BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

UM 1934

In the Matter of PORTLAND GENERAL ELECTRIC, 2018 Request for Proposals for Renewable Resources.	COMMENTS OF RENEWABLE NORTHWEST

I. Introduction

Renewable Northwest thanks the Oregon Public Utility Commission ("Commission") for this opportunity to comment on the final draft 2018 Request for Proposals (the "2018 RFP") that Portland General Electric Company ("PGE" or "the Company") filed with the Commission on March 9, 2018. As discussed in these comments, Renewable Northwest supports PGE's decision to pursue renewable energy as a lowest cost, lowest risk path to meeting energy and capacity needs, as identified by its 2016 Integrated Resource Plan ("IRP").

We are a non-profit advocacy organization that works to facilitate the expansion of responsibly developed renewable resources in the Northwest. Our membership includes renewable energy developers and manufacturers, as well as consumer advocates, environmental groups, academic institutions, and other industry advisers. The common goal of Renewable Northwest's members is to promote the development of a cost-effective, reliable, and clean energy system for the betterment of the Northwest economy and environment.

Our efforts to promote a cost-effective and clean energy system include ensuring that resource procurement processes instill market confidence and provide for robust competition that produces the lowest cost, lowest risk results for customers. Consequently, these comments highlight obstacles to competition in the draft 2018 RFP and suggest solutions intended to lead to a competitive solicitation that benefits PGE and customers alike.

Section II focuses on transmission and deliverability requirements in the draft 2018 RFP that, in the context of well-known transmission constraints, would limit competition. Section III focuses on PGE's control of transmission rights into its service territory and the likely negative effect on competition. Section IV highlights issues with PGE's scheduling requirements for off-system resources. Section V highlights the unreasonableness of deducting points for projects subject to a

Remedial Action Scheme obligation. Section VI focuses on the draft RFP's exclusion of projects under/subject to PURPA negotiations with PGE. Section VII requests greater clarity on the site data requirement for solar resources. Section VIII highlights fairness concerns with PGE's proposed compensation/penalty scheme for power purchase agreements. Section IX criticizes the unreasonably restrictive nature of the draft 2018 RFP's requirement for demonstration of pre-commercial operation date performance assurances. Finally, Section X recommends that PGE adopt a more flexible approach to its interconnection requirements to account for delays caused by the transmission provider.

II. PGE's Draft 2018 RFP Transmission and Deliverability Requirements Are Unreasonably Restrictive and Would Significantly Limit Competition.

Given the current congestion on the transmission system of the Bonneville Power Administration ("BPA"), Renewable Northwest is concerned that the transmission and deliverability provisions in the draft 2018 RFP would unfairly limit competition in this solicitation and, as a result, limit the ability of PGE to procure the least-cost, least-risk resource.[1] Concerning provisions include PGE's refusal to entertain third-party bids that contemplate use of PGE's transmission rights as well as PGE's requirement that bidders must have completed a Record of Decision with BPA for a transmission upgrade as a condition to even participate in the 2018 RFP. Without a more flexible and fair approach to transmission access, the 2018 RFP would have very limited competition from outside of PGE's own Balancing Authority Area ("BAA") and would likely not result in the procurement of least-cost, least-risk resources. Potential solutions include:

1) making PGE's transmission rights available to all bidders; or
2) allowing for initial delivery using conditional firm transmission service.

A. <u>The Transmission and Deliverability Requirements in the Draft 2018 RFP Would Unreasonably Limit Resources Outside of PGE's BAA From Bidding.</u>

Few new resources outside of PGE's territory could meet the draft 2018 RFP transmission and deliverability requirements due to well-known transmission-system constraints. Today, the BPA transmission system experiences physical congestion during the peak summer hours over the South of Allston ("SOA") Flowgate that is located north of Portland and north of PGE's service

[1] Oregon law directs the Commission to work toward achieving "the least-cost, least-risk acquisition of resources."

territory.[2] Consequently, BPA is not currently selling long-term firm transmission service across the SOA Flowgate.[3]

Most resources seeking new long-term firm transmission into the Portland area will require capacity over the SOA Flowgate and would not be able to procure it in time to meet the draft 2018 RFP timeline. The SOA Flowgate constraint applies to resources over a wide geographic area, including resources from the north and the east of PGE's service territory; even resources from the southeast and south will likely have a need for SOA capacity. While we understand that BPA is committed to alleviating the real-time SOA congestion, BPA does not currently have a firm timeline for providing additional long-term firm service over that path. Given this likely temporary but current and well-known transmission constraint, PGE's draft 2018 transmission and deliverability requirements would severely limit the pool of potential bidders into this RFP.

