



Portland General Electric Company

121 SW Salmon Street • 1WTC0306 • Portland, Oregon 97204
portlandgeneral.com

June 16, 2023

Via Electronic Filing

Public Utility Commission of Oregon
Attention: Filing Center
P.O. Box 1088
Salem, OR 97308-1088

Re: **UM 2274 – In the Matter of Portland General Electric Company, 2023 All-Source Request for Proposals, Request for Partial Waiver of Competitive Bidding Rules**

Dear Filing Center:

Please find enclosed for filing in the above-captioned docket, Portland General Electric Company's Benchmark Team Comments on PGE's All-Source RFP.

Thank you in advance for your assistance in this matter.

Sincerely,

Danielle McCain

Danielle McCain
Office Administrator

Enclosure



Portland General Electric
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To: OPUC Staff, Independent Evaluator and PGE RFP Scoring Team
From: PGE Benchmark Team
Date: June 16, 2023
Subject: Comments regarding PGE's 2023 All-Source RFP (UM 2274)

PGE's Benchmark Team appreciates the opportunity to comment on PGE's 2023 All-Source RFP. After review of the RFP documents and participating in each of the bidder and stakeholder workshops, PGE's Benchmark Team offers comments in support of PGE's decarbonization plans to address climate change in a manner that delivers reliable, affordable outcomes for customers, including this All-Source RFP, but also encourages PGE to consider necessary amendments to deliver a competitive solicitation that balances procurement market realities. Absent these amendments, PGE's Benchmark Team is concerned the 2023 RFP outcome does not result in successful commissioning of a substantial fraction of PGE's carbon free long-term portfolio need as identified in the 2023 Integrated Resource Plan/Clean Energy Plan (IRP/CEP).

Commercial Online Date

There are several current macroeconomic challenges affecting the entire renewable and storage industry that will interfere with counterparties' ability to reach an end of year 2025 commercial operation without a currently executed contract. Long-lead-time requirements for major equipment orders, including major power transformers, in many instances are more than twenty-four months following contractual notice to proceed. The proposed RFP timeline would not facilitate a notice to proceed until the second or third quarter of 2024 and effectively prevent timely commercial operation by end of year 2025, even for projects having accomplished all major development milestones at the time of bidding.

At the June 5th, 2023 bidder and stakeholder workshop, PGE clarified the RFP design would allow for projects with commercial operation dates (CODs) through the end of year 2027. However, the adjusted RFP design would not fairly value the full capacity contribution for projects achieving COD during 2026 or 2027. PGE's Benchmark Team recommends that those resources not providing capacity in calendar year 2026 or 2027 be recognized for their long-term capacity contribution. PGE's portfolio analysis methodology can account for replacement market capacity purchases in the early years. Accounting for the timing of a resource's capacity contribution through portfolio analysis will also be adaptable to any capacity need updates the Company might have because of its efforts to secure capacity contracts bilaterally.

BPA's 2023 TSEP Delay Should Not Disqualify Projects

PGE's RFP design requires off-system bidders to have an active transmission system request, generally satisfied by participation in BPA's Transmission System Expansion Process (TSEP). BPA has pointed to a significant increase in transmission requests as the reason for delaying the 2023 TSEP results from spring of 2023 to the fall of 2023. It would not be unreasonable to expect a possible delay in future TSEP processes, frustrating potential bidder's ability to qualify for the current or future RFP's at time of bid submission. PGE's Benchmark Team proposes bidders with an active transmission service request (TSR) be eligible, even if completed cluster studies and a final agreement are delayed by BPA. Should bidders provide proof of an active TSR prior to the filing of the final shortlist, those bids should be deemed as conforming to RFP requirements. Failure to recognize delays in BPA's process will likely affect many bidders and is likely to result in a less than optimal solicitation.

Conditional Firm Transmission

PGE's RFP design requires bidders to secure long-term transmission, inclusive of conditional firm. More specifically, PGE requires number-of-hours conditional firm rather than a system conditions product.



However, BPA may not market number-of-hours conditional firm across all of their flowgates – in which instance a bidder could face disqualification and potentially sacrifice mature projects capable of delivering the greatest value at the lowest cost to PGE customers.

BPA's 2022 Cluster Study Report shows that this is a challenge for projects looking to deliver to the Portland sub-grid area. Page 52 of the report notes that "the Portland sub-grid area is becoming more congested. This trend has been observed for a number of years, and continues to be in evidence in the 2022 study cases. BPA reserves the right to add CFS conditions associated with any future new paths that BPA implements to manage CFS on the constraints identified in the Portland sub-grid associated with these study findings. As a result, BPA will only offer CFS to TSRs impacting the greater Portland area (either as a sink or due to flow-through impacts) on a System Conditions basis." BPA appears to be unwilling to market system condition conditional firm transmission to the Portland area and that should be recognized in PGE's RFP design.

