet	<ul style="list-style-type: none"> <li>For Respondents submitting Offers for new-build generation where SCE only receives the RA. Term &amp; Conditions related to the TNPf RA Only agreement are similar to those used in SCE's recent System Reliability RFOs.</li> </ul>
4.2	B4	CPE Gas-Fired Tolling Term Sheet	<ul style="list-style-type: none"> <li>For Respondents wishing to submit offers for GFG tolling resources, this term sheet shall be used as a starting point to engage in discussions.</li> </ul>
	B5	CPE TNPf Tolling Term Sheet	<ul style="list-style-type: none"> <li>For Respondents wishing to submit offers for IFOM ES technology type. Term &amp; Conditions related to the TNPf agreement are similar to those used in SCE's recent System Reliability RFOs.</li> </ul>
	B6	CPE CHP UPF PPA Term Sheet	<ul style="list-style-type: none"> <li>For Respondents wishing to submit offers for dispatchable CHP UPF resources. For this technology type, if awarded, SCE envisions using this CHP UPF PPA Term Sheet as a starting point along with the CPE Pro Forma RA Confirmation.</li> </ul>
4.3	B7	CPE Pro Forma Showing Agreement	<ul style="list-style-type: none"> <li>For Respondents wishing to submit Self-Show for No-Compensation and Self-Show for Compensation offers.</li> </ul>

# Credit Requirements

RFO Instructions Section	Exhibit	Contract Form	Summary of Credit and Collateral Requirements
4.1	B1	CPE Pro Forma RA Confirmation	<p>RA-Only Product (CPE as Buyer Only)</p> <p>Same requirements as SCE's RA e-Solicitation Q1-2021</p> <p>SCE does not post collateral</p> <p>Transactions executed through EEI Agreements</p> <p>Collateral requirements determined per standard enabling agreements</p> <p>Independent Amount: 20% of the total remaining nominal payments (non-IG CPs)</p>
	B2	CPE Pro Forma RA Purchase and Sale Agreement	<p>Same basic requirements as CPE Pro Forma RA Confirmation except counterparty collateral thresholds and parent guarantees not allowed</p>
	B3	CPE Technology Neutral Pro Forma ("TNPF") RA Only Term Sheet	<p>Development Security of \$65/kW and Performance Assurance of \$25/kW for contract terms of up to 4 years. Other credit and collateral requirements will be consistent with requirements of recent SCE solicitations for IFOM projects</p>
4.2	B4	CPE Gas-Fired Tolling Term Sheet	<p>Development Security of \$65/kW and Performance Assurance of \$25/kW for contract terms of up to 4 years. Other credit and collateral requirements will be consistent with requirements of recent SCE solicitations for IFOM projects.</p>
	B5	CPE TNPF Tolling Term Sheet	<p>Development Security of \$65/kW and Performance Assurance of \$25/kW for contract terms of up to 4 years. Other credit and collateral requirements will be consistent with requirements of recent SCE solicitations for IFOM projects.</p>
	B6	CPE CHP UPF PPA Term Sheet	<p>Credit and collateral requirements will be consistent with requirements of the CHP Settlement and of recent SCE solicitations for CHP projects.</p>
4.3	B7	CPE Pro Forma Showing Agreement	Not Applicable

# Valuation & Selection Process

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# Valuation – Introduction

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SCE incorporates “Least-Cost, Best-Fit” principles by accounting for quantifiable attributes explicitly in the valuation process (“Least-Cost”) while qualitative attributes are accounted for implicitly in the selection process (“Best-Fit”)

**Least-Cost:** SCE will estimate Net Present Value (NPV) of each offer by calculating discounted value of contract benefits and costs over the delivery period. SCE will employ an NPV metric to rank-order offers

**Best-Fit:** The selection process considers rank-ordered offers along with qualitative considerations for the given local RA requirements

# Quantitative Valuation Components - Benefits

- Methodology
  - SCE will develop price forecasts (P) for various market attributes like capacity, energy, compliance and will calculate the forecasted quantity (Q) of the respective attribute provided by an offer over the contract delivery period. Then, the benefits stream will be estimated by  $P \times Q$
  - Below are the main valuation components that may be included quantitative assessment, other components may be assessed depending on each offer's unique attributes