Without long-term firm transmission service available over the SOA Flowgate for the foreseeable future, bids entering PGE through BPA's system would have difficulty participating in the 2018 RFP. PGE has at least two options to increase the competitiveness of this procurement process:

1) PGE could allow bidders to rely on a mixture of conditional firm, short-term firm, and non-firm transmission over the SOA Flowgate until upgrades and/or operational tools allow BPA to convert that transmission mix to long-term firm.
2) Until that additional long-term firm capacity is available over SOA, PGE could use its existing BPA transmission rights as a "portfolio," delivering its existing resources and market purchases, plus new resources from this RFP, as necessary to meet PGE's peak load and regulatory requirements.

As discussed below in Section II.B., neither of these two options would be available under the transmission and deliverability requirements in the draft 2018 RFP. We encourage the Commission to direct PGE to allow for these or other solutions in its 2018 RFP to ensure that the pool of potential bids is not unreasonably restricted and that resources outside of PGE's BAA can bid into this solicitation.

[2] *See*, *e.g.*, BPA South of Allston (SOA) Non-Wires Pilot: 2017 Implementation, at 1 (Nov. 6, 2017), *available at* https://www.bpa.gov/transmission/CustomerInvolvement/Non-Wire-SOA/Documents/bpa-soa-non-wires-pilot-implementation-overview.pdf.
[3] *See* Technical Conference: Interim Response for Service over the South of Allston Path (2018), *available at* https://www.bpa.gov/transmission/CustomerInvolvement/TSRStudyExpansionProcess/Documents/022218-SOA-Technical-Conference.pdf

B. PGE's Draft 2018 RFP Includes Unworkable Transmission Requirements.

Renewable Northwest commends PGE for expressing an openness to working with bidders that need additional time and flexibility to manage the well known transmission issues on BPA's system that we describe above.[4] However, PGE's expressions of openness contrast with several sections in the draft 2018 RFP that appear to explicitly require bidders to secure transmission rights that currently do not exist or that cannot be built or committed to in time for the 2018 RFP without placing unreasonable risks on potential bidders.

B.1. Requested Power Products—Delivery Point and Transmission.

Section 4.3 "Delivery Point and Transmission" is an example of an expression of openness that contrasts with an unworkable requirement. In that section, PGE states that bidders outside of PGE's BAA must submit a "reasonable and achievable plan to obtain annual long-term firm transmission from the resource to [PGE]."[5] However, Section 4.3 goes on to require the bidder, "at minimum, to have completed phase four (Record of Decision issued) of the [Transmission Service Request ("TSR")] Study and Expansion Process (TSEP) and require near-term viable upgrades to receive long-term firm service."[6]

The requirement to have completed a Record of Decision with BPA for a transmission upgrade as a condition to even participate in PGE's 2018 RFP is unworkable. First, the next TSEP Record of Decision is not anticipated until well after the close of the 2018 RFP.[7] Second, reaching this phase of the TSEP process would require a bidder to commit to binding transmission service and upfront construction cost-sharing agreements. Expecting bidders to take on this risk before knowing the results of the 2018 RFP would be unreasonable.

B.2. Bid Pre-Qualifications—General—Transmission.

Section 6.1.6 "Transmission" represents a similar example of apparent openness to working with bidders that contrasts with language that would have the effect of limiting competition in the 2018 RFP. In that section, PGE repeats the more general "reasonable, achievable plan for acquiring long-term firm transmission" statement without any minimum TSEP requirements.[8] However, Section 6.1.6 also explicitly states that "PGE will not entertain Bids that propose assignment of PGE's transmission rights to deliver to an acceptable delivery point."[9] As

[4] UM 1934, PGE 2018 RFP Renewable Resources Final Draft at 19 (Mar. 9, 2018).
[5] UM 1934, PGE 2018 RFP Renewable Resources Final Draft at 14 (Mar. 9, 2018).
[6] *Id.*
[7] BPA, 2016 TSR Study & Expansion Process Update (Feb. 22, 2018), *available at* https://www.bpa.gov/transmission/CustomerInvolvement/TSRStudyExpansionProcess/Documents/022218-2016-TSEP.pdf.
[8] UM 1934, PGE 2018 RFP Renewable Resources Final Draft at 19 (Mar. 9, 2018).
[9] *Id.*

described in Section III of these comments, while Renewable Northwest understands that this is a chicken and egg situation, PGE's refusal to entertain bids that propose assignment of its transmission rights would especially restrict competition in this solicitation due to existing transmission constraints to PGE's BAA.