PGE's Benchmark Team recommends projects exclusively offered system conditions conditional firm, be deemed as conforming. Such a design change should not negatively impact PGE's resource adequacy requirements given the Western Resource Adequacy Program (WRAP) allows for conditional firm as a qualifying transmission product and does not differentiate between number of hours and system conditions product types.¹

When considering how to model system condition transmission within PGE's capacity contribution framework, PGE should endeavor to reasonably estimate the relative availability of system conditions conditional firm as compared to number-of-hours. PGE's Benchmark Team recommends that PGE's RFP design assumes that system conditions are conditionally curtailed on a comparable basis to the number of hours transmission. Analytically, this approach can be accomplished by assuming a transmission curtailment frequency equal to the median number of hours curtailment marketed on other transmission plans of service.

No Redlines to the Form Agreement

PGE's RFP design does not require bidders to redline form agreements, nor does it require bidders to identify the commercial terms and conditions associated with the bid price. This omission is understandable given PGE's proposal to not engage in non-price scoring associated with commercial redlines. However, by avoiding redlines to commercial terms and conditions altogether, PGE's RFP design invites certain bidder behavior that could lead to negotiated outcomes in which the pricing and/or terms and conditions are materially different than the understanding of bids as evaluated within the RFP.

In the proposed RFP design, bidders are incentivized to offer the lowest possible price by assuming seller-friendly terms and conditions that depart from market terms and condition and intentionally shift risk to PGE customers and/or shareholders. PGE should expect bidders to include terms and conditions such as variable and index-based PPA prices finalized at notice to proceed, no-cost contract termination provisions, and low security requirements. Such commercial terms have historically been found to be unacceptable to PGE, are at odds with market terms and conditions recently agreed to, and would be poorly suited for PGE's regulatory framework.

¹ See section 16.3 here at https://www.westernpowerpool.org/private-media/documents/WRAP_Tariff_12-12-22_W0327945x8DF47_2.pdf



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PGE's Benchmark Team proposes the RFP design be modified to prevent this predictable circumstance. PGE should consider requiring bidders to attest that they have reviewed PGE's form contract and agree that the included market terms and conditions are consistent with their bid price. Bidders seeking material commercial deviations from the form contracts should be required to note that intent. For such bidders, PGE should require bid price submissions aligned with PGE's form contracts and, in addition, a separate bid price aligned with the commercial terms and conditions requested by the bidder.

Proposed Cap on Submitting Benchmarks

PGE's Benchmark Team believes the IE's suggestion to cap benchmark proposals in the "Independent Evaluator's Assessment of PGE's Draft All Source RFP" dated May 31, 2023 to be inappropriate and anti-competitive. As the IE notes in the Assessment, recent Benchmarks projects have not been limited to cost-based, utility constructed generation assets. Benchmark projects have included collaborative efforts between PGE's Benchmark Team and the development community to develop project(s) capable of delivering the greatest value at the lowest cost for PGE customers. The joint risk allocation associated with such projects can allow for reduced costs and risks than may otherwise face a single counterparty or developer.

The IE's suggestion to cap the number of Benchmark bids, while leaving competing commercial structures unconstrained, is in conflict with the Competitive Bidding Rules. The Competitive Bidding Rules are direct in their purpose to "establish a fair, objective, and transparent competitive bidding process, without unduly restricting electric companies from acquiring new resources and negotiating mutually beneficial terms."² Additionally, the rules are clear that "an electric company may submit or allow its affiliates to submit bids in response to the electric company's request for proposals."³ And further that "electric company and affiliate bids must be treated in the same manner as other bids."⁴ Clearly limiting the quantity of electric company bids, while creating no corresponding limitation on non-electric company bids would be in conflict with the Competitive Bidding Rules.

To address inaccurate perceptions regarding outcomes related to PGE owned assets as compared to third party owned assets, PGE's Benchmark Team asks that the results of PGE's most recent RFPs be considered. As demonstrated in Table 1, one can see an even split between the total megawatts procured via each commercial structure. PGE's recent RFP results show remarkable parity regarding commercial structure outcome, and PGE's cost recovery filings have shown or will show that the best available projects were selected.

² See OAR 860-089-0010 (1)

³ See OAR 860-089-0300 (1)

⁴ See OAR 860-089-0300 (1)(a)



Table 1: Breakdown of Commercial Structure for Recent RFP-Winning Projects

	Third Party Owned Assets (MW)	PGE Owned Assets (MW)
Storage Projects		
Evergreen		75
Seaside		200
Troutdale	200	
Wheatridge		
Wind	200	100
PV	50	
BESS	30	
Clearwater Wind		
	103	208
Total MW	583	583

It is important to not limit the quantity of Benchmark proposals as PGE should look to maximize the likelihood of successfully procuring high performing projects to meet its large resource need. Benchmark proposals are generally designed to offer PGE with dependable resource options that can be contracted for at a fair cost under fair terms and conditions. Such bids stand in contrast to other proposals which, under the current proposed RFP design, may focus on lowest price bidding without disclosing associated and undue commercial risk allocation to PGE customers and shareholders. Limiting benchmark bidding would reduce the likelihood of success for PGE’s 2023 RFP.

PGE’s Benchmark Team would be happy to discuss any of these items further. The Benchmark Team appreciates your consideration of our comments and for the time and attention given to the development of this RFP.

Sincerely,

PGE Benchmark Team

For any follow-up questions or discussion, please reach out to Troy Gagliano (troy.gagliano@pgn.com)