Component	Definition	P	Q
<b>Resource Adequacy Value</b>	Value of the RA capacity attribute that can be counted towards SCE's RA compliance requirement	<u>RA Price Forecast</u> Based on SCE's assessment of RA market prices from: <ul style="list-style-type: none"> <li>• Recent RA transaction data</li> <li>• Net cost of new entry</li> <li>• Other publicly available data</li> </ul>	SCE considers its net short RA position while determining RA quantity to ascribe to the offers  Storage (Standalone and Co-located) – CPUC's decision on RA eligibility requirements for Storage and co-located/hybrid resources CHP – Per counting rules of CHP GFG - Capacity Offered
<b>Energy Value</b>	Market value of delivered energy or energy savings	<u>Energy Price Forecast</u> Based on forward market traded prices from broker quotes in the short run blended with fundamental prices from dispatch model in the long run	For non-dispatchable resources: generation delivery or savings profile provided by offeror  For dispatchable resources: SCE uses its dispatch models to determine the most economic dispatch of the resource given the market conditions and resource's operating characteristics and constraints
<b>AS/RT Value</b>	Market value of Ancillary Services (AS) capacity and Real Time energy delivery	<u>AS/RT price forecast</u> Based on statistical regression model and fundamental model.  Includes reg-up, reg-down, spin, non-spin, real-time energy prices.	For eligible dispatchable resources, based on offer's AS capacity and SCE's dispatch model that performs co-optimization of energy and AS.

# Quantitative Valuation Components - Costs

Component	Definition	Methodology
<b>Contract Payments</b>	Includes capacity payments, energy payments	Estimated from contract capacity rate and capacity, and/or energy rate and projected generation delivery
<b>T&amp;D Upgrade Cost</b>	Transmission & Distribution network upgrade costs that are reimbursed by SCE, or any Transmission Provider under the jurisdiction of the CAISO	SCE uses Offeror's supplied aggregate network upgrade cost, and annualizes them by using SCE's discount rate and taxes over the expected life of the asset
<b>Debt Equivalence Cost</b>	It is the term used by credit rating agencies to describe the fixed financial obligation resulting from long-term purchased power contracts	CPUC has adopted a 20% Risk Factor in the calculation of debt equivalence costs
<b>GHG Cost</b>	For any offer passing through all or some of the GHG compliance cost, SCE will assess a GHG cost to the offer based on SCE's forecast of GHG prices and the offer's forecasted amount of GHG emissions	The GHG planning price adopted in the IRP proceeding shall guide SCE CPE's development of a GHG adder that will be used to assess the GHG cost of an Offer



# Qualitative Valuation Components

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Qualitative Components may include but are not limited to (note: **bold items** are required from bidders):

- Preferred resources & Energy Storage (to be prioritized over fossil generation)
- Portfolio fit of energy, capacity, & term
- Dispatchability & Curtailability
- Future needs in local and sub-local areas
- Local effectiveness factors
- Resource costs
- Operational characteristics of the resources: **Heat Rate, Start-Up Time, Ramp Rate**
- Location of a project, including in a Disadvantaged Community
- Costs of potential alternatives
- GHG Cost
- Energy-use limitations
- **Cal Enviroscreen Score** or Pollution Burden of Resource Location
- **Facility Age**
- Permitting and interconnection
- Project commercial viability
- Pre/development milestones
- Other debt equivalence impacts

# Iterative Selection Process

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In accordance with D.20-12-006, SCE will have an iterative least-cost-best-fit selection process. This process will accommodate Self-Show back-up Offers.

**Step 1.** SCE CPE evaluates all Offers regardless of whether any Offers has a Self-Show back-up Offer. SCE CPE will select an initial portfolio to satisfy the local RA needs based on the least-cost-best-fit selection methodology.

**Step 2.** SCE CPE determines if any Offers not selected have a Self-Show back-up Offer. SCE CPE will select the previously non-selected Self-Shown Offers to reduce SCE CPE's net procurement target. SCE CPE will then perform another least-cost-best-fit selection to meet the updated requirement which may unselect Offers from the initial portfolio.

**Step 3.** SCE CPE will review the newly unselected Offers from **Step 2** to determine if they include Self-Show back-up Offers. If the newly unselected Offers include Self-Show back-up Offers, SCE CPE will then begin **Step 2** again. **Step 2** and **Step 3** will repeat until there are no longer any Self-Show back-up Offers within the unselected Offer set, or if the procurement target is satisfied through Self-Show offers for no compensation.

# OFFER WORKBOOKS – LIVE WALKTHROUGH

Energy for What's Ahead<sup>SM</sup>



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# INTERMISSION

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# Q&A

SCE Appreciates Your Participation In Today's  
Bidder's Conference