B.3. Criteria Used for Scoring Qualified Bids—Adjustments to Prices Submitted by Bidders.

In Section 8.5, "Adjustments to Prices Submitted by Bidders," PGE also suggests a more flexible view of the transmission requirements: "Applicable transmission service costs will be applied in order to capture the incremental cost of delivering energy to PGE. . . . [including] wheeling, losses, and required ancillary services."[10] However, PGE adds that "for Bids where the Bidder has secured and is paying for point-to-point transmission services . . . no other transmission costs for those point-to-point services will be applied."[11] This section suggests the transmission requirements in Section 4.3 are optional and that PGE will add the transmission costs to those Bids that do not have firm point-to-point transmission. It would benefit both PGE and bidders to clarify the specific transmission requirements.

B.4 Allowing for conditional firm transmission for one year does not address our concerns with the transmission and deliverability requirements in the 2018 draft RFP.

At its pre-issuance workshop, PGE responded to an inquiry on the use of conditional firm transmission by indicating that under Section 4.3 and Appendix H of the draft 2018 RFP "bidders may propose to deliver using conditional firm bridge service. However, the bid must demonstrate an achievable plan to obtain or convert the conditional firm bridge service to long-term firm transmission no later than one year after COD of the facility."[12] While we appreciate PGE's attempt to include some flexibility through that language, allowing for conditional firm bridge service for one year after COD does not address the concerns with PGE's transmission and deliverability requirements that we outlined in this section. One year is not a reasonable or sufficient period for bidders to convert the conditional firm bridge service to long-term firm transmission given the transmission constraint we outlined above. The time frame for that conversion is not in the bidder's control but depends on BPA timelines.

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[10] *Id. at 27.*
[11] *Id. at 27.*
[12] PGE's 2018 Renewable RFP - Pre-issuance Workshop (Mar. 2, 2018), *available at* https://www.portlandgeneralrfp2018.com/wp-content/uploads/2018/03/2018-RFP-Pre-Issuance-Workshops-Q-and-A-Final.pdf (Question 8).

C. Adopting a More Flexible Approach to Transmission and Deliverability in the Final 2018 RFP Would Increase Competitiveness in this Solicitation.

The Commission has encouraged flexibility and creativity in managing complicated transmission issues. For example, and most relevant to the 2018 RFP, the Commission included as a condition for acknowledgment of PGE's 2016 IRP Addendum that PGE address "RFP design and scoring elements relevant to Montana wind resources . . . as part of the RFP public process . . . [to] ensure[] that stakeholders … discuss options for structuring the RFP deliverability requirement so that Montana wind may potentially be able to participate in the RFP."[13]

Montana wind is an example of a resource that require additional time and flexibility to address transmission and deliverability questions. PGE's own analysis showed that Montana wind could provide significant capacity value and low-cost renewable energy to PGE's system if the transmission constraints and other questions can be resolved. In its 2016 IRP, PGE modelled an Oregon wind resource against a Montana wind resource, but with the same transmission assumptions (i.e. not accounting for the additional transmission needed for the Montana resource).[14] PGE stated that "[t]he difference in cost between those two portfolios can serve as a reasonable proxy for the budget that could be that could be allocated to securing the transmission capability needed in order to deliver the energy from a Montana wind resource."[15] PGE then calculated a so-called "transmission budget" of $65/kW-year for Montana wind resources.[16] The implication was that if Montana wind resources, because of their higher resource performance, could secure transmission for less than this "transmission budget," they could potentially compete with Oregon wind resources in the RFP.

BPA and the Governor of Montana launched the Montana Renewable Energy Development Action Plan effort in December 2017 to address these transmission questions. As part of that process, significant progress has been made in identifying additional long-term firm available transfer capability ("ATC") from Montana to Mid-C, answering questions about Dynamic Transfer Capability, and showing that Montana wind can be delivered for less than PGE's calculated "transmission budget". Unfortunately, the Steering Committee running this important process will not publish its final findings and recommendations until June 30, 2018, shortly after the June 15 deadline for 2018 RFP submittals. Regardless, the current draft 2018 RFP does not appear to allow PGE to take advantage of this new information because PGE's own transmission from Mid-C to PGE's BAA is will not be made available to bidders and because Dynamic Scheduling is excluded. Both of these items are discussed further below.

[13] LC 66, Order 18-044 at 5 (Feb. 2, 2018).
[14] LC 66, PGE 2016 IRP, at 311 (Nov. 2016).
[15] *Id.*
[16] *LC 66, PGE 2016 IRP, at 312 (Nov. 2016).*

We encourage the Commission to direct PGE to consider how it can incorporate information from the June 30 report part of the Montana planning process. Incorporating that information would show consistency with PGE's statements that bidders are required to have a "reasonable and achievable plan to obtain annual long-term transmission rights to support Commercial Operation."[17]

PGE should also clarify the inconsistent language that we highlight in Section II.B of these comments and inform bidders if the company is willing to work with the many potential bids that require additional time and flexibility for securing long-term firm transmission on BPA's system. If PGE is not willing to provide a more flexible and fair approach to transmission access and make its BPA transmission rights available to all bidders (discussed below) or allow for initial delivery using conditional firm transmission service, this RFP will have very limited competition from outside of PGE's own BAA and will likely not result in the procurement of least-cost, least-risk resources that complement and diversify PGE's existing portfolio.

D. The Structure of the Deliverability Requirement in PGE's Draft 2018 RFP Does Not Appear to Allow for the Participation of Montana Wind.

In response to PGE's 2016 IRP Addendum, Staff highlighted the potential value of Montana wind resources,[18] and suggested additional work to address deliverability and other acquisition issues around Montana wind.[19] The Commission's conditions for acknowledgement included that PGE address "RFP design and scoring elements relevant to Montana wind resources in the bidder and stakeholder workshops it conducts as part of the RFP public process . . . [to] ensure[] that stakeholders . . . discuss options for structuring the RFP deliverability requirement so that Montana wind may potentially be able to participate in the RFP."[20]

However, at PGE's March 2, 2018, stakeholder workshop, the extent of PGE's discussion of options for structuring deliverability requirements was limited to statements to the effect that "[o]ffers [are] not required to have acquired firm transmission rights to participate in the solicitation" and that "[b]idders are required to have a reasonable and achievable plan to obtain annual long-term transmission rights to support Commercial Operation."[21] At that time, stakeholders and bidders were still reviewing the various pre-issuance RFP documents and

[17] PGE's 2018 Renewable RFP - Pre-issuance Workshop at 8 (Mar. 2, 2018) available at https://www.portlandgeneralrfp2018.com/wp-content/uploads/2018/03/2018-RFP-Pre-Issuance-Workshop-Powerpoint.pdf.
[18] LC 66, Staff Comments at 8 (Dec. 1, 2017).
[19] LC 66, Order 18-044 at 4 (Feb. 2, 2018).
[20] LC 66, Order 18-044 at 5 (Feb. 2, 2018).
[21] PGE's 2018 Renewable RFP - Pre-issuance Workshop at 8 (Mar. 2, 2018) available at https://www.portlandgeneralrfp2018.com/wp-content/uploads/2018/03/2018-RFP-Pre-Issuance-Workshop-Powerpoint.pdf.

assessing the potential impacts of various sections of the draft RFP on the possibility that Montana wind could fairly participate in the 2018 RFP.

Several of our recommended modifications to PGE's draft 2018 RFP in Section A would also result in deliverability requirements that would allow Montana resources to participate in this RFP. We encourage the Commission to adopt our recommended modifications to the draft 2018 RFP to ensure that Montana resources and other resources outside of PGE's BAA can fairly bid into the 2018 RFP.

III. PGE's Control of Transmission Rights into PGE's Service Territory Would Likely Limit Competition in the 2018 RFP.

PGE appears to have the last remaining underutilized long-term firm transmission rights over BPA's system to the PGE BAA. Renewable Northwest understands that PGE's merchant arm (the arm of PGE responsible for serving PGE's retail load obligations) currently holds roughly 4,400 MW[22] of long-term firm transmission rights over BPA's system into the PGE service territory, well above PGE's peak load requirements of roughly 4,000 MW.[23] These long-term firm transmission rights were granted before the capacity over the SOA Flowgate ran out and are essentially "grandfathered" indefinitely. Still, while PGE holds most, if not all, of the BPA long-term firm transmission that could be used to deliver to its service territory, under Section 6.1.6 of the draft 2018 RFP "PGE will not entertain Bids that propose assignment of PGE's transmission right to deliver to an acceptable delivery point."[24]

One of several options available to PGE and the Commission for addressing this issue is to allow bidders to show a reasonable path to deliverability through a combination of conditional-firm, short-term firm, and non-firm transmission rights during the initial years of delivery and as a bridge to long-term firm service through BPA's TSEP process. Under this option, bidders should not be required to complete Phase 4 of the TSEP until after the results of the 2018 RFP are known.

Another option for addressing these deliverability requirements is to allow bidders to utilize PGE merchant arm's BPA transmission rights and any transmission rights that PGE plans to rely on for its benchmark resource. Under this option, PGE's merchant arm would not transfer its transmission rights to the bidders, but rather would structure the deal around the understanding that PGE's transmission rights would be used to efficiently meet the transmission and deliverability requirements of the least cost, least risk bid.

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[22] See BPA OASIS at http://www.oasis.oati.com/bpat/index.html.
[23] LC 66, PGE 2016 IRP, Figure 5-1: PGE's Estimated Annual Capacity Need, at 115.
[24] *UM 1934, PGE 2018 RFP Renewable Resources Final Draft at 19 (Mar. 9, 2018).*

In response to questions regarding the ability of bidders to use its transmission rights, PGE stated:

> PGE does not have surplus BPA transmission rights available. PGE plans its BPA transmission rights to meet peak load conditions and ensure sufficient transmission to deliver from existing generating assets. . . . all bidders, including the benchmark bid, are required to demonstrate a reasonable and achievable plan to obtain long-term firm transmission rights from the resource to the delivery point.[25]

This statement does not appear consistent with our understanding of the current transmission rights holdings of PGE's merchant arm. However, even if the statement is accurate, it is important for the fairness and competitiveness of the 2018 RFP that the benchmark resource faces same transmission requirements and limitations that all other potential bids will face. We encourage PGE and the Commission to consider these or other solutions to ensure that transmission access restrictions do not act as an obstacle to a fair and competitive RFP.

IV. PGE Should Allow Off-System Resources to Use 15-Minute and Dynamic Schedules.

Section 4.2 "Scheduling Requirements" and Section 6.1.7 "Resource Delivery" seem to require bidders to deliver energy in firm 60-minute scheduling intervals (or longer) and to preclude the ability to deliver energy on the more granular 15-minute or dynamic scheduling option. Projects using hourly schedules can have higher integration costs from their host BAA compared to those using 15-minute or dynamic scheduling out of the host BAA. PGE itself was a leader in this area when it decided to schedule its wind off BPA's system using 15-minute schedules to decrease the integration charges that PGE was paying to BPA. Since then, PGE has moved all of its wind resources off BPA's system through dynamic schedules into PGE's BAA, presumably because it was more cost-effective for PGE to integrate the wind with its own resources (and the Energy Imbalance Market ["EIM"]) than to pay BPA's Variable Energy Resource Balancing ("VERB") Service charge.[26]

While 15-minute and dynamic schedules can increase the integration responsibility taken on by the PGE BAA, using these schedules may well result in the least-cost option to manage integration requirements, especially considering PGE's participation in the expanding EIM. The

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[25] PGE's 2018 Renewable RFP - Pre-issuance Workshop at 8 (Mar. 2, 2018) available at https://www.portlandgeneralrfp2018.com/wp-content/uploads/2018/03/2018-RFP-Pre-Issuance-Workshops-Q-and-A-Final.pdf (question 4).

[26] See BPA installed wind list at: https://transmission.bpa.gov/Business/Operations/Wind/WIND_InstalledCapacity_LIST.pdf.

integration cost tradeoffs between these different scheduling options should be considered as a part of the 2018 RFP.

We encourage the Commission to direct PGE to allow dynamic and 15-minute schedules in the final 2018 RFP. We also encourage the Commission, as part of the RFP acknowledgement process, to direct PGE to make known its internal cost of integrating new renewable resources into its own BAA. These costs should be posted for both 15-minute and dynamic scheduling options. By doing so, bidders will be able to compare PGE's integration costs with their generation project's host BAA integration costs and craft a least-cost bid.

V. The Draft 2018 RFP's Proposed Deduction of Points for Projects Subject to A Remedial Action Scheme Obligation is Unreasonable.

Section 8.8.2 "Project Physical Characteristics" states that "[p]rojects subject to a [Remedial Action Scheme ("RAS")] obligation outside of the AC intertie will have points subtracted."[27] This provision seems inconsistent with the requirements under Section 6.1.7 "Resource Delivery," which defines firm energy as only being excused for failure to deliver if there is a force majeure.[28] Transmission subject to a RAS is considered firm by BPA, and a force majeure event, such as a major transmission outage, is often the very reason for establishing a RAS. For example, any resources coming out of BPA will have a RAS associated with their firm transmission rights and that RAS will only trip (fail to deliver) if there is a major transmission outage that requires the RAS to protect other transmission equipment from being harmed. It is unclear why projects subject to a RAS, often put in place in response to failure to deliver due to force majeure events, should incur a point deduction in the RFP.

VI. Bidders Should be Able to Bid Projects Even if They Are Negotiating a Schedule 202 Power Purchase Agreement ("PPA") with PGE.

PGE's Draft 2018 RFP would exclude projects when the bidder is engaged in Schedule 202 negotiations with PGE for that project.[29] Specifically, PGE's draft 2018 RFP includes the following language:

> In any event, Bidders with projects that have an executed contract with PGE or are actively negotiating a contract under Schedule 202 are not eligible to bid the project in this RFP. If a Bidder wishes to withdraw its project from negotiations

[27] *UM 1934, PGE 2018 RFP Renewable Resources Final Draft at 30 (Mar. 9, 2018).*
[28] *See id. at 20.*
[29] Solar qualifying facilities greater than 3 MW and all other qualifying facilities greater than 10 MW must negotiate a Schedule 202 PPA in order to contract with PGE under PURPA.

> under Schedule 202, PGE invites the Bidder to bid the project into this RFP, provided the Bidder has notified PGE accordingly.[30]

We consider this section problematic for a number of reasons. First, it is not clear from the language in the draft 2018 RFP what PGE would consider to meet the threshold of "actively negotiating" a Schedule 202 PPA. Additionally, Renewable Northwest is concerned that PGE's proposed language unduly restricts competition and inappropriately signals to potential PURPA developers that PGE will exclude them from its RFPs should they pursue a PPA. Therefore, Renewable Northwest recommends that the Commission direct PGE to allow projects in Schedule 202 negotiations to also be bid into this RFP.

VII. PGE Should Clarify Its Site Data Requirement For Solar Resources.

Section 6.1.8 requires bidders to submit "evidence substantiating the bid's forecasted energy deliveries," but it is unclear from the RFP precisely what evidence PGE is requesting.

The draft 2018 RFP provides bidders with some direction. For solar installations, for example, the evidence provided "must include at least three years of forecasted facility level generation consistent with a contemporaneous period of historical . . . irradiance" as well as "average, expected generation for each month-hour."[31] This information "must be produced by a qualified third-party or consistent with an included energy assessment."[32]

More clarity is necessary, however, due to the importance of this evidence to bid scoring. According to Appendix H, Exhibit A, these site data will be used as part of PGE's non-price bid scoring. "Project Physical Characteristics," including the "resource certainty"," account for 13% of the total bid score.[33]

At PGE's March 2, 2018 stakeholder workshops, attendees requested clarification regarding the specific data that PGE is seeking for solar resources. PGE responded:

> Solar bids can provide facility level generation based on on-site measurements or historical satellite imagery. For example, the National Renewable Energy Laboratory's (NREL) Physical Solar Model provides readily available public solar radiation data for the entire United States using satellite imagery with a

[30] *Id.* at 19.
[31] *Id. at 20.*
[32] *Id.*
[33] *UM 1934, PGE 2018 RFP Renewable Resources Final Draft, Appendix H at 8 (Mar. 9, 2018).*

> spatial resolution of 4 x 4 km. PGE requires data of equal resolution corresponding to the bid's actual project site location.[34]

Renewable Northwest encourages the Commission to direct PGE to clarify the data requirements for solar bids in Section 6.1.8 of the draft 2018 RFP to be consistent with PGE's statements at the bidders workshop.

VIII. PGE's Proposed Compensation/Penalty Scheme for PPAs Under the Draft 2018 RFP is Unfair.

By too strictly tying payments to "Specified Energy" determined up to a year in advance, PGE's Form PPA appears to unreasonably penalize projects for producing less than their scheduled amount while compensating greater-than-anticipated production at unreasonably low prices.

The payment scheme laid out in the draft 2018 RFP's Form PPA, attached as Appendix A, is closely tied to a project's generation of "Specified Energy." The Form PPA defines Specified Energy at section 1.1.119 as:

> Firm Energy simultaneously bundled with the Facility's associated Environmental Attributes, including Bundled RECs, as generated and metered net of all Facility losses and station service at the Facility Meter, scheduled in hourly blocks, and delivered to the Delivery Point, up to the Specified Amount according the Scheduling Procedure in Section 3.8.[35]

The Form PPA goes on to explain at Section 2.3.2 that compensation for energy produced shall generally be the sum of (1) Specified Energy "up to the Specified Amount" at a fixed price set by contract and (2) production over and above Specified Energy (termed "As-Available Energy" and "Un-Specified Energy") at spot-market rates.[36] The definition of "Specified Amount" in section 1.1.118 says that the amount "shall be established … pursuant to Section 3.3."[37] Section 3.3 provides that:

> On or before September 1 following the Commercial Operation Date ["COD"] and on or before September 1 of each subsequent year during the Delivery Period,

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[34] PGE 2018 Renewable RFP – Pre-Issuance Workshops, Question 2 (Mar. 2, 2018), *available at* https://www.portlandgeneralrfp2018.com/wp-content/uploads/2018/03/2018-RFP-Pre-Issuance-Workshops-Q-and-A-Final.pdf.
[35] *UM 1934, PGE 2018 RFP Renewable Resources Final Draft, Appendix A at 21 (Mar. 9, 2018).*
[36] *Id. at 24-25.*
[37] *Id. at 21.*

> Seller shall provide PGE with … the Specified Amounts for each month during the following calendar year (except for any months outside the Delivery Period).[38]

The upshot of this scheme is that a project will only be compensated at contract rates for energy generated in accordance with predictions determined up to a year in advance, providing uncertainty and the risk of low payments for generators whose output exceeds expectations.

On the other hand, generators whose output falls below expectations are subject to steep penalties. Section 6.1 of the Form PPA provides that if a project "fails to deliver Specified Energy and the associated Environmental Attributes, including Bundled RECs, in an amount equal to the Specified Amount," the project owner must pay a penalty that effectively combines PGE's cost of procuring replacement energy as well as other costs incurred by PGE, including costs associated with increased carbon emissions, ancillary services, transmission, and REC procurement.[39] This penalty includes costs that, if incurred as a result of underperformance by a benchmark bid, PGE could pass on to ratepayers. The result is an unfair advantage for benchmark bids.

Finally, while the Form PPA is not final—it is essentially a starting point for negotiations between PGE and shortlisted bidders—it is important because bidders are required to propose alternative terms in redline form and "PGE will consider how proposed revisions impact highlighted terms and conditions identified by PGE."[40] That consideration will be reflected in a bid's score: "Should proposed revisions to highlighted terms and conditions increase PGE's exposure to risks related to project schedule, performance or cost then PGE will adjust the bid's non-price score consistent with Appendix H."[41] Any redlines that affect the compensation scheme above will drive down a bid's score and reduce its competitiveness. This means that the unfair terms in PGE's Form PPA result in a less competitive bidding process that will likely not result in procurement of least-risk, least-cost renewable resources.

IX. PGE's Requirement that Bidders Provide Pre-COD Performance Assurance Through a "Letter of Credit Commitment Letter" Is Unreasonably Restrictive.

Rather than providing a suite of options for bidders to demonstrate creditworthiness, PGE's draft RFP unreasonably requires that Bidders produce a "Letter of Credit Commitment Letter." Instead, PGE should allow Bidders reasonable flexibility in how they demonstrate that they can obtain financing, just like PGE was willing to allow in the draft 2016 RFP.

Section 6.1.4 provides that "[t]o be eligible for bidding bidders must be demonstrate an ability to

[38] *Id. at 32.*
[39] *Id. at 45-46.*
[40] UM 1934, PGE 2018 RFP Renewable Resources Final Draft at 16 (Mar. 9, 2018).
[41] *Id.*

secure necessary pre-COD performance assurances in the form of a letter of credit from a qualified institution."[42] Appendix E provides additional information on this requirement:

> bidders that are non-investment grade must demonstrate, prior to bidding, that a qualified institution (defined below) is willing to support the bidder's pre-COD performance obligations through a Letter of Credit Commitment Letter and, for applicable utility-owned bids, a Guarantor Commitment Letter.

Appendix E, Attachment 2 provides the additional clarification that a "Letter of Credit Commitment Letter" should include a promise from a qualified financial institution "that, should any bid submitted by Bidder in the RFP be selected for negotiations, that [the institution] will issue an irrevocable standby letter of credit in a form reasonably acceptable to you up to a [specified] maximum amount."[43]

PGE clarified at its stakeholder workshops that "[a]t the time of bid submittal, bidders are only required to demonstrate that they can obtain a [letter of credit] from a qualified financial institution"—bidders are not required to have a letter of credit already at the time of bid.[44]

Renewable Northwest encourages the Commission to direct PGE to add flexibility to Section 6.1.4. Our understanding is that the "Letter of Credit Commitment Letter" requirement would unreasonably be burdensome for many bidders and that bidders could demonstrate creditworthiness through various other less burdensome options such as those that PGE would have accepted under its draft 2016 RFP.

Indeed, the "Letter of Credit Commitment Letter" seems to be new to the 2018 RFP. No such term appeared in PGE's draft 2016 RFP. Under the draft 2016 RFP, bidders would have provided "performance assurance in a form and amount acceptable to PGE . . . which may include one or more of the following: cash, a letter of credit, surety bond (payment and performance bond) or parental guarantee."[45] Altogether, the more flexibility that is allowed to bidders in proving creditworthiness, the more competitive the RFP process will be and the more likely that the process results in procurement of least-cost, least-risk renewable resources. As a result, we recommend that the Commission to direct PGE to allow for less burdensome options for bidders to prove creditworthiness, like it would have under the draft 2016 RFP.

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[42] *Id. at 18.*
[43] *Id. at 6.*
[44] PGE 2018 Renewable RFP – Pre-Issuance Workshops, Question 23 (Mar. 2, 2018), *available at* https://www.portlandgeneralrfp2018.com/wp-content/uploads/2018/03/2018-RFP-Pre-Issuance-Workshops-Q-and-A-Final.pdf.
[45] 2016 PGE RFP, section 7.1.3.

X. PGE's Draft 2018 RFP Interconnection Requirements Should be More Flexible.

PGE's draft 2018 RFP is unclear regarding what is the interconnection milestone required prior to placement on the Final Shortlist. Under Section 6.2.7, "Interconnection," [b]idders that have not completed an *Interconnection Study Agreement* prior to placement on PGE's Final Shortlist will be deemed unready for construction and will be disqualified from the evaluation."[46] However, PGE's Scorecard Template for Physical Characteristics, Figure 1, states that a Interconnection Facility Study "must be completed prior to final short list."[47] PGE confirmed to Renewable Northwest that its interconnection requirement prior to placement on the Final Shortlist is an Interconnection Facility Study. Renewable Northwest encourages PGE to more clearly identify this requirement throughout the final 2018 RFP because the inconsistent language led to confusion among stakeholders.

Physical Characteristics	Score	Weight	Total	Scoring Rules
3.a Interconnection Rights	5	10	50	5 = Executed LGIA or project in operation.
				4= Tendered LGIA, in Negotiations.
				3 = Executed optional Engineering and Procurement Agreement (E and P) or procurement agreement for long-lead interconnection items if applicable.
				2 = Completed Interconnection Facility Study (must be completed prior to final short list).
				1 = Completed Interconnection System Impact Study.
				0=Executed System Impact Study Agreement.

Figure 1: Excerpt from PGE's 2018 RFP Scorecard Template—Physical Characteristics.[48]

Requiring an Interconnection Facility Study prior to placement on the Final Shortlist is reasonable so long as the transmission provider avides by its OATT ("Open Access Transmission Tariff") timeframes. Since a bidder's ability to meet this milestone could be impacted by the transmission provider, Renewable Northwest strongly encourages the Commission to direct PGE not to penalize a bid's score if a bidder fails to meet an interconnection milestone on account of the transmission provider's failing to meet its OATT. This direction from the Commission would address an element of the draft 2018 RFP's proposed bid-scoring system that could potentially be unfair to third-party bidders.

XI. Conclusion

Renewable Northwest is grateful to the Commission for this opportunity to comment on PGE's draft 2018 RFP. We make the recommendations in these comments with the aim of developing a fair, transparent, and competitive 2018 RFP that will enable the pursuit of least cost, least risk resources.

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[46] *Id*. (emphasis added).
[47] UM 1934, PGE 2018 RFP Renewable Resources Final Draft, Appendix H at 13 (Mar. 9, 2018).
[48] *Id.*

The transmission and deliverability requirements of PGE's draft 2018 RFP are unreasonably restrictive and will significantly limit competition, especially in light of existing transmission constraints. We recommend the Commission direct PGE to make its transmission rights available to all bidders, or, as an alternative, allow for initial delivery into PGE's BAA using conditional firm transmission service. The draft 2018 RFP also includes unworkable transmission constraints, such as the requirement for bidders outside of PGE's BAA to have a completed Record of Decision with BPA for a transmission upgrade as a condition to even participate.

The structure of the deliverability requirement in the draft 2018 RFP does not appear to allow for the participation of Montana wind. This is important in the context of the Commission's request that PGE discuss options to enable Montana wind to participate in the 2018 RFP. We encourage the Commission to consider how PGE can incorporate information from the Montana Renewable Energy Development Action Plan effort that was launched by BPA and the Governor of Montana in December 2017.

Renewable Northwest is also grateful to PGE for all of its efforts so far, and look forward to working with the utility further on the issues discussed.

Respectfully submitted this 30th day of March, 2018.